

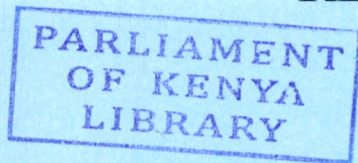
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT



OF

*Paper laid by the
Leader of the
Majority Party
on 10.04.12
TSN*

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA TOURISM BOARD**

**FOR THE YEAR ENDED
30 JUNE 2017**





KENYA TOURISM BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2017

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

I.	BOARD'S INFORMATION AND MANAGEMENT	ii
II.	CHAIRMAN'S STATEMENT	viii
III.	REPORT OF THE CHIEF EXECUTIVE OFFICER	xii
IV.	CORPORATE GOVERNANCE	xvi
V.	THE BOARD OF DIRECTORS' PROFILES.....	xvii
VI.	MANAGEMENT TEAM	xxiii
VII.	MANAGEMENT DISCUSSION AND ANALYSIS	xxvi
VIII.	BOARD COMMITTEES	xxx
IX	CORPORATE SUSTAINABILITY STATEMENT	xl
X.	REPORT OF THE DIRECTORS	xli
XI.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	xliii
XII.	REPORT OF THE AUDITOR-GENERAL ON KENYA TOURISM BOARD FOR THE YEAR ENDED 30 JUNE 2017	xlvi
XIII.	STATEMENT OF FINANCIAL PERFORMANCE	1
XIV	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017	2
XV.	STATEMENT OF CHANGES IN NET ASSETS	3
XVI.	STATEMENT OF CASH FLOWS.....	4
XVII.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
XVIII	ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS.....	7
	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS/OTHER MATTER	23

I. BOARD'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;
- d) Perform any other functions that are ancillary to the object and purpose for which the Tourism Board is established.

OUR CUSTOMERS

Local

- Employees
- Government
- The Tourism Private Sector
- Suppliers
- The General Public
- Local & International media 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
- Kenya Wildlife services
- Kenya Railways (SGR)
- Kenya Tourism Fund (KTF)
- Kenya Association of Tour Operators (KATO)
- Kenya Association of Hotelkeepers & Caterers (KAHC)
- Eco Tourism Kenya

(c) KEY MANAGEMENT

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

- Chief Executive Officer
- Executive management

(d) BOARD HEADQUARTERS

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

(e) 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

NAIROBI Jomo Kenyatta International Airport NAIROBI Tel: 822111 – Ext. 5299/341728	MOMBASA Mombasa International Airport MOMBASA 020 2047370
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MARKET DEVELOPMENT REPRESENTATIVES WHO SERVED DURING THE YEAR

<u>GERMANY & AUSTRIA:</u> Travel Marketing Romberg Schwarzbachstrasse 32 40822 Mettmann Near Dusseldorf Germany Phone: +49 0 2104 832919 Fax: +49 02104 912673 Email: g.romberg@travelmarketing.de	<u>ITALY:</u> Interface Tourism Italy Srl via Carducci 36 -20123 Milano, Italy. Phone: +390283660917, +390283660917 Email: serena.valle@interfacetourism.com IAGO Srl Piazza Caiazzo 3 20124 Milano Italy Phone: +39 02669927210 Skype: aigosrl Email: Paola Cerri – Account Director p.cerri@aigo.it
<u>FRANCE & SPAIN</u> Interface Tourism 11 bis rue Blanche 75009 Paris Phone: +33 1 532511 Fax: +33 1 53251112 Email: Kenya@interfacetourism.org	<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><u>USA:</u> Myriad International Marketing LLC 6033 West Century Boulevard, Suite 900 Los Angeles, CA 90045, USA Phone: <u>+1 310 649 7718</u> Email: <u>AI@myriadmarketing.com</u></p>	<p><u>CANADA:</u> Vox International 2 Bloor Street West, Suite 2601 Toronto, Ontario, Canada M4W 3E2 Phone: 414 935 1896 Fax: 416 935 0939 Email: <u>swebb@voxtm.ca</u></p>
<p><u>CZECH REPUBLIC & POLAND</u> Travel Advance s.r.o Na Kozacce 1212/4 120 00 Praha 2, Czech Republic Phone: +420 776 276 797, + 420 723 593 921 Email: <u>ktbprague@travel-advance.com</u>, <u>paddington@travel-advance.com</u></p>	<p><u>AUSTRALIA</u> GTI Tourism 35 Grafton Street Bondi Junction Sydney 2022, Australia Phone: +61 (0) 2 9028 3577 Email: <u>anne.morris@gtitourism.com.au</u></p>
<p><u>GCC:</u> Gulf Reps Limited P.O.BOX 75142 Sheikh Zayed Road, Dubai, United Arab Emirates Phone: +97143166333 Fax: +97143166565 Email: <u>leo@gulfreps.com</u></p> <p>Four Communications Group FZ-LLC P. O. Box 502099 Boutique Office 13, Ground floor Dubai Media City Dubai UAE Phone: +971 (4) 362 5129 Fax: +971 (4) 362 5358 Email: <u>KenyaTourismBoard@fourcommunications.com</u></p>	<p><u>SCANDINAVIA:</u> Related Aps Havneparken Jyllandsgade 8 7100, Vejle Denmark Phone: +45 6155 7489 Fax: +46 8 241 888 Email: <u>haj@related.dk</u></p>

<p><u>RUSSIA:</u> Aviareps AG, 39 Prospect Mira, bldg. 2 129110 Moscow, Russian Federation Phone: +7495937-5950 ext 162 Fax: +7495 937-5951 Email: kenya-rus@aviareps.com</p>	<p><u>CHINA:</u> Aviareps Marketing Garden - Beijing Suite 81, Building 3 Jianguomenwai Diplomatic Compound No.1 Xiushuijie, Chaoyang District, Beijing, 100600, P.R.China. Phone: +86 10 8532, 5463/1763/4163 Fax.: +86 10 8532 3845 Mobile: + 86 139 1143 9398</p> <p>Tam Wing Kun Holdings Ltd Suite 1201A, 12/F, Tower 1, Admiralty Centre 18 Harcourt Road, Admiralty Hongkong China Phone: +(852) 2527 7000 Fax: +(852) 2377 2131/2 Email: henryyim@tam.com.uk</p>
<p><u>INDIA:</u> Trac Representations (I) Pvt. Ltd A-61, 6th Floor, Himalaya House 23, K.G. Marg, New Delhi – 110001 INDIA Phone: 91 11 23352550 Fax: 91 11 23737348 Email: Kg@tracrep.com</p>	<p><u>SOUTH AFRICA</u> Activ8 Branding (Pty) Ltd Unit 68, Studio Park, 5 Concourse Crescent, Lonehill P.O. Box 4819, Rivonia, 2128 Phone: +27 (0) 11 465 9409 Fax: +27 (0) 11 467 7645 Email: brent@activ8.guru</p>

(f) **KTB'S BANKERS**
Kenya Commercial Bank Ltd.
Moi Avenue Branch
P.O Box 484-00100
Nairobi, Kenya

(g) **INDEPENDENT AUDITORS**
Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya.

