

*Paper Link
for the Sept
order of*

PARLI
OF KENYA
2013



Kenya Tourism Board

**2013 Annual Report
& Financial Statements**







TABLE OF CONTENTS

4	OUR CORE STATEMENTS
5	KTB SERVICE CHARTER
5	OUR SERVICES
6	BOARD INFORMATION
9	CORPORATE GOVERNANCE
10	CHAIRMAN'S REPORT
11	MANAGING DIRECTOR'S REPORT
14	MARKETING DEPARTMENT REPORT
19	REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2013
20	FIVE YEAR SUMMARY
21	STATEMENT OF DIRECTORS' RESPONSIBILITIES
22	REPORT ON THE AUDITOR GENERAL ON KENYA TOURISM BOARD FOR THE YEAR ENDED 30 JUNE 2013
25	STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013
26	STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30TH JUNE 2013
27	STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30TH JUNE 2013
28	STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2013
29	NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30TH JUNE 2013

OUR CORE STATEMENTS

VISION STATEMENT

TO ACHIEVE GLOBAL RECOGNITION AS
AN OUTSTANDING TOURIST DESTINATION

MISSION STATEMENT

DRIVE AND SUPPORT THE EFFECTIVE
MARKETING OF KENYA'S TOURISM
PRODUCTS PROFESSIONALLY AND
TRANSPARENTLY WHILE ENRICHING THE
LIVES OF KENYANS AND VISITORS ALIKE

KTB SERVICE CHARTER

Vide Legal Notice No. 92 published in the Kenya Gazette on 24th August 2012, the Hon. Minister for Tourism appointed 1st September 2012 as the date on which the Tourism Act No. 28 of 2011 shall come into operation. Accordingly, from 1st September 2012, KTB's name officially changed by law to **KENYA TOURISM BOARD** from Kenya Tourist Board.

MANDATE

The Kenya Tourism Board Mandate under the Tourism Act No. 28 of 2011 are to

- (a) Develop, implement and co-ordinate a national tourism marketing strategy;
- (b) Market Kenya at local, national, regional and international levels as a premier tourist destination;
- (c) Identify tourism market needs and trends and advise tourism stakeholders accordingly; and
- (d) Perform any other functions that are ancillary to the object and purpose for which the Tourism Board is established.



OUR CUSTOMERS

LOCAL

- Employees
- Government
- The Tourism Private Sector
- Suppliers
- The General Public
- Local & International Media correspondences in Kenya
- Domestic Tourists

INTERNATIONAL

- Kenya Missions Abroad
- Market Development Representatives (MDRs)
- The Travel Trade in various source markets
- The International Media
- International Suppliers
- Foreign Tourists

OUR SERVICES

We strive to provide our customers with:

- Destination Marketing Services
- Tourism Marketing Information Services
- Tourism Statistics, Research and Information Services
- Media liaison and Tourism Sector Crisis Management Services
- Web Advertising Services
- Collateral Materials/Promotional Materials Services
- Exhibitions, Road shows and Stand Design Services
- Destination Training Services for Source Market Travel Trade
- Product Value Added Advisory Services
- Tour Operator Partnership Support
- General Industry Marketing Services

BOARD INFORMATION

Established: 1997, Updated Under the Tourism Act 2011 No.28

BOARD OF DIRECTORS

The Board who served during the year and to date of this report are:-

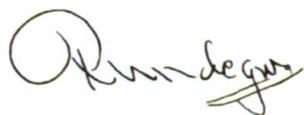
1. Mr. Kitili Mbathi – appointed 28th September 2011
2. Mr. Muriithi Ndegwa
3. Mr. Mutea Iringo (PS, Internal Security) - Alternate Mr. Shadrack Mwadime
4. Mrs. Leah Gwiyo, CBS (PS, Ministry of Tourism) - alternate Dr. Nelson Githinji
5. Mr. Joseph K. Kinyua, CBS (PS, Treasury) - alternate Mr. James Tuamwari
6. Dr. Julius Kipng'etich (Director, Kenya Wildlife Service) Retired 19th July 2012
7. Mr. Mohan Chandra – Retired 19th July 2012
8. Mr. Abdul Samji – Retired 19th July 2012
9. Ms. Patricia Ithau- Retired 19th July 2012
10. Ms. Ann Wanyoike - Retired 19th July 2012
11. Mr. John Cleave- appointed 19th July 2011
12. Mr. Mahmoud Jan Mohamed- Retired 19th July 2012
13. Mr. David Stogdale – Retired 19th July 2012

COMPANY SECRETARY AND LEGAL COUNSEL

Mr. Allan Njoroge

PRINCIPAL OFFICERS

Ms. Jennifer Opondo	Director of Marketing (Retired October 2012)
Mrs. Jacinta Nzioka	(Ag. Director of Marketing (Appointed November 2012)
Mr. MC Voi Chiuli	Head of Human Capital & Administration
Mrs. Mary Maina	Head of Internal Audit
Mr. Orumoi T Jonah	Head of Finance



By order of the Board

Managing Director

PRINCIPAL PLACE OF BUSINESS

Kenya Re Towers, 7th Floor,
Ragati Road, Upper Hill,
P.O. Box 30630 – 00100, Nairobi

SERVICE DELIVERY CENTRES

NAIROBI

Jomo Kenyatta International
Airport,
Nairobi

Phone: 822111 Ext.
299/341728

MOMBASA

Mombasa International Airport,
Mombasa

Phone: 020 204 73 70

MARKET DEVELOPMENT REPRESENTATIVES (MDRS)

GERMANY:

Ms. Gabi Romberg
Travel Marketing Romberg
Schwarzbachstrasse 32 40822
Mettmann near Dusseldorf,
Germany

Phone: 49 0 2104 832919

Fax: 49 02104 912673

Email: g.romberg@
travelmarketing.de

ITALY:

Mr. Giulio Santoro
Aviareps AG
Via Monte Rosa, 20
20149 Milan, Italy

Phone: 39 0 2434 58321

Email: GSantoro@aviareps.com

FRANCE:

Mr. Philippe Mugnier
Interface Tourism
11 bis rue
Blanche
75009 Paris

Phone: +33 1 532511

Fax: +33 1 53251112

Email: Kenya@interfacetourism.
org

BENELUX (NETHERLANDS, BELGIUM)

Mr. Peter de Jonge
Buro Six PR
Fokkerstraat16,
2811 ER Reewijk, Netherlands

Phone: 31 182394455

Fax: 31 182393505

Email: team@burosix.nl

USA:

Mr. Al Merschen
Myriad Marketing
1334 Parkview Avenue Suite 300
Manhattan Branch, California
90266

Phone: +1 310 545 4200

Fax: +1 310 545 4221

Email: Al@myriadmarketing.com

CANADA:

Ms. Susan Webb
Vox International
2 Bloor Street West, Suite 2601
Toronto, Ontario, Canada M4W
3E2

Phone: 416 935 1896

Fax: 416 935 0939

Email: swebb@voxtm.ca

E. EUROPE: (CZECH REPUBLIC, POLAND & HUNGARY)

Ms. Amara Zemplerova
TMR International
Badeniho 1
160 00 Praha 6, Czech Republic

Phone: 42 233931255

Fax: 42 0233931254

Email: Travelmarketing@travel-
marketing.cz

G.C.C.:

Mr. Glenn Johnson
Aviareps AG
Dubai Media City
P.O. Box 502657, DUBAI UAE

Phone: 971 4280 725

Fax: 971 4 4280 728

Email: Gjohnston@aviareps.com

INDIA:

Mr. Kavi Ghei
Trac Representations (I) Pvt. Ltd
A-61, 6th Floor, Himalaya House
23, K.G. Marg, New Delhi – 110001
India

Phone: 91 11 23352550

Fax: 91 11 23737348

Email: Kg@tracrep.com

SWISS & AUSTRIA:

Mr. Thomas Welti
AVIAREPS AG (Switzerland)
Badenerstrasse 15
CH-8004 Zurich, Switzerland

Phone: +41 44 286 99 99

Email: Thomas.Welti@zrh.
airlinecenter.ch

AUSTRIA

Ms. Sonja Buocz-Lamatsch
AVIAREPS AG – AUSTRIA
Argentinierstr. 2 / 4
A-1040 Vienna Austria

Phone: + 43-1- 585 36 30
Email: SBuocz@aviareps.com

SPAIN:

MS. Miguel Angel Fernandez
Interface Tourism
Carden Cisneris
51 218010, Madrid
Phone: +34 915 401805
Fax: 34 91 5421396
Email: miguelangel@moonshine.es

AUSTRALIA:

Ms. Alison Roberts-Brown
AVIAREPS Oceania
5/68 Alfred Street
Milsons Point, NSW 2061
Phone: +61 2 9959 4277
Email: arobertsbrown@aviareps.com

SWEDEN:

