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THE AUDITOR-GENERAL

ON

KENYA TOURISM BOARD

**FOR THE YEAR ENDED
30 JUNE, 2020**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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KENYA TOURISM BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2020

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

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I. KTB'S INFORMATION AND MANAGEMENT

(a) BACKGROUND INFORMATION

KTB is a state corporation established and regulated under the Tourism Act No.28 of 2011, sections 29-39. Prior to enactment of the Tourism Act, KTB (then known as Kenya Tourist Board) operated under Legal Notice No.14 of 1997.

(b) PRINCIPAL ACTIVITIES

The Kenya Tourism Board mandate under the Tourism Act No. 28 of 2011 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.

Vision

The preferred destination offering Innovative, diverse and authentic experiences to the discerning visitor.

Mission

'To inspire the world to visit Kenya through effective positioning of the destination's experiences while enriching the lives of Kenyans and visitors alike'

Core Values

To fulfil its mandate and accomplish its vision and mission, the Board will be guided by its core values of:

- **Excellence** – surpassing standards of expectation, striving to be the best in serving internal and external stakeholders, totally committed, operating at peak potential.
- **Productive partnerships** – collaborating and engaging with stakeholders to achieve Kenya tourism vision.
- **Innovation** – a culture of innovation in all areas of work.
- **Creativity** - creativity built into every initiative that drives the customer value proposition

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OUR CUSTOMERS

Local

- Employees
- Government
- The Tourism Private Sector
- Suppliers
- The General Public
- Local & International media correspondents 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

OUR STRATEGIC PARTNERS

Our key strategic partners include the following:

- Kenya Airways(KQ)
- Kenya Wildlife Services(KWS)
- Kenya Railways (SGR)
- Kenya Tourism Fund (KTF)
- Kenya Association of Tour Operators (KATO)
- Kenya Association of Hotelkeepers& Caterers (KAHC)
- Eco Tourism Kenya(EK)

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(c) KEY MANAGEMENT

The KTB's day-to-day management is under the following key organs

- Board of Directors
- Chief Executive Officer
- Executive management

(d) FIDUCIARY MANAGEMENT

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

No.	Designation	Name
1.	CEO	Dr. Betty Addero Radier
2.	Ag. Director of Market Development & Market Support	Mr Fred Okeyo Okeng'o
2.	Director Finance & Administration	Mrs. Mary Maina
3.	Company Secretary	Mr. Allan Njoroge
4.	Head of Procurement	Mr. Gerald Omondi
5.	Human Resources Manager	Ms. Ibtisam Awadh

(e) FIDUCIARY OVERSIGHT ARRANGEMENTS

KTB's key fiduciary oversight arrangements are as below:

i) Board Audit Committee Activities

The Committee provides oversight of financial reporting, risk management, internal control, compliance and governance processes.

ii) Board Finance & Establishment Committee Activities

The committee's responsibilities including ensuring overall sound financial reporting, internal system of controls, review of business plans and budgets, human resources and staff affairs.

iii) Ad hoc BOD committee Activities

The BOD appoints ad hoc committees to carry out specific exercises. The ad hoc committees report to the Full Board.

(f) BOARD HEADQUARTERS

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

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(g) KTB'S CONTACTS

Telephone: (254) 202711262

E-mail: info@ktb.go.ke

Social Media

Website: www.ktb.go.ke, www.magicalkenya.com

Twitter: @MagicalKenya

Face book: MagicalKenya

Instagram: MagicalKenya

SERVICE DELIVERY CENTRES

<p>NAIROBI Jomo Kenyatta International Airport NAIROBI Tel: 822111 – Ext. 5299/341728</p>	<p>MOMBASA Mombasa International Airport MOMBASA 020 2047370</p>
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MARKET DEVELOPMENT REPRESENTATIVES

<p><u>USA:</u> David DiGregorio Managing Director CornerSun Destination Marketing LLC New York City Telephone: +1 718-635-1252 Fax: +1 815-352-6163 Email: dave@cornersun.com Website: www.cornersun.com</p>	<p><u>GERMANY:</u> Mr. Guido Bürger Managing Director Bürger International Tourism Marketing & Consulting Wilhelmshavener Str. 52 10551 Berlin Tel.: +49 179 533 53 47 E-Mail: guido@buerger-international.de</p>
<p><u>INDIA</u> Rajeev Nangia, COO 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: rn@tracrep.com</p>	<p><u>UNITED KINGDOM</u> Hills Balfour Colechurch House 1 London Bridge Walk London, SE1 2SX Phone: +44 020 7367 0931 Fax: +44 020 7407 3810 Email: Kenya@hillsbalfour.com</p>

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(h) KTB'S BANKERS

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

(i) INDEPENDENT AUDITORS

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya.

(j) PRINCIPAL LEGAL ADVISERS

TripleOKLaw Advocates
5th Floor, Block C, ACK Garden House
1st Ngong Avenue, Off Bishops Road
P.O. BOX 43170
NAIROBI, 00100

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II. THE BOARD OF DIRECTORS

Board Composition

In accordance with the Tourism Act, KTB Board of Directors consists of ten (10) members made up of a non-executive and independent Chairman, one Chief Executive Officer, Principal Secretary-National Treasury, Principal Secretary-Ministry of Tourism & Wildlife-State Department of Tourism, CEO of the Tourism Fund plus five independent and non-executive directors.

The members of the board are as below:

Mr. Jimi Kariuki- reappointed 3 rd May 2019	Board Chairman
Dr. Betty Addero Radier (PhD)- appointed 1 st December 2016	Chief Executive Officer
Mr. Adam Jillo- reappointed 7 th February 2019	Director
Mr. Ken Waibochi - reappointed 7 th February 2019	Director
Dr. Mohanjeet Brar- reappointed 7 th February 2019	Director
Mr. Gabriel Gonzalez Penalver- appointed 6 th March 2017- term ended 5 th March 2020	Director
Mrs. Susan Maina- appointed 3 rd May 2019	Director
PS, Ministry of Tourism& Wildlife- State Department of Tourism	Director
PS, National Treasury	Director
CEO, Tourism Fund	Director
Mr Antony Muigai Muriu	Alternate to PS, National Treasury
Mr. Erick Kiplagat	Alternate to CEO, Tourism Fund
Ms. Alison Ngibuini	Alternate to PS, Ministry of Tourism& Wildlife- State Department of Tourism
Mr Allan Njoroge	Company Secretary

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THE BOARD OF DIRECTORS' PROFILES



Mr. Jimi Kariuki

Mr. Jimi Kariuki, Chairman of the KTB Board of Directors, born in 1967, holds a Master of Business Administration (MBA) degree from the Graduate School of Business, University of Cape Town, South Africa, and a Bachelor of Science (Bsc) degree in Marketing from Huron University USA, London Campus.

He is the Managing Director of Sarova Hotels, Resorts & Game Lodges, Kenya's leading independent hospitality group and has vast experience in the tourism sector spanning over two decades.

He is also a member of Sarova Hotel's Executive Management Committee and its Board of Directors. He has served on the Kenya Tourism Federation (KTF) Executive Committee (2003-2004), the Board of the Kenya Tourism Board representing KTF (2003-2004) and on the Board of the Kenyatta International Convention Centre (KICC) (2004-2006).





Dr. Betty Addero Radier (PhD)

Dr Betty Addero Radier, Chief Executive Officer of Kenya Tourism Board, born in 1968, is a seasoned Leader in both Public and Private sector in the fields of Entrepreneurship, Strategy Development, Marketing and Operations. She has over 20 years' experience growing and developing strategies for corporate clients in the, ICT technology, telecom and communication sector. Prior to her appointment as the CEO for The Kenya Tourism Board in 2016 she served as the Chair of the Tourism Research Institute in 2015 and held the position of Managing Director for over 10 years in the fields of Communication and Technology in Kenya, Uganda, Tanzania and Nigeria.

Betty holds a PhD. Degree in Entrepreneurship and small business development from the University of Cape Town South Africa and an MBA degree in strategy and finance from the University of Nairobi. She is an adjunct lecturer at Strathmore Business School in Kenya, specializing in Strategy, Marketing, Entrepreneurship and the Owner Management Program with a

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	<p>focus on 'Selling Beyond Borders'.</p> <p>Betty has a passion for mentoring young ladies and engaging in motivational and business speaking engagements for Women in Entrepreneurship, Women in Boards and C-Suite members in corporate organizations on aspects of 'Breaking the Glass Ceiling', 'Learning, unlearning and relearning theory' and lately in international, regional and local fora focusing on Tourism</p>
 <p>Mr. Adam Jillo</p>	<p>Mr Adam Jillo, Vice-Chairman of the KTB Board of Directors, born in 1958, holds a BSc in Tourism and Hospitality Management and Diploma in Strategic Management & Leadership. He is Chairman of KETICO LTD (Kenya Trade & Tourism Investment Company) and a partner at NATURE EXPEDITIONS (dmc) LTD - one of the leading indigenous tour operators in Kenya.</p> <p>He is the past Chairman of KATO (Kenya Association of Tour Operators), past Vice-Chairman of the Kenya Tourism Federation, past Board Director at KEPSA representing the tourism industry, Past Chairman of Ecotourism Kenya and Past Board member at Tourism Trust Fund. He was also a member of the Tourism Recovery Taskforce.</p>
 <p>Dr. Mohanjeet Brar (PhD)</p>	<p>Dr. Mohanjeet Brar, born in 1971, holds a Doctor of Philosophy (PhD) in Plant Science.</p> <p>He is the Managing Director of Gamewatchers Safaris & Porini Camps, a leading safari company and one of the pioneers of establishing and operating community conservancies in Kenya.</p> <p>He is currently on the Board of the Maasai Mara Conservancies Association and the Wildlife Habitat Trust. And recently was the Chairman of Ecotourism Kenya as well as being Board member of the Kenya Tourism Federation, the East African Wildlife Society, the Kijabe Forest Trust and Atta (Advancing Tourism to Africa).</p>
	<p>Mr. Waibochi, born in 1966, holds a Bachelor of Science Degree in Mechanical Engineering from Bath University UK.</p>

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Mr. Ken Waibochi

He has been the Managing Director of Aberdare Safari Hotels, a hotel group that manages two properties in the Aberdare region for over 13 years. He has over 21 years of experience in the Hospitality Industry.

Prior to joining Aberdare Safari Hotels in an executive position, he was employed for 15 years in the Corporate sector multinational companies including Procter & Gamble (East Africa and Nigeria) for 11 years and Coca Cola Africa.



**Gabriel Gonzalez Penalver
(Term ended 5th March 2020)**

Mr. Gabriel Gonzalez, born in 1961 is a graduate of the Escuela Nacional De Magisterio in Valencia, Spain. He has wide in experience in the tourism sector in Kenya and most of the South African Countries including Namibia, Zimbabwe, Zambia and South Africa. He is the founder of Kobo Safaris Ltd, (1993), a leading tour operator in Kenya and Southern Africa. He served as the Managing Director and is currently the Executive Chairman of Kobo Safaris.



Susan Maina

Born in 1969, Susan holds a Master of Science (Health Economics and Policy) and a Master of Arts (Medical Sociology) from the University of Nairobi as well as a Bachelor of Arts Degree, Economics and Business Studies, Kenyatta University. She is a highly experienced Program Manager with significant expertise in the development, training and implementation of comprehensive Health Care Programs. She has over 15 years' experience in management of health programs and is equally experienced in developing, cascading, monitoring and evaluating institutions' strategic plans.

Susan has worked as a Consultant for Kenyatta National Hospital in developing the hospital's master plan and has also worked as the Head of College at the Nairobi Women's Hospital (NWH) Medical Training College. Susan is a Board Member of the JM Kariuki Hospital, Nyandarua County and Chair of the Health Quality Committee.

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**Hon. Safina Kwekwe Tsungu,
CBS**

Honourable Safina Kwekwe Tsungu, CBS, born in 1973 is the Principal Secretary of the State Department of Tourism, Ministry of Tourism & Wildlife. Hon. Tsungu has served in various organizations and institutions both in civil society and the Public sector.

She served as the Principal Secretary for Gender in the Ministry of Public Service, Youth and Gender, and previously as the County Executive Committee Member for Trade and Co-operative Development in Kwale County. She worked with Action Aid International –Kenya as a women’s rights coordinator. Hon. Tsungu also served the East African Community as a legislator in the second East African Legislative Assembly (EALA) and chaired the Parliamentary Standing Committee on Agriculture, Tourism and Natural Resources. Hon. Tsungu pioneered the establishment of the EALA Women’s Parliamentarian’s Forum which she chaired for 5 years.

She is a holder of a Master’s degree in International Trade Policy and Trade Law from Lund University, Sweden, and a Bachelor of Commerce degree from The University of Nairobi.






Dr. Julius Muia, CBS

Dr. Julius Muia, CBS, the Principal Secretary at The National Treasury. Previously worked the Principal Secretary at the State Department for Planning - The National Treasury and Planning. He also worked as the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030.

Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President.

Dr Julius holds a First Class Honours Degree in Accounting; Masters Degree and PhD in Finance from the same university. He is a Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), a member of Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators and a Certified Coach.

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 <p>Mr. Joseph R Cherutoi</p>	<p>Mr. Cherutoi, born in 1967, holds a Master of Business and Administration (MBA) and is currently undertaking his PhD. He is a Certified Public Accountant CPA(K).</p> <p>He is the Chief Executive Officer of the Tourism Fund and sits on the KTB Board as an ex-officio member by virtue of S.32 (1)(d) of the Tourism Act.</p>
	<p>Mr Antony Muigai Muriu, born in 1966, is the Alternate to the Principal Secretary, National Treasury.</p> <p>Mr. Muriu is a Chief Economist and Head of the Central Planning and Project Monitoring Unit of the National Treasury. He is a Career Civil Servant with over 20 years of experience having risen through the ranks to the current position.</p> <p>He holds a Bachelor of Arts in Economics from the University of Nairobi and Masters Degree in International Development Studies from the Graduate Institute of Policy Studies in Tokyo, Japan. He has also attended numerous short training courses both locally and abroad. Over the years, Mr. Muriu has worked in many Ministries and served in numerous Committees and Taskforces of the Government of Kenya.</p>
	<p>Mr. Njoroge, the Company Secretary/ Head of Legal & Corporate Affairs, born in 1976, holds a Bachelor of Laws (LLB) from University of Nairobi and a postgraduate in Law from Kenya School of Law. He is a Certified Public Secretary, CPS (K) as well as an Advocate of the High Court of Kenya. He is a member of the ICPSK.</p> <p>He is responsible for providing guidance and support to the Board and is in charge of establishing and enforcing corporate governance framework of the Board.</p>

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BOARD COMMITTEES

During the period under review, the following Committees were in place.

Board Marketing Committee

The Board Marketing Committee is chaired by a non-executive director (Dr Mohanjeet Brar) and meets on quarterly basis. Other Members are Mr. Gabriel Gonzalez (*term ended 5th March 2020*), Susan Maina, Adam Jillo, Principal Secretary - Ministry of Tourism & Wildlife (State Department of Tourism) and the KTB Chief Executive Officer. 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.

Board Finance and Establishment Committee

The Board Finance and Establishment committee is chaired by non-executive director (Mr Ken Waibochi) and meets on a quarterly basis. The other members are Susan Maina, the Chief Executive Officer - Tourism Fund, Principal Secretary - National Treasury, Principal Secretary - Ministry of Tourism & Wildlife (State Department of Tourism) and the KTB Chief Executive Officer. The committee's responsibilities including ensuring overall sound financial reporting, internal system of controls, review of business plans and budgets, establishment and staff affairs.

Board Audit & Risk Committee

The Board Audit Committee is chaired by a non-executive director (Mr Adam Jillo) and meets on quarterly basis. Other members who are non-executive directors are Mr. Gabriel Gonzalez (*term ended 5th March 2020*), Dr Mohanjeet Brar, Principal Secretary - National Treasury and an independent Internal Audit Manager (Mr. Onesmus Karanja). The Committee provides oversight of financial reporting, risk management, internal control, compliance and governance processes.