(h) PRINCIPAL LEGAL ADVISERS

Daly & Inamdar

6th Floor, ABC Towers

ABC Place

P.O. BOX 40034-00100

Nairobi, Kenya



II. 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 2017.

Overview

During the year under review, tourism arrivals to Kenya recorded growth to reach 921,845 international arrivals by air and sea at the close of the 2016/17 FY. This growth was a continuation of the recovery path that has seen numbers rise year on year from the lows experienced in previous years and represented 15.2% growth over the 799,904 international arrivals by air and sea as at the close of the 2015/16 FY. As a destination, efforts continue to be made to achieve recovery of the sector to the numbers recorded in 2011 which is Kenya's best performing year in terms of tourism where international arrivals hit a peak of 1,822,900 arrivals.

Operating Environment

Statistics from the United Nations World Tourism Organization (UNWTO) showed that the period under review recorded modest growth in global outbound numbers with 1.2 billion travellers having been recorded as at December 2016 which was 3.9% growth over 2015. Kenya was thus a beneficiary of this growth and as KTB we remained committed to ensuring that the destination continued to benefit from the large number of global outbound tourists each year. While the challenges of insecurity, terrorism, travel advisories and Ebola were less prominent during the period as compared to preceding years, the lingering effect of these challenges continued to affect the recovery trajectory. Happily, the reduced significance of the above challenges meant that the destination was left with a shorter, albeit equally challenging, list of hurdles to surmount including lack of direct and convenient air access from some of our source markets, decline in charter business as well as general decline in some of the hitherto strong markets such as Germany and GCC.

Continuing with the trend noted in the preceding year, the domestic market demonstrated strong growth and resilience with a significant uptake in the share of bednights occupied by Kenyans and residents. This may be attributed to the significant resources and strategies that KTB has deployed over the last few years to grow this segment especially after the serious decline in our traditional source markets that was

witnessed in the wake of terrorism attacks in the destination. This market segment will continue to be a key area of focus for us going forward and further growth is anticipated as the tourism trade also begins to appreciate the vast potential of the domestic market and tailor their offering to meet the demands of the domestic traveller.

As anticipated, the completion of the Standard Gauge Railway (SGR) has had a significant impact on the tourism sector as uptake of the passenger services between Nairobi and Mombasa exceeded expectations with fully booked trains departing Nairobi on a daily basis since the launch of the service on 1st June 2017. The SGR has now entrenched itself as a key enabler of domestic tourism and hopefully also as a means to connect international arrivals to tourism attractions such as Tsavo East and Tsavo West National Parks. Improvements in other areas such as road network and airport infrastructure also positively impacted the tourism sector by improving the visitor experience while in the destination. On the security front, the Government's concerted efforts to secure its territorial borders and also enhance internal security have borne fruit and tourism has directly benefitted from this. During the period, no significant insecurity incidences were reported and this contributed greatly to a return of confidence in the destination by the international tourism trade as well as consumers. On the hotel development front, the growth of new establishments continued unabated during the period with several global brands setting up shop in Kenya. However, most of the developments have been concentrated in the capital city and it is our hope that this trend will extend to other tourism areas such as the Coast that are in need of new world class facilities that can compete on the global stage.

Strategy

During the FY 2016/17, KTB undertook a full and comprehensive review of its destination marketing strategy together with the development of a beach growth strategy as well as an air growth strategy for the destination. The objective of the review was to critically examine the effectiveness of the marketing methods that KTB has employed over the last several years and to compare the same to the current global best practices in destination marketing. The study which was conducted by an international consultancy firm from Spain, THR Asesores En Turismo, Hoteleria Y Recreacion was completed during the year after extensive and thorough consultations with the KTB Board and Management, tourism private sector stakeholders as well as various government agencies including presentations at stakeholder forums in Nairobi and at the Coast. The strategies were approved by the Board and Phase II of the consultancy which involves

assisting KTB in the implementation of the new destination marketing strategy will continue into the 2017/18 FY over a period of 12 months. The Beach and Air Growth strategies were formally handed over to the Ministry of Tourism to facilitate implementation of the recommendations. As a Board, we are confident that the implementation of these strategies will put the destination firmly in the path of recovery and eventually growth to surpass the earlier 2011 arrivals and revenue figures and ensure that tourism cements its place as one of the top forex earners for the Kenyan economy.

Corporate Governance

Strong and effective corporate governance continued to be the bedrock upon which KTB's long-term success is built and has proven to be essential in delivering KTB's overall strategy and mandate. During the year, the KTB board committees diligently and conscientiously discharged their respective functions and served as a key tool for the execution of the Board's overall mandate 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 has put in place to ensure a robust corporate governance environment.

Risk Management

Risk management continued to be a key area of focus for the Board during the year in line with corporate governance principles that require organizations to put in place adequate systems and processes for accountability, risk management and internal controls. The Board Audit and Risk Committee diligently performed the role of overseeing the organization's overall risk management practices as guided by the risk management framework put in place by the Board in the preceding year.

Future Outlook 2017/18

Going forward and backed up by the clear strategic direction arising from the THR reports, KTB intends to put in place effective strategies, goals and objectives to enable it compete in the global arena and contribute to unparalleled growth in both arrival numbers and revenues. In addition, as recommended by the THR consultants, KTB will ramp up its stakeholder engagement in order to align its strategies with those of the tourism private sector and create seamless synergies that have hitherto been inadequate or in some cases lacking. Key among this is a renewed close collaboration with the national airline, Kenya Airways to ensure that the two organizations work hand in hand to

achieve their mutually beneficial objectives. As captured in the KTB strategic plan, we remain committed to our mission to inspire the world to visit Kenya through effective marketing of Kenya's tourism products while enriching the lives of Kenyans and visitors alike and our outlook for the coming year and beyond is positive.

Acknowledgement

On behalf of KTB directors and staff, I wish to express my sincere gratitude to the Government of Kenya, our parent Ministry of Tourism, our sister parastatals in the Ministry of Tourism and other ministries, the tourism private sector in Kenya and our various other stakeholders for their support and partnership during the year that without a doubt made our work easier and contributed to the successes enumerated above. As Chairman of the Board, I also wish to thank most sincerely my fellow directors whose dedication and commitment to the Board's work during the year was steadfast and laudable. In addition, my hearty appreciation goes to the staff of the Kenya Tourism Board who worked hard during the year to implement the strategies put in place by the Board and committed themselves fully to the achievement of the organizations mandate. As a Board, we look forward to further success in the new financial year 2016/17.

Thank you all



JIMI KARIUKI
CHAIRMAN, KTB



III. REPORT OF THE CHIEF EXECUTIVE OFFICER

The tourism sector is a key contributor in Kenya's development blue print, the vision 2030. It contributes about 11% of the Gross Domestic Product (GDP), providing formal and informal employment.

The sector continues to drive the development of critical infrastructure. These include; airports, railways, roads, and hotels - which connect economies to global value chains and increase trade.