Mr. Paul Riddez
Aviareps AG
Riddargatan 17, 11457 Stockholm

Phone: 46 84525956
Fax: 46 8 241 888
Email: priddez@aviareps.com

CHINA:

Dr. Tam Wing Kun & Mr. Henry Yim
Tam Wing Kun Holding Ltd
Unit 1903, 19th floor,
Far East Financial Centre
16 Harcourt Road, Admiralty,
Hongkong

Phone: 852 28610300
Fax: 852-25201600
Email: henryyim@tam.com.hk

JAPAN:

Mr. Yoichi Hayase
Aviareps AG
Kokusai Building Room 209
3-1-1 Marunouchi, Chiyoda-ku,
Tokyo -100,Japan

Phone: 81 3 3225-008
Fax: ++81-3-5220-4567
Email: japan@aviareps.com

RUSSIA:

Mr. Robert Obolgotiani
AVIAREPS AG
39, Prospect Mira, bldg. 2
129110 Moscow, Russian Federation
Office center “Olympic Plaza II”

Phone: +7 (495) 937-5950 ext.162
Fax: +7 (495) 937-5951

SOUTH AFRICA

Matilda Ullberg
AVIAREPS (PTY) LTD
38 Wierda Road West, Wierda
Valley Sandton, Johannesburg
South Africa

Phone: +27 (0) 11 783 1181
Direct: +27 (0) 11 722 0201
Faximile: +27 (0) 11 783 8135
Email: MUllberg@aviareps.com

BANKERS

Kenya Commercial Bank Ltd.
Moi Avenue Branch
P.O. Box 484 – 00100, Nairobi

Commercial Bank of Africa
Wabera Street
P.O. Box 30437 – 00100, Nairobi

SOLICITORS

Daly & Figgis Advocates
Lonrho House, 8th Floor
P.O. BOX 40034
NAIROBI, 00100

AUDITORS

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

CORPORATE GOVERNANCE

INTRODUCTION

CORPORATE governance is the process by which companies 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.

The directors recognize the need to conduct the business and operations of the Board with integrity and in accordance with generally accepted corporate practice and endorse internationally developed principles of corporate governance. The directors will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the Board's operations

BOARD OF DIRECTORS

The members of the board are shown on Page 6. The Board is chaired by a non executive chairman Mr. Kitili Mbathi appointed by the President. All members of the board have extensive business and administrative experience in private and/or public sectors that is applied in the management of the Board. Directors' allowances, honoraria and related transactions are disclosed in note 14 to these financial statements. Board meetings are held regularly to review the Board's performance against set targets and business plans as well as to formulate and implement strategy. Various committees whose chairpersons report to the Board supplement the functions of the Board. The Board was dissolved on 19th July 2012 via Gazette Notice 10232.

BOARD FINANCE AND ESTABLISHMENT COMMITTEE

The Board Finance and Establishment committee is chaired by non executive director (Mr. Abdul Samji) and meets on a quarterly basis. The other members are Director-KWS, PS-Treasury, PS-Ministry of Tourism, PS-Office of the President, Mr. John Cleave, and the Managing Director. The committee's responsibilities including ensuring overall sound financial reporting, internal system of controls, review of business plans and budgets, establishment and staff affairs. The Board was dissolved on 19th July 2012 via Gazette Notice 10232.

BOARD AUDIT COMMITTEE

The Board Audit Committee is chaired by a non executive director (Ms Anne Wanyoike) and meets on quarterly basis. Other members who are non executive directors

are PS-Treasury, PS-Tourism. Mr. Mohan Chandra, Mr. David Stogdale and an independent Head of Internal Audit (Mrs. Mary Maina). The responsibilities of the committee are to review the financial information of the board, monitoring the effectiveness of management information and internal control systems, deliberate on significant findings arising from both internal and external audits, and review the overall risks facing the board. The Board was dissolved on 19th July 2012 via Gazette Notice 10232.

BOARD MARKETING COMMITTEE

The Board Marketing Committee is chaired by a non executive director Ms Patricia Ithau and meets on quarterly basis. Other Members are, Mr. John Cleave, Mr. Mahmoud Jan Mohamed, Mr. Mohan Chandra, Mr. David Stogdale, Anne Wanyoike, Director-KWS, PS-Ministry of Tourism and the Managing Director. The committee's responsibilities are to provide marketing strategies to the board and approve marketing plans, activities and budgets. The committee also constitutes the technical team on behalf of the Board in the event of extraordinary circumstances such as crisis. The Board was dissolved on 19th July 2012 via Gazette Notice 10232.

DELEGATION OF RESPONSIBILITIES

The preparation of KTB's financial statements is a role that has been delegated to management. These financial statements have been prepared in accordance with internationally accepted accounting practice based on appropriate accounting policies which have been consistently applied and supported by reasonable judgment and estimates.

Management ensures that adequate internal financial control systems are developed to provide reasonable certainty in respect of:-

- The completeness and accuracy of accounting records
- The integrity and reliability of the board's annual financial statements and
- The safeguarding of the Board's assets

The responsibility for the integrity, reliability and objectivity of the Board's financial statement lies with the Board of Directors.

The external auditors are responsible for independently examining and expressing an opinion on the reasonableness of the financial statements based on their audit. The auditors' report is set out on page 22.

CORPORATE SOCIAL RESPONSIBILITY

Amongst the initiatives and endeavors that we participate in include the support of charities.

CHAIRMAN'S REPORT

According to UNWTO, international tourist arrivals worldwide exceeded the 1 billion mark for the first time ever in 2012, with 1.035 billion tourists crossing borders, up from 995 million in 2011. Asia and the Pacific recorded the strongest growth with a 7% increase in arrivals, followed by Africa (+6%) and the Americas (+5%).

Despite 2012 being a record-breaking year for Tourism, only 57% of the key markets showed an improvement in performance compared to 2011. Of the top five source markets, only the USA and India have shown positive trends in the number of visitors to Kenya. The decline in performance in the traditional source markets in Europe can be attributed mainly to the effects of the Euro-zone crisis. Europe however continued to be the top producing market while emerging markets were the fastest growing. There is great potential to increase visitors from the emerging markets through promotions with key partners and increased product education for travel agents.

KTB was successful in meeting the key objectives for the year under review which were, i) to achieve a 10% growth in international arrivals, ii) to position Kenya as an unparalleled destination with high value attractions and iii) to increase the domestic market share of bed nights. KTB was also able to win a number of awards in 2012. It was crowned 'The Best Tourist Board in Africa' at the World Travel Awards (2012). It was also awarded the second best stand at both the International Tourism Bourse (ITB) in Berlin and the Indaba in Durban. KTB will continue to encourage sustainable tourism and successfully jointly pitched with Ecotourism Kenya to host the Eco Tourism & Sustainable Tourism Conference in 2013.

FUTURE OUTLOOK

The Corporate Strategic Plan covering the period 2013 – 2017 is currently under development and will focus on enhancing Kenya's positioning as one of the most preferred tourist destinations in Africa. The strategy will also place a lot of emphasis on the need to invest more in the emerging markets in order to capture a larger share of a growing market. East Africa as well as other markets in Africa which indicate potential will also be areas of focus.

I wish to express my gratitude to the Government for its support and providing direction to KTB. I would also on behalf of KTB like to thank the private sector for its support and cooperation in promoting tourism in Kenya. KTB takes cognizance of the fact that the private sector has taken positive steps to improve the quality of the tourism product on offer to our guests. Lastly, I would like to recognize and appreciate the KTB staff for their tireless efforts and professionalism in ensuring that KTB continues to carry out its mandate.



Kitili Mbathi

Chairman

MANAGING DIRECTOR'S REPORT

The year 2012 saw the destination realize total international arrivals by air and sea of 1,236,024 compared to 1,265,136 in the same period in 2011, showing a 2.3% decline.

During the same period under review, JKIA grew by 1.7% to record 1,047,816 arrivals, compared to 2011 that registered 1,030,436 visitors. MIAM received 187,151 visitors, compared to 233,844 in 2011, a 20% decline.

December 2012 saw the arrival of two cruise ships in Mombasa bringing 1,057 visitors, a 23% increase from 2011 that recorded 856 visitors.

Cross border arrivals closed at 544,744, growing by 4.7% compared to 2011. This therefore, brings the total arrivals for 2012 to 1,780,768 a marginal decline of 0.3% compared to 2011 that had 1,785,382 visitors.

In 2012 contribution of domestic tourism to the National economy grew from 37% in 2011 41% of the total share of bed nights by Kenya residents.

We are keen on growing this segment further by encouraging Kenyans to embrace domestic tourism and for the industry to seize the opportunity as an integral part of their business.

Kenya's tourist arrivals in 2012 fell below the global average growth rate of 4%. This may be attributed to various factors such as the incidences of insecurity witnessed in the country at the coast and Nairobi among other areas, Euro Zone crisis in Europe, and uncertainty surrounding the general election held in March 2013.