Ad Hoc Committees



The Board of Directors may appoint ad hoc committees to carry out specific assignments as and when needed. The ad hoc committees report to the Full Board. In 2019/20, there were three ad hoc committees as listed below:

1. Ad Hoc Committee on CEO Evaluation
2. Ad Hoc Committee on Recruitment
3. Ad Hoc Committee on Disciplinary Appeal

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III. MANAGEMENT TEAM



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

NAME	PROFILE
 <p>Chief Executive Officer Dr. Betty Addero Radier</p>	<p>Dr Betty Addero Radier, born in 1968, holds a PhD. Degree in Entrepreneurship and small business development from the University of Cape Town South Africa and an MBA degree in strategy and finance from the University of Nairobi. She is an adjunct lecturer at Strathmore Business School in Kenya, specializing in Strategy, Marketing, Entrepreneurship and the Owner Management Program with a focus on 'Selling Beyond Borders'.</p> <p>As the CEO of the Board, she responsible for operational running of the Board to ensure that its mission and objectives and agreed performance targets are achieved. The CEO is accountable for the Board's actions, security of resources as well as ensuring execution of the Board strategy. In addition to representing the management position on the Board, the CEO chairs and supervises the Executive Committee (Exco).</p>
 <p>Mr Fred Okeyo Okeng'o Ag. Director of Market Development & Market Support</p>	<p>Fredrick Okeyo Okeng'o, born in 1962, holds a Masters of Business Administration degree (Marketing) from the University of Nairobi, Bachelor of Science in Hospitality Management from Florida International University , USA and a Diploma in Hotel Management. He is a member of the Marketing Society of Kenya.</p> <p>He has over 20 years in Destination and Tourism marketing. He has been responsible for various markets at different times of his assignments. Prior to the current role, he was a lecturer at Kenya Utalii College and has participated in many for a on Kenya's tourism development and marketing.</p> <p>He is responsible for providing the strategic marketing</p>

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NAME	PROFILE
	<p>direction and leadership in the management of KTB's marketing function and positioning Kenya as the preferred tourism destination. He oversees the implementation of approved marketing strategy and workplans.</p>
	<p>Mr. Njoroge, the Company Secretary/ Head of Legal & Corporate Affairs, born in 1976, holds a Bachelor of Laws (LLB) from University of Nairobi and a postgraduate in Law from Kenya School of Law. He is a Certified Public Secretary, CPS (K) as well as an Advocate of the High Court of Kenya. He is a member of the ICPSK.</p> <p>He is responsible for providing guidance and support to the Board and is in charge of establishing and enforcing corporate governance framework of the Board.</p> <p>He is also responsible for legal matters pertaining to KTB, provide legal services to KTB to ensure that it is legally protected and that it adheres to all legal requirements.</p> <p>He held similar positions in Bata Shoe Co. Ltd and Bidco Oil Refineries Ltd.</p>
 <p>Director Finance and Admin Mary G. Maina (Mrs)</p>	<p>Mary Maina, born in 1975, holds an Executive MBA from Kenyatta University, Bachelor of Commerce (Accounting major) 1st class degree from the Catholic University of Eastern Africa. She is a certified public Accountant (CPA), a certified Information Systems auditor (CISA) and a certified Internal Auditor (CIA).</p> <p>Mary has 21 years of experience, 6 in external audit and 10 in internal audit and 5 years in financial and accounting experience.</p> <p>She is responsible for effectively and efficiently managing all financial and human resources of KTB in order to achieve its goals and objectives.</p>

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NAME	PROFILE
 <p>Human Resources Manager Ibtisam Awadh (Ms)</p>	<p>Ibtisam Mbarak Awadh, born in 1982 holds a Master of Science in Human Resources Management and Bachelors of Business Administration- Accounts from Jomo Kenyatta of Agriculture and Technology University (JKUAT), Cambridge Higher Diploma in Human Resources Management acquired from the Institute of Human Resources Management. Advance Diploma and Diploma in Business Management from ABE (UK). She is a certified Human Resource Practitioner (CHRP), and active full member of the Institute of Human Resources Management (IHRM).</p> <p>Ibtisam has over 10 years' experience in Human Resources and administration. She is responsible for effectively and efficiently managing all administration and human resources of KTB in order to achieve its goals and objectives.</p>
 <p>Internal Audit Manager Mr Onesmus Karanja</p>	<p>Onesmus Karanja, born in 1980, holds a Masters of Commerce postgraduate degree (Forensic Accounting) from Strathmore University, Bachelor of Commerce degree (Accounting Option) from the University of Nairobi. He is a certified public Accountant (CPA), a Certified Information Systems Auditor (CISA) and a Certified Fraud Examiner (CFE).</p> <p>Onesmus has over 15 years of experience in the areas of Audit Assurance, Risk Management and Investigations.</p> <p>He is responsible for the quality and performance of internal auditing within KTB. He provides independent and objective assurance and consulting activity of KTB's operations to the Audit Committee and the CEO on the overall adequacy and effectiveness of KTB's arrangements for governance, risk management, and internal controls and their impact on the operations of the organization.</p>

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IV. CHAIRMAN'S STATEMENT



On behalf of the Members of the Board, it is my pleasure to present the Annual Report and Financial Statements for the Kenya Tourism Board for the year ended 30th June 2020.

Overview

During the year under review, international arrivals by air and sea into Kenya fell to 1,160,533 as at the close of the 2019/20 FY, down from 1,531,761 recorded in the previous year. Additionally, total arrivals including cross-border arrivals closed at 1,513,241, a decrease of 25.2% compared to the previous year's figure of 2,023,337. Decline was also recorded in the number of domestic bed-nights which dropped by 27% as well as tourism revenue earnings which closed at Ksh. 127.9 Billion, a decrease of 18.9% compared to the previous year.

The significant decrease across all indicators during the 2019/20 FY was as a result of the COVID-19 pandemic that caused severe and unprecedented global social and economic disruption including the largest global recession since the Great Depression. Globally, millions of people fell into economic hardship due to loss of jobs and shutdowns and millions of businesses across the globe, particularly those in the travel and hospitality sector, were severely affected.

The pandemic also led to the postponement or cancellation of sporting, religious, political, and cultural events as well as mass closure of schools, universities and colleges across the world. In Kenya, major events that were expected to have a positive impact on tourism during the financial year were cancelled and/or postponed including the Kenya Open Golf Tournament, the World Rally Championship, ITB Berlin, Indirica Festival among others.

As a result of the pandemic, many countries and regions, including Kenya, imposed quarantines, entry bans or other restrictions for citizens, recent travellers to affected areas, or for all travellers. The closure of the country's borders, as well as the cessation of flights from all international source markets, coupled with a decreased willingness by many people to travel translated into a severe negative economic and social impact on the travel sector. Consequently, many hotels, lodges, restaurants and other tourism establishments were closed and staff sent on unpaid leave and/or declared redundant. This devastating impact was reflected in the performance of the sector as at the close of the financial year.

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Operating Environment

The financial year 2019/20 was a mixed bag that featured two contrasting halves. The first half of the financial year saw a continuation of the calm and peaceful operating environment seen in the previous financial year. However, the latter half of the financial year saw the emergence and rapid spread of the COVID-19 pandemic that metamorphosed into the biggest global crisis in recent history.

In the first half of the financial year, spanning the period July to December, 1,132,399 arrivals were recorded compared to 1,114,813 in FY2018/19, illustrating a growth of 1.6%. This growth, despite being modest, was testament to the growth momentum in the sector arising from efforts put in place by the parent ministry and KTB in growing the number of tourist arrivals into the destination.

In the first half, a sum of Ksh. 92.9billion was recorded as tourism revenue. This growth of 4.9% in respect of tourism revenues for the first half of the financial year was testament to the importance of forex earnings from the tourism sector as a key source of government funds to finance the Big Four agenda.

Sadly however, the second half of the financial year brought with it a sharp downturn in the sector's fortunes, not only in Kenya but globally as well. The coronavirus disease 2019 (COVID-19), an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was first identified in December 2019 in Wuhan, China and quickly spread across the globe resulting into the declaration of a pandemic by the World Health Organization (WHO) on 11th March 2020.

Strategy

During the first half of FY 2019/20, the Board intensified its efforts to implement the destination marketing strategy developed by an international tourism marketing consultancy firm, THR Asesores En Turismo, Hoteleria Y Recreacion from Spain. In the first two quarters of the financial year, the Board laid focus on implementation of programmes in key Priority A and B markets as well as the domestic and regional markets. In addition, significant budgets were allocated towards implementation of digital marketing programmes in all source markets. However, implementation of marketing programmes in the first half of the financial year were impacted by budget reductions as well as a moratorium put in place by the National Treasury in respect of spend of development budgets.

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In the second half of the financial year, the implementation of the strategy was severely and abruptly disrupted by the COVID 19 pandemic as result of which many of the planned programmes, campaigns and activities were postponed, put on hold or shelved entirely. In light of the closure of Kenya's entry borders, a strategic shift was made from conversion campaigns to crisis management programmes. This strategic shift was mirrored across all other tourism destinations globally.

Arising from this, a key strategic initiative that was put in place by the Board during the second half of the financial year was the engagement of stakeholders and partners in the sector through webinars to share information on the impact of the COVID 19 pandemic with tourism associations, tourism trade as well as airline partners. The webinars also served as a useful platform for laying down strategies to deal with the impact of the pandemic on the travel sector.

During the first half of the financial year, the Board also finalised the development of the KTB Corporate Strategic Plan which built upon the marketing strategies contained in the THR report.

Corporate Governance

During the year, the Board continued to lay emphasis on a strong and effective corporate governance framework as the bedrock of its activities, processes and programmes.

The Board, through the various board committees as well as the Full Board, duly executed its role of providing policy, oversight and strategy to the corporation. The Statement of Corporate Governance included in this report sets out in greater detail the various measures that the Board put in place to ensure a robust corporate governance environment.

Risk Management

The Board continued to ensure that risk management was mainstreamed into all of the organizations processes, programmes and activities. Through the Board Audit and Risk Committee, the Board received regular assurance from Management on the implementation of the risk management framework approved by the Board. This was with the recognition that the Board carried the responsibility to ensure that KTB has adequate systems and processes of accountability, risk management and internal controls.

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Future Outlook 2020/21

The new financial year 2020/21 begins amidst uncertainty surrounding the COVID-19 pandemic in view of the fact that a vaccine for the disease is yet to be rolled out. While there has been a gradual re-opening of the country's entry points as well as cautious re-starting of international travel, a lot still remains uncertain. It is clear that the COVID-19 pandemic has impacted the travel and hospitality sector in a deep and unprecedented way that will have far reaching consequences spanning a number of years.

It is also apparent that global travel may not return to the pre-COVID 19 levels in the near term. In addition, tourism destinations will need to reset and engage their target markets afresh in the aftermath of the pandemic. Accordingly, the Board will undertake a review of KTB's Strategic Plan during the year to identify new strategic thrusts brought about by the COVID 19 pandemic.

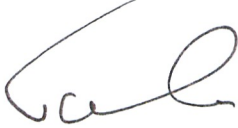
During the coming year therefore, the Board intends to focus on the domestic and regional markets as key source markets for the destination. Accordingly, significant budgets will be channelled towards marketing campaigns and programmes aimed at domestic and regional travellers. In addition, the Board will lay strong emphasis on collaboration and partnership with airlines and other stakeholders that will facilitate entry strategies into various destinations as they begin to re-open. Another key focus area will be identification of resilient demographics that will be more willing to travel as well as prioritization of experiences and products that align well with COVID-19 protocols. The Board will also work closely with Government and trade partners to ensure that the destination is positioned as a COVID-ready tourism destination.

Acknowledgement

On behalf of my Board as well as the staff of KTB, I wish to thank the Government of Kenya, our parent Ministry of Tourism & Wildlife, the various county governments, our sister parastatals, the tourism private sector as well as our various other stakeholders for their support and partnership during this difficult year. These partners and stakeholders indeed played a big role in helping KTB to execute its mandate during the financial year, despite the many unprecedented challenges that beset the sector.

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Lastly, as Chairman of the Board, I also wish to thank my fellow directors for their dedication and their diligent service during the year. My sincere appreciation also goes to the Management and staff of the organization who put in great effort towards the work of the organization even in the face of the COVID-19 pandemic. Together, we look forward with cautious optimism to the new financial year.



**JIMI KARIUKI
CHAIRMAN, KTB**

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V. REPORT OF THE CHIEF EXECUTIVE OFFICER



Tourism is one of the industries in Kenya with a strong connection to transport, food production, retail, and entertainment. Besides being one of the most important sectors in the country, it has placed Kenya among the world's most popular business and leisure destinations.

Revenues

Tourism receipts for the FY 2019/20 closed at Kshs.127.9 Billion, this is a decline of 15.8% compared to Kshs. 151.9 Billion recorded in FY 2018/19. These revenue declines are attributed to the period between February and July 2020 with the break out of Covid-19 pandemic. The disease brought with it devastating impact to global economies. In Kenya as many other countries, the government closed the airspace and restricted movement to curb the spread of the disease. This impacted the tourism industry significantly. This said, however, the country is slowly re-opening and resuming business with the sector having great anticipation for better days ahead.

During the financial year, USA recorded the highest number of arrivals into the country. The total number of arrivals from the North American country was 176, 700 contributing 14.8% of the total arrivals.

Regional countries of Uganda and Tanzania took the second and the third position, respectively. The number of arrivals from Uganda was 168,920 while the number of arrivals from Tanzania was 135,094. UK and India took the 4th and 5th positions. The number of arrivals from UK was 135,419 with a market share of 8.8% while those from India was 126,628, closing at 6.2% of the total market share.

Purpose for visit.

The major reason of travel into Kenya, taking a share of 58.3% was holidaying, Visiting Friends and Relatives was second contributing 15.5% of the arrivals. Business was 3rd contributing 9% of the total arrivals. At the same time, 8.9% of the arrivals were On Transit Passengers. This is an indication that Kenya is growing as a connecting destination. The other reasons for entry are On Transit, Study, Sports, Medical and Voluntourism – contributing a combined a share of 10.9% of the arrivals.

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Domestic tourism

The number of domestic bed-nights occupied in the period dropped by 25.3% from 4.68 million in FY 2018/19 to close at 3.498 in FY2019/20. The domestic market has the potential of cushioning the sector during low seasons when number of international tourists decline. Given this potential, this is an area that KTB is keen on harnessing. The rapid growth therefore provides stakeholders in the sector with opportunity to develop strategies and packages targeted at domestic travelers.

Although international travel has resumed and our airspace is open, International tourists will take a bit of a longer time to resume fully.

Performance by regions

AMERICAS	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL	%SHARE	
USA	30,931	26,871	20,390	20,792	15,667	20,045	17,903	16,787	7,244	11	17	42	176,700	78.7	
CANADA	4,079	4,284	3,461	3,981	2,945	3,444	3,589	3,593	1,392		2	2	30,772	13.7	
MEXICO	1,017	436	390	402	320	415	342	246	255				3,823	1.7	
BRAZIL	478	401	299	394	353	248	435	358	92				3,058	1.4	
COLOMBIA	339	211	202	185	185	198	179	107	53				1,659	0.7	
REST OF AMERICAS	1,033	825	2,029	805	1,069	651	758	919	341	-	4	11	8,445	3.8	
TOTAL AMERICAS	37,877	33,028	26,771	26,559	20,539	25,001	23,206	22,010	9,377	11	23	55	224,457	100.0	
AFRICA	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL	% SHARE	
UGANDA	17,712	21,065	17,443	23,544	16,953	20,550	23,864	17,936	9,844			2	7	168,920	28.0
TANZANIA	17,183	17,911	14,523	19,634	13,532	18,325	15,179	10,942	7,856	2	3	4	135,094	22.4	
RWANDA	3,863	4,121	4,135	4,522	3,711	4,073	4,494	3,596	2,006		2	6	34,529	5.7	
SOUTH AFRICA	4,127	4,396	4,188	4,541	4,014	4,028	3,503	3,339	1,339		27	9	33,511	5.6	
ETHIOPIA	3,551	3,607	3,296	3,937	3,467	3,239	3,088	2,959	1,383		7		28,534	4.7	
REST OF AFRICA	23,592	26,915	23,434	27,281	23,793	25,379	22,203	19,438	9,626	12	33	50	201,756	33.5	
TOTAL AFRICA	70,028	78,015	67,019	83,459	65,470	75,594	72,331	58,210	32,054	14	74	76	602,344	100.0	

TOTAL EUROPE	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL	% SHARE
UNITED KINGDOM	21,443	18,843	14,937	18,900	12,246	15,443	13,483	13,880	6,142		14	88	135,419	29.8
GERMANY	6,039	6,587	7,081	9,183	6,215	5,903	5,466	6,657	3,026		2	1	56,160	12.4
ITALY	3,630	7,861	3,854	5,460	5,651	6,134	6,778	5,401	819			8	45,596	10.0
FRANCE	4,778	6,171	4,063	6,982	3,496	3,907	4,109	6,040	1,891			4	41,441	9.1
NETHERLANDS	4,469	3,414	2,959	4,197	2,838	2,799	2,882	2,938	1,339		2	13	27,850	6.1
REST OF EUROPE	20,455	18,449	14,244	20,976	15,903	16,992	16,269	17,879	6,191	-	6	64	147,428	32.5
TOTAL EUROPE	60,814	61,325	47,138	65,697	46,349	51,178	48,987	52,795	19,408	-	24	178	453,893	100.0

As demonstrated in the tables above, Africa contributed the largest share of arrivals into the destination with 39.8% accounting for 602,344 arrivals in the period. This is owed to the ongoing government foreign policy towards African countries. The on-going deliberations to speed up the ratification process and protocol relating to the African Union (AU) Protocol on Free Movement within Africa will be key to the growth of regional tourism.

Free movement within Africa is instrumental in building intra-Africa trade, and Kenya is among the countries in the continent pushing to have the protocol actualized before the end of this year. This is an area with great potential and also likely to grow further in the coming years.

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In the 2019/20 Financial Year, the European market contributed 453,893 arrivals or 29% of visitor numbers, which was a significant growth in that market. Europeans prefer to travel to Kenya to enjoy the year-round weather, beautiful beaches, rich cultural history and authentic African experiences. The top 5 sources markets from Europe are UK, Germany, Italy, France and Netherlands. These five countries contributed 68% of total arrival from Europe.

During the period, Jomo Kenyatta International Airport (JKIA) contributed 69% of the total arrivals closing at 1,050,426 this is a decline of 23.5% compared to 1,373,274 in FY2018/19. Moi International Airport Mombasa (MIAM) received 91,793 visitors this is a contribution of 6% of the total arrivals. This is a decline of 28.5% when compared to 128,337 in FY2018/19. Other Airports contributed 18,314 which is 1% of the total arrivals, this is a decline of 36.7% compared to 28,919 in FY 2018/19. Cross-border arrivals closed at 352,709 this is a contribution of 23% to the total arrivals and a decline of 28.4% compared to FY2018/19 results.

Outlook for 2020/21

The travel, tourism and hospitality industry has been decimated by the impact of the coronavirus COVID-19 outbreak. Countries are still actively battling the deadly virus, but societies and industries are now also looking to rebuild and re-emerge from the crisis. The recovery process for the travel industry will be complicated and lengthy.

Border closures, ongoing reluctance to travel internationally, and the residual effects of the global economic recession will weigh heavily on international markets over the next several years.

Global data is continually showing a severe recession in all major economies in 2020 and reports that most global economies' external sector has collapsed, while domestic demand has shrunk due to lockdowns and mass unemployment.

Developing economies face added challenges related to weaker health infrastructure and limited government budgets to provide support during the pandemic. However, most economies are expected to recover next year.

This in consideration, we expect domestic tourism to ignite the sector and create a lifeline for the sector. The domestic and regional market is important and if strategies are employed seamlessly, it could create sufficiency in the sector. KTB will also be leveraging on the country's tourism diversity by working with all the 47 counties in improving quality of existing tourism circuits as well as augmenting tourism products.

In addition, KTB is re-engineering its business model by leveraging more on digital marketing and communication as it takes advantage of the large number of travellers who are now available online.

This will be through:

Global above the line (ATL) Online consumer campaigns on Google, Online Travel agencies such as Travel Zoo and on Aljazeera and CNN Online. This will ensure continuous Digital consumer advertising and communication to travellers. The Board will also be leveraging on joint trade marketing campaigns with the travel trade including trade associations such as Association for Promotion of Tourism to Africa (APTA), South African Tour Operator Association (SATO) and African Travel & Tourism Association (ATTA).