In the financial year 2016/17, we benefited from the performance of the tourism sector where we registered a **15.2%** increase of arrivals. From **799,904** in 2015/2016 to **921,845**. During the period under review cross border arrivals were estimated to have grown by **6.7%**, from **445,724** in 2015/2016 to **475,655**. The consolidated arrivals for the 2016/2017 financial year experienced an annual growth of **12.2%**. Total arrivals were 1,397,500 compared to **1,245,628** in 2015/2016.

According to the Kenya National Bureau of Statistics (KNBS), there was a 15.4% growth of domestic tourism bed occupancy in 2016/2017 compared to 2015/2016. This registered 3,638,526 bed nights which is equivalent to **54%** of the total bed.

The estimated tourism receipts for 2016/17 was **KES 107 billion**, representing a **26%** growth in revenue from **KES 84.6 billion** 2015/16.

The estimated tourism receipts for 2016/17 was KSh. **107 billion**, representing a **26%** growth compared to 2015/16 which recorded **KSh. 84.6 billion** in revenue.

Performance by markets

The year 2016/7 saw a marked growth in the performance of the key source markets. The United States of America (USA) became the leading source market, followed by the United Kingdom (UK), India, China, Uganda and Germany who make up Kenya's top 6 source markets.

Country	2015	2016	Percentage Growth %
USA	91,460	107,880	18.0
UK	96,781	103,839	7.3
India	57,247	66,577	16.3
China	36,285	52,398	44.4
Uganda	35,019	50,414	44.0
Germany	41,159	46,032	11.8

Positive relations and improved connectivity between Kenya, China and India have served as a key contributor to the growth of tourists from these regions. This is in addition to various marketing initiatives including the use of celebrity endorsement and education for tour operators in the markets on how to package the Kenya tourism product. Recent research shows that by December 2016 Kenya as a destination had an awareness level of **62%**. An increase from **55%** in 2015.

In-market promotional and PR campaigns as well as key international events that the country has continued to host have gone a long way in raising the destination awareness among tourists and investors alike.

The **15.4%** increase in domestic tourism bed occupancy in 2016/17 is mainly attributable to the aggressive domestic marketing campaigns that have been run by KTB over the past one year. Under the, *#Tembea Kenya banner*, *#Tembea Kenya Selfie Challenge*, and sales agents training, the impact of these engagement generated interest and increased numbers.

Meetings, Incentives, Conferences and Exhibitions (MICE) segment

With Nairobi City as a regional hub attracting a lot of international events, conference tourism continues to record remarkable growth. The City of Nairobi was voted Africa's Leading Meetings and Conference Destination at the 2016 World Travel Awards. It is important to note the tourism investment in international hotel brands that continues to grow has played a key role in increased bed nights, the growth of Nairobi as a regional hub and a city that has tourist attractions like the Nairobi National Park.

The MICE segment recorded a **11%** growth in 2016/17 over the previous year, a clear pointer to a high potential the segment has for Kenya's tourism sector.

Kenya continues to host very high-profile meetings which include the 14th Ministerial Conference of the United Nations Conference on Trade and Development (UNCTAD) and the sixth Tokyo International Conference on African Development (TICAD), both held in 2016.

Marketing Strategies

KTB has been steadfast in the implementation of its marketing strategy in the year 2017. The strategy, seeks to increase tourism arrivals from the current 1.397 million in 2016/17 to 1.7 million visitors in 2017/18.

Product refreshment, innovation and enhancing visitor experience through diverse product offering is our strategic focus. Additionally, the marketing strategy outlines how KTB will improve the participation, co-operation and marketing performance of Kenya's tourism industry while improving the marketing performance of the country's tourism management systems.

KTB has been steadfast in the implementation of its marketing strategy in the year 2017. The strategy, seeks to increase tourism arrivals from the current 1.397 million in 2016/17 to 1.7 million visitors in 2017/18.

Product refreshment, innovation and enhancing visitor experience through diverse product offering is our strategic focus. Additionally, the marketing strategy outlines how KTB will improve the participation, co-operation and marketing performance of Kenya's tourism industry while improving the marketing performance of the country's tourism management systems the sustainability of Kenya's wildlife product – such as the Beach Management programme first undertaken by both parties in 2011.

Our strategic focus for 2017/18 has been:

1. To offer a collection of highly satisfying, diverse and authentic Kenyan experiences
2. To excel in Digital Marketing
3. To Improve the participation, cooperation and marketing performance of the Kenyan industry
4. To improve the marketing performance of the tourism management systems

Future outlook

We are prepared for a better future in the tourism sector with various positives such as new investments in hotels, direct flights to U.S., and general infrastructure development playing in favour of the sector and contributing to the growth in the number of arrivals into the country.

Kenya is now part of an elite group of countries that enjoy the privilege of the Category One status. In Africa, only Morocco, Cape Verde, Senegal, Ghana, Nigeria, Ethiopia, and South Africa have direct flights to the U.S.

The United Nations World Tourism Organization (UNWTO) projects international tourist arrivals worldwide to grow at a rate of 3% to 4% in 2017, after a 3.9% increase in 2016. To this end, KTB intends to aggressively implement its marketing plans in order to ensure that the country maintains its upward growth trajectory.

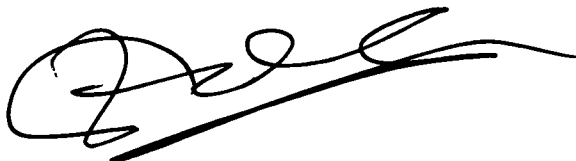
Conclusion

In conclusion, I take this opportunity to thank all our key partners and stakeholders for the supported afforded to KTB over the years.

I also thank the KTB board and our line Ministry – the Ministry of Tourism, who have ably provided us with policy guidance that has propelled our course and achievements within our mandate. Let me thank the staff for their tireless efforts in remaining on track towards growing tourism numbers.

KTB is ready to work together with all industry players as it is our collective, responsible actions that will ensure that tourism remains an effective agent of change, shaping a better future and a more cohesive Kenya for all of us.

Together to create the Magic in Kenya.



DR. BETTY ADDERO RADIER
CHIEF EXECUTIVE OFFICER

IV. CORPORATE GOVERNANCE

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 executive Managing Director & CEO, the Permanent Secretary-National Treasury, Principal Secretary-Ministry of Tourism, CEO of Tourism Fund plus five independent and non-executive directors.

During the year, Mr Gabriel Gonzalez Penalver was appointed by the Cabinet Secretary, Ministry of Tourism with effect from 6th March 2017 vide Gazettes Notice No. 3808 of 14th April 2017. This followed the resignation of Ms. Judith Koskei on 7th February 2017.