Indeed the month of February and March 2013 recorded the largest declines compared with the same period in 2012 due to election jitters.

MITIGATING FACTORS

Despite these challenges, we are confident that the sector is now on track and we expect an improved performance in the next financial year following a number of measures to mitigate the challenges.

PRODUCT DIVERSIFICATION

We will continue with product diversification strategy to showcase Kenya as a multi-product tourism destination. As a destination, we have aggressively diversified our tourism products besides the traditional beach and wildlife safari that Kenya is known for; the products include and not limited to;

- Culture
- Sports
- MICE
- Agro-tourism
- Adventure Safari
- Birding among others.

MEETINGS INCENTIVES CONVENTIONS AND EXHIBITIONS (MICE)

Bidding for key international events to be held in the country is one of our strategies aimed at boosting the numbers of visitors. Nairobi as a regional business hub has lately hosted a number of key international events.

Already we have witnessed a number of international events taking place in the country within and without the tourism sector realm, on success of Kenya as a MICE destination, a testimony of the confidence visitors have in the destination.

Further, we have continued to partner with the communities in hosting annual events such as cultural festivals, sports among others that have also contributed to the growth in numbers both local and domestic.

MARKET DIVERSIFICATION

We have continued to aggressively market emerging markets such as Regional, Africa, and Asia that have shown a great potential of delivering tourist numbers to Kenya.

Our focus on these markets has been reinforced by the UNWTO findings that the emerging economies have a bright future and are fertile ground to tap into.

Already, this strategy is bearing fruits; the emerging markets in the financial year 2012/2013 financial year showed an upward trend. China contributed 38,482 tourists, a growth of 4% while the Middle East; UAE grew by 53% to record 44,526 arrivals against the same period last year.

PARTNERSHIPS

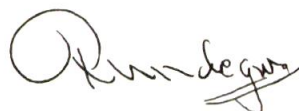
A part from collaborative efforts with other players in the industry, we have entered into joint marketing efforts with Kenya Airways targeting various tourist markets in Africa (Nigeria, Ethiopia, Rwanda, South Africa, and Egypt among others) and Asia (Bangkok, Guangzhou, Delhi and Mumbai) as well as the domestic market.

The effort will also be extended to cover Kenya Airways' destinations in Europe, Middle East and the Americas.

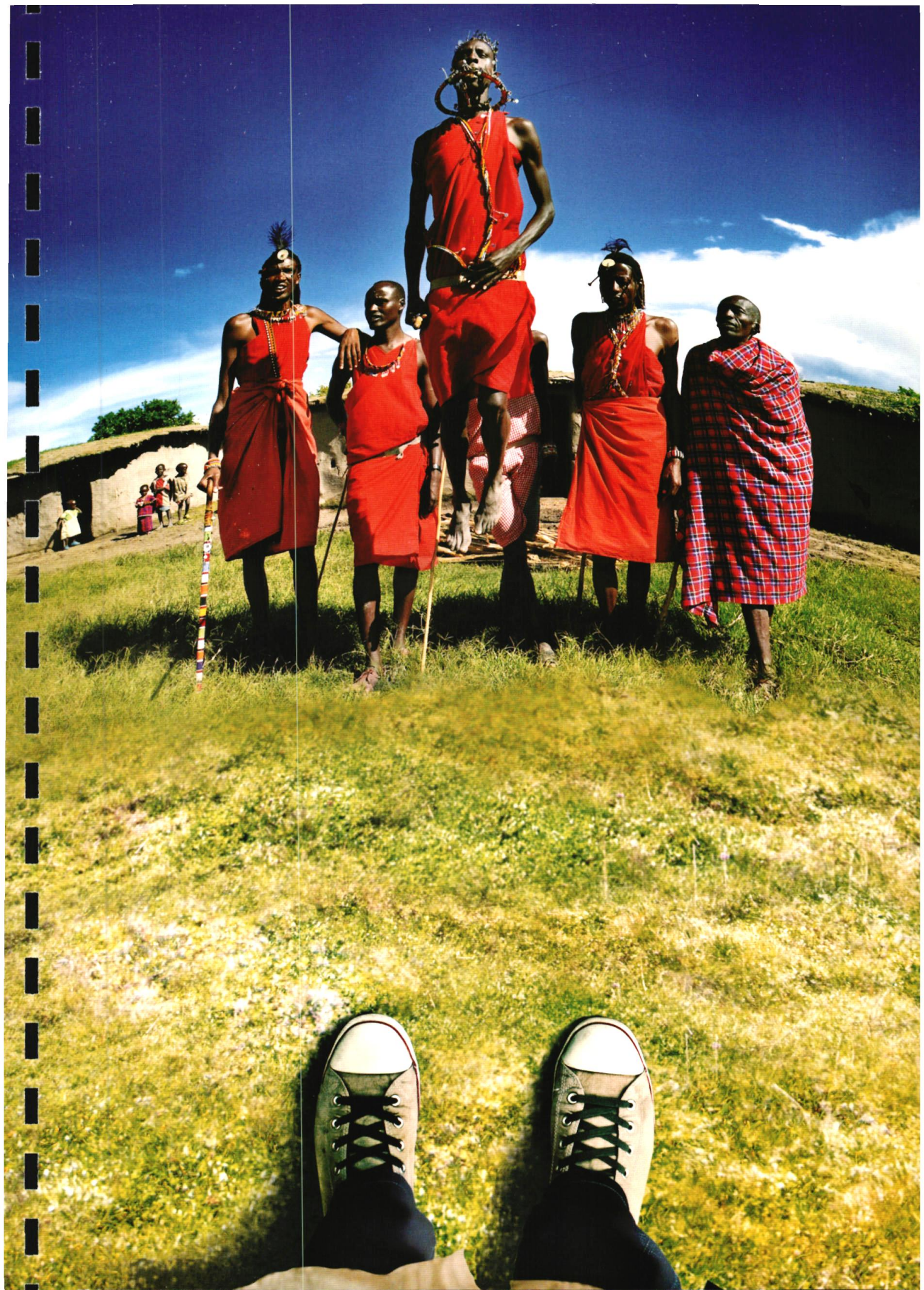
Our partnership with Kenya Airways and other strategic airlines has also seen to the growth in arrivals from the emerging markets.

We remain optimistic that the sector will continue recording an improved performance with immense support from our stakeholders and partners.

Finally, let me take this opportunity to appreciate the staff, the government, and private sector for their valuable contributions towards KTB's achievements of its mandate.



Muriithi Ndegwa, OGW
Managing Director



MARKETING DEPARTMENT REPORT

THE Key objectives in FY 2012/13 were to achieve 10% growth in international arrivals, position Kenya as an unparalleled destination with high value and increase domestic market share of bed nights. Key strategies were to educate the trade and consumers, increase awareness, promote high value tourism and also associate the destination with high value premium brands, partnership promotions.

The International source markets of Europe continued to be the top producing markets while emerging markets were the fastest growing markets where a lot of partnership promotions and education is still low.

The domestic market emerged as a growing market and a lot of focus was on consumer promotions, awareness creations and education through showcasing various offers through integrated channels.

TOURISM PERFORMANCE REPORT

INTERNATIONAL ARRIVALS BY LAND, AIR AND SEA 2012

Overview of January – December 2012 Arrivals

Total international arrivals for 2012 by air and sea closed at 1,236,024 compared to 1,265,136 in the same period in 2011, showing a 2.3% decline. During the same period under review, JKIA grew by 1.7% to record 1,047,816 arrivals, compared to 2011 that registered 1,030,436 visitors. MIAM received 187,151 visitors, compared to 233,844 in 2011, a 20% decline. December 2012 saw the arrival of two cruise ships in Mombasa bringing 1,057 visitors, a 23% increase from 2011 that recorded 856 visitors. Cross border arrivals closed at 544,744, growing by 4.7% compared to 2011. This therefore, brings the total arrivals for 2012 to 1,780,768 a 0.3% decline compared to 2011 that had 1,785,382 visitors.

Kenya's arrivals performance in 2012 fell below the global average growth rate of 4%. This may have attributed to by various factors such as the real and perceived insecurity of the destination, the ongoing Euro Zone crisis in Europe, and uncertainty of the general election process.

The second half of 2011 constituted 54% of the total arrivals for 2012. The months of July and August saw the highest number of visitors, recording a total of 243,476, 20% of the total arrivals for the year. The lowest number of international arrivals was recorded in the month of May registering a total of 76,711 arrivals. As this the low season for international inbound travel, it presents a

great opportunity for the local tour operators to promote domestic tourism.