In the foregoing, KTB will continue collaborating with the private sector on packaging the destination. Some of the programmes in the pipeline include training of tour operators and having feedback sessions that are geared towards creating synergies that further build the brand quality and value.

Conclusion

I take this opportunity to express my gratitude to all our stakeholders whose continuous commitment and collaboration has enabled us to grow in all aspects.

Let me thank the KTB board and our line Ministry of Tourism and Wildlife for providing us with support and policy guidance towards achieving of our Mandate. A lot that we have achieved has been realised under your stewardship.

To KTB staff, thank you for the hard work and commitment with which you execute your role, always remember all that you do is indeed appreciated.

To the industry players, thank you for working with us and enabling us to position the country as one of the world's sought-after destinations. We are where we are because of you all.

Let us continue working together, knowing that all our efforts are bearing fruits as we work for the good of the sector and Kenya.



DR. BETTY ADDERO RADIER
CHIEF EXECUTIVE OFFICER

VI. REVIEW OF KTB'S PERFORMANCE FOR FY 2019/20

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

The current Kenya Tourism Board strategic plan covers the period 2018-2023. The Financial Year (FY) 2019/20 was the first year of implementation of the plan. The plan has six strategic focus areas supported by fifteen strategic objectives. The focus areas include:

1. Innovation culture
2. Powerful destination Magical Kenya Brand
3. Improve competitive positioning of Magical Kenya Brand
4. Effective partnering with private sector
5. Organizational change & performance
6. Establishing sustainable funding

In 2019/20 KTB committed to 164 activities across six (6) focus areas. Laudable effort were made towards completing the planned activities despite the challenges experienced in the financial year. The 2019/20 activities implementation was significantly affected by the Covid 19 outbreak most of the activities scheduled for Q3 and Q4 delayed due travel restrictions both locally and internationally. Some of the activities and key events organized for the period were cancelled and others postponed this included amongst others the Magical Kenya Open golf tournament, the Safari Rally, and MKTE (Magical Kenya Travel Expo).

Below is a summary of the activities realized in 2019/20 and some of the key achievements for the strategy period

Strategic Focus Area (SFA)	Strategic Objective	Achievement
SFA 1: INNOVATION CULTURE	(a) Leverage technology adoption by the organization (b) Facilitate the development of diverse and authentic Kenyan experiences and promote them to priority markets (c) Leverage digital marketing	<ul style="list-style-type: none"> • KTB Automated some of the key internal business processes, this includes; travel clearance, imprest application and surrender, perdiem application and surrender, uploading and searching for documents • The organization integrated Electronic Data Management System (EDMS) EDMS with SAP to allow for communication flow and document access between the systems. This saw the digitization of one million four thousand and forty-nine (1,004,489) documents. • KTB acquired social media analytics tools • KTB Unveiled 15 Signature experience • The organization recruited a digital manager as part of capacity strengthening of the digital marketing team
SFA 2: POWERFUL DESTINATION MAGICAL KENYA BRAND	(d) Improve data collection, sourcing, market intelligence and analysis a) Increase the level of association of Magical Kenya Brand b) Improve competitive positioning of Magical Kenya Brand c) Clearly position and communicate the diversity of the Kenyan destination experience. d) Refresh the Magical Kenya Brand Identity e) Build strong media partnerships through constant engagement	<ul style="list-style-type: none"> • KTB also collaborated with Kenyatta University in the development of the Covid 19 sector impact report • Magical Kenya new visual and Brand Identity was launched • KTB conducted a digital rebrand campaign 7th October to 8 Nov 2019 • Online webinars conducted for both the domestic and international markets • The Logos for the Kenya Coast and the respective sub-brands of Lamu, Malindi, Watamu, Mombasa and Diani developed and launched • Roundtable meetings held with, Domestic China and India Trade to provide insight on travel trends

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Strategic Focus Area (SFA)	Strategic Objective	Achievement
SFA 3: EFFECTIVE SALES SYSTEM	a) Build Magical Kenya Brand affinity with prospective visitors.	<ul style="list-style-type: none"> Kenya Private sector companies were mobilized to participate in the USTOA (United States Tour Operator Association) High level engagements were realized at APTA in Sept 2019 Partnership with the African Spa Association conducted to enhance visibility Joint trade campaigns conducted with Kenya Airways, TOSK (Tour Operators Society of Kenya), Lion World, Go way Travel, Tour Radar and Africa Answers concluded in September 2019.
SFA 4: EFFECTIVE PARTNERING WITH PRIVATE SECTOR	a) Grow market share with Tour Operators and Online Travel Agencies/ Travel Agencies. b) Improve participation, ownership and marketing performance of the Kenyan tourism industry and non-tourism stakeholders.	<ul style="list-style-type: none"> Implemented the ELearning KATS Program Two Microsites developed to increase participation in the industry ; East Africa campaign page (www.magicalkenya.com/ea) & Magical Kenya signature experiences page (www.magicalkenya.com/mkse) Three E trade Newsletters developed (Oct. Nov. Dec) Domestic E hand book developed 200 diplomatic Corp engaged and enrolled in database
SFA 5: ORGANIZATIONAL CHANGE & PERFORMANCE	a) Develop succession plans that are cognizant of the emerging workforce b) Improve team cohesion across the organization	<ul style="list-style-type: none"> Competency survey conducted and action plan for addressing identified gaps developed and shared with staff Staff Team building conducted in February 2020
SF6: Establish Sustainable Funding	a) Design cost effective procedures systems to respond to internal and external customers	<ul style="list-style-type: none"> EDMS went live and will make it easier to transition to paperless office

VII. CORPORATE GOVERNANCE STATEMENT

Introduction

The KTB Board of Directors is responsible for the governance of the Corporation and recognizes that corporate governance is an essential framework for the achievement of KTB's objectives as well as measurement of corporate performance and as a critical means of ensuring that KTB is effectively directed, controlled and held accountable

To this end, the Board has put in place measures and processes to ensure that high standards of corporate governance are maintained at all levels of the corporation.

The Board recognizes that for governance to be effective, it must be realized through leadership and collaboration, with the Board at the helm leading by example and complementing the senior management. This enables effective and efficient decision making and gives a structural aid for the Directors to discharge their duty to promote the success of KTB while taking into account the interest of stakeholders.

This Corporate Governance Statement provides the necessary information to enable all stakeholders to evaluate the application of KTB's governance and ethical obligations and to satisfy themselves that KTB has satisfied its obligations thereunder.

The Board of Directors

The Board of Directors has a formal schedule of matters reserved for it. The directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance matters.

Ultimately, the Board of Directors determines KTB's strategic objectives, values, key policies and procedures in accordance with best practice. It is responsible for establishing and maintaining the overall internal controls of financial, operational and compliance functions as well as monitoring performance of the executive management.

The Board has delegated the authority for day-to-day management of KTB to the Chief Executive Officer. However, it retains overall responsibility for KTB's financial performance, compliance with laws and regulations and monitoring of its operations.

Under the leadership of the Chief Executive Officer, the role of management is to conduct the day-to-day operations of KTB in a way that is consistent with the strategic plans, business plans and budgets approved by the Board. In this context, the Chief Executive Officer makes recommendations to the Board with respect to matters of corporate strategy and policy.

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The Board then makes the decisions which it deems appropriate and supervises the execution of such decisions and reviews.

In line with its role to set and oversee the overall strategy of the organization, during the year the Board finalized the development of the organization's Corporate Strategic Plan 2018 - 2023. This overarching strategy took into consideration the National Tourism Blueprint 2030 rolled out by the parent ministry and also anchored itself of the marketing strategy developed earlier by KTB. Consequently, all budgets, workplans and human resources have been realigned to the new corporate strategy that will guide the organization's operations going forward.

Board Size, Composition and Appointment

The Board comprises of six (6) independent non-executive directors including the Board Chairperson as well as three (3) other ex-officio members drawn from the central government and a sister parastatal in addition to the Chief Executive Officer.

The public sector representatives are the permanent secretaries or their designated alternates from the National Treasury and also the parent ministry. The Chief Executive Officer of the Tourism Fund is also a member of the Board by virtue of the fact that KTB is partly funded by the tourism levy administered by the Tourism Fund. As required by MWONGOZO, the Board brings together members from different professional backgrounds with diverse skills and competencies as shown in Pie Chart 1. The representation of the respective genders on the Board is shown in Pie Chart 2.

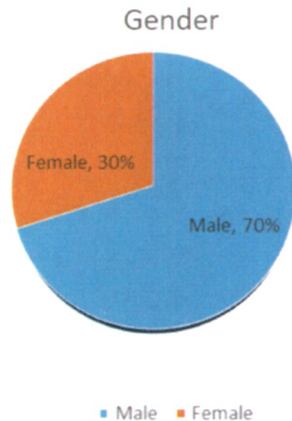
During the year, the term of one of the independent directors came to an end as a result of which a vacancy on the board existed as at the close of the financial year.

Pie Chart 1: Board Competencies



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Pie Chart 2: Board gender representation



The position of the Chief Executive Officer is filled through public advertisement and competitive recruitment. The appointment is done by the Cabinet Secretary, Ministry of Tourism & Wildlife in consultation with the Board. The Chief Executive Officer is an ex-officio member of the Board but has no voting right at any meeting of the Board.

The Board Chairman is appointed by the President. The independent directors who are representatives from the private sector are appointed by the Cabinet Secretary in the Ministry of Tourism & Wildlife. These comprise of five members, not being public servants, appointed by the Cabinet Secretary taking into account regional balance and gender parity, of whom two are nominated by the registered national tourism associations and three are persons with knowledge or experience in matters relating to international tourism, finance, business administration, law, marketing or a related discipline.

The directors' abridged biographies appear on pages VIII to XII of this Annual Report. The Board membership is shown on page VII.

Independence, Separation of Roles and Responsibilities

All Directors except the Chief Executive Officer are non-executive. The non-executive directors are independent of Management, they establish a framework for the delegation of authority and ensure succession planning for the Chief Executive Officer and senior management is in place. Their role is to advise, constructively challenge and monitor the implementation of the agreed corporate strategy within the risk appetite and control framework that is set out by the Board.

The roles and responsibilities of the Chairman of the Board, the Chief Executive Officer and non-executive directors remain distinct and separate which ensures a balance of power of authority

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and provides for checks and balances such that no one individual has unfettered powers of decision making. Their roles have been documented and are expected to be independent and free from conflict upon appointment.

The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective board and sets the board agenda in consultation with the Chief Executive Officer and ensures effective communication to stakeholders.

On the other hand, the Chief Executive Officer is responsible to the Board and takes the overall responsibility for the management of organization and takes responsibility for the effective and efficient day to day running of the affairs of the organization. The Chief Executive Officer recommends the strategy to the Board and implements it and makes operational decisions. The Chief Executive Officer also ensures appropriate and timely information flows within the Board, its committees and management.

Oversight Role of the Board

The Board provides strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance throughout the organization.

The responsibilities of the Board are clearly spelt out in the Tourism Act No. 28 of 2011, MWONGOZO Code of Governance and the Board Charter. The Board defines the purpose of the organization, its strategic intent, objectives and its values. It ensures that procedures and practices are in place to protect KTB's assets and reputation.

The Board retains full and effective control over KTB and monitors Management's implementation of the plans and strategies set by the Board. It ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics. It strives to act above and beyond the minimum requirements and benchmark performance against best international practices.

The Directors Code of Conduct and Ethics defines the governance parameters within which the Board exists and operates. In accordance with the principles of good corporate governance, each director undertakes to always act in the best interest of KTB and exercise his/her power in the execution of duties in good faith and acts with care and prudence.

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Board Meetings

The Board of Directors normally meets at least once every quarter and is chaired by a non-executive Chairman. The Board, including the Board Committees, holds regular scheduled meetings throughout the year and special meetings are held as and when necessary. In case of non-attendance due to other commitments, such information is communicated to the Board/Committee chair, through the Corporation Secretary, prior to the date of the scheduled meeting. A summary of Full Board meetings attendance by the Board of Directors is shown below.

Board Meeting Attendance from 1st July 2019 to 30th June 2020

Board Member	Position	11 th July	30 th July	9 th Sept	26 th Sept	11 th November	10 th December	31 st January	11 th June
Jimi Kariuki	Chairman	✓	✓	✓	✓	✓	-	✓	✓
Dr. Betty Radier	Chief Executive Officer	✓	✓	-	✓	✓	✓	✓	✓
Adam Jillo	Vice-Chairman	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Mohanjeet Brar		✓	✓	✓	✓	✓	✓	✓	✓
Ken Waibochi		-	✓	✓	✓	✓	✓	-	✓
Gabriel Gonzalez		-	✓	-	✓	-	-	✓	N/A
Susan Maina		✓	✓	-	✓	-	✓	-	✓

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Board Member	Position	11th July	30th July	9th Sept	26th Sept	11th November	10th December	31st January	11th June
Hon. Safina Kwekwe	Alternate is Alison Ngibuini	-	-	-	✓	✓	-	-	-
Dr. Julius Muia	Alternate is Anthony Muriu	✓	✓	-	-	-	✓	✓	✓
Joseph Cherutoi	Alternate is Eric Kiplagat	✓	✓	✓	✓	✓	-	✓	-

Board Committees and Responsibilities

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities. The Board has developed a committee structure that assists in the execution of its duties, powers and authorities.

The Committees are appropriately constituted drawing membership from amongst the Board members with appropriate skills and experience. Each Committee is guided by the individual Committee Charter/Terms of Reference, which outlines its responsibilities as mandated by the Board.

The Committees are expected to operate transparently, ensure full disclosure to the Board and conduct themselves within the rules and procedures set out by the Board. Matters deliberated on by the Committees are presented to the Board by the respective chairmen during the next Board meeting. Ad Hoc Committees are also constituted by the Board on a need basis as and when required. During the year, a Board Ad Hoc Committee was appointed to conduct an evaluation of the CEO's performance at the end of her contract term. An Ad Hoc Committee was also appointed to conduct the recruitment of officers in senior management positions. In addition, an Ad Hoc Committee was also appointed to hear a disciplinary appeal filed by a former employee.

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Board Marketing Committee

The Board of Directors has delegated to the Board Marketing Committee the authority to undertake the following functions:

1. To provide input from the private sector to KTB's marketing strategies and plans
2. To undertake proactive crisis management on behalf of the Board and constitute the technical team in the event of a crisis.
3. To provide strategic direction for KTB's marketing policies
4. To deliberate on cross-cutting issues that impact on tourism development and growth in co-operation with Government and other institutions.
5. To provide input in the selection and recruitment of senior staff within the marketing department by reviewing job specifications and providing representation during the interview process.
6. To engage with strategic partners such as KWS, KQ, KTF among others
7. Any other matters assigned to the Committee by the Full Board.

A summary of Board Marketing Committee meetings attendance by the committee members is shown below.

Board Marketing Committee Meeting Attendance from 1st July 2019 to 30th June 2020

Committee Member	Position	1 st July	17 th July	18 th Sept	8 th October	26 th November	17 th January	1 st April	27 th May
Dr. Mohanjeet Brar	Chairman	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Betty Radier	Chief Executive Officer	✓	✓	✓	✓	✓	✓	✓	✓
Susan Maina		-	✓	✓	✓	✓	✓	✓	✓
Gabriel Gonzalez		-	✓	-	-	-	-	N/A	N/A

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Committee Member	Position	1 st July	17 th July	18 th Sept	8 th October	26 th November	17 th January	1 st April	27 th May
Adam Jillo		✓	✓	✓	✓	✓	✓	✓	✓
Hon. Safina Kwekwe	Alternate is Alison Ngibuini	✓	-	✓	-	✓	-	-	-

Board Finance & Establishment Committee

The Board of Directors has delegated to the Board Finance & Establishment Committee the authority to undertake the following functions:

1. To deliberate on all financial matters presented by management and make recommendations to the Full Board, including reviewing of the KTB budgets and annual financial statements, among others
2. To deliberate on all matters relating to human resources including staff emoluments and benefits, organizational structure, recruitment, appraisals and termination, among others
3. To deliberate on legal matters affecting the organisation and to receive updates on legal issues that the organisation may be party to.
4. To deliberate on procurement matters including receiving of procurement plans and reports
5. To deliberate on Performance Contracting matters including reviewing of the draft annual performance contract and receiving quarterly PC reports.
6. To deliberate on any other matters that may be delegated to the Committee by the Full Board

A summary of Board Finance & Establishment Committee meetings attendance by the committee members is shown below.

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Board Finance & Establishment Committee Meeting Attendance from 1st July 2019 to 30th June 2020

Committee Member	Position	3 rd July	18 th July	20 th Sept	28 th October	4 th December	20 th January	5 th June
Ken Waibochi	Chairman	✓	✓	✓	✓	✓	✓	✓
Dr. Betty Radier	Chief Executive Officer	✓	✓	✓	✓	✓	✓	✓
Susan Maina		-	✓	✓	✓	✓	✓	✓
Hon. Safina Kwekwe	Alternate is Alison Ngibuini	✓	-	✓	-	-	-	✓
Dr. Julius Muia	Alternate is Anthony Muriu	✓	✓	-	✓	✓	✓	✓
Joseph Cherutoi	Alternate is Eric Kiplagat	-	-	-	-	-	✓	-

Board Audit & Risk Committee

The Board of Directors has delegated to the Board Audit & Risk Committee the authority to undertake the following functions:

1. To assist the Chief Executive Officers in enhancing internal controls in order to improve efficiency, transparency and accountability
2. To review audit issues raised by both internal and external auditors
3. To resolve unsettled and unimplemented PAC/PIC recommendations
4. To enhance communication between management, internal and external auditors and foster an effective internal audit function
5. To be responsible for governance and compliance and to receive reports on the level of adherence to the code of conduct and ethics by members of the organisation
6. To establish and maintain an effective Board risk management process and framework

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A summary of Board Audit & Risk Committee meetings attendance by the committee members is shown below.

Board Audit & Risk Committee Meeting Attendance from 1st July 2019 to 30th June 2020

Committee Member	Position	19 th July	30 th October	24 th January	4 th June
Adam Jillo	Chairman	✓	✓	✓	✓
Dr. Mohanjeet Brar		✓	✓	✓	✓
Gabriel Gonzalez		-	-	✓	N/A
Dr. Julius Muia	Alternate is Anthony Muriu	✓	✓	✓	✓

Remuneration of the Board

The non-executive directors are paid a taxable sitting allowance as approved by the State Corporations Advisory Committee. The Chairman is paid a monthly honorarium at a rate approved by the Government.