The members of the board are as below:

Mr. Jimi Kariuki- appointed 18 th March 2016	Board Chairman
Dr. Betty Addero Radier (PhD)- appointed 1 st December 2016	Chief Executive Officer
Mr. Adam Jillo- appointed 2 nd October 2015	Director
Mr. Richard Kimenyi- appointed 2 nd October 2015	Director
Ms. Judith Koskei – resigned 7 th February 2017	Director
Mr. Ken Waibochi - appointed 2 nd October 2015	Director
Dr. Mohanjeet Brar- appointed 2 nd October 2015	Director
Mr. Gabriel Gonzalez Penalver- appointed 6 th March 2017	Director
PS, Ministry of Tourism	Director
PS, National Treasury	Director
CEO, Tourism Fund	Director
Mr Antony Muigai Muriu	Alternate to PS, National Treasury
Ms. Keziah Odemba	Alternate to PS, Ministry of Tourism
Mr Allan Njoroge	Company Secretary

V. 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 Marketing and Sales 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, holds a Bachelor of Arts (BA) degree, Master of Business Administration (MBA) in Strategy and Finance from the University of Nairobi, and a PhD in Entrepreneurship & Small Business Development from the Graduate School of Business, University of Cape Town, South Africa.

Dr. Betty Radier has over 18 years of senior management experience in marketing, Strategy and Operations.

She has held the position of Managing Director of Scanad Kenya, JWT and Scanad Advertising Tanzania, McCann Kenya Ltd, Lowe Scanad

	<p>Uganda Ltd. She has also held Regional Leadership positions with Microsoft West East and Central Africa as well as Samsung EA Ltd.</p> <p>Dr. Radier is an Adjunct Faculty at the Strathmore Business School, Nairobi.</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 (most of the current tourism policies are based on its findings).</p>
 <p>Ms. Judith Koskei Member-Resigned 7th Feb 2017</p>	<p>Ms Judith Cheptoo Koskei, born in 1958, holds a Master of Arts (Peace and Justice Studies).</p> <p>She has over 15 years of experience in Human Resource Management, particularly in the public sector having worked in senior management positions at Kenya Pipeline Company and Kenya Seed Company. She has also previously served as a Board Director of the Water Services Regulatory Board.</p>



Dr. Mohanjeet Brar (PhD)

Dr. Mohanjeet Brar, born in 1971, holds a Doctor of Philosophy (PhD) in Plant Science.

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.

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).



Mr. Ken Waibochi

Mr. Waibochi, born in 1966, holds a Bachelor of Science Degree in Mechanical Engineering from Bath University UK.



He has been the Managing Director of Aberdare Safari Hotels, a hotel group that manages two properties in the Aberdare region for over 12 years. He has over 20 years of experience in the Hospitality Industry

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



Mr. Richard Kimenyi

Mr. Kimenyi, born in 1949 holds an Advanced Diploma in Hotel Management from West Berlin, Germany. He also attended Executive Summer School in Hotel Management at University of Surrey in the United Kingdom. He also had further training in Israel with Dan hotels at King David Hotel in Jerusalem, Dan Hotels in Tel Aviv and Trust house Forte in United Kingdom.

	<p>He is currently the General Manager of Hemingways Nairobi. He has also in the past managed Fairmont The Norfolk and Fairmont Mt. Kenya Safari club and held senior managerial positions at Outspan Tree Tops, Keekorok Lodge, New Stanley Hotel, Nyali Beach Hotel and Block Hotels Lesotho.</p>
 <p>Gabriel Gonzalez Penalver</p>	<p>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.</p>
 <p>Mrs. Fatuma Hirsi Mohamed, CBS</p>	<p>Mrs. Fatuma Hirsi Mohamed, the Principal Secretary of the Ministry of Tourism born in 1963 has 30 years integrated strategic management working experience in various sectors including telecom, media, banking and international civil service working for the United Nations. In her current role, she has been instrumental in the turnaround of the Tourism sector and facilitated strategic direction to enable growth and recovery of the sector.</p> <p>She holds a Master of Business Administration (MBA) in strategy and marketing, a BA (Hons) in languages and postgraduate diploma in Public Relations. She is currently pursuing a PhD in Communications Studies. Mrs. Mohamed is a Fellow and lifetime achiever of the Public Relations Society of Kenya. She is multilingual and speaks: English, French, Kiswahili, Somali and basic Arabic.</p>



Dr. Kamau Thugge, CBS

Dr. Kamau Thugge, the Principal Secretary at the National Treasury.

He has previously worked in the Ministry of Finance, as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor.

Before joining the Ministry of Finance, he worked with the International Monetary Fund (IMF) as Economist, Senior Economist and Deputy Division Chief.

Dr. Thugge has played a major role in influencing the design of Kenya's current fiscal decentralization system and has coordinated the formulation of legislation for implementing devolution, including the Public Finance Management Act, 2012; The Commission on Revenue Allocation Act, 2011; The Independent Officers (Appointment) Act, 2012; The County Government PFM Transition Act 2013; The County Allocation of Revenue Bill 2013; and, The Division of Revenue Bill 2013/2014.

Dr. Thugge is widely published and holds a Bachelor of Arts (Economics) degree from Colorado College, USA; Master's degree in Economics from John Hopkins University, USA; and a Doctor of Philosophy (PhD) degree in Economics also from John Hopkins University.



Mr. Joseph R Cherutoi

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).

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.



Mr Antony Muigai Muriu



Mr Antony Muigai Muriu, born in 1966, is the Alternate to the Principal Secretary, National Treasury.


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.

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.


VI. MANAGEMENT TEAM

The key management personnel who held office during the financial year ended 30th June 2017 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 Bachelor of Arts (BA) degree, Master of Business Administration (MBA) in Strategy and Finance from the University of Nairobi, and a PhD in Entrepreneurship & Small Business Development from the Graduate School of Business, University of Cape Town, South Africa.</p> <p>Dr. Betty Radier has over 18 years of senior management experience in marketing, Strategy and Operations.</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>Director of Marketing Jacinta Nzioka- Mbithi (Mrs)</p>	<p>Mrs. Jacinta Nzioka, born in 1974 is the Director of Marketing (DOM) at the Kenya Tourism Board (KTB). She has over 15 years of experience in Tourism Marketing and has led several initiatives and projects to turn around the sector working closely with other government agencies and strategic partners both locally and abroad.</p> <p>She holds an MBA in Strategic Management and a Bachelor's degree in Tourism Management from Moi University and a post graduate Diploma in Marketing of Services from Maastricht School</p>

NAME	PROFILE
	<p>of Management in the Netherlands besides other project management and transformational leadership courses.</p> <p>At KTB, she is responsible for providing strategic direction and leadership in the management of KTBs marketing function and entrenching Kenya as the preferred tourist destination both locally and internationally; with a view to optimize the contribution of the tourism sector to the national economy.</p> <p>She oversees the execution of the approved marketing strategy and work plans.</p>
 <p>Company Secretary Mr. Allan Njoroge</p>	<p>Mr. Njoroge, the Company Secretary/ Head of Legal & Corporate Services, 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.</p> <p>He is responsible for providing guidance and support to the Board and is the secretary to the Board and all its committees except Board Audit & Risk Committee. He 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>