Source Market Performance

By the close of 2012, only 57% of the key markets of focus had shown improvement in performance compared to 2011. Of the top five source markets, only the USA and India have shown positive trends in the months under review. The top five markets performance is as illustrated below:

2011	2012	Percentage Growth/Decline
203,290	185,976	-8.5%
119,615	123,905	3.6%
96,360	82,330	-14.6%
68,737	65,199	-5.1%
58,986	61,275	3.9%

The decline in the European markets may be attributed to the Euro zone crisis, travel advisories, delayed/late holiday bookings for 2012 due to the uncertainty of the date of the general elections in Kenya, and perceived insecurity. For the Italian market, the cancellation of direct flights by Kenya Airways to Rome and reduced charter frequency at the coast has contributed to the decline of arrivals from Italy. Zanzibar also continues to be an increasing threat to the coast. The Americans, on the other hand, are seeking new and exotic destinations and hence the appeal for Kenya as a preferred choice backed by continuous campaigns in the market. India is the leading inbound market for Kenya from Asia, with a growth of 4% compared to 2011, recording 61,275 arrivals in 2012. This growth is attributed to the fact that Indians have more disposable income and are seeking new destinations and experiences, hence the growing demand for Kenya. Direct flights to the source market by Kenya Airways have also contributed to this growth.

Regional and Emerging markets Performance

Uganda is the highest source market for Kenya in Africa, with 55,449 visitors, with a growth of 30% compared to 2011. South Africa and Tanzania come in second and third with 40,707 and 33,309 visitors, respectively. Tanzania has declined by 3% while South Africa has grown by 6% in 2012 compared to 2011.

China has grown by 10% to 41,303 visitors. From the Middle East; UAE grew by 92% to 40,485 arrivals, compared to 2011. Growth from the UAE has been boosted by established routes from key airlines (Emirates,

Etihad, Kenya Airways) and KTB has continually partnered with these airlines. Being a mid-haul destination from the UAE with fairer weather, Kenya is appealing to potential consumers especially from the expatriate community. Other markets that have shown positive growth in 2012 include Australia that has grown by 10% to 26,500 arrivals compared to 2011 and Japan has grown by 11% to 14,024. Though Kenya is a long haul destination for these markets the flight connectivity offers an incentive.

MARKET SHARE

Share by Point of Entry

JKIA had the highest share of inbound traffic compared to MIAM in 2012 with 85% of the total arrivals coming in through this airport, and 15% through MIAM. Comparing the same period in 2011, 81% of the total arrivals came in through JKIA, while 19% through MIAM. Arrivals through MIAM have been on the decline since the beginning of this year to close at -20% compared to 2011. This may be attributed to various factors such as;

- Declining number of charters coming in through MIAM due to declining demand and perceived insecurity in the region. Charter frequencies have also reduced
- Perception of Mombasa as a mass market, hence not offering exclusivity compared to Zanzibar, Mauritius, Seychelles etc

Traffic jams, filth and poor infrastructure was sighted as a disincentive in an Exit Survey conducted at the coast in 2012 similarly mentioned by both 1st time and repeat visitors.

Growth in JKIA may be attributed to new flights such as the Korean Air that began operations towards the end of June and Etihad Airways in April. Kenya Airways has also developed new routes such as Delhi India and Kilimanjaro Tanzania in May and July 2012 respectively, among other factors. The completion of Terminal 4 will present a greater opportunity for the destination, as it will handle more traffic.

Share by Purpose of Visit

Holiday is the major purpose of traveling into Kenya. 75% of the total arrivals were here on holiday. 71% of all the visitors through JKIA and 96% through MIAM came for holiday in Kenya. VFR declined by 1% from 2011, to record 9% through JKIA in 2012. Business arrivals in JKIA recorded 8%, compared to 11% in 2011. Conference arrivals were at 3% in JKIA, similar to 2011. Combined holiday arrivals (JKIA+MIAM) for January to December 2012 have grown by 2% (903,024 vs. 921,136) compared to a similar period in 2011. Combined business

travel (JKIA+MIAM) for January to December 2012 has declined by 26.4% (115,387 vs. 84,925) compared to a similar period in 2011.

This decline in business travel may be attributed to;

- Growing or changing technology with telepresence conference calls becoming more popular
- Decline in business and MICE travel abroad due to increasing flight costs and aviation related taxes.
- Stagnation of investment travel and business feasibility audits as potential investors adopt a 'wait and see' attitude especially in relation to the forthcoming elections.

Share by Source Market

In the period between January and December 2012, Europe still remains the main regional source market with a share of 43% followed by Africa (24%), Americas (13%), Asia (12%), and Middle East at 5% and Oceania at (3%). In terms of share of arrivals, the highest contributors were UK with 15%, USA 10%, Italy 6.7%, Germany 5.3%, India 5% and Uganda 4.5% among others.

The top performing markets by region are as follows:

- Europe: UK, Italy, Germany France and Netherlands
- Africa: Uganda, South Africa, Tanzania, Nigeria and Sudan
- Asia: India, China, Japan, Korea and Pakistan
- Middle East: UAE, Israel, Yemen, Saudi Arabia and Qatar
- Americas: USA, Canada, Brazil and Mexico
- Oceania: Australia and New Zealand.

STATUS OF TOURISM RECEIPTS 2012

Estimated tourism receipts for 2012 closed at Kshs. 96.02 Billion compared to Kshs 97.90 Billion in 2011 reflecting a decrease of 1.92%. In dollar terms, the total estimated revenues closed at US \$ 1.14 Billion as compared to US \$ 1.10 billion in 2011, a marginal increase of 3.3%.

UNWTO 2012 OUTLOOK

Global International tourist arrivals grew by 4% in 2012 to reach 1.035 billion, according to the latest UNWTO World Tourism Barometer. Emerging economies (+4.1%) regained the lead over advanced economies (+3.6%), with Asia and the Pacific showing the strongest results. Growth is expected to continue in 2013 only slightly below the 2012 level (+3% to +4%) and in line with UNWTO long term forecast. This is an additional 39 million international tourists, up from 996 million in 2011.

By region, Asia and the Pacific (+7%) was the best performer, while by sub-region South-East Asia, North Africa (both at +9%) and Central and Eastern Europe (+8%) topped the ranking.

By region, prospects for 2013 are stronger for Asia and the Pacific (+5% to +6%), followed by Africa (+4% to +6%), the Americas (+3% to +4%), Europe (+2% to +3%) and the Middle East (0% to +5%).

In 2012, growth was stronger in emerging economies (+4.1%) as compared to advanced economies (+3.6%), a trend which has marked the sector for many years now.

Although the highest growth rates in expenditure abroad among the top ten markets came from emerging economies – China (+42%) and Russia (+31%) – important traditional source markets, showed particularly good results. In Europe, and despite economic pressures, expenditure on international tourism by Germany held well at +3%, while the UK (+5%) returned to growth after two flat years. In the Americas, both the USA and Canada grew at 7%. On the other hand, France (-7%) and Italy (-2%) registered declines in travel expenditure. Smaller markets with significant growth were Venezuela (+31%), Poland (+19%), Philippines (+17%), Malaysia (+15%), Saudi Arabia (+14%), Belgium (+13%), Norway and Argentina (both +12%), Switzerland and Indonesia (both +10%).

CLUSTER REPORTS

UK CLUSTER REPORT

The UK cluster comprises both mature and new markets hence we have had to employ amalgamated marketing strategies targeting both market retention and market penetration during the financial year 2012/13. The mature markets are United Kingdom, Ireland and Italy whereas the developing markets comprise the Benelux, Finland and Scandinavia. The UK remains Kenya's largest source market having contributed 15% of the total arrivals as at December 2012.

Among the Key market retention activities undertaken in the UK last year was the “Kenya coast airline development campaign” where we partnered with TUI and launched a campaign in January 2013 to support year round traffic and drive sales to Mombasa for summer 2013 and winter 2013/14. The campaign was focused on the coast with activity concentrating on travel agency retail outlets and online mediums to drive sales to Mombasa. The campaign was designed to specifically support and target the charter market, directed at the 3/4*market of DINKs, families and the grey market.

The end results were very positive having achieved a total reach of 13,570,000 with Total TUI bookings to Kenya - April 2012–April 2013 - up 11% year on year whereas First Choice bookings to Kenya within the campaign period went up 64% year on year and Thomson bookings to Kenya within the campaign period grew 56% year on year.

In Italy, we undertook a campaign targeting the youth segment of the market so as to increase the destination awareness and appeal to this segment. We created a social media viral game, that needed consumers to answer 5 question that led to a profile which correspond to one of the BIG 5 and they got their photo in a frame of the corresponding animal and the same was shared on our KTB Italian micro site and participants encouraged their friend to vote for them on face book. The entrants with the top 5 votes won various prizes including a holiday to Kenya. To promote the game and encourage traffic to our stand during BIT, we did tram branding in Milan and advertised the same through print and online mediums. The output from the campaign was 307 Participants in the online game, 4,502 page views of the Italian sub site advertising the viral game, Increased Italy face book fans from 1,024 to 2,290 and Reached 3,871 through face book as well as 10,467 unique users through twitter handle # Kenya in one week.