Transport expenses incurred by directors in respect of travel for Board business are reimbursed at the prevailing AA rates. The independent directors are also entitled to outpatient and inpatient medical cover and a personal accident cover as approved by the Government.

Directors Induction and Training

The Board develops an induction program designed to introduce new directors to the operations of the Board and also organizes corporate governance trainings at different times during the year. The programs are aimed at deepening the boards' understanding of the changes in risks, laws and business and political environment in which the Board operates.

During the year, the Board Audit & Risk Committee members attended a course on "Strategic Risk" conducted by the Institute of Directors in August 2019. Other trainings conducted during the financial year included Content Communities training as well as Corporate Governance webinars conducted by the Strathmore Business School during the COVID crisis period.

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Board Effectiveness and Evaluation

In order to assess and improve the capacity, functionality and effectiveness of the Board and its Committees, an annual evaluation is normally scheduled in accordance with the widely accepted principles of corporate governance. The self-evaluation is intended to review the capacity, functionality and effectiveness of its performance in the achievement of its goals and objectives. It assesses the performance and independence of the Board and its Committees jointly and individual members of the Board, including the Chief Executive Officer.

In July 2019, the Board undertook a self-evaluation exercise in respect of the FY 2018/19 that was facilitated by the State Corporations Advisory Committee and thereafter received findings from the same. The Board performed very well having attained a combined score of 84.26%. Meetings of the Board continued to be managed effectively and efficiently through the use of a 100% paperless electronic board management solution.

Code of Conduct and Ethics

The directors and employees of the Board have a fiduciary duty to act honestly and in the best interest of the Board. Business transactions with all parties must be carried out at arm's length and with integrity. The Board provides effective leadership based on an ethical foundation and ensures all deliberations, decisions and actions are based on the Boards' core values underpinning good governance.

The Board has in place a Code of Conduct and Ethics whose aim is to define the Board's commitment to the highest standards of behaviour and to build respect, confidence and credibility with its stakeholders. The Code provides guidance to its members regarding ethical and behavioural considerations as they address their duties and obligations during their appointment and their term in KTB. The Board has also put in place a corruption prevention framework to ensure the highest standards of ethical behaviour are maintained.

Accountability & Audit

The Board is required to present an objective and understandable assessment of the organizations' operational position and prospects. To this end, the Board ensured that accounts were presented in accordance with the International Public Sector Accounting Standards (IPSAS).

(i) External Auditors

Kenya Tourism Board accounts are audited by the Office of the Auditor-General. The Office of the Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya.

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(ii) Internal Auditors

The Board in furtherance of its duties to ensure that the process, structure and internal controls are maintained and adhered to has recruited qualified and experienced in-house internal audit staff to carry out such functions and present reports on compliance.

Internal Controls and Risk Management

The Board has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. The Board reviews and monitors the development and implementation of systems of internal controls. The Board ensures that it has gained an understanding of these risks and mitigates them by implementing sound internal controls and risk management practices.

Consequently, the Board has in place a Risk Management Framework which identifies the risks and prescribes measures for the management of the identified risks. The Board recognizes that information technology forms an integral part of the risk management process and has developed a business continuity plan and disaster preparedness plan among other ICT policies.

The Board has delegated the day to day management of risks to Management through systems and processes carried out on a day to day basis.

Relationship with Stakeholders

The Board appreciates that stakeholder perception affects the organization's reputation. Therefore, the Board strives to achieve an appropriate balance between its various stakeholders in the best interest of the organization by taking into account their legitimate interests and expectations in decision making.

The Board values the importance of complete, timely, transparent and effective communication with its stakeholders for building and maintaining their trust and confidence by providing regular information on its performance, activities and addressing their concerns whilst having regard to legal and strategic considerations.

The main avenues through which the board communicates with stakeholders are through press statements, stakeholder forums, courtesy calls as well as annual reports and financial statements. During the year, the Board held a stakeholder engagement with the chairpersons and CEO's of tourism associations where matters relating to areas of cooperation and partnership were discussed.

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The Board has continued to encourage electronic communication through publishing documents on the corporate website www.ktb.go.ke and on the destination website www.magicalkenya.com and has endeavoured to ensure that the two websites are highly interactive and contain all the relevant information that stakeholders may require.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A- KTB'S OPERATIONAL AND FINANCIAL PERFORMANCE

Overview

Total Arrivals

The total international arrival by air and sea for the FY 2019/20 closed at 1,513,214 from 2,027,223 in FY 2018/19, indicating a decline of 25.4%.

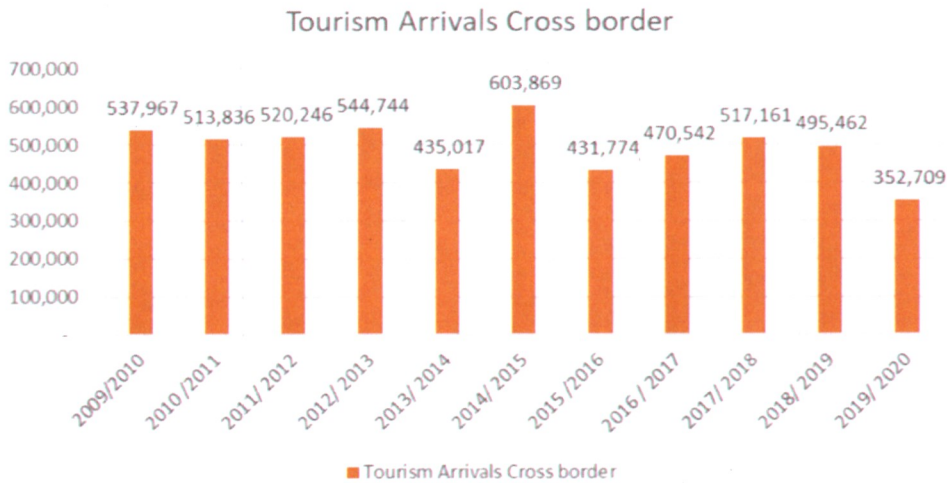


- JKIA recorded arrivals for the period closed at 1.05 million down from 1.37 million in FY2018/19 illustrating a decline of 23.5%.
- MIAM recorded arrivals for the period closed at 91,793 down from 128,337 in FY 2018/19 illustrating a decline of 28.5%.
- Other Airports arrivals recorded in the period was 18,314, this is a decline of 36.7% compared to FY2018/19 which closed at 28,919.

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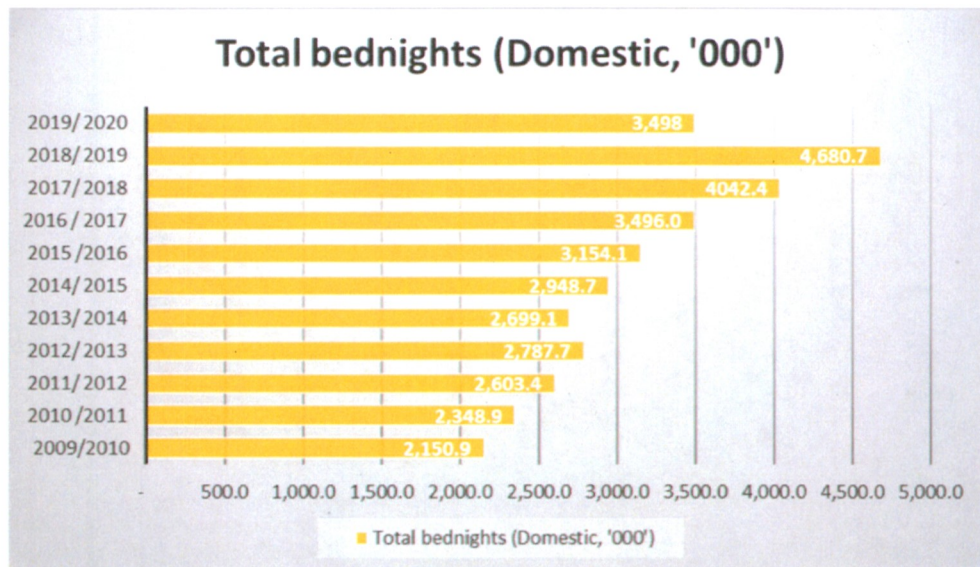
- The Cross Border figures for FY 2019/20 closed at 352,709 down from 495,462 indicating a decline of 28.8%.



Domestic Bed Occupancy

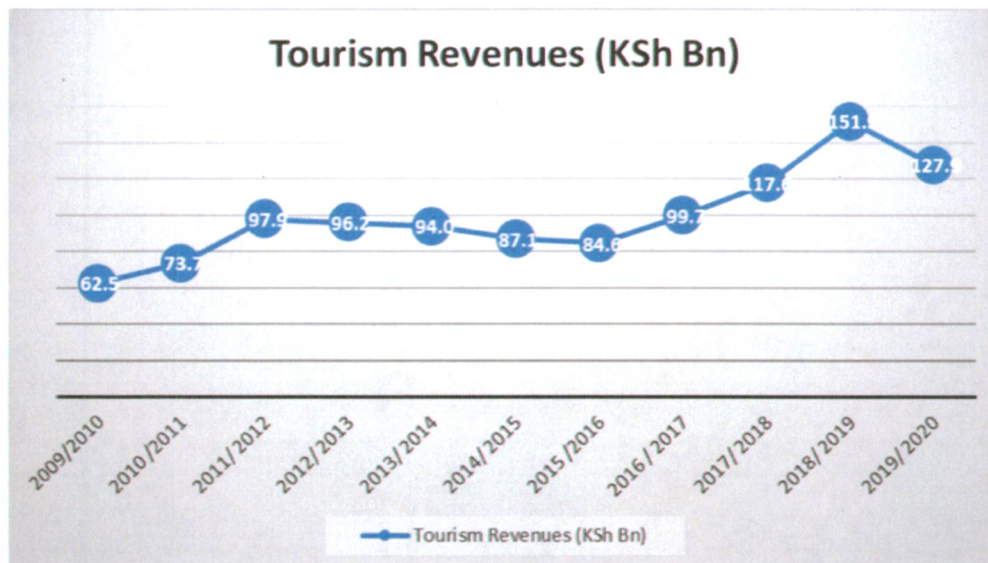
The number of domestic bed-nights occupied in the period dropped by 25.3% from 4.680 Million in FY 2018/19 to close at 3.498 Million in FY2019/20.

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Tourism Revenue

Tourism receipts for the FY 2019/20 are estimated to have closed at Kshs.127.9 Billion, this is a decline of 15.8% compared to KShs. 151.9 Billion recorded in FY 2018/19



WHAT IS BEING DONE FOR MARKET RECOVERY IN FY 2020/21

Kenya as a tourism destination is facing a very challenging marketing environment today, which has been worsened by the break out of the global COVID 19 pandemic.

The outbreak of COVID 19 has had serious negative impact on the destination's marketing programs which was exacerbated by the global shutdown of economic activities, with borders closed, flights suspended, quarantines and lockdowns, hotels and attractions were closed.

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Though faced with a grim and uncertain situation but with optimism from monitoring developments in various markets, Management developed a post-Covid- 19 intervention strategies, periodically reviewed, to address the recovery of the tourism sector.

In FY 2020/21, the Marketing Strategy aims to address the emerging challenges as it improves on the destination's competitiveness. The focus therefore is on experiences, branding, communication and support to stakeholders.

The thrust of the strategy is to focus firstly on Domestic Tourism, which is the immediate viable market before International markets but continue to maintain a presence to inspire travellers in our key source markets. Products and Experiences will reflect how we show up in the markets. We will present Kenya as offering so much more: People, Nature, Culture and More including flowers, tea and extended to sports, adventure, arts, and culture.

Communication and Public Relations will be another area of thrust; to tell our stories with an emphasis and optimization of the Digital platform while focusing on sharing authentic and compelling content. Our publicity initiatives will take the lead in building trust and confidence among travellers as we share with them the opportunities to experience the diverse and unique Kenyan offerings.

Partnerships with Trade, Airlines, Tourism Associations, Non- Tourism Partners, Embassies, Government will also be a key area. This will enable Kenya increase its reach and present the destination in more fulfilling ways.

Strategy

FY 2019/20 was the first year of implementation of KTB 2018-2023 strategy. In the first year KTB focused on effectively positioning the destination experiences, this would provide a platform and infrastructure to grow tourism arrivals and earnings over the strategy period while enriching the lives of Kenyans and the travellers alike.

In Q1 KTB successfully completed the vetting and approval of the 2019/20 PC. The organisation also completed the evaluation of the 2018/19 PC and achieved composite score of 3.0924 which was graded as "good". KTB received a circular in Q1 that directed that there was to be no spend in Q1 under the development budget. The development budget was also reduced to 125Million (M) from 500M, this significantly impacted on the marketing activities. Despite these challenges KTB realised 589,505 international arrivals which was 0.4 % increase compared to similar period 2018/19.

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The second quarter activities were implemented amidst resource constraints resulting from the budget cuts in Q1, this reduced the number of activities implemented in quarter 2; however KTB made significant efforts to remain on course. In Q2, Kenya registered 533,401 arrivals which was 4.6 % increase compared to the similar period the previous FY.

At the beginning of Q3, KTB received an additional allocation of Kshs.368 Million under the recurrent budget. Q3 marked the onset of national lockdown as well as international restrictions to travel due to COVID 19 outbreak. The restriction in movement significantly affected travel as well as tourism resulting into 17.7% decline in arrivals as compared to similar period in FY2018/19. Most activities stalled in Q3 except for those that could be done online.

Prolonged restriction of Movement within and outside the country in Q4 once again impacted on travel and resulted to 99.8% decline in arrivals compared to 2018/19. In response to the worldwide COVID-19 tourism trends, KTB developed a recovery strategy that focused on restarting the travel and tourism industry. KTB conducted various campaigns over the period as part of the recovery; this included; the “travel tomorrow” campaign that aimed at sensitizing the travellers about the importance of staying at home in the wake of the Covid-19; the “magic awaits” campaign focused on showing the diversity of the Kenyan experience as well as keep consumers engaged in preparation for resumption of travel.

Several webinars were conducted across various markets to bring together key tourism and hospitality industry stakeholder to discuss the path towards recovery. This included the amongst others; “Road to Recovery”– Update on Europe, “County Readiness for Tourism Recovery”, Kenya Product Training for the USA market as well as “Making Digital Work” which was delivered in collaboration with KTF in June 2020 “Kick start domestic” and the “Leap forward” webinar was hosted by PS. Tourism, Hon. Safina Kwekwe.

Financial performance

KTB received KShs 379.4 Million from GoK grants; Kshs 310.68 Million from Tourism Fund and earned KShs 155.314 Million from Appropriation in Aid Million in FY 2019/20.

SECTION B- KTB'S COMPLIANCE WITH STATUTORY REQUIREMENTS

KTB is committed to comply with all statutory requirements. During the year, there were no major non-compliance that may expose KTB to any liabilities.

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Below is a list of ongoing or potential court cases, the claim and the current case status:

	CASE	CASE NO.	PLACE	CLAIM FOR:	AMOUNT- KSHS	STATUS
1	Council of Governors – vs- KTB & Others	Petition No. 278 of 2017	Constitutional & Human Rights Division – NBI	Court to declare certain matters relating to tourism as devolved	N/A	The petition has been stayed pending the outcome of an appeal filed on a similar case.
2	Kenya Tourism Board- Appellant -vs- Commissioner of Domestic Taxes- Respondent	Income Tax Appeal No. E006 Of 2020	High Court at Nairobi Commercial & Admiralty Division	Appeal against decision of the Tax Appeals Tribunal	182,456,743	Stay of enforcement in place upto 28th September 2020

SECTION C- KEY PROJECTS AND INVESTMENT DECISIONS THE ENTITY IS PLANNING/ IMPLEMENTING

Key projects

In FY 2020/21, KTB will be implementing various marketing and PR programs in order to improve destination competitiveness. These programs include:

Management has planned the following activities:

1. Domestic Campaign to get Kenyans and residents to travel within the country
2. International Campaign to attract visitors to Kenya
3. London Marathon 2020 Activation to profile Kenya
4. Airline Partnerships to target more visitation to Kenya
5. Inspirational Content Development to connect with Kenya
6. County engagement through Top Experiences program
7. Regional Branding to present the uniqueness and differentiated experiences
8. Coop-marketing with airlines and other transport companies
9. Familiarization trips for both media and trade
10. Joint marketing campaigns with tour operators, supporting airlines, conducting trade trainings, consumer digital campaigns and
11. Online travel agencies to drive consumer awareness and interest in the destination.

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12. E-learning and deployment of a Digital Agency and destination brand awareness campaigns and consumer campaigns to optimize the digital campaigns.
13. Continuous implementation of Signature experiences in collaboration with the private sector
14. Implement Top experiences through county engagement, and packaging of niche experiences
15. Implement a global Kenya Travel Specialist program in various languages and accessible to all travel consultants keen on selling Kenya
16. Leveraging key influencers such as world marathoner champion Eliud Kipchoge and international events such as Magical Kenya Open
17. Implement Customer Relationship Management (CRM) framework to build and maintain strong, loyal relationships with visitors and prospects
18. Participate in events such as OTM, ITB Berlin , WTM London, ITB Asia, ATM Dubai, WTM Africa, and some Domestic shows

These programs will be funded from grants from the Government Development and Economic Stimulus Programme. During the FY 2020/21, Tourism Fund may not grant funds to KTB in FY 2020/21 due to the impact of Covid-19 on tourism levy collection.

KTB continues to play its part towards promoting and implementing best practice in conservation and sustainable tourism through different initiatives.

Investment decisions

Where KTB finds itself with funds in its Bank Accounts not required for immediate operating needs, the surplus funds shall be placed invested in line with National Treasury Circular No. 4/2017, no investment were done during the year. Interest income was earned on current account balances at the rates negotiated with the bank.

SECTION D- MAJOR RISKS FACING KTB

KTB has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. KTB reviews and monitors the development and implementation of systems of internal controls. KTB ensures that it has gained an understanding of these risks and mitigates them by implementing sound internal controls and risk management practices.

Consequently, KTB developed a Risk Management Framework which identifies the risks and prescribes measures for the management of the identified risks. KTB recognizes that information

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technology forms an integral part of the risk management process and has developed a business continuity plan and disaster preparedness plan among other ICT policies.