NAME	PROFILE
 <p data-bbox="236 658 609 741">Ag. Head of Finance & ICT Mary G. Maina (Mrs)</p>	<p data-bbox="767 174 1422 510">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 data-bbox="767 577 1422 763">Mary has 18 years of experience, 6 in external audit and 10 in internal audit and also financial and accounting experience gained at KTB while on an acting capacity in 2010/11 and currently.</p> <p data-bbox="767 831 1422 1066">She is responsible for effectively and efficiently managing all financial resources of KTB in order to achieve its goals and objectives. The position is also a proactive advisor of KTB on all financial management matters.</p>
 <p data-bbox="236 1541 746 1675">Ag. Head of Human Capital & Admin Dr Maundu Muli</p>	<p data-bbox="767 1135 1422 1420">Dr Maundu, born in 1976, holds PhD, MBA (Strategy Management), B.A (Economics) and HND – IHRM, Dr. Muli has 16 years of experience in Human Resources Management and Administration. He is a member of Institute of Human Resources Management & KIM.</p> <p data-bbox="767 1487 1422 1771">He is responsible for human capital; planning, recruitment, development and performance management. Responsible for harmonious employee relations. Also responsible for management of the Board's logistic and administrations.</p>

NAME	PROFILE
 <p data-bbox="240 555 616 636">Ag. Head of Internal Audit Mr Onesmus Karanja</p>	<p data-bbox="778 199 1433 584">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 data-bbox="778 656 1433 790">Onesmus has 13 years of experience in the areas of Audit Assurance, Risk Management and Investigations.</p> <p data-bbox="778 862 1433 1294">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>

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A- BOARD'S OPERATIONAL AND FINANCIAL PERFORMANCE

Overview

Total Arrivals

- The total international arrivals by air and sea in 2016/17 closed at 921,845 up from 799,904 in 2015/16, 15.24% growth, year on year
- The cross border arrivals during the period under review were estimated to be **475,655**, up from **445,724** in 2015/2016. This was a growth of **6.7%**.
- The consolidated arrivals for the 2016/17 financial year were **1,397,500** compared to **1,245,628** in 2015/2016. This is a growth of **12.2%** year on year.
- The domestic market continues to grow in its potential. The occupancy 3,638,526 against 3,154,000 in 2015/16; therefore, growth of 15.4% was achieved.

- Despite this being an election year there has been continued growth in arrivals from most of key source markets, attributed to Kenya's positive positioning in the global arena and sustained marketing campaigns. KTB is optimistic that tourists will continue to visit Kenya as their holiday or business destination

Tourism Revenue

The revenue for 2016/17 was KShs 107 Billion compared to KShs 84.6 Billion posted in 2015/16, a growth of 26%.

What Is Being Done to Attract More Tourists to Visit Kenya:

- Government Incentives such as reduction in park fees, visa waiver for children below 16 years of age, refunding of the landing fees for charters terminating at the Kenyan coast, as well as passenger subsidies
- Regional visa co-operation and facilitation to make it easier for Africans to travel within the region. Travel with an ID, East Africa passport and the Tripartite visa should be promoted further to give impetus to African arrivals
- Tapping into the online travel market potential – this is a growing segment with the Online booking accounting for more than 40% of total travel sales. KTB has previously partnered with Wakanow, Jovago (now Jumia Travel) among others in order to tap into this growing segment
- Increased efforts into conservation in order to curb poaching
- Investment in marketing and promotion to ensure that Kenya's presence is felt in all the key source markets continuously
- Brand endorsement – working closely with opinion leaders and endorsers that influence the decisions of potential travelers to choose Kenya
- Supporting a strong Magical Kenya Brand
- New product development to target new segments
- Focus on MICE
- Private-public partnerships to complement one another in joint promotions and inculcate loyalty to the destination lets be specific
- Route development to promote air access – Globally, 54% of international tourists travelled to their destinations by air. For Instance, the recent approval for KQ to fly directly to USA

Strategy

KTB remains steadfast in the implementation of its Five-Year Strategic Plan 2013 - 2018 which was aimed at achieving the targets set out for the tourism sector in the Vision 2030 master plan and the Medium Term Plan II.

Marketing Strategies

KTB is steadfast in the implementation of its Marketing strategy for the year 2017/18. The strategic framework, which seeks to increase tourism arrivals from the current 1.397 Million in 2016/17 to 1.7 Million visitors in 2017/18, will do so by offering impetus to the collection of highly satisfying, diverse and genuine Kenyan experiences. Additionally, the marketing strategy outlines how KTB will improve the participation, cooperation and marketing performance of the Kenyan industry as well as improve the marketing performance of the tourism management systems.

Financial performance

KTB received KShs 1.554 Million from Gok grants; KShs 328 Million from Tourism Fund and earned KShs 103.9 Million from Appropriation in Aid in FY 2016/17. KShs 387.78 Million of the Government grant was deferred to 2017/18.

SECTION B- KTB'S COMPLIANCE WITH STATUTORY REQUIREMENTS

KTB endeavours to comply with all statutory requirements. During the year, there has been no major non-compliance that may expose the Board to potential contingent liabilities.

Below is a list of ongoing or potential court cases, the claimed amounts and status of the cases.

	CASE	CASE NO.	PLACE	CLAIM FOR:	AMOUNT	STATUS
1	Godfrey Musaina –vs- KTB and others	Petition No. 495 of 2016	High Court of Kenya – Constitutional and Human Rights Division	Challenge to the legality of the appointment of board members of the various state corporations	N/A	Hearing set for 22nd November 2017
2	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	Hearing of preliminary objection filed by AG is set for 21st November 2017.
3	Julie Njeru vs KTB & Galaxy Auctioneers	Employment & Labour Relations Court Case. No. 886 of 2010	Employment & Labour Relations Court – NBI	Unlawful termination	-	Ruling on application filed by Galaxy Auctioneers set for 17th November 2017

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

Key projects

In FY2017/18, KTB will be implementing various marketing programs in order to increase arrivals from the various markets and thereby grow tourism revenues. These programs include:

- a) Advertising campaigns
- b) Integrated Consumer campaign
- c) Joint marketing campaigns with travel trade
- d) Strategic partnerships with premium brands
- e) Travel trade exhibitions
- f) Implementation of the recommendations of the destination marketing strategy review

These programs are funded from grants from the Government, transfers from Tourism Fund and appropriation in aid.

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

Investment decisions

Where the Board 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.

SECTION D- MAJOR RISKS FACING THE ENTITY

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 developed 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.

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

During the FY 2016/17, KRA carried out an assessment on KTB 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 have made an appeal on the tax assessment. This amount was not provided in the FY 2016/17 and will be reviewed through the appeal process in 2017/18.

An amount of KShs 4,446,559 that related to PAYE and VAT nil returns was provided for in FY 2016/17. KTB applied for waivers for these taxes.

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

Strong and effective corporate governance is integral to the Board'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 issue during the period.