Looking forward into the next financial year, we are focusing on increasing yield from the high end segments of the source market through positioning of niche products in the mature markets and intensive integrated destination PR campaigns in the Benelux and Scandinavia regions so as to increase the consumer awareness of Kenya as an ideal holiday destination for Safari and beach.

USA CLUSTER REPORT

The Americas Cluster is broken down to the South and North American region; both have a market of around 900 million people (15 – 20% traveling). For KTB the countries of interest are the USA, Canada and more recently Brazil (510 million people). Based on the UNWTO statistics the KTB footprint is in the correct countries based on the expenditure per tourist.

In the region push strategy has focused on the engagement of trade consortiums to reach out to the agents and tour operators. The key activities in the past year were revitalizing the Tour Agent training program that aim at empowering the large resource and making them ambassadors of the destination by providing them with tools to not only sell but internalize the Kenyan product. For the Tour Operators that control the product offering, the consortiums have proved powerful tools to engage

and encourage this group to offer Kenya; to this end KTB has aggressively engaged USTOA, Travel Leaders and Virtuoso in reaching their members.

Another key final push strategy in the Americas region has been to grow the exposure of the Kenyan DMCs by either engaging road show or webinars; both effective B2B activities aimed at growing business opportunities.

For the pull strategy KTB had go online and is using online as it's main driver; using the web portals that to target consumers that are predisposed to traveling to convert them to the Kenyan destination. Moving forward the cluster intended to break the 250,000 tourism arrival market that will increase the ripple word of mouth effect and generate revenues for the Kenyan destination.

EMERGING CLUSTER REPORT

The Emerging cluster consists of the following countries; Australia, South Korea, China, India, Japan and the GCC countries (Gulf Co-operation states) Most of these markets are at the growth stage in the market growth life cycle and an aggressive market penetration strategy has been adopted by KTB.

The UAE (one of the GCC countries) is rapidly growing with a 90% growth in 2012 in tourist arrivals to Kenya compared to the year 2011.

Focus has been on increasing consumer awareness on various tourism products in Kenya (Wildlife, culture, sports) and developing trade knowledge and skills through online training programs and in market trade visits, road shows and exhibitions.

Consortium based approach has and will continue to be adopted in China and India as these are geographically large and culturally diverse markets since outreach through consortia is cost effective and carries more impact.

Digital marketing platforms have been and will be key in reaching these two markets 2 billion combined population which has a growing outbound segment in line with global projections.

Australia, South Korea, Japan and GCC are high value markets that are key targeted growth markets for KTB that will continue being developed through consumer awareness program's as well as trade cooperative initiatives with both domestic and international trade.

India and china markets alone due to their population size, and the fact that china is the world second largest

economy (GDP 6,989 B Usd) and India 10th largest economy 1,843B will contribute strongly to achieving our 2017 target of 3 million tourists to Kenya.

REGIONAL CLUSTER REPORT

In the ending FY 2012/13 Kenya continued with its efforts of making its footprints in East, West, and North Africa as it consolidated its position in South Africa. In the East African countries of Uganda, Tanzania, Rwanda as well as the neighboring Ethiopia, marketing programs aimed at projecting Kenya as an ideal business and leisure destination were undertaken with positive response from the market. In West Africa, Nigeria and Ghana were targeted and firm ground has now been laid for penetrating the markets through facilitation of business to business interactions. In the North African country of Morocco, Kenya has started establishing itself and KTB opened the doors for benchmarking in the Resort Cities concept which is a project under the Vision 2030. In South Africa, the task was to position Kenya as an attractive and aspirational destination by reaching out to consumers and enhancing relationships with the travel trade.

In the coming financial year, we will build onto the gains achieved so far as reflected in the visitation to Kenya and awareness levels through even closer engagement of the trade, consumer advertising and promotions and a more visible PR and Publicity programs. We will also engage the Kenyan trade to be more aggressive in these markets to optimize on the great opportunity that Africa (regional markets) present. Presently Africa represents about 25% of all arrivals into Kenya, even though the market is at its foundational stage, but has increased opportunities due to the soon to be implemented Single Tourist Visa and Travel Documents.

With the factoring in of cross-border arrivals the East African Countries would have a greater showing on the market share and arrivals scale which has seen them performing well.

DOMESTIC TOURISM 2012 - 2013

Since its launch in 2003, domestic tourism has grown significantly. Domestic tourism contributed 15% to tourism revenues in 2003 and in 2011, it contributed 37%. In 2012, contribution of domestic tourism to the National economy grew by 4% thereby contributing 41% to national tourism revenue. The total number of bed nights occupancy by domestic tourists was 2,547,200

making it the biggest single market followed by Germany then UK.

The objective set out was to encourage Kenyans to embrace domestic tourism and for the industry to seize the opportunity that it provides as an integral part of their business.

The perception of tourism has generally changed drastically over the past years following aggressive promotions. While in 2002 tourism was considered a foreign concept and perceived as immoral as far as African culture is concerned, Subsequent surveys reveal that these attitudes have gradually changed. According a survey undertaken in 2011, more and more Kenyans considered tourism as something they can engage in hence it was no longer viewed otherwise.

The year under review, the focus was on stimulating the growth of domestic tourism by encouraging a planned holiday culture among domestic tourism consumers. KTB undertook an aggressive campaign through media – print and electronic, promotion of events and festivals to drive traffic to existing but otherwise unexplored regions, engagement of schools through competitions (Music festivals), joint partnership with the trade where stakeholders were encouraged to develop packages targeted at the domestic tourists.

ONLINE MARKETING

In the 2012-13 financial year we set out to capitalize on the growth of Online PR and Mobile Marketing as the key pillar for activities planned under online marketing.

Mobilization of Consumers With the notion that most people in the world will experience the Internet through mobile devices, we developed a Magical Kenya Mobile Application for both Android and iOS devices.

The mobile application was developed as a tool that would be used by visitors planning their trip to Kenya; act as a guide while in the destination and a tool for sharing their experiences after their holiday.

Overhaul the destination website In addition to developing the mobile application, we strategically set out to revamp our destination website, making it more interactive, dynamic and mobile friendly.

As a critical conversion point for most of our marketing campaigns, our primary objective was to build a website that would inspire, inform and advise on the options available for visitors to Kenya.

Socialization of Everything Online: With social media now arguably the largest media platform and capitalizing on online video gaining popularity, we set out to develop video content for distribution via our social media platforms. We documented the experiences of our online brand ambassadors as they experienced various tourism products and the same documented on a 4 minute video that will be shared on our YouTube channel and Vimeo video channel and other social media platforms as a way of diversifying our information offer on Kenya.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2013

THE Board submits their report together with the Draft financial statements for the year ended 30th June 2013, which show the state of the KTB's affairs.

PRINCIPAL ACTIVITIES

Vide Legal Notice No. 92 published in the Kenya Gazette on 24th August 2012, the Hon. Minister for Tourism appointed 1st September 2012 as the date on which the Tourism Act No. 28 of 2011 shall come into operation. Accordingly, from 1st September 2012, KTB's name officially changed by law to KENYA TOURISM BOARD from Kenya Tourist Board.

The Mandate of the Kenya Tourism Board As per the Tourism Act is to;

- (a) Develop, implement and co-ordinate a national tourism marketing strategy;
- (b) Market Kenya at local, national, regional and international levels as a premier tourist destination;
- (c) Identify tourism market needs and trends and advise tourism stakeholders accordingly; and
- (d) Perform any other functions that are ancillary to the object and purpose for which the Tourism Board is established.

QUALITY POLICY

Kenya Tourism Board is committed to supporting and serving the tourist industry through marketing Kenya's unique physical and non-physical attractions with diligence, dedication and professionalism for the benefit of all stakeholders.

In pursuit of this commitment, quality objectives that have been established and communicated to all employees are being implemented and monitored. Further, they shall be reviewed regularly in compliance with ISO 9001:2008 while continuously seeking to understand the needs and requirements of our customers, business stakeholders and partners.

KTB EMPLOYEES

KTB employees exhibit the highest levels of integrity and professionalism. In meeting the service needs of our customers, our employees "get it right the first time, every time".

CUSTOMER FOCUS

We are a customer driven organization that views every customer contact as an opportunity to add value and enhance our relationship.

We listen to our customers, learn and understand their needs thereby enabling us to anticipate and pro-actively offer attractive solutions.

We continuously strive to offer the best services for our customers.

COMMUNICATION

We offer open, honest and constructive communication throughout the organization by supporting healthy debate and personal participation on issues affecting our business. We communicate with our customers in a fresh and informative way.

SERVICE

We optimize the use of relevant technology to deliver attractive customer solutions, increase efficiency and minimize cost base.

We offer reliable service delivery channels that provide a comfortable, secure and user-friendly environment for both customers and employees alike.