During the year, the Board reviewed the internal controls, policies and procedures and was satisfied that appropriate controls and procedures were in place. The Board has delegated the day to day management of risks to management through systems and processes carried out on a day to day basis.

SECTION E- MATERIAL ARREARS IN STATUTORY/ FINANCIAL OBLIGATIONS

In 2016/17, KRA undertook an assessment of KTB operations covering the period July 2012 to October 2016 and thereafter raised a tax assessment of KSh. 182,568,010 relating to withholding tax on fees paid to the Market Development Representatives (MDRs).

KTB raised an objection to the assessment on the grounds that KRA's assessment was based on a misapprehension of the nature of KTB's activities and a misinterpretation of the Income Tax Act. Accordingly, KTB filed an appeal at the Tax Appeals Tribunal (TAT) with a view to obtaining a legal interpretation of the applicable statute and quashing of the tax assessment.

In its ruling, the Tribunal on 18th December 2019 disagreed with KRA's argument that the income from the marketing activity of KTB could be attributed to KTB even though received by the Government. Despite this, the TAT ruled in favour of KRA in the appeal filed by KTB.

KTB, being dissatisfied with the decision of the Tax Appeals Tribunal filed an appeal to the High Court of Kenya after due consultation with the Attorney General's office. The purpose of the appeal is to seek the Court's interpretation of the applicable law. At the same time, KTB commenced alternative dispute resolution (ADR) proceedings with KRA in line with recent circulars that directed Government agencies to withdraw court cases and use mediation frameworks facilitated by the AG's office.

KTB received a copy of an agency notice issued by KRA to KTB's bankers, Kenya Commercial Bank, on 30th June 2020 declaring KCB as the payer of KShs 182,456,743. KTB applied to the High Court and was granted a stay of the enforcement of the Agency Notice until 24th July, 2020. The stay has since been extended until 21st August 2020 and then to 28th September 2020 to allow mediation between KRA and KTB. The National Treasury has also been appraised of the discussion and is participating in the mediation process.

Management have provided for the full amount in the current financial year as mediation process continues.

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SECTION F- KTB'S FINANCIAL PROBITY & SERIOUS GOVERNANCE ISSUES

Strong and effective corporate governance is integral to the KTB's long-term success and is essential in delivering KTB's overall strategy. The various board committees continue to serve a vital tool for the discharge of the Board's functions.

KTB Board and management ensure financial probity and there have been no serious governance issues during the period.

IX. CORPORATE SOCIAL RESPONSIBILITY/ SUSTAINABILITY REPORTING

KTB exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on six (6) pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile

Nature (inclusive of wildlife, landscapes and seascapes etc) and Culture are Kenya's base resources for tourism and their preservation is key in ensuring sustainability of the sector. Currently wildlife contributes over 70% to tourism revenues. For this reason, Sustainability is a key consideration in tourism development, packaging and promotion. To facilitate this, KTB has put in place a Sustainability Committee that interfaces with product owners and partners to drive the organization and destination sustainability agenda.

KTB is also a member of Ecotourism Kenya, an association that champions responsible tourism in Kenya through an eco-rating scheme, annual eco-warrior awards, annual ecotourism forums and projects focused on capacity building, and certification of destinations and tour operations among others. In its marketing efforts, sustainability is a key theme to address the consumer trends and demand for sustainable products/experiences/destination especially among the millennials who form two thirds of the world population.

KTB also launched the Kenya Tourism Sustainability Report focusing destination efforts towards addressing the Sustainable development goals 8, 11 and 12 as well as goal 17 where KTB works with various partners in sustainability projects such as Kenya Wildlife Service, Friends of Karura Forest, and Ecotourism Kenya among others.

Adoption of market and product diversification strategies have also helped in sustaining the sector especially during low season focusing on domestic and regional markets in addition to the international markets. On the product front, diversifying the offering beyond beach and safari and moving beyond the popular circuits to new and less known circuits ensures tourism benefits are

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spread across the country and throughout the year. This meets the basic requirement of sustainability which is that it must meet the needs of current and future generations but also benefit everyone whether in Nairobi or Turkana etc. Exposing international media and travel agents to ecotourism facilities and conservancies through media and trade familiarization trips also play a key role in shaping the products and experience packaged and sold by agents in the source markets as well as shaping perceptions for the media audiences.

Capacity building amongst staff, and stakeholder through the various forums has played a key role in enhancing appreciation for sustainability and mentoring the youth through partners such as Global Travel & Tourism Partnership and Sustainable Travel Tourism Agenda among others. KTB has joined stakeholders in recent campaigns such as the #SingleplasticuseBan and activities such as animal collaring in Maasai Mara National Reserve and Amboseli National Park.

Introduction of new programs such as the Magical Kenya Signature Experiences Programs, Top Experiences Program and the Safari Innovation Program are aimed at enhancing the value design of Kenya's tourism offering and in the process increase the sales for tourism businesses in Kenya that will in the medium and long term provide a competitive advantage and sustain the business in the face of stiff competition.

The Covid19 pandemic has refocused the sector on sustainability in terms of long term view of the sector and survival by adapting to the unfolding changes and getting ready to cater to the emerging travellers.

2. Environmental Performance

Tourism is a vital sector that is also very fragile as it is affected by local and global happenings such as terrorism. Measures taken by the Kenya Government with regards to environmental conservation such as laid down rules in the constitution, relevant institutions to manage matters environment across sector, requirement on green building and projects such as wind farms, solar panels and geothermal power go along way in conserving the environment.

KTB has been part of the Single Use Plastic Ban campaign through highlighting companies that are setting the pace such as Ecoworld Watamu, provision of water bottles to staff to reduce on the use of plastic cups and creating awareness via digital platforms especially on July 1st 2020; tree planting from time to time and promotion of tourism that feature enriching experience in pristine environments such as Kereita Forest and Arabuko Sokoke Forest among others.

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3. Employee welfare

The HR Policy and procedure manual guides on the hiring process and affirms on matters pertaining to gender, national values and persons living with disability. The Policies are reviewed from time to time and aligned with new laws and regulations.

Skills are improved through training, coaching and mentoring. Reward and Sanctions policy in place to guide on the reward system.

4. Market place practices

a) *Responsible competition practice.*

KTB adheres to the requirements of the PPADA 2015 and the PPADR 2020, which stipulates transparency and fairness in all procurement activities. All participants involved in the procurement processes are treated equally in terms of information submission and responses to queries.

KTB ensures transparency through the publishing and advertisement its tenders in the Public procurement information portal as well as in the organizations website. This ensures fair competition among potential suppliers.

b) *Responsible Supply chain and supplier relations*

Kenya Tourism Board undertakes its procurement processes in line with the requirements of the PPADA 2015 and PPADR 2020. Award of tenders is based on fairness, transparency and objectivity as per the requirements of the Act. KTB maintains an open communication line with all its suppliers via dedicated email and telephone. KTB also has set credit terms that is disclosed to all bidders before award of contracts and the same is duly maintained.

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

KTB ensures ethical marketing practices by seeking to promote honesty, fairness, and responsibility in all advertising. This is ensured through using reputable advertising agencies such as Scanad Advertising, which has a global network, wide range of reputable clients and a good reputation as an agency. KTB ensures that information in its marketing about the organization and the destination is correct and verified.

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

The consumer is at the center of KTB's initiatives ensuring that the needs and interests of consumers are taken into account when designing destination products and experiences. This is ensured through regular forums held with the product owners and private sector stakeholders to share market intelligence including regular consumer insights. Embracing

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sustainability and no plastic ban among other initiatives helps to ensure good stewardship of Kenya's tourism base resources such as nature and culture.

5. Community Engagement

As part of implementation of its sustainability programs KTB has undertaken a number of initiatives that are community engagement related. KTB continues to play its role in mentoring young people interested in Tourism and Hospitality through talks and support with collateral materials (Peer Educators program), Tree planting in various parts of the country, some in collaboration with NEMA, Clean-ups, donations. Last year, the Board donated a water tank to a community in Kwale and more recently members of staff, voluntarily, contributed to the COVID-19 Fund set-up by the Government as a way of supporting Kenyans most affected by the Pandemic.

**KENYA TOURISM BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
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X. REPORT OF THE DIRECTORS

The Board of the Directors submits their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the KTB's affairs.

Principal activities

The principal activity of the Tourism Board is marketing Kenya as a tourist destination.

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.

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.

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act and The Tourism Act No.28 of 2011 Section 32(4) require the Directors to prepare financial statements in respect of KTB, which give a true and fair view of the state of affairs of KTB at the end of the financial year and the operating results of KTB for that year. The Directors are also required to ensure that KTB keeps proper accounting records which disclose with reasonable accuracy the financial position of KTB. The Directors are also responsible for safeguarding the assets of KTB.

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

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

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

Results

The results of the Kenya Tourism Board for the year ended June 30, 2020 are set out on page 1-36.

Directors

The present members of the Board of Directors are shown on page VII. During the year, the term of one of the independent directors came to an end as a result of which a vacancy on the board existed as at the close of the financial year.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Tourism Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board

Allan Njoroge

COMPANY SECRETARY


DATE: 29.9.2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES- Continued

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

Approval of the financial statements

KTB's financial statements were approved by the Board on 29th September 2020 and signed on its behalf by:



Jimi Kariuki

CHAIRPERSON OF THE BOARD



Dr. Betty Addero Radier

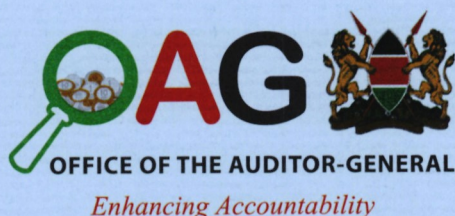
CHIEF EXECUTIVE OFFICER

**KENYA TOURISM BOARD
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**XII. REPORT OF THE AUDITOR-GENERAL ON KENYA TOURISM BOARD FOR THE YEAR
ENDED 30 JUNE 2020**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA TOURISM BOARD FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Tourism Board set out on Pages 1 to 38, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts, and notes to the financial statements for the year then ended and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Tourism Board as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act No.28 of 2011 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Contingent Liability

I draw attention to Note 29 to the financial statements which discloses a tax assessment made by the Kenya Revenue Authority (KRA) in the 2016/17 financial year. In August, 2017, KRA issued a tax demand Notice totalling Kshs.187,014,569. Out of this amount, Kshs.182,568,010 was a claim on withholding tax not remitted by the Board from payments made to tourism marketing agencies it had contracted to market Kenya tourist destinations in various markets. The Board lodged an appeal against the tax assessment but only recognized it as a contingent liability in the year under review.

Further, the KRA in June, 2020 remitted to the Board a copy of an Agency Notice it had issued to the Board's bankers appointing them as agents to collect the outstanding

amount totalling Kshs.182,456,743 from the Board's bank accounts. KTB has since applied to the High Court and obtained a stay on enforcement of the Notice.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there were no key audit matters in the year under review.

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted and actual income totalling Kshs.1,203,042,320 and Kshs.867,796,558 respectively resulting in a shortfall of revenue totalling Kshs.335,245,762. Management explained the shortfall as having mainly resulted from the impacts of the Covid-19 pandemic.

The statement further reflects budgeted and actual expenditure totalling Kshs.1,069,621,855 and Kshs.884,748,815 resulting to under-expenditure of Kshs.184,873,040.

Management explained that the under-expenditure arose from cancellation of some activities due to the pandemic.

2.0 Prior Year Issues

The report for the financial year ended 30 June, 2020 highlighted several issues on balances reflected in the financial statements for the year. Management's report on progress made in resolving the issues indicates that some have since been resolved while work to resolve the issues remainder is continuing. The actual status of the issues shall be confirmed after they are discussed by the National Assembly.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Failure to Prepare a Proper Procurement Plan

The Board's Procurement Plan for the year under review was not sufficiently detailed as it did not indicate the number of items that were budgeted for purchase. For instance, procurement records indicated that the Board bought 1000 pieces of branded Golf T-shirts and 40 banners yet the quantities required for these items had not been specified in the procurement plan. Failure to prepare a proper plan may lead to wasteful expenditure spent on excess or incorrect items.

2.0 Outstanding Imprest Advances

Examination of imprest records indicated that former staff of the Board held outstanding imprests and salary advances totalling Kshs.1,723,845.97 as at 30 June 2020. No satisfactory explanation was provided for the failure to recover the imprests from the staff before they left the Board's employment. Further, Management did not indicate whether means to recover the long outstanding imprests, which may otherwise result in loss of public funds, had been identified.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Implement Electronic Procurement

Review of the Board's operational systems indicated that Management had not implemented Integrated Financial Information System (IFMIS) or linked it to its Enterprise Resource Planning (ERP). Therefore, it had not adhered to Executive Order No. 6 of 2016, which required all public entities to use of e-procurement by January, 01, 2019.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

The Board of Directors is responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services . If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

**KENYA TOURISM BOARD
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**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
2020**

	Notes	2020 KShs	2019 KShs
Revenue from non-exchange transactions			
Industry contributions, Strategic Partnerships & Donations	3	103,009,309	117,799,060
Transfer from Government Grants & other Agencies	4	712,517,415	914,679,525
		<u>815,526,724</u>	<u>1,032,478,585</u>
Revenue from exchange transactions			
Finance income - external investments	5	-	-
Other income	5	51,857,334	44,127,349
		<u>51,857,334</u>	<u>44,127,349</u>
Total revenue		<u>867,384,058</u>	<u>1,076,605,934</u>
Expenses			
Marketing Costs	6	343,288,286	615,489,160
Employee costs	7	272,027,091	255,501,501
Remuneration of Board	8	7,701,984	8,369,741
Depreciation and amortization expense	9	18,374,232	18,103,316
Repairs and maintenance	10	2,136,332	2,144,404
General expenses	11	241,262,864	75,029,979
Finance costs	12	803,854	1,199,594
		<u>885,594,643</u>	<u>975,837,695</u>
Total expenses		<u>885,594,643</u>	<u>975,837,695</u>
Other gains/(losses)			
Net Gain on sale of assets	13	412,500	-
(Loss) Gain on foreign exchange transactions	14	845,828	(13,259,484)
		<u>(16,952,257)</u>	<u>87,508,756</u>
(Deficit)/ Surplus for the Year		<u>(16,952,257)</u>	<u>87,508,756</u>

The notes set out on pages 8 to 38 form an integral part of these Financial Statements.

**KENYA TOURISM BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
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XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 KShs	2019 KShs
Assets			
Current assets			
Cash and Cash equivalents	15	505,818,832	539,614,325
Receivables from non-exchange transactions	16	104,089,687	107,318,449
Inventories	17	10,876,783	6,053,777
		620,785,302	652,986,551
Non-current assets			
Property, plant and equipment	18	30,224,931	51,641,179
Intangible assets	19	6,938,558	4,100,673
		37,163,489	55,741,852
Total assets		657,948,791	708,728,402
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20(a)	226,018,472	236,207,733
Provisions	22	18,858,303	16,680,305
Deferred income	21	227,951,512	272,079,734
Payments received in advance	20(b)	5,724,569	103,247
		478,552,856	525,071,018
Total liabilities		478,552,856	525,071,018
Accumulated surplus	24	136,370,094	136,948,119
Capital Fund	25	27,025,841	32,709,265
Sinking Fund	26	16,000,000	14,000,000
Net assets		179,395,935	183,657,384
Total net Assets and liabilities		657,948,791	708,728,402

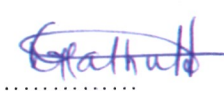
The Financial Statements set out on pages 1 to 38 were signed on behalf of the Board of Directors by:

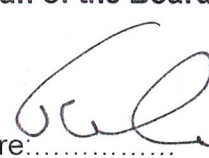
Dr. Betty Addero Radier
Chief Executive Officer

Mary Maina
Director Finance & Admin
ICPAK Member No: 4589

Jimi Kariuki
Chairman of the Board

Signature: 

Signature: 

Signature: 

Date: ...29/9/2020.....

Date: ...29/9/2020.....

Date: ...29/9/2020.....

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

	Sinking Reserves Kshs	Accumulated Reserves Kshs	Capital Fund KShs	Total Kshs
As at 1st July 2018	12,000,000	33,336,047	20,952,050	66,288,097
Surplus/(Deficit) for the period	-	87,508,757	-	87,508,757
Capital/Development grants received during the year	-	-	29,860,530	29,860,530
Transfer of depreciation/amortisation from capital fund to retained earnings	-	18,103,315	(18,103,315)	-
Transfers to/from accumulated surplus/(Deficit)	2,000,000	(2,000,000)	-	-
Balance as at 30 June 2019	14,000,000	136,948,119	32,709,265	183,657,384
As at 1st July 2019	14,000,000	136,948,119	32,709,265	183,657,384
Surplus/(Deficit) for the period	-	(16,952,257)	-	(16,952,257)
Capital/Development grants received during the year	-	-	12,690,808	12,690,808
Transfer of depreciation/amortisation from capital fund to retained earnings	-	18,374,232	(18,374,232)	-
Transfers to/from accumulated surplus/(Deficit)	2,000,000	(2,000,000)	-	-
Balance as at 30 June 2020	16,000,000	136,370,094	27,025,841	179,395,935

KENYA TOURISM BOARD
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XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 KShs	2019 KShs
Cash flows from operating activities			
Receipts			
Exchequer Releases: Government grants and subsidies	23 a. (i)	388,400,000	596,384,000
Transfer from other government entities- Tourism Fund	4	301,680,000	430,020,000
Industry contribution/Strategic partnerships	23 a. (ii)	59,132,798	61,245,923
KTB Own generated receipts- other income	23 a (iii)	31,414,258	44,195,027
Total Receipts		780,627,056	1,131,844,950
Payments			
Compensation of employees (less gratuity provision)	23 (b)	239,614,136	234,461,382
Goods and Services/ Marketing costs	23 (c)	478,883,283	648,378,802
Contributions to Pensions and NSSF	7	17,294,942	19,746,525
Finance cost	11	(41,973)	14,459,077
Other payments	23 (d)	64,431,808	57,721,421
Total Payments		800,182,196	974,767,207
Net cash flows from operating activities		(19,555,140)	157,077,743
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(2,919,292)	(21,742,085)
Proceeds from sales of property, plant and Equipment	13	412,500	-
Proceeds from sale of investments		-	-
Net cash flows used in investing activities		(2,506,792)	(21,742,085)
Cash flows financing activities			
Net cash flows financing activities		-	-
Net increase/ (decrease) in cash and cash equivalents		(22,061,932)	135,335,658
Cash and cash equivalents at beginning of year		527,880,765	404,381,914
Cash and cash equivalents at end of year	15	505,818,833	539,717,572

**KENYA TOURISM BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Kenya Tourism Board presents its cash flow statement using the direct method as recommended in IPSAS 2. Previously, the indirect method was used.