VIII. 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, Mr Richard Kimenyi, PS-Ministry of Tourism and 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 Mr Richard Kimenyi, the Chief Executive Officer - Tourism Fund, PS-National Treasury, PS-Ministry 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, Dr. Mohanjeet Brar, PS-National Treasury and an independent Head of Internal Audit (Ag.) (Mr. Onesmus Karanja). The Committee provides oversight of financial reporting, risk management, internal control, compliance and governance processes.

Special/ Ad Hoc Committees

The Board of Directors may appoint ad hoc committees to carry out specific exercises. The Ad Hoc committees report to the Full Board. In FY2016/17, an Ad Hoc Recruitment Committee of the Whole Board was constituted to carry out recruitment of the CEO. The Committee was chaired by a non-executive director (Dr. Mohanjeet Brar). The Committee successfully completed its mandate and was dissolved upon its recommendations being approved by the Full Board. During the year, the Board also established an Ad Hoc Committee of Recruitment to undertake the recruitment exercise in respect of vacant positions in the organization on behalf of the Board. The Committee was chaired by a non-executive director (Mr. Adam Jillo). Other members included Mr. Ken Waibochi, Mr. Mohanjeet Brar, the PS, Ministry of Tourism, the PS, National Treasury and the Chief Executive Officer.

Delegation of Responsibilities

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

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

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

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

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

VIII CORPORATE GOVERNANCE STATEMENT

Introduction

The KTB Board of Directors regards corporate governance as pivotal to the attainment of the Board's core mandate and ensuring that KTB is effectively directed, controlled and held accountable.

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 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 there under.

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.

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 held a Strategy Retreat where the KTB Corporate Strategy 2013-18 was reviewed and deliberated upon in detail by the Board together with senior management. During the year, the Board also approved the appointment of a strategy consultant, THR Asesores En Turismo, Hoteleria Y Recreacion SA to review and develop Kenya's Destination Marketing Strategy as well as develop Beach and Air Growth Strategies for the destination.

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 sister parastatal in addition to the Chief Executive Officer. The Board has the appropriate mix of skills, knowledge and experience to perform its role effectively. The areas of expertise are diversified from both the public and private sector.

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.

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 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 independent directors who are representatives from the private sector are appointed by the Cabinet Secretary in the Ministry of Tourism. These comprise of five members, not being public servants, appointed by the Minister 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.

During the year, an independent Board member, Judith Koskei resigned from the Board and was replaced by Mr. Gabriel Gonzalez Penalver.

The directors' abridged biographies appear on pages XVII to XXII of this Annual Report. The Board membership is shown on page XVI.

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 appoint the Chief Executive Officer and 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 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.

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 Company Secretary, prior to the date of the scheduled meeting.

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 and which are reviewed on a yearly basis.

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 by the Committees are presented to the Board by the respective chairmen during the next Board meeting.

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.

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 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
5. To deliberate on procurement matters including receiving of procurement plans and reports
6. To deliberate on Performance Contracting matters including reviewing of the draft annual performance contract and receiving quarterly PC reports.
7. To deliberate on any other matters that may be delegated to the Committee by the Full Board

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 establish and maintain an effective Board risk management process and framework

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, newly appointed board members attended an induction programme on the MWONGOZO Code of Governance organized by the State Corporations Advisory Committee. All Board members also received training in corporate governance at a two-day retreat as well as training in risk management and public procurement. Members of the Board Audit & Risk Committee also received training on "Effective Audit Committees".

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.

During the year, the Board undertook a self-evaluation exercise that was facilitated by the State Corporations Advisory Committee and the results of the exercise were presented to the Board members as well as forwarded to the parent ministry. To improve Board effectiveness, during the year the Board migrated to a fully 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 developed 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 Auditor-General. The Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya.

(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 developed 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.

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.

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 courtesy calls, press statement, stakeholder forums and annual reports and financial statements. During the year, the Board made courtesy calls to the Kenya Film Commission where pertinent issues of mutual interest were discussed as well as a meeting with Kenya Airways to discuss bilateral collaboration and partnership.

The Board has continued to encourage electronic communication through publishing documents on the corporate website www.ktb.go.ke and 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.

IX CORPORATE SUSTAINABILITY STATEMENT

Sustainable marketing key in tourism agenda

The concept of Sustainability; meeting today's needs without jeopardizing the ability of future generations to meet their needs, has been around for over three decades and is a key word in global trends.

The triple bottom line therefore has to address three areas namely; people, planet and profits. The tourism sector in Kenya has not been left behind in embracing the triple bottom line principles for its survival.

Kenya Tourism Board (KTB) within the period under review launched its sustainability report and has identified a number of activities geared towards sustainability campaigns. This is our key milestones to realizing our sustainability agenda in the tourism business.

Green line initiative to plant trees along Nairobi National Park is one such initiative. KTB sponsored and participated in tree planting along Nairobi National Park by involving school children under guidance of the Global Travel & Tourism Partnership (GTTP).

Within the same period under review, KTB engaged key international travel trade and media in tree planting in Karura forest. The facility hosts some of the key attractions including caves, waterfalls, birding and other wildlife species key for the tourism products. Karura forest is one of the major tourism attractions within the Nairobi circuit and has attracted both local and international visitors.

KTB also partnered with Ecotourism Kenya to host the Eco-warrior awards that recognizes some of the tourism facilities whose actions have contributed to the sustainability agenda. The awards are incentives to the industry to continue playing a role towards sustainable initiatives and thereby impacting positively on their bottom-line.

The annual Maralal camel derby remains one of our key milestones in conservation. Every year KTB undertakes a camel clinic to offer medical attention to camels before and after the derby. This activity has enabled the community to participate in the competition by availing their camels to compete; and has encouraged the community to positively associate with tourism.

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, 2017 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 is in the transition stage from ISO 9001:2008 to ISO 9001:2015.

KTB Employees

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

Customer Focus

We are a customer driven organization that views every customer contact as an opportunity to add value and enhance our relationship. We listen to our customers, learn and understand their needs thereby enabling us to anticipate and pro-actively offer attractive solutions.

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

Communication

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

Service

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

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

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

Results

The results of the Tourism Board for the year ended June 30, 2017 are set out on page 1-22.

Directors

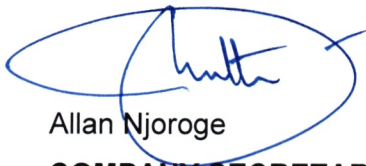
The present members of the Board of Directors are shown on page XVI.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with the provisions of Public Audit Act, 2015.

The Office of the Auditor- General carried out the audit of the Kenya Tourism Board for the year ended 30th June 2017.

By Order of the Board



Allan Njoroge

COMPANY SECRETARY

DATE: 28TH September 2017

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 section 81 and State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Tourism Act No.28 of 2011 Section 31(4) requires that The Board of Directors shall ensure the proper and effective performance of the functions of the Tourism Board.

The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. 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.