We constantly seek ways to improve the delivery of service to our customers.

RESULTS

The results together with the notes for the year are shown from page 25 to 36.

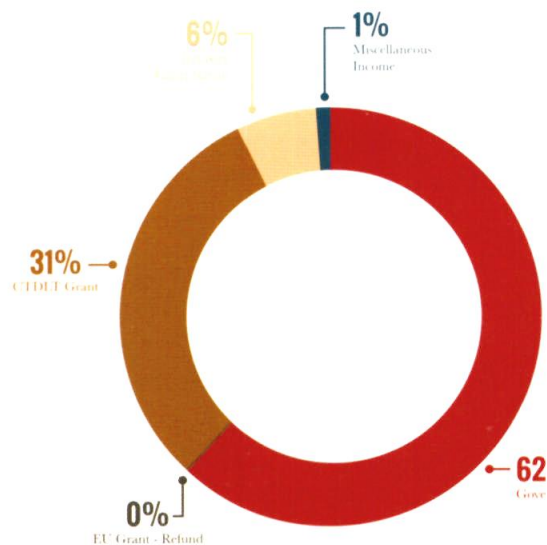
FIVE YEAR SUMMARY

FINANCIAL GRAPHS: FIVE YEAR AVERAGE

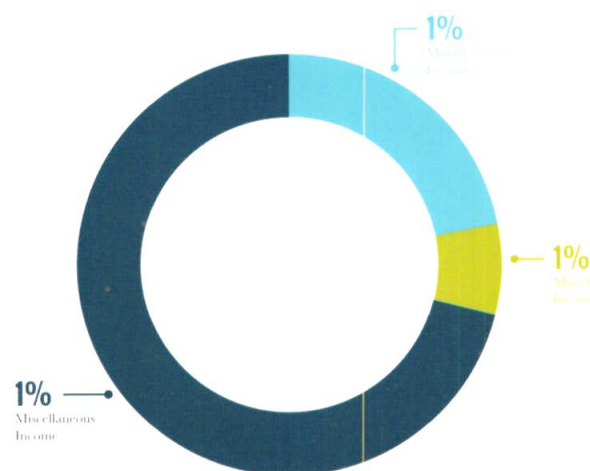
FIVE YEAR FINANCIAL SUMMARY

	KSH				
	2012/13	2011/12	2010/11	2009/10	2008/09
Government Grant	647,923,979	688,750,000	650,000,000	750,000,000	783,098,220
EU Grant - Refund	0	25,458,432	346,744,966	63,679,095	126,332,819
CTDLT Grant	320,000,000	340,000,000	150,000,300	150,000,000	144,605,829
Industry Contribution	57,847,709	51,960,174	36,808,175	40,948,499	23,206,325
Miscellaneous Income	14,236,562	31,934,286	18,237,574	77,079,587	23,356,135
Total Income	1,040,008,249	1,138,102,892	1,201,791,014	1,081,707,181	1,100,599,328
EXPENDITURE					
Marketing	736,629,941	889,248,252	1,133,594,177	978,082,579	805,537,108
Personnel Emolument	226,147,832	194,953,163	185,047,825	152,477,508	115,649,079
Operation & Maintenance	71,606,418	76,475,145	91,299,560	106,550,616	100,512,600
Total Expenditure	1,034,384,191	1,160,676,561	1,409,941,563	1,237,110,703	1,021,698,787
	5,624,060	(22,573,668)	(208,150,548)	(155,403,522)	78,900,541

INCOME SOURCE



EXPENDITURE



STATEMENT OF DIRECTORS' RESPONSIBILITIES

IT IS THE responsibility of the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of Kenya Tourism Board (KTB) as at the end of the financial year and of its operating results for that year. It is also the Directors' responsibility to ensure that KTB keeps proper accounting records which disclose, with reasonable accuracy, the financial position of all the activities of KTB. The Directors are also responsible for safeguarding the assets of KTB.

The Board accepts responsibility for the annual 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 is of the opinion that the financial statements give a true and fair view of the State of the financial affairs of KTB and of its operating results. The Board further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining adequate internal control systems relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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



Mr. Muriithi Ndegwa, OGW

Managing Director



Mr. Kitili Mbathi

Chairman



KENYA NATIONAL AUDIT OFFICE

REPORT ON THE AUDITOR GENERAL ON KENYA TOURISM BOARD FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Tourism Board set out on page 25 to 35, which comprise statement of the financial position as to 30 June 2013, and the statements of the 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.

MANAGEMENTS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and for 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 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 making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion of the effectiveness of the Boards 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 is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statement 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 ended, in accordance with Financial Reporting Standards and comply with the Tourism Act No 28 of 2011.

EMPHASIS OF MATTER

Non-existence of Board of directors

Without qualifying my opinion, I draw attention that the Cabinet Secretary is supposed to appoint the Board of Directors as per section 6 (1) (c) of the State Corporations Act, Cap 446 and gazettes the appointment. The Boards responsibilities are laid down under Legal Notice No 93 of 10 August 2004 on Performance Contracting section 4(2) and Tourism Act No 28 of 2011.

The Then Minister for Tourism revoked appointment of the board members with effect from 20 July 2012 through Gazette Notice No 10232 dated 19th July 2012 and using the same, subsequently appointed other board members. However, the newly appointed members did not take up their duties due to a court case filed by the degazetted board members of various state corporations under the Ministry of Tourism, whose three years terms of their previous appointments had not expired.

As a result, the Board continues to operate without board of directors which contravenes section 6(1) (c) of the State Corporations Act, Cap 446 and Tourism Act No 28 of 2011.



Edward R.O Ouko, CBS

AUDITOR GENERAL

Nairobi
15th April 2014



STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

	Note	30th June 2013	30th June 2012
		KShs	KShs
Assets			
Non-Current Assets			
Property, Plant & Equipment	2(a)	10,832,155	7,323,208
Intangible Assets	2(b)	2,155,012	1,403,163
Total		13,287,467	8,726,372
Current Assets			
Inventory	3	6,432,865	5,942,083
Trade and other Receivables	4	134,746,252	11,036,737
Short term investments	5	50,000,000	-
Cash and Bank balances	6	90,994,039	256,806,312
Total		282,173,156	273,785,132
Total Assets		295,460,623	282,511,504
Equities and liabilities			
Capital and Reserves			
General Fund	8	53,050,768	49,241,592
Sinking Fund Reserve	9	2,000,000	-
Total		55,050,768	49,241,592
Current Liabilities			
Trade and other Payables	7	240,409,855	233,269,912
Total		240,409,855	233,269,912
Total Equity and Liabilities		295,460,623	282,511,504

The Financial Statement was signed on behalf of the Board on 30th September 2013 by:



Mr. Muriithi Ndegwa, OGW

Managing Director



Mr Kitili Mbathi

Chairman

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30TH JUNE 2013

	Note	30th June 2013	30th June 2012
		KShs	KShs
Income			
Government Grant-Annual	10	617,923,979	688,750,000
Catering Tourism & Dev/Training Levy	15	320,000,000	340,000,000
Others	11	72,084,271	109,352,892
Total		1,040,008,250	1,138,102,892
Expenditure			
Marketing expenses	12.a	736,629,941	889,248,252
Personell expenses	12.b	226,147,832	194,953,163
Operation and maintenance	12.c	62,636,150	56,725,483
Directors Expenses	13	1,162,051	8,704,070
Depreciation	2.a	5,348,640	6,924,011
Amortization	2.b	1,749,577	3,483,582
Audit Fees	7.b)	710,000	638,000
Total		1,034,384,191	1,160,676,561
Surplus/Deficit		5,624,060	(22,573,668)

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30TH JUNE 2013

	Note	Sinking Fund	General Fund	Total
		KShs	KShs	KShs
Restated				
As at 1st July 2011			71,815,261	71,815,261
Surplus/ Deficit for the year			(22,573,668)	(22,573,668)
As at 30th June 2012		0	49,241,592	49,241,592

	Note	Sinking Fund	General Fund	Total
As at 1st July 2012			49,241,592	49,241,592
Restatements	15		185,116	185,116
Provision for Sinking Fund		2,000,000	(2,000,000)	0
Surplus/ Deficit for the year		0	5,624,060	5,624,060
As at 30th June 2013		2,000,000	53,050,768	55,050,768

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2013

	30th June 2013	30th June 2012
	Kshs	Kshs
Net Cash Flow from Operating Activities		
Operating Surplus/Deficit	5,624,060	(22,573,668)
Adjustment		
Depreciation	5,348,640	6,924,011
Amortization	1,749,577	3,483,582
Un-realized Foreign Currency loss	4,044,910	17,841,656
Interest Income	(9,472,348)	(25,175,674)
Changes in Working Capital		
Increase /Decrease In Receivables	(123,709,515)	3,924,453
(Increase /Decrease In Inventories	(490,781)	(1,546,926)
Prior Year Adjustment	185,116	
Increase/ Decrease In Payables	7,139,942	46,575,044
Net Cash Flow from Operating Activities	(109,580,399)	29,452,477
Investing Activities		
Purchase of intangible Assets	(2,801,426)	0
Purchase of Fixed Assets	(8,857,887)	(2,498,939)
Interest Income	9,472,348	25,175,674
Net Cash Flow from Investing Activities	(2,186,965)	22,676,735
Net Increase/In Cash & Cash Equivalent	(111,767,364)	52,129,212
Net Foreign Exchange Adjustment	(4,044,910)	(17,841,656)
Cash & Cash Equivalent 30th June 2013	256,806,312	222,518,756
	140,994,039	256,806,312
Analysis of Balances of Cash & Cash Equivalents		
Petty Cash	79,494	123,548
Bank Balance	90,914,545	256,682,764
Deposit on Call	50,000,000	0
Cash & Cash Equivalent 30th June 2013	140,994,039	256,806,312

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30TH JUNE 2013

1. ACCOUNTING POLICIES

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

The financial statements are prepared in compliance with International Financial Reporting standards (IFRS). The financial statements are presented in Kenya shillings (KShs).