For the purposes of these financial statements, cash and cash equivalents includes accrued bank interest income. The comparative information have been amended to conform to the direct method of reporting.

The notes set out on pages 8 to 36 form an integral part of these Financial Statements.

**KENYA TOURISM BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

	Final Adjusted	Actual on	Performance	Variance Explanations
	Budget 2019/20 Kshs	Comparable basis Kshs	Difference Under/(Over) Kshs	
Revenue				
GOK - Recurrent	254,400,000	254,400,000	0	a) Supplementary budget of KShs 168M was approved in January 2020.(b) The full amount under GOK recurrent was received in full during the FY 2019/20.
GOK-Defferd income 2019/20	240,642,320	31,437,415	209,204,905	Various activities were affected by the Covid-19 pandemic and were therefore either cancelled or postponed. These funds were deferred to FY 2020/21.
GOK-Development	125,000,000	125,000,000	0	There was a budget cut of Kshs 375M on the revised estimates. The revised grant of Kshs 125 Million was received in full during the FY.
Tourism Fund Grant	430,000,000	301,680,000	128,320,000	Tourism Fund disbursements for the year amounted to Shs 301.68M. The disbursements are less with Kshs 128.32M was due to the effect of Covid-19 on the tourism sector operations
Industry contribution/Strategic Partnerships	125,000,000	103,009,309	21,990,691	Industry contributions was realized from MKTE 2019 and ITB asia events. ITB Berlin 2020 was cancelled due to Covid-19, industry contributions for the event was were therefore not realized. No amount was realized from strategic partnerships as the activities were affected by
Finance Income	20,000,000	28,080,137	(8,080,137)	KTB earned more interest income on the current account arising from higher negotiated rates and available bank balances.
Other Income	8,000,000	24,189,697	(16,189,697)	The high amount of other income resulted from write back of unutilized creditors provisions for cancelled contracts.
Total Income	1,203,042,320	867,796,558	335,245,762	

**KENYA TOURISM BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2020- Continued

Expenses	Final Adjusted	Actual on	Performance
	Budget 2019/20	Comparable basis	Difference
	Kshs	Kshs	Under/(Over) Variance Explanations
Marketing Expenditure	497,497,384	343,288,286	154,209,098
			The surplus resulted from marketing and PR activities that were cancelled or postponed due to Covid-19 pandemic implications. These funds have been deferred to FY 2020/21.
Personnel Emolument	281,951,696	248,677,448	33,274,248
			The savings were due to staff replacements which were cancelled due to budget cuts and also effects of Covid-19. Some savings have been deferred to FY 2020/21 for recruitment of critical positions
Rent Paid	34,649,138	31,806,309	2,842,829
			The savings were due to negotiated lower rent for the Mombasa tourism information centres (TIC) office. The overspend was due to higher depreciation expense against a lower budget. The allocation of the lower budget
Other Operational Expenses	255,523,637	260,976,772	(5,453,135)
			was due to limited operational budget.
Total Expenditure	1,069,621,855	884,748,815	184,873,040
Surplus/ (Deficit) for the Year	133,420,465	(16,952,257)	150,372,722

Budget Variances (Performance difference)

The material variances are explained above alongside each budget line category.

**KENYA TOURISM BOARD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

XVIII. ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Tourism Board is established by and derives its authority and accountability from Tourism Act No.28 of 2011, sections 29-39. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to effectively market Kenya's tourism products.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying KTB's accounting policies.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

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KTB receives some of its marketing budget from the development grant. The budget vote “Developing new markets and Sitting Booths” is a strategic intervention that was approved by the National Treasury in 2015 as part of tourism recovery programs. The strategic intervention was approved under the development grant. These specific marketing activities are treated as projects. For financial reporting, the total marketing expenditure including marketing project expenses are reported in the Statement of Financial Performance.

Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Industry Contributions

KTB recognizes revenue from industry contributions by reference to the stage of completion of the exhibition/ event. The stage of completion is measured by reference to whether the event had been completed.

Where the event has not been implemented, the industry contribution is reported as liabilities.

Sale of goods

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

Interest income

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

b) Budget information

The original budget for FY 2019/20 was approved by the National Assembly and Ministry of Tourism & Wildlife on 27th June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations/ revisions are added to the original budget by KTB upon

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receiving the respective approvals in order to conclude the final budget. Accordingly, KTB recorded additional appropriation of KShs 168M on the 2019/20 recurrent budget and a reduction of KShs 375M budget cut on the development grant following National Treasury approval. The net budget decrease was KShs 207Million.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

c) Property, plant and equipment

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

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

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

The depreciation charge is prorated in the year of purchase and year of disposal as follows:

- The delivery date is considered as the date of acquisition and depreciation in full in the month of acquisition.
- No depreciation is charged in the month the asset is boarded for disposal.
- No depreciation is charged on work-in-progress.

d) Intangible Assets

KTB's intangible assets comprise of software that are in use including the SAP accounting system.

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

The useful life of the intangible assets is assessed as either finite or indefinite. The SAP/ ERP system shall be classified as indefinite useful life. It shall not be amortized but tested for impairment on an annual basis

Amortization is calculated on the straight line basis at annual rates to write off the cost of assets over their estimated useful lives by equal annual instalments at the rate of 33.3%.

The amortization charge is prorated in the year of purchase and year of disposal as follows:

- The delivery date is considered as the date of acquisition and amortization in full in the month of acquisition.
- No amortization is charged in the month the asset is boarded for disposal.
- No amortization is charged on work-in-progress.

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e) Work in Progress on Assets

KTB purchases property plant and equipment (PPE) and intangible assets for use in its operations. An asset that is not ready for use (still being developed and/ or not delivered) at the reporting date is considered as work in progress (WIP). The assets are shown in PPE & Software movement schedules but are only capitalized on delivery. The WIP assets are recognized at cost; they are not depreciated or amortized. The depreciation and amortization start on the capitalization date.

f) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables as appropriate. KTB determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

g) Receivables from non-exchange transactions

Where an item of revenue from non-exchange transactions is not received at year end, the same is recognised as a receivable from non-exchange transactions.

h) Inventories

KTB maintains inventories mainly promotional materials for its marketing activities. Other inventories include printing and stationery materials, office utilities etc.

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

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

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

The inventories are recognized as expenses in the period they are issued out from the stores for use in the marketing activities in the case of promotional materials or other operational use in the case of stationeries and office utilities.

i) Trade and Other payables from exchange transactions

In the course of its operations, KTB enters into exchange transactions and events through purchase of goods, works or services. Trade and other payables for KTB arising from exchange transactions include: trade and other payables and customer deposits.

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Recognition of expense and/ or payable:

From the purchase of goods: When significant risks and rewards have been transferred to KTB, amount of expense can be reliably measured and it is likely that the economic benefits or service potential associated with the transaction will flow to KTB, and the costs incurred or to be incurred in respect of the transaction can be measured reliably; then an expense is recognized

From the purchase of services: This is recognized in reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be estimated reliably.

The expense is measured at the fair value of the consideration paid or payable. Where the expense from exchange transaction is not paid for at the reporting date, it is recognised as a payable from exchange transaction.

j) Provisions

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

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

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

k) Contingent liabilities

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

l) Nature and Purpose of Reserves

KTB creates and maintains reserves in terms of specific requirements. KTB maintains a sinking reserve, accumulated Reserve and Capital Fund.

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The Sinking fund reserve is a fund set aside for future replacement of assets as required in the State Corporations Act; section 16(1) requires that state corporations shall make provision for the renewal of depreciating assets by the establishment of sinking funds and for contributions to such reserve and stabilization funds as may be required. KTB provides for KShs. 2M annually for this fund. The amount is provided from the accumulated surplus reserves. The current balance as at June 2020 is KShs 16Million.

KTB also maintains accumulated reserve where all surpluses net of deficits from previous year are accumulated. The fund is also net of any transfers from/ to the accumulated surplus fund.

KTB maintains capital fund for grants received for the acquirement of assets net transfer of depreciation/ amortization of the assets that have been acquired using such funds.

m) Changes in accounting policies and estimates

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

n) Retirement benefit plans

KTB provides retirement benefits for its pensionable employees at the rate of 15% of basic pay and to the National Social Security Fund (NSSF). Contributions to NSSF are determined by local statute and are currently limited to Kshs. 200.00 per employee per month. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income and Expenditure in the year in which they become payable.

o) Employee Entitlement

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 Financial Position date.

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p) Foreign currency transactions

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

q) Related Parties

KTB regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over KTB, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

Balances and transactions between Kenya Tourism Board and its related parties have been disclosed as per IPSAS 20 in note 28 of the accounts.

r) Cash and cash equivalents

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

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include amounts of GOK grants that had not cleared at the bank at 30th June.

s) Comparative figures

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

t) Subsequent events

There are no materials adjusting events after the reporting 30th June 2020.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by KTB
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16 and 22.

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

KTB estimated the following provisions as 30th June 2020:

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- Provision for bad debts based on the recoverability of the amounts. KTB makes provisions for all receivables outstanding over 365 days where recovery is doubtful.
- Provisions for staff leave balances- estimated based on the basic salaries in line with the approved terms and conditions of services
- Provision for gratuity for staff on contracts- estimated based on the basic salary in line with the approved terms and conditions of service
- Provision for audit fees based on uncharged audit fees.

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	2020	2019
	KShs	KShs
3. Industry Contributions, Strategic Partnerships & Donations		
Industry Contribution	103,009,309	108,538,393
Partnership and Donations	-	9,260,667
Total Industry Contributions and Strategic Partnerships	103,009,309	117,799,060

Industry contribution relates to industry partner's contributions for the tourism events. The contribution is both in cash and in kind.

Partnership revenue are sponsorship in kind by strategic partners to participate in joint events for example co-branded activities and joint marketing campaigns.

4 (a). Transfer from Government & other agencies**	2020	2019
	KShs	KShs
Unconditional grants		
Recurrent Grant	233,096,126	135,658,030
Tourism Fund	301,680,000	430,020,000
	534,776,126	565,678,030
Conditional grants		
Development Grant	177,741,289	349,001,495
	177,741,289	349,001,495
Total	712,517,415	914,679,525

4 (b): Grants Reconciliations	2020	2019
**Transfers from Government & other Agencies FY 2019/20	Recurrent	Recurrent
	KShs	KShs
Government Grant in 2019/20	254,400,000	227,384,184
Deferred revenue from 2018/19	91,725,970	-
Deferred Revenue to 2020/21	(113,029,844)	(91,725,970)
Recognized Revenue	233,096,126	135,658,214

	2020	2019
**Transfers from Government & other Agencies FY 2019/20	Development	Development
	KShs	KShs
Government Grant in 2019/20	125,000,000	340,000,000
Deferred revenue from 2018/19	180,353,764	219,215,790
Deferred Revenue to 2020/21	(114,921,668)	(180,353,764)
Transfer to capital Grant	(12,690,808)	(29,860,530)
Recognized Revenue	177,741,288	349,001,496

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4 (c): TRANSFERS FROM MINISTRIES & AGENCIES

Name of the Entity Sending the Grant	Amount	Amount	Amount	Total Income	2019
	Recognized in the statement of Financial Performance	Deferred under Income	Recognized in Capital Fund	During The Year	KShs
	KShs	KShs	KShs	KShs	KShs
Ministry of Tourism & Wildlife	410,837,415	(42,829,667)	11,392,252	379,400,000	567,384,184
Tourism Fund	301,680,000	-	-	301,680,000	430,020,000
TOTAL	712,517,415	(42,829,667)	11,392,252	681,080,000	997,404,184

The details of the reconciliation of the GOK grants is shown in 4(b) above.

5. Other income	2020	2019
	KShs	KShs
Website income	120,000	289,200
Miscellaneous Income-interest	28,080,137	30,006,478
Miscellaneous Income-other	23,657,197	13,831,671
Total other income	51,857,334	44,127,349

Miscellaneous income consists of website advertising income, tender fees, credit notes/ write backs of creditors' invoices and provisions write backs.

6. MARKETING RELATED COSTS	2020	2019
	KShs	KShs
United States & Canada	10,575,006	38,777,082
United Kingdom	15,922,216	51,565,544
China	57,394	18,586,241
India	543,239	10,687,870
Kenya	6,391,997	8,207,002
Business Development	15,780,504	17,225,112
Special Projects	365,449	6,633,133
Public Relations & Communications	26,127,774	32,133,284
Online Marketing/ Global Online campaigns	43,133,439	159,230,411
Exhibitions & Events	188,380,492	175,966,548
Agency Management	27,314,697	62,606,995
Customer Relationship Managements	280,757	19,482,077
Research & Strategy	2,073,355	12,031,084
Tactical Marketing- General	6,341,967	2,356,777
Total-Marketing Related Costs	343,288,286	615,489,159

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KTB's core activity is to market Kenya as the preferred destination of choice. Various marketing activities are implemented in both local, regional and international markets to market the destination to potential tourists with the objective of increasing tourist arrivals and therefore tourism revenue to the economy.

7. Employee costs	2020 KShs	2019 KShs
Employee related costs - salaries and wages	166,519,096	158,006,620
Housing benefits and allowances	52,146,091	47,811,256
Employee related costs - contributions to Pensions and NSSF	17,294,942	19,746,525
Provision for Gratuity	12,717,319	4,291,738
Staff Group Life Policy	1,786,470	1,775,033
Staff Medical Insurance (In & Out Patient)	20,859,992	23,318,175
Group Personal Accident	703,180	552,154
Total Employee costs	272,027,091	255,501,501
8. Remuneration of Board Members	2020 KShs	2019 KShs
Honorarium	960,000	838,304
Sitting Allowances	3,667,000	4,128,000
Travel and Accommodation	2,697,778	3,013,717
Medical and other Insurances	377,205	389,720
Total	7,701,984	8,369,741
9. Depreciation and amortization expense	2020 KShs	2019 KShs
Property, plant and equipment	16,718,277	17,734,444
Intangible assets	1,655,955	368,872
Total Depreciation and Amortization	18,374,232	18,103,316
10. Repairs and maintenance	2020 KShs	2019 KShs
Motor Vehicle	677,933	836,504
Office Furniture and Equipment	771,895	449,330
Computers	686,504	858,569
Total repairs and maintenance	2,136,332	2,144,404

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	2020	2019
	KShs	KShs
11. General expenses		
Audit fees	700,000	700,000
Bad debts Expense- Industry Debtors	-	1,713,703
Staff welfare	484,626	1,264,437
Team Building	3,814,380	-
Hiv aids/Positive living	-	354,200
Subscription and Memberships	459,829	1,167,282
Staff Training	681,612	5,058,308
Recruitment	2,997,000	-
Insurance for Motor Vehicle, Computers & Office Equip.	1,100,133	1,479,369
Rent	31,806,309	32,225,713
Telephone, postal & Directories	6,332,226	7,084,268
Printing & Stationery	2,442,437	1,991,065
Entertainment	998,283	1,214,368
Local Traveling & Accomodotaton for Product fam trips	2,828,424	3,406,013
Parking	234,288	536,497
Legal fees & Consultancies	3,616,421	3,359,000
ICT Software licences/ Support fees & ERP Programmes	8,912,434	5,893,847
Corporate governance for Senior Management	-	1,610,362
Procurement Management	1,520,830	1,311,757
Motor vehicle fuel	955,346	556,669
Tax and statutory charges	167,143,637	-
Office general expenses	4,234,653	4,103,123
Total General expenses	241,262,864	75,029,979
12. Finance Cost		
	2020	2019
	KShs	KShs
Bank charges	803,854	1,199,594
	803,854	1,199,594
13. Gain on sale of assets		
Property, plant and equipment	412,500	-
Total gain on sale of assets	412,500	-
14. Loss on foreign exchange transactions		
	2020	2019
	KShs	KShs
Forex(Loses)Gain	845,828	(13,259,484)
	845,828	(13,259,484)

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15. Cash and cash equivalents	2020	2019
	KShs	KShs
Bank	503,182,727	527,728,455
Cash-on-hand and in transit	46,803	152,310
GoK Receivable	-	9,000,000
Accrued Interest Income on Current Account	2,589,302	2,733,560
Total cash and cash equivalents	505,818,832	539,614,325

15(a) DETAILED ANALYSIS OF CASH & CASH EQUIVALENTS

		2019-2020	2018-2019
Bank and Account Number	Account Number	KShs	KShs
a) Current Accounts			
KCB Moi Avenue Branch	EURO A/C 1101689846	22,488,962	19,644,467
KCB Moi Avenue Branch	USD A/C 1101660066	7,534,666	4,270,915
KCB Moi Avenue Branch	GB P A/C 1101636912	17,716,089	29,418,239
KCB Moi Avenue Branch	KES A/c 1108980457	430,443,010	474,394,834
Sub- Total		478,182,727	527,728,455
b) Staff Mortgage			
KCB- Haile Selassie Branch	1267300841	25,000,000	-
Sub- Total		25,000,000	-
Grand Total		503,182,727	527,728,455

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**16. Receivables from non
exchange transactions**

	2020	2019
	KShs	KShs
Current receivables		
Exhibition debtors	5,230,106	6,345,427
MKTE organiser Receivable	28,500,498	33,689,359
Prepaid Media Buying	56,233,489	54,203,103
GOK & Tourism Fund	4,000,000	4,000,000
Prepayment	6,276,747	7,635,989
Other deposits/receivables	10,264,269	8,365,274
Staff Advances and Perdiem	2,035,103	3,800,886
Imprest	1,855,097	1,198,949
	114,395,309	119,238,987
Less Provisions:		
Bad Debt- Industry	4,581,775	6,154,642
Provision TF	4,000,000	4,000,000
Bad Debt- Staff	1,723,846	1,765,896
Sub Total- Provisions	10,305,621	11,920,538
Total current receivables	104,089,687	107,318,449
17. Inventories		
Consumable stores	10,876,783	6,053,777
Total Inventories	10,876,783	6,053,777