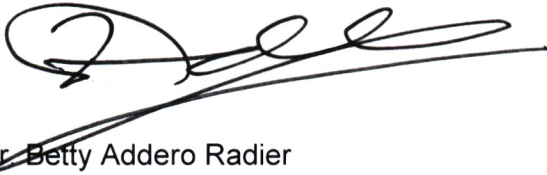
The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

STATEMENT OF DIRECTORS' RESPONSIBILITIES- Continued

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

Approval of the financial statements

The entity's financial statements were approved on 28th September 2017 and signed by:



Dr. Betty Addero Radier
CHIEF EXECUTIVE OFFICER



Jimi Kariuki
CHAIRMAN

REPUBLIC OF KENYA



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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA TOURISM BOARD FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Tourism Board set out on pages 1 to 24, which comprise the statement of financial position as at 30 June 2017 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of as at 30 June 2017 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.

Further, as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Emphasis of Matter section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Tourism Board in accordance with ISSAI 30 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

Staff on Acting Appointment

As per Section C.14 (1) of Human Resource policies and procedures manual of May 2016, when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months. However, it was observed that twelve

Report of the Auditor-General on the Financial Statements of Kenya Tourism Board for the year ended 30 June 2017

(12) members of staff have been acting in their current positions with some of them having acted for more than a year contrary to section C.14 (1) of Human Resource policies and procedures manual of May 2016.

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. There were no Key Audit Matters to report in the year under review.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to have the board 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.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Board's 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 going concern 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 consolidated/ 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 Board to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

16 February 2018

**XIII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 KShs	2016 KShs
Revenue from non-exchange transactions			
Industry contributions and donations	3	82,410,539	47,623,696
Transfer from Government Grants & other Agencies	4	1,882,139,741	1,370,975,193
		1,964,550,280	1,418,598,889
Revenue from exchange transactions			
Finance income - external investments	5	11,954,914	8,180,816
Other income	6	9,538,900	12,787,113
		21,493,814	20,967,928
Total revenue		1,986,044,094	1,439,566,817
Expenses			
Marketing Costs	7	1,513,750,764	1,122,671,995
Employee costs	8	261,325,552	258,955,699
Remuneration of Board	9	14,064,054	6,953,702
Depreciation and amortization expense	10	9,974,411	7,696,048
Repairs and maintenance	11	5,614,298	5,077,642
General expenses	12	134,240,386	85,267,348
Finance costs	13	1,543,204	1,307,011
Total expenses		1,940,512,668	1,487,929,446
Other gains/(losses)			
Gain on sale of assets	14	-	5,000
Loss on foreign exchange transactions	15	22,444,318	(2,925,721)
		23,087,108	(51,283,349)
Surplus /(Deficit)for the Period			

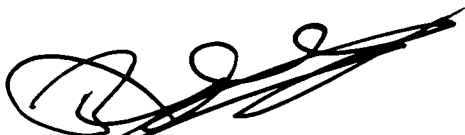
The notes set out on pages 7 to 22 form an integral part of the Financial Statements.

XIV STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 KShs	2016 KShs
Assets			
Current assets			
Cash and Cash equivalents	16	1,302,531,109	712,770,426
Receivables from non-exchange transactions	17	31,255,560	316,546,195
Inventories	18	8,551,265	4,570,109
		1,342,337,934	1,033,886,730
Non-current assets			
Property, plant and equipment	19	29,716,235	22,947,985
Intangible assets	20	770,114	513,343
		30,486,349	23,461,328
Total assets		1,372,824,283	1,057,348,058
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	21	1,279,517,660	989,543,058
Provisions	22	18,781,142	16,366,628
		1,298,298,802	1,005,909,686
Total liabilities		1,298,298,802	1,005,909,686
Accumulated surplus		64,525,481	43,438,373
Sinking Fund	24	10,000,000	8,000,000
Net assets		74,525,481	51,438,373
Total net Assets and liabilities		1,372,824,283	1,057,348,058

The notes set out on pages 7 to 22 form an integral part of the Financial Statements.

The Financial Statements set out on pages 1 to 22 were signed on behalf of the Board of Directors by:



Dr. Betty Addero Radier
CHIEF EXECUTIVE OFFICER



Jimi Kariuki
CHAIRMAN

**XV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2017**

	Sinking Reserves Kshs	Accumulated Reserves Kshs	Total Kshs
Balance as at 30 June 2014	4,000,000	52,242,251	56,242,251
Surplus/(Deficit) for the period	-	46,479,470	46,479,470
Transfers to/from accumulated surplus/(Deficit)	2,000,000	(2,000,000)	-
Balance as at 30 June 2015	6,000,000	96,721,721	102,721,721
Surplus /Deficit for the period	-	(51,283,348)	(51,283,348)
Transfers to/from accumulated surplus/(Deficit)	2,000,000	(2,000,000)	-
Balance as at 30 June 2016	8,000,000	43,438,373	51,438,373
Surplus/(Deficit) for the period	-	23,087,108	23,087,108
Transfers to/from accumulated surplus/(Deficit)	2,000,000	(2,000,000)	-
Balance as at 30 June 2017	10,000,000	64,525,481	74,525,481

**XVI. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 KShs	2016 KShs
Net cash flows from operating activities	23	606,760,114	372,494,822
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	19/20	(16,999,432)	(4,023,551)
Proceeds from sale of property, plant and Equipments		-	(5,000)
Net cash flows used in investing activities		(16,999,432)	(4,028,551)
Net increase/(decrease) in cash and cash equivalents		589,760,682	368,466,271
Cash and cash equivalents at 1 July 2016		712,770,426	344,304,156
Cash and cash equivalents at 30 JUNE	16	1,302,531,109	712,770,426

The notes set out on pages 7 to 22 form an integral part of the Financial Statements

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on	Performance
	2016-Kshs	2016-Kshs	2016-Kshs	Comparable basis	Difference
				2016-Kshs	Under/(Over)
					2016-Kshs
Revenue					
GOK - Recurrent	560,000,000	(138,498,020)	421,501,980	421,501,980	-
GOK-Development	1,501,000,000	(368,362,239)	1,132,637,761	1,132,637,761	(0)
Tourism Fund Grant	480,000,000	-	480,000,000	328,000,000	152,000,000
Industry contribution/Strategic Partnership/Web income	85,250,000	-	85,250,000	82,410,539	2,839,461
Finance Income	10,000,000	-	10,000,000	11,954,914	(1,954,914)
Other Income	7,500,000	-	7,500,000	9,538,900	(2,038,899.57)
Total Income	2,643,750,000	(506,860,259)	2,136,889,741	1,986,044,094	150,845,647
Expenses					
Marketing Expenditure	2,043,705,000	(401,926,517)	1,641,778,483	1,513,750,764	128,027,719
Personnel Emolument	346,328,000	(55,000,000)	291,328,000	261,325,552	30,002,448
Rent Paid	25,037,000	2,700,000	27,737,000	27,449,820	287,180
Other Operational Expenses	228,680,000	(52,633,742)	176,046,258	160,430,850	15,615,407
Total Expenditure	2,643,750,000	(506,860,259)	2,136,889,741	1,962,956,986	173,932,755
(Deficit)/ Surplus for the period	-	-	-	23,087,108	(23,087,108)