(a) Basis of Accounting

The financial statements are prepared under the accrual basis of accounting.

(b) Depreciation

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:-

(I)	Motor vehicles	25%
(II)	Office equipment	12.5%
(III)	Furniture	12.5%
(IV)	Computers	33.3%
(V)	Intangible assets	33.3%

(c) Foreign Currency Transactions

Revenue received and expenditure incurred in foreign currencies is 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 currencies, are translated into Kshs. at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income and expenditure statement in the year in which they arise.

(d) Inventories

Inventories are valued at fair value using the First in First Out (FIFO) formula.

(e) Revenue Recognition

Income is recognized on accrual basis. Grants from the Government of Kenya and Catering and Tourism Development Levy Trustees are recorded when realized.

(f) Retirement Benefit Costs

The Board contributes to a defined contribution pension scheme, at the rate of 15% of basic pay and to the National Social Security Fund, (NSSF). Contributions are determined by local statute and are currently limited to Kshs. 200.00 per employee per month. The Board's contributions to the above scheme are charged to the income and expenditure account in the period to which they relate.

(g) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual/reversal. 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.

(h) Cash and Cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise Cash in Hand, Bank balances Treasury Bills and deposits held at call and fixed with the banks with less than 91 days of maturity from the balance sheet date.

2(a) FIXED ASSETS SCHEDULE

DETAILS	OFFICE EQUIPMENT	COMPUTERS	FURNITURE	MOTOR VEHICLES	TOTAL
	KShs.	KShs.	KShs.	KShs.	KShs.
Cost / Valuation					
As at 1st July 2012	10,562,734	24,264,877	21,302,072	20,084,013	76,213,696
Additional for the year	705,878	3,044,519	97,490	5,010,000	8,857,887
Total as at 30th June 2013	11,268,612	27,309,396	21,399,562	25,094,013	85,071,583
Depreciation					
As at 1st July 2012	7,804,861	23,143,241	18,147,541	19,794,845	68,890,488
Charge for the year	929,791	3,129,796	895,510	393,543	5,348,640
Total as at 30th June 2013	8,734,652	26,273,037	19,043,051	20,188,388	74,239,128
NBV - 30th June 2013	2,533,960	1,036,359	2,356,511	4,905,625	10,832,455
NBV - 30th June 2012	2,757,873	1,121,636	3,154,531	289,168	7,323,208

DETAILS	OFFICE EQUIPMENT	COMPUTERS	FURNITURE	MOTOR VEHICLES	TOTAL
Cost / Valuation					
As at 1st July 2011	10,375,834	26,117,217	21,151,557	20,084,013	77,728,621
Additional for the year	186,900	2,161,524	150,515	0	2,498,939
Revaluation	0	0	0	0	0
Disposals	0	(4,013,864)	0	0	(4,013,864)
Total as at 30th June 2012	10,562,734	24,264,877	21,302,072	20,084,013	76,213,696
Depreciation					
As at 1st July 2011	6,883,532	22,935,038	17,220,158	18,941,613	85,980,341
Charge for the year	921,329	4,222,067	927,383	853,232	6,924,011
Disposals	0	(4,013,864)	0	0	(4,013,864)
Total as at 30th June 2012	7,804,861	23,143,241	18,147,541	19,794,845	68,890,488
NBV - 30th June 2012	2,757,873	1,121,636	3,154,531	289,168	7,323,208
NBV - 30th June 2011	3,492,302	3,182,179	3,931,399	1,142,400	11,748,280

(b) INTANGIBLE ASSETS

The intangible assets are in respect of computer software and licenses costs. These are amortized at the rate of 33.3%.

DETAILS	SOFTWARE LICENCES (KShs)
Cost As at 1st July 2012	28,320,500
Additions	2,801,426
Total	31,121,926
Amortization as at 1st July 2012	26,917,337
Amortization for the year	1,749,577
Total	28,666,914
NBV as at 30th JUNE 2013	2,455,012
NBV as at 30th JUNE 2012	1,403,163
Cost As at 1st July 2011	28,320,500
Additions	0
Total	28,320,500
Amortization as at 1st July 2011	23,433,755
Amortization for the year	3,483,582
Total	26,917,337
NBV as at 30th JUNE 2012	1,403,163
NBV as at 30th JUNE 2011	10,050,150

INVENTORY

The inventory comprises of stationery and promotional giveaways.

TRADE AND OTHER RECEIVABLES**(a) RECEIVABLES**

	30th June 2013	30th June 2012
	KShs.	KShs.
Exhibition debtors	4,653,409	1,874,515
GoK&CTDLT	113,333,106	0
Staff Advances and Perdiem	4,748,194	4,621,433
Imprest	2,335,557	1,260,562

Total	90,914,545	256,682,76
Kenya Shillings Accounts	67,622,549	214,840,505
Euro Accounts	13,275,310	18,434,078
USD Accounts	4,979,665	13,897,327
GB Pounds Account	5,037,021	9,490,831

30th June 2013 30th June 2013

6. CASH AND BANK BALANCES
(a) BANK ACCOUNTS

Total	50,000,000	0
NIC - Fixed deposit	50,000,000	0

30th June 2013 30th June 2013

5. SHORT TERM INVESTMENTS

An Accrual of GOK – Recurrent Income of Ksh 111,333,106 not received as at 30th June 2013 has been provided for and included in the trade and receivable.

Total Trade and Other Receivables	134,746,252	11,036,737
Total	11,428,052	5,817,574
Insurances	3,615,754	2,634,441
Rent deposit	2,612,362	2,612,362
Others	570,772	570,772
Prepaid software	4,629,164	0

30th June 2013 30th June 2013

(b) PREPAYMENTS & DEPOSITS

Total (Net Debtors)	123,318,200	5,219,163
Subtotal	(2,537,347)	(2,537,347)
Provision for bad debts-Industry	(813,501)	(813,501)
Provision for bad debts-Staff	(1,723,846)	(1,723,846)
Subtotal	125,855,547	7,756,510
Interest and other deposits/receivables	785,582	0

30th June 2013 30th June 2013

NOTE

CURRENCY	Ex. Rate	AMOUNT
Euro	112.40	118,110
USD	86.01	57,898
GBP	131.33	38,352

(b) PETTY CASH

Petty cash is held to enable the Board pay for minor expenses of less than Kshs. 8,000.00 and where such expenses cannot be well planned for in advance.

PETTY CASH

	30th June 2013	30th June 2012
	KShs.	KShs.
Head Office	56,028	103,457
Mombasa & JKIA Office	23,466	20,091
Total	79,494	123,548
TOTAL CASH AND BANK BALANCES (A+B)	90,994,039	256,806,312

7. TRADE AND OTHER PAYABLES**a) PAYABLES**

	30th June 2013	30th June 2012
	KShs.	KShs.
Creditors	170,289,982	119,238,812
Exhibition Customer Deposits	10,436,695	5,530,558
Tender Bid Bond	1,311,077	0
Accruals	42,151,449	88,633,414
Payroll Deductions	133,873	45,057
Provision for Staff Leave balances	7,896,955	5,986,677
Provision for staff salaries	6,191,430	6,011,430
Provision for Staff gratuity	1,288,394	7,157,099
Provision Audit fees	710,000	638,000
Staff Creditors (Imprest & Per diem)		28,865
Total	240,409,855	233,269,912

b) AUDIT FEES

A provision has been made for KShs. 710,000 payable to Kenya National Audit office.

8. GENERAL FUND

This is composed of the accumulated surplus over the period of Kenya Tourism Board's existence.

9. SINKING FUND

A provision of Ksh 2,000,000 has been placed by the Board for the Asset Sinking Fund account.