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18 PROPERTY, PLANT & EQUIPMENT

Cost	Office		Computer		Furniture &		Motorvehicle		Capital Workin		Total KShs
	Equipment KShs	Hardware KShs	Fittings KShs	Progress KShs	Progress KShs	Progress KShs	Progress KShs	Progress KShs	Progress KShs		
As 1st July 2018	16,777,979	48,383,563	30,286,195	32,945,177	8,510,261	136,903,175					
Additions	3,003,896	3,492,266	24,000	14,791,000	4,384,678	25,695,840					
Disposals	-	-	-	-	-	-					
As 30th June 2019	19,781,875	51,875,828	30,310,195	47,736,177	12,894,939	162,599,014					
Additions	-	7,617,864	579,104	-	-	8,196,968					
Disposals	-	(2,476,111)	-	-	(12,894,939)	(2,476,111)					
Transfer/adjustments	-	-	-	-	-	(12,894,939)					
As 30th June 2020	19,781,875	57,017,582	30,889,299	47,736,177	-	155,424,932					
Depreciation and impairment											
As at 1st July 2018	11,567,501	37,597,872	22,822,172	21,235,849	-	93,223,393					
Depreciation	1,224,902	7,137,929	1,262,656	8,108,956	-	17,734,443					
Disposals	-	-	-	-	-	-					
At 30 June 2019	12,792,403	44,735,800	24,084,828	29,344,805	-	110,957,836					
Depreciation	1,386,468	6,138,138	1,312,984	7,880,687	-	16,718,277					
Disposals	-	(2,476,111)	-	-	-	(2,476,111)					
As At 30 June 2020	14,178,871	48,397,828	25,397,812	37,225,492	-	125,200,002					
Net book values											
At 30 June 2020	5,603,004	8,619,754	5,491,487	10,510,685	-	30,224,931					
At 30 June 2019	6,989,472	7,140,028	6,225,367	18,391,372	12,894,939	51,641,179					

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19. Intangible assets - software

Cost	KShs
At 30 June 2018	34,086,484
Additions – internal development	4,164,690
At 30 June 2019	38,251,174
Additions – internal development	4,493,840
WIP	-
At 30 June 2020	42,745,014
Amortization and impairment	
At 1st July 2018	33,781,629
Amortization	368,872
At 30 June 2019	34,150,501
Amortization	1,655,955
Impairment loss	-
At 30 June 2020	35,806,456
Net book values	
At 30 June 2020	6,938,558
At 30 June 2019	4,100,673

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20. Trade and other payables from exchange transactions

20(a). Trade and other payables

	2020	2019
	KShs	KShs
Trade payables	42,160,189	219,746,439
Accruals	213,935	1,414,423
Other payables	183,644,349	15,046,872
Total trade and other payables	226,018,472	236,207,734

20.(b) Payments received in advance

	2020	2019
	Shs	Shs
Payments received in advance- Exhibitions	5,724,569	103,247
	5,724,569	103,247

21. I) Deferred Income GOK Grants

	2020	2019
	KShs	KShs
	227,951,512	272,079,735

The deferred income movement is as follows:

	2020	2020	2019	2019
ii) Deferred Income	KShs	KShs	KShs	KShs
	Recurrent	Development	Recurrent	Development
Balance Brought Forward	91,725,970	180,353,765	-	219,215,790
Additions/ Deferred to 2019/20	113,029,844	116,220,224	91,725,970	180,353,764
Transfer to Income Statement	(91,725,970)	(168,961,513)	-	(212,491,168)
Transfer to Capital Grants		(12,690,808)	-	(6,724,621)
Balance Carried Forward	113,029,844	114,921,668	91,725,970	180,353,765

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The deferred income relates to funds transferred from the income statement under government grants to the deferred income accounts. These grants relate to funds received in the year but for which the specific marketing projects had not been implemented and/or were ongoing. During the year, implementation of some of the activities were impacted by Covid-19 pandemic and were either cancelled or postponed. The deferred recurrent grant also includes funds allocated for staff emoluments for which approval to recruit the urgent positions was being sought from the National Treasury.

22. Current provisions

	Leave Liability KShs	Gratuity KShs	Audit Fees KShs	Total KShs
Balance as at 30 June 2019	9,117,116	6,163,189	1,400,000	16,680,305
Additional provisions raised	-	12,717,319	700,000	13,417,319
Over provision reversed	(3,340,190)	-	-	(3,340,190)
Provision utilized	-	(7,199,130)	(700,000)	(7,899,130)
Balance as at 30 June 2020	5,776,926	11,681,378	1,400,000	18,858,303

23 a. Revenue Inflows

Description	2019/2020 KSh	2018/2019 KSh
23 a(i) Exchequer Releases:		
Total Receipts	379,400,000	567,384,000
Add: Prior Revenue received	9,000,000	38,000,000
Less: Accrued Revenue receivable	-	(9,000,000)
Total Cash Inflows	388,400,000	596,384,000

**23 a. (ii) Entity Own Generated Receipts(A-I-A)-
Industry Contribution & Strategic Partnerships &
Sponsorships**

Total Receipts	103,009,309	108,538,393
Less: Non Cash sponsorships	(43,876,511)	(47,292,470)
Total Cash Inflows	59,132,798	61,245,923

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	2019/2020	2018/2019
23 a. (iii) Entity Own Generated Receipts(A-I-A)- Other Income	KSh	KSh
Website Income	120,000	289,200
Miscellaneous Income-interest	28,080,137	30,006,478
Miscellaneous Income-others	23,657,197	13,831,671
Total other income	51,857,334	44,127,349
Add: Prior Revenue received	2,733,560	2,801,238
Less: Accrued Revenue receivable	(2,589,302)	(2,733,560)
Less: Creditors Writeback	(20,587,334)	-
Total Cash Inflows	31,414,258	44,195,027
23 (b) Compensation of employee		
Description	2019/2020	2018/2019
	KSh	KSh
Compensation of Employees	259,309,772	251,209,763
Add: Prior period employee related Creditors settled	-	-
Add: Any gratuity Commuted in the Year	7,199,130	5,560,828
Prior year leave commuted in the year	-	-
Less: Accrued cost & gratuity provision	(9,377,129)	(2,760,755)
Less: Final Dues & Leave Commutation accrued in the ye	(222,695)	198,070
Total Cash Compensation of Employees Costs	256,909,078	254,207,907
23 (c) Use of goods and services		
Description	2019/2020	2018/2019
	KSh	KSh
Use of goods and services	343,288,286	615,489,159
Add: Creditors settled from prior year	154,989,435	221,212,408
Add: Payments received in advance- Exhibitions	5,724,569	-
Less: Utilization of MKTE deposits to cover marketing expenses	(7,864,421)	-
Less: Accrued Costs during the year	(186,935)	(1,414,423)
Less: Creditors balance at year end	(17,067,651)	(186,908,343)
Total Cash Expense on Use of Goods & Services	478,883,283	648,378,802
23 (d) Use of goods and services- Others		
Description	2019/2020	2018/2019
	KSh	KSh
Use of goods and services	83,870,957	85,544,124
Add: Creditors settled from prior year	7,038,708	4,526,290
Add: Prepayments at end year	6,276,747	7,635,989
Less: Prepayments at Beginning of year	(7,635,989)	(7,496,885)
Less: Accrued Costs during the year	(27,000)	-
Less: Creditors balance at year end	(25,091,614)	(32,488,097)
Total Cash Expense on Use of Goods & Services	64,431,808	57,721,421
23 (d) Other Payments		
General Expenses	241,176,278	75,029,979
Repairs and maintainance	2,136,332	2,144,404
Directors remuneration	7,701,984	8,369,741
Less: Tax General Provisions	(167,143,637)	-
Total Other Payments	83,870,957	85,544,124

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24. Accumulated Surplus	2020	2019
	KShs	KShs
Balance b/f	136,948,118	33,336,047
Surplus/ (Deficit)	(16,952,257)	87,508,756
Transfer of depreciation/amortisation from capital fund	18,374,232	18,103,315
Transfers to Sinking Fund	(2,000,000)	(2,000,000)
Total Accumulated Surplus	136,370,093	136,948,118

25. Capital Fund	2020	2019
	KShs	KShs
Balance b/f	32,709,265	20,952,050
Capital/Development grants	12,690,808	29,860,530
Transfer of depreciation/amortisation from capital fund to retained earnings	(18,374,232)	(18,103,315)
Total Capital Fund	27,025,841	32,709,265

The amounts transferred to capital fund relates to capital expenditure for year.

26. Sinking Fund

	2020	2019
	KShs	KShs
Opening Balance	14,000,000	12,000,000
Sinking Fund Provision	2,000,000	2,000,000
Balance as at 30 June	16,000,000	14,000,000

27. FINANCIAL RISK MANAGEMENT

KTB's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. KTB's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. KTB does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

KTB's financial risk management objectives and policies are detailed below:

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i) Credit risk

KTB has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020					
Receivables from exchange transactions	114,395,309	47,856,199	-	56,233,489	10,305,621
Receivables from non exchange transactions	-	-	-	-	-
Bank balances	503,182,727	503,182,727	-	-	-
Total	617,578,036	551,038,926	-	56,233,489	10,305,621
At 30 June 2019					
Receivables from exchange transactions	119,238,987	107,318,449	-	-	11,920,538
Receivables from non exchange transactions	-	-	-	-	-
Bank balances	527,728,455	527,728,455	-	-	-
Total	646,967,442	635,046,904	-	-	11,920,538

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FINANCIAL RISK MANAGEMENT (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets KTB's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

KTB requires that customers pay for their participation costs before the events thereby minimizing any risk of non-payment of industry contributions. KTB also makes provisions for all receivables outstanding over 365 days where recovery is doubtful. To avoid further loss, KTB does not allow subsequent engagement with a debtor until the previous outstanding amount is fully received.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with KTB's directors, who have built an appropriate liquidity risk management framework for the management of KTB's short, medium and long-term funding and liquidity management requirements. KTB manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by KTB under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	10,103,602	12,703,701	19,352,885	42,160,189
Provisions	700,000	2,888,463	15,269,840	18,858,303
Deferred income	7,278,862	106,498,549	114,174,101	227,951,512
Total	18,082,464	122,090,713	148,796,826	288,970,003
At 30 June 2019				
Trade payables	59,887,419	141,928,503	68,703,616	219,746,439
Provisions	700,000	4,346,846	11,633,459	16,680,305
Deferred income	27,207,973	81,623,920	163,247,841	272,079,735
Total	87,795,392	227,899,269	243,584,916	508,506,479

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FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

KTB has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Board Audit and Risk Management Committee.

KTB's Strategy Department is responsible for the development of detailed risk management policies (subject to review and approval by Board Audit and Risk Management Committee) and for the day to day implementation of those policies.

Risk management analysis is done for all major projects (above KShs 5M) at the onset of the projects.

There has been no change to KTB's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

KTB has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of KTB's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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FINANCIAL RISK MANAGEMENT (Continued)

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
Financial assets			
Investments	-	-	-
Cash	455,443,010	47,739,717	503,182,727
Debtors	29,661,323	84,733,986	114,395,309
Total financial assets	485,104,332	132,473,703	617,578,036
Financial Liabilities			
Trade and other payables	226,018,472	-	226,018,472
Borrowings	-	-	-
Total financial liabilities	226,018,472	-	226,018,472
Net foreign currency asset/(liability)	259,085,861	132,473,703	391,559,564
At 30 June 2019			
Financial assets			
Investments	-	-	-
Cash	474,394,834	53,333,621	527,728,455
Debtors	31,346,525	87,892,462	119,238,987
Total financial assets	505,741,358	141,226,084	646,967,442
Financial Liabilities			
Trade and other payables	99,211,108	136,996,626	236,207,734
Borrowings	-	-	-
Total financial liabilities	99,211,108	136,996,626	236,207,734
Net foreign currency asset/(liability)	406,530,251	4,229,458	410,759,708

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b) Interest rate risk

Interest rate risk is the risk that KTB's financial condition may be adversely affected as a result of changes in interest rate levels. KTB's interest rate risk arises from bank deposits and balances. This exposes KTB to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits/ bank balances.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard KTB's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	-	-
Sinking Fund	16,000,000	14,000,000
Retained earnings	136,370,094	136,948,119
Capital Fund	27,025,841	32,709,265
Total Funds	179,395,935	183,657,384
Total borrowings		-
Less: cash and bank balances	505,818,832	539,614,325
Net debt/(excess cash and cash equivalents)	<u>(326,422,897)</u>	<u>(355,956,941)</u>
Gearing	-182%	-194%

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28. Related parties

KTB regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over KTB, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

Government of Kenya

The Government of Kenya is the principal shareholder of the Board, holding 100% of KTB's equity interest. Other related parties include:

- i. The National Government
- ii. Ministry of Tourism & Wildlife
- iii. Tourism Fund
- iv. Board of Directors
- v. Senior Management

Transactions with Related Parties:

(i) Related Parties- Government of Kenya & Tourism Fund	Disbursements in 2019/20 KShs	Actual Disbursements in 2018/19 KShs
GOK - Recurrent	254,400,000	227,384,184
GOK- Development	125,000,000	331,000,000
Tourism Fund	301,680,000	430,020,000
	<u>681,080,000</u>	<u>988,404,184</u>

A recurrent grant of KShs 9Million was received on 1st July 2019 (in 2017/18). The amounts were accrued in KTB books and reported as due from GOK as at 30th June.

(ii) Expenses incurred on behalf of MOTW	2020 KShs	2019 KShs
Payment for design and printing of GOK Calendars	-	19,910,240
Total	<u>-</u>	<u>19,910,240</u>

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(iii) Key management compensation	2020	2019
	KShs	KShs
Directors' emoluments	960,000	838,304
Compensation to the CEO	8,880,000	8,880,000
Compensation to key management	50,193,279	48,199,112
Total	60,033,279	57,917,416
(iv) Related Parties- Staff Advances	2,035,103	3,800,886

29. Contingent Liabilities

During the FY 2016/17, KRA carried out an assessment and in August 2017, gave a demand notice of KShs 187,014,569. Of this amount, KShs 182,568,010 related to withholding tax on the Marketing development agencies appointed to represent KTB in the various markets. KTB raised an appeal on the tax assessment) with a view to obtaining a legal interpretation of the applicable statute and quashing of the tax assessment. This amount was not provided in the FY 2016/17, 2017/18, 2018/19.

In its ruling, the Tribunal on 18th December 2019 disagreed with KRA's argument that the income from the marketing activity of KTB could be attributed to KTB even though received by the Government. Despite this, the TAT ruled in favour of KRA in the appeal filed by KTB.

KTB also commenced alternative dispute resolution (ADR) proceedings with KRA in line with recent circulars that directed Government agencies to withdraw court cases and use mediation frameworks facilitated by the AG's office.

KTB received a copy of an agency notice issued by KRA to KTB's bankers, Kenya Commercial Bank, on 30th June 2020 declaring KCB as the payer of KShs 182,456,743. KTB applied to the High Court and was granted a stay of the enforcement of the Agency Notice.

The amount has been provided for in 2019/20.

CONTINGENT LIABILITIES	2019-20	2018-19
	KShs	KShs
Statutory Obligations- Withholding tax assessment	182,456,743	-
Total	182,456,743	0

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30. CAPITAL COMMITMENTS

	2019-20	2018-19
	KShs	KShs
Authorized for	14,579,705	3,897,600
Authorized & Contracted for	-	16,115,281
TOTAL	14,579,705	20,012,881

Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. They include capital expenditure that had been authorized by the Board but at the end of the year had not been contracted and/or those already contracted for and ongoing.

31. EVENTS AFTER THE REPORTING PERIOD

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

32. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Tourism & Wildlife. Its ultimate parent is the Government of Kenya.