10. GOVERNMENT GRANT-ANNUAL

Government Grant-annual Grants to the Board as voted for in the Government budget for the financial year. The expected receipts from the Government are thus well known before the start of the year and the same are released on a quarterly basis. In the GOK recurrent Revenue it includes a receivable of Ksh 111,333,106.

	30th June 2013	30th June 2012
	KShs.	KShs.
GOK- Revenue	619,123,979	678,750,000
GOK-Development	28,800,000	10,000,000
GOK Grant	647,923,979	688,750,000

11. OTHER INCOME – KSHS

	30th June 2013	30th June 2012
	KShs.	KShs.
Industry Contribution	57,847,709	51,960,174
Interest Income	9,472,348	25,175,671
Tourism Sustainability Programme-(TISMPP)	0	25,458,432
Miscellaneous Income & Tender Fees	3,160,631	5,646,240
website Income	1,603,583	1,112,366
Total	72,084,271	109,352,892

2. RECURRENT EXPENDITURE – KSHS

	30th June 2013	30th June 2012
	KShs.	KShs.
12(A) Marketing Expenses		
Marketing and promotion	736,629,941	889,248,252
Subtotal (A)	736,629,941	889,248,252
12(B) Personnel Expenses		
Salaries and wages	191,580,092	162,417,571
Pension and NSSF Contribution	17,064,854	14,498,693
Provision for Gratuity	2,456,898	3,204,293
Staff Group Life Policy	1,363,960	4,222,471
Staff Medical Insurance (In & Out patient)	12,896,130	9,649,549
Group Personal Accident	785,898	960,587
Subtotal (B)	226,147,832	194,953,163
12(C) Operation and Maintenance		
Bank charges	1,451,098	1,394,579
Staff welfare, professional memberships, club membership	1,353,561	2,187,723
Staff Training & Recruitment	6,823,477	9,902,092
Staff Uniform	140,184	49,612
R & M for Motor Vehicle,	1,989,277	2,002,617
Insurance for Motor Vehicle, Computers & Office Equip.	703,156	1,062,748
Rent	16,746,777	18,330,545
Telephone, postal & Directories	4,039,789	5,033,401
Printing & Stationery	1,956,305	2,099,662
Entertainment	2,092,031	1,994,630
Local Traveling & Accommodation	3,637,478	3,499,276
Legal & Consultancies	1,577,117	2,939,502
ICT Software licences/ Support fees & ERP Programmes	3,752,545	3,429,800
Exchange Loss	4,044,910	(17,841,656)
Office general expenses	12,328,445	20,424,295
Bad debts W/O	0	216,657
Subtotal (C)	62,636,150	56,725,483
Total (A+B+C)	1,025,413,922	1,140,926,898

13. DIRECTORS EXPENSES

The Directors' expenses relate to sitting allowances paid to Directors and other expenses incurred in transacting Directors' activities as far as they relate to the Board.

	30th June 2013	30th June 2012
	KShs.	KShs.
Allowances	140,000	5,760,394
Honorarium/ Arrears/	960,000	826,667
Travel & Accommodation	3,750	1,994,991
Others	58,301	122,018
Total	1,162,051	8,704,070

14. RESTATEMENT

Minor adjustment on the provision for leave (under provision of Ksh 444,999.78) and provision for salaries for employees who's provisions were not utilized but expensed directly in 2011 (over provision of Ksh 630,114.64). The correction resulted in a reserves adjustment of Ksh 185,116.

	30th June 2013	30th June 2012
	KShs.	KShs.
Prior Year Adjustment	185,116	13,622,107

15. TOURISM FUND GRANT

This is a grant received from the Tourism Fund. The grant is a share of the Hotel Catering Levy collected from the Hospitality Sector.

	30th June 2013	30th June 2012
	KShs.	KShs.
Tourism Fund	320,000,000.00	340,000,000

16. CONTINGENT LIABILITIES

As at 30th June 2013, there was a contingent liability arising from a claim by a former employee (now deceased) representing damage for alleged wrongful dismissal (the subject of a court case). The Board has been advised by its lawyers that it is possible but not probable that the decision will succeed and accordingly no provision for any liability has been made in this financial statement. The estimated amount is Ksh.27,685,923.40

7. CAPITAL GRANTS (EU)

There is no capital grants received during the financial year.

8. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

19. TAX EXEMPTION

The Board's income is exempt from Income tax by the Minister for Finance under section 13(2) of the Income Tax Cap 470 vide Kenya Gazette Supplement No. 121 dated 20th Dec. 2002.

20. EMPLOYEES

The average number of employees for the Board during the period was seventy six (76) (June 2012 – 76 Employees).

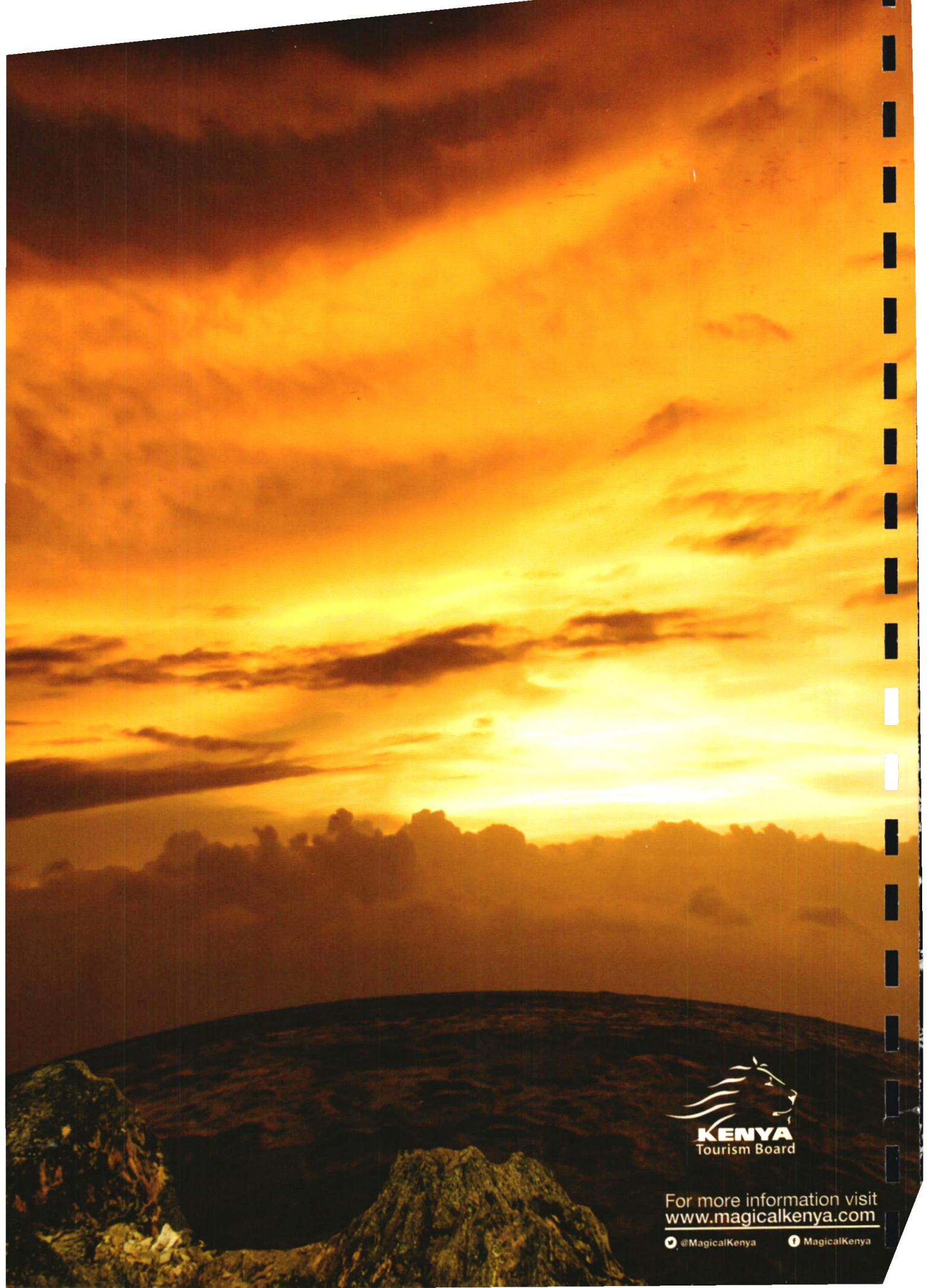
21. CURRENCY RISK

The Board operates within Kenya and internationally and its assets and liabilities are reported in the local currency. The Board held no significant foreign currency exposure as at 30th June 2013.


22. CURRENCY


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

Lined area for notes with horizontal ruling lines and vertical margin lines on the left side.



For more information visit
www.magicalkenya.com

 @MagicalKenya

 MagicalKenya