33. CURRENCY

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

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS/OTHER MATTER

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Long Outstanding Receivables</p> <p>As previously reported, the receivables from exchange transaction balance of Kshs 107,318,449 as at 30 June 2019 includes an amount of Kshs 6,154,542 in relation to bad debts- industry and KShs 1,765,895 for former staff. In addition, a review of evidence of follow up on the debts and the effort taken to recover them were noted not to be fruitful since only one debtor has paid despite the entity engaging the services of a debt collector.</p>	<p>As explained during the two audits, some of these amounts however arose from double postings of invoices, invoices for trade partners that did not attend events and therefore ought to have been reversed in the year the invoice was booked and sponsorships that were not honoured. Some of these amounts were therefore not real debtors.</p> <p>KTB engaged Aegis in to collect the amounts and the company is paid on commission based on collections. In 2018/19, collections were made from KLM Royal Dutch Airlines of Euro 1,500.</p> <p>The amount due from Kenya Wildlife Services of KShs 788,937.36 was negotiated with KWS to be recovered through park fees waivers.</p>	DFA/CEO/ BOD	Not Resolved	December 2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Zimbabwe Tourism Authority also paid the full amount of USD 5,792 (equivalent to KShs 579,698.69 in 2018/19).</p> <p>In 2019/20, accounting errors of KShs 1,558,415 were revised against the provision. The adjustments were effected in 2019/20 after receiving the BOD approval.</p> <p>Two debtors with a total balance of KShs 60,439 were approved by the BOD for write off. The write off was effected in 2019/20 after receiving the BOD approval.</p> <p>A letter was done to National Treasury requesting for approval to write off some of the old debtors amounting to KShs 5,833,392. This includes amounts owing from TRI, TF, Kenya Wildlife Trails and Monaco Tours & Safaris</p> <p>Ex-Staff Balances The amount due from ex-staff of KShs 1,765,895 relates to imprest and advances amounts that were not paid by former staff members. These cases were forwarded to DCIO and EACC and</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	<p>Provision of Digital Strategy Execution Services by Seven Brands</p> <p>KTB entered into a contract with Seven Brands on the fourth day of May 2018 for the provision of digital strategy execution services. The agreed amount for Media Buying was Kshs 120,215,852 and was</p>	<p>have been on their follow up since 2007 but have not been successful.</p> <p>During the year, they were also forwarded to the debt collector for recovery but was unsuccessful. Management have begun the process of tracing of these debtors to ascertain their whereabouts and ability to pay after which legal action will be commenced.</p> <p>The staff debtors amount was reduced by a write off of KShs 42,050 to Kshs 1,716,552.97 in 2019/20.</p> <p>Management will enhance recovery mechanisms and if not successful, the same will be recommended for write off</p>		Not Resolved	
	<p>Provision of Digital Strategy Execution Services by Seven Brands</p> <p>KTB entered into a contract with Seven Brands on the fourth day of May 2018 for the provision of digital strategy execution services. The agreed amount for Media Buying was Kshs 120,215,852 and was</p>	<p>We have noted the observations and as explained during the audit, we respond to the observations as follows:</p> <p>a) Payment of Ksh. 120,215,852</p> <p>❖ The contract provided that, as part of the supplier obligations, Seven Brands would undertake media buying on behalf of KTB from time to time during the term of contract. The sums involved in the media buying would vary dependent on KTB</p>	CEO/BOD	Not Resolved	

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	<p>paid for in full vide cheque No.23462 dated 18th June 2018 contrary to the provisions of PPOA 2015 Act Section 147(1)</p> <ul style="list-style-type: none"> The Trade and Other Receivables – Kshs 107,318,449 includes a balance of Kshs 54,203,103 which relates to services still outstanding as at 30th June 2019 in relation to the Seven Brand contract. As at the time of audit, the completion of the Website Redesign Project and the Media Buying Project was doubtful. The contract between KTB and Seven Brands was terminated as per the correspondence dated 14th December 2018.It was noted that the Management had invoked Section 11.3 of the Contract terms. The explanation given for the termination was that there were several agencies that deliver 	<p>annual budgets as well as work plans and thus were not determinable in advance. For providing this service, Seven Brands were entitled to earn a 20% agency commission</p> <ul style="list-style-type: none"> Once a need to undertake a media buying campaign arose at any time during the contract, the media buying funds were to be remitted to Seven Brands in advance as per industry practice, to enable them pay the 3rd party service providers such as Facebook & Youtube. The supplier had clearly indicated this expectation in their financial proposal as well. In FY 2017/18, KTB determined the need to undertake a media buying campaign on various digital platforms. A detailed plan as well as media buying schedule was developed and approved. Accordingly, to enable the agency book and purchase media on these platforms on KTB's behalf, a payment was made on 18th June 2018 in respect of media buying in the sum of GBP 892,139.91 (KShs 120,215,852) These funds were NOT A PAYMENT TO SEVEN BRANDS in the sense envisaged by S.147(1) of the Act but were KTB funds to be used for making media space purchases on digital platforms such as Face book and Youtube which require upfront payment. These payments were transferred to Seven 			

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	<p>communication services to the organization hence now KTB wished to combine all these communication agencies so as to increase efficiency in messaging output and value.</p> <p>The Board went on further to issue correspondence to Seven Brands on 27th March 2019 informing them that the termination letter dated 14th December 2018 only related to the provision of digital, maintenance and hosting thus Seven Brands was still expected to carry out the contracted services in relation to Website Development and hosting up to Project completion as provided for in the contract.</p> <p>As a result of the termination of the contract prematurely, the recoverability of KShs 54,203,103 paid to Seven Brands is doubtful.</p>	<p>Brands solely for this purpose.</p> <p>If KTB has media buying funds for which it intends to run a campaign on Facebook, there are two options to proceed. Either by KTB buying the media directly from Facebook or contract an agency to do the same on KTB's behalf. The agency method affords KTB the benefit of the agency's expertise which KTB may not have internal capacity.</p> <p>This second method is more advantageous to KTB as the digital agency is able to provide much needed strategy, research, planning, execution, analysis and reporting capabilities which KTB does not possess. Both methods however entail payment in advance to Facebook as this is the established media buying policy by these online platforms.</p> <p>Digital media buying on online platforms such as Facebook require upfront payment. In the case of large campaigns such as those by tourism destinations, the agency contracting with Facebook will be required to connect their bank account or debit/credit card to the media buying campaign. Thereafter, Facebook will automatically debit the campaign costs from the designated bank account or</p>			

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	<p>Issue / Observations from Auditor</p>	<p>Management comments</p> <p>bank card.</p> <p>b) The termination of the contract</p> <p>As at the time of KTB reaching the decision to terminate the contract with Seven Brands, the supplier was providing three distinct services to KTB, that is:</p> <ul style="list-style-type: none"> ❖ Digital strategy execution services including design and development services for online creatives, social media management as well and channel and partner campaigns. For this service, the supplier was earning a monthly retainer ❖ Website development services. This was a one-off project for which the supplier was to earn Ksh. 21M ❖ Media Buying services – As at the time of the decision to terminate the contract, the agency was implementing one project which was ongoing. For this, they were to earn a 20% commission. <p>The decision to terminate therefore was intended to bring to a close the digital strategy execution services which would be amalgamated with offline advertising services and offered by an integrated advertising agency.</p>			

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		<p>However, it was not the intention to transfer midway the development of the website which was already briefed to Seven Brands. In addition, the media buying project that was already ongoing was to be completed by Seven Brands.</p> <p>The termination of the contract was aimed at stopping recurring expenditure (payment of monthly retainer) whilst at the same time requiring the agency to complete one-off projects that were already under implementation.</p>			
<p>Other Matters</p>	<p>1. Advancement within the Career As previously reported, the Career Guidelines sets out the minimum qualifications and/or experience required for advancement from one grade to another. However, it was observed that some job cadres did not have room for advancement since there were some grades that were not included.</p> <p>From the foregoing, there is no grade 4 in</p>	<p>As explained during the audit and in the previous management letter response, KTB's organization structure was designed to ensure optimal utilization of human resources without unduly creating a heavy workforce especially in non-core functions. Accordingly, some positions were deemed unnecessary as the department functions could adequately be performed by the officers in the grades established. Therefore, these are not reflected in the structure. Examples of missing positions include Asst. ICT Manager (Grade 4), Finance Manager (Grade 3), Asst. Legal Services Manager (Grade 4), Legal Officer (Grade 5), Manager - Quality Management (Grade 3). However, the officers within these departments are able to advance career-wise to the next available</p>			

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	<p>ICT, no grade 4 and 5 in legal department and no grade 3 in both finance and qualitative management.</p> <p>In the absence of the career progression manual showing the advancement of the aforesaid cadres, staff morale is likely to be affected and the progression of some staff morale is likely to be affected.</p>	<p>grade in their departments by acquiring the requisite number of years of experience and obtaining additional academic and professional qualifications.</p> <p>For example, an Assistant Finance Manager in Grade 4 who possesses Six (6) years relevant experience, a Bachelor's Degree in a relevant field and has attended a certificate in Senior Management Course lasting not less than four (4) weeks can advance career-wise to the position of Director Finance & Admin in Grade 2 if, in addition to their existing qualifications, they obtain a Masters Degree in a relevant field, Twelve (12) years relevant experience with five (5) years in a senior Management position and obtain a certificate in Leadership Course lasting not less than six (6) weeks from a recognized institution.</p>			
2	<p>Organization Structure</p> <p>The Human resource policy of the Kenya Tourism Board give provision for the Director of Human and Administration. However, it was noted that the Organization and Grading Structure dated</p>	<p>As explained during the audit, the draft HR Instruments, including the organizational structure and HR Policy and Procedures Manual, were prepared by Management with the guidance of SCAC during a retreat held in July 2017 and were thereafter tabled before the Board for approval. These draft instruments provided for the position of Director – Human Resources and Administration.</p>	<p align="center">BOD</p>	<p align="center">Resolved</p>	

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	<p>June 2017 does not have the rank of Director Human Resource and Administration thereby contravening the Human resource policy.</p>	<p>The Board however noted the need to take into consideration the proposals made by THR in regards to the organization's operational model with more emphasis being placed on the core mandate of the organization rather than support services and thus the need to review the proposed structure to ensure a greater alignment towards the core mandate of the organization. Accordingly, a new position of Director – Finance & Administration was approved within which the human resource function was placed, headed by a Manager – Human Resources & Administration. The HR Instruments were thus revised to capture this change.</p> <p>Management have since amended the Human Resource Policy/ Manual and corrected the position to Human Resource Manager. The addendum to the policy was approved by the BOD on 31st January 2020 and was provided to the audit team. The approved organization structure was also provided for reference.</p>			
3	<p>Incomplete Contracts As previously reported, the Board contravened the requirement of Public</p>				

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	<p>Procurement and Assets Disposal Act 2015 section 135(3) which provides contracts being entered into within the period specified in the notification but not before 14 days have elapsed. This requirement was contravened in various engagements as shown below;</p>				
<p style="text-align: center;">3.1</p>	<p>Qualitative Research International As previously reported, the Agreement between Kenya Tourism Board and Qualitative Research International (QRi) Consulting of 40 Chanctonbury Way London N12 7JD-United Kingdom for magical Kenya Research at a price of Great Britain Pounds (GBP) 46,000 (Kshs. 6,460,497.60) inclusive of all taxes. The Contract was entered into on 28th Day of February of 2018 whereas the commencement date was shown as 17th</p>	<p>As explained during the 2017/18 audit and in the management letter, the supplier, QRi International was awarded a tender vide a notification of award dated 2nd February 2018 to conduct a Magicalkenya Experiences Study. The commencement date was agreed as 17th February 2018 to allow the 14 days appeal period. In the meantime, the parties began deliberations on the methodologies to be adopted for the study and other issues surrounding the implementation of the project. As at 17th February 2018, the supplier was fully appraised on the requirements of the project and begun preliminary work including preparation of the Qualitative Topic Guide/Online Questionnaire in consultation with KTB. The supplier consequently issued KTB with an invoice dated 9th February 2018</p>			

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	February 2018 while the first invoice no. 1523 was dated 9 th February 2018 which was a date before the contract date as indicated in the agreement thus presenting contradiction on the exact dates of the contract.	which as per the terms of the contract was payable 30 days after receipt of the invoice and was to be paid only when supported by evidence of implementation of the project milestone. The supplier thereafter signed the contract on 28 th February. As explained during the audit, this was occasioned by the supplier's CEO being away from office during the period immediately after the expiry of the 14 days appeal period. Payment was made to the supplier based on project milestones and deliverables that were supported by approvals from KTB.			
3.2	Kenya Airways As previously reported, the agreement between Kenya Tourism Board and Kenya Airways PLC at a contract price of Kshs. 29,278,400 for advertisement and media opportunities on Kenya Airways (KQ) platforms (Phase II). The agreement was	The 1 st payment of GBP 13,800 was made on 15 th March 2018 upon the presentation of timelines, screener and main questionnaire as required in the contract payment schedule. As explained during the 2017/18 audit and in the management letter, KTB entered into a contract with Kenya Airways in respect of advertising and media opportunities on KQ-owned platforms for Ksh. 14M. Phase I of the same ran from 1 st January 2017 for periods varying from 4 months to 12 months depending on the platforms. Payment was to be made to KQ within 30 days from 1 st January 2017 (50%) and within 30 days from 1 st June 2017 (50%).			

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	<p>not dated by both parties. While the commencement for the contract as per the agreement was indicated as 1 September 2017. Out of the total amount paid of KShs. 27,764,000, KShs. 17,678,400 was invoiced on 21st June 2017, three months before the contract commencement date.</p>	<p>Upon expiry of the period and successful return on investment by KTB on the same, a Phase II campaign was negotiated with KQ. After a series of meeting and arriving at an agreement on the advertisement campaigns to be implemented, a contract was entered into for Ksh. 25.24M that ran from 1st September 2017 for periods varying from 4 months to 12 months depending on the platforms. The contract amount was accrued in 2016/17; the accrual was based on the fact that the partnership discussion had been done and an MOU was already in place. Payment was to be made to KQ at the end of January 2018 (50%) and end of February 2018 (50%).</p> <p>Payment to KQ was made as follows: Phase 1</p> <ul style="list-style-type: none"> • Ksh. 7,000,000 (50%) +VAT – March 2017 • Ksh. 7,000,000 (50%) +VAT– July 2017 <p>Phase 2 payments were to be made as follows</p> <ul style="list-style-type: none"> • Ksh. 12,620,000 (50%) +VAT – 30th Jan 2018 			

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3.3	<p>Human Capital Synergies (HCS) Africa Ltd</p> <p>As previously reported, an agreement was signed between Kenya Tourism Board and Human Capital Synergies (HCS) Africa Ltd was to provide Management services for KTB Tourist Information Centers vide award letter Ref: KTB/9/1Vol1 (195). Award notification was 3rd April 2018 whereas contract commencement date was 1st April 2018 to run for a year. This implies that the services were provided</p>	<ul style="list-style-type: none"> • Ksh. 12,620,000 (50%) +VAT – 30th Feb 2018 <p>The payment for phase II was however made in May 2018 after receipt of the branding report in April 2018.</p> <p>We confirm all payments were made to KQ based on deliverables that were supported by approvals from KTB after successful implementation of the advertising campaign.</p> <p>As explained during the 2017/18 audit and in the management letter, the supplier, Human Capital Synergies Ltd was awarded the tender for the provision of human resource outsourcing services. The professional opinion was submitted to the CEO and approved on 28th March 2018. The tender award thereafter issued on 3rd April 2018. In discussions with KTB, it was agreed that the supplier would take over the contracts of employment of existing KTB staff working as TIC Assistants and would meet their payroll costs w.e.f from the month of April 2018. The commencement date was thus captured as 1st April 2018 and the staff were taken off the KTB payroll and transferred to the outsourced service provider.</p>			

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	before the Company was notified of the award.	Management have subsequently ensured that contracts are only entered into after 14 days following notification of awards.			
3.4	<p>Advance Payment-Exhibition Wise Ltd</p> <p>As previously reported, an agreement between Kenya Tourism Board and Uganda Tourism Board and Rwanda Development Board and C. Liasides Exhibition Wise Ltd –Pissouri Cyprus in relation to Design Construction, Storage and Disposal of an exhibition stand. This was in regard to the International Tourism Bourse (ITB) 2018 and the World Travel Market (WTM), London at a cost of Euros 73,000 (Kshs. 9,282,599.70) and 89,000 (Kshs. 11,317,142.10) respectively. The Contract term stipulates that the payment to contractor shall be made on receipt of an invoice by the project manager and to be made upon the complete removal of the</p>	<p>As explained during the 2017/18 audit and in the management letter, the supplier, Exhibition Wise Ltd was awarded the tender for the Design, Construction, Storage and Disposal of an Exhibition Stand for WTM 2016 and ITB 2017 with an option to renew for two more editions of WTM and ITB respectively. Payment was to be made to the supplier within 10 days of the end of each exhibition.</p> <p>In respect of the shows held in the 2017/18 FY, payment to the supplier was made as follows:</p> <p>Phase 1</p> <ul style="list-style-type: none"> • WTM 2017 – 2/11/2017 • ITB 2018 – 21/2/2018 <p>As explained in the management letter response, the payments were made earlier than stated in the contract following supplier's demand that an advance payment be made in view of the fact that the stand was already completed and in storage at the time. The supplier's</p>			

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	stand at the end of the ITB and WTM and no later than 10 days after ITB and WTM. The Board went ahead and paid the amounts in full vide an invoice dated 15 February 2018 before the event dates between 7-11 March 2018 thus contravening the Public Procurement and Assets Disposals Act 2015 Section 146 and the agreement requirements.	demand was evaluated and it was found that indeed it was customary to make advance payment for such services and the Exhibition Constructor do not hand over the stand to the customer unless the amounts are fully paid. Management have subsequently ensured that contract terms are adhered to and/or amended via a formal addendum where/ when necessary. The supplier demand letters were provided for reference.			

CHIEF EXECUTIVE OFFICER
29th SEPTEMBER 2020

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APPENDIX II- PROJECTS IMPLEMENTED BY KTB**

Status of Project Completion

		Project costs				Source of funds:
Project	Total project cost	Total Expended to date	Completion %age to date	Budget 2019-20	Actual	Gok,A.I.A, dev. Partners, Borrowings
i Ongoing Projects						
Developing new and sustaining markets and sitting booths in						
1 Tourism Target Markets	6,424,090,000	1,720,083,889	27%	114,500,000	114,500,000	GOK
Other Capital Items						
Purchase of Furniture, Refurbishment of						
1 offices, office equipment & Motor vehicles	144,020,000	131,011,987	91%	10,250,000	10,250,000	GOK
2 Computer Hardware & Softwares	100,890,000	81,304,124	81%	250,000	250,000	GOK
Total Capital Cost/ Budget	244,910,000	212,316,111	87%	125,000,000	125,000,000	
Source of funds for the capital project						
Government Grants-Development	6,669,000,000	1,932,400,000	29%	125,000,000	125,000,000	GOK

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APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME: KENYA TOURISM BOARD

**Break down of Transfers from the State Department of Tourism
FY 2019/2020**

a. Recurrent Grants

Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
08.08.19	21,600,000	FY 2019/2020
30.10.19	21,600,000	FY 2019/2020
24.02.20	147,600,000	FY 2019/2020
15.05.20	21,200,000	FY 2019/2020
08.06.20	21,200,000	FY 2019/2020
30.06.20	21,200,000	FY 2019/2020
Total	<u>254,400,000</u>	

b. Development Grants

Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
11.03.20	125,000,000	FY 2019/2020
Total	<u>125,000,000</u>	

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

Director Finance & Administration
Kenya Tourism Board

Head of Accounting Unit
Ministry of Tourism & Wildlife-State
Department of Tourism

Sign 

Sign 

**KENYA TOURISM BOARD
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APPENDIX IV- RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Ot hers	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Others - must be specific during the Year	Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables			
Tourism Fund	15.07.19	Recurrent	35,835,000	35,835,000	0	0	0	0	0	35,835,000
	23.08.19	Recurrent	35,835,000	35,835,000	0	0	0	0	0	35,835,000
	17.09.19	Recurrent	35,835,000	35,835,000	0	0	0	0	0	35,835,000
	25.10.19	Recurrent	35,835,000	35,835,000	0	0	0	0	0	35,835,000
	18.11.19	Recurrent	35,835,000	35,835,000	0	0	0	0	0	35,835,000
	16.12.19	Recurrent	35,835,000	35,835,000	0	0	0	0	0	35,835,000
	20.01.20	Recurrent	35,835,000	35,835,000	0	0	0	0	0	35,835,000
	21.02.20	Recurrent	35,835,000	35,835,000	0	0	0	0	0	35,835,000
	20.03.20	Recurrent	15,000,000	15,000,000	0	0	0	0	0	15,000,000
Total			301,680,000	301,680,000	-	-	-	-	-	301,680,000