Budget Variances (Performance difference)

The annual budget is prepared on the accrual basis. The material variances are explained as follows:

i. Revenue- GOK Recurrent

The variance between the original budget and the final budget is because some of the planned activities could not be implemented before 30th June 2017. The relevant income was therefore deferred to 2017/18 and therefore reduced against the income. Full recurrent grant was received during the year.

ii. Revenue- GOK Development

The variance between the original budget and the final budget is because of budget cut of KShs 500 Million against net deferred income of KShs 131.637 Million. The full development grant net of the budget cut was received during the year.

iii. Tourism Fund Grant

Tourism Fund actual disbursements was KShs 328 Million against the budget of KShs 480 Million, therefore under disbursement of KShs 152 Million.

v) Marketing Expenditure

The variance is mainly because some activities of KShs 154M were deferred to 2017/18. Some activities were also not committed due to the lower disbursement by Tourism Fund (TF). The grant from TF is utilized in funding marketing activities. In FY 2016/17, TF did not meet the budgeted transfer of KShs 152M.

vi) Personnel Emolument

These were savings arising from budgeted vacant and replacement positions that were not filled during the financial year. An amount of KShs 55Million was deferred to 2017/18.

vii) Other operational expenses

Some capital activities of KShs 42.5M were deferred to 2017/18. The other variance is explained by savings in some of the budget lines.

XVIII ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

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

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

2. Summary of significant accounting policies

Significant judgments and sources of estimation uncertainty

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

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.

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

ii) Revenue from exchange transactions

Sale of goods

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

Interest income

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

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

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

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

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:-

(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.

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

d) Intangible Assets

The Board's intangible assets comprise of software that are in use including the SAP accounting system and HR 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.

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 following rates:-

(I)	Intangible assets	33.3%
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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.

e) Work in Progress on Assets

The Board 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 work in progress (WIP) depending on stage of completion. 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) Inventories

The Board 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.

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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) Trade and Other payables from exchange transactions

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

Recognition of expense and/ or payable:

From the purchase of goods: When significant risks and rewards have been transferred to the Board, 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 the Board, 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.

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

i) Sinking Fund and General Reserve

KTB maintains a sinking reserve and accumulated surplus Reserves.

The Sinking fund reserve is a fund set aside for future replacement of assets. KTB provides for KShs 2M annually for this fund. The amount is provided from the surplus reserves. The current balance as at June 2017 is KShs 10 Million.

KTB also maintains general fund (surplus) reserves where all surpluses net of deficits from previous year are accumulated.

j) Changes in accounting policies and estimates

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

k) Retirement benefit plans

The Board provides retirement benefits for its employees at the rate of 15% of basic pay and to the National Social Security Fund, (NSSF). Contributions are determined by local statute and are currently limited to KShs. 200.00 per employee per month. 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.

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 balance sheet date.

l) 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.

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

m) 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 commercial banks at the end of the financial year.

n) Comparative figures

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

o) Subsequent events

There are no materials adjusting events after the reporting 30th June 2017.

p) Related parties

The board related parties are the Tourism Fund and the GOK. Balances and transactions between Kenya Tourism Board and its related parties have been disclosed as per IPSAS 20 in note 25 in the accounts.

q) Financial Risk Management

The Board has entrenched risk management as a key tenet of good corporate governance and has continued to ensure that the organization has adequate systems and processes for accountability, risk management and internal controls. To this end, the Board established a Board Audit and Risk Committee to oversight the implementation of sound risk management within the organization. A risk management policy was approved by the Board as well as a comprehensive risk management framework.

Risk management analysis is done for all major projects at the onset of the projects.

The current risks that the board is exposed to in the normal course of operations are: operational risks, liquidity risk, forex risk, credit risks and market risk.

Credit risk is the risk of financial loss to the Board if customers fail to meet their contractual obligations, and it arises principally from the investments, receivables, and cash and cash equivalents.

- Investments were previously done with reputable banks listed in the Nairobi Stocks Exchange in line with the approved Investment policy thereby reducing the credit risk. Going forward, investments will be done directly with Central Bank. Consequently, The Board does not consider there to be any significant exposure to credit risk.

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

- Receivables- KTB requires that customers pay for their participation costs before the events thereby minimizing any risk of non-payment of industry contributions. The Board reviews customer balances regularly with regular follow up of outstanding amounts. The Board 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.

Liquidity risk is the risk of the Board not being able to meet its obligations as they fall due. The Board's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Board's reputation.

The Board ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, which may affect the Board's performance. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk.

The Board will invest in treasury bills and bonds directly with the Central Bank of Kenya as directed by National Treasury. Consequently, The Board does not consider there to be any significant exposure to interest rate risk.

Currency risk- The Board is exposed to foreign-currency risk through the importation of goods and services, either directly or indirectly, through the award of contracts to local importers and non-resident companies. The Board manages any material direct exposure to foreign-currency risk by entering into forward exchange contracts. The Board manages its indirect exposure by requiring the local importer to take out a forward exchange contract at the time of procurement, in order to pre-determine the forex value of the contracted goods or services.

The contracted amounts are settled when the contract is delivered to satisfaction at the contracted forex amount. The Board also negotiates for the best exchange rates with its bank.

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS (continued)

r) Financial liabilities –Payables

The board's accounting policy provides for a 30 days' policy to pay all suppliers invoice. The policy allows for proper cash flow projections in order to ensure timely payments of all suppliers and other financial obligation.

s) Provisions

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

t) Contingent Liabilities

As at 30th June 2016, there was a contingent liability arising from a claim by former employee (now deceased) representing damage for alleged wrongful dismissal (the subject of a court case). The parties agreed to an out of court settlement at KShs 1Million and was paid in 2016/17.

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 have made an appeal on the tax assessment. This amount was not fully provided in the FY 2016/17 and will be reviewed through the appeal process in 2017/18.

An amount of KShs 4,446,559 that related to PAYE and VAT nil returns was provided in FY 2016/17. KTB applied for waivers for these taxes.

NOTES TO FINANCIAL STATEMENTS

	2017 KShs	2016 KShs
3. Industry Contributions and Donations		
Industry Contribution	68,199,289	43,082,780
Partnership and Donations	14,211,250	4,540,916
Total transfers and sponsorships	82,410,539	47,623,696
4. Transfer from Government & other agencies**		
Unconditional grants		
Recurrent Grant	421,501,980	539,000,000
Tourism Fund	328,000,000	280,000,000
	749,501,980	819,000,000
Conditional grants		
Development Grant	1,132,637,761	551,975,193
	1,132,637,761	551,975,193
Total	1,882,139,741	1,370,975,193

**Transfers from Government & other Agencies FY 2016/2017

	Recurrent KShs	Development KShs	Tourism Fund KShs	Total Grants KShs
Government Grant in 2016/17	560,000,000	1,001,000,000	328,000,000	1,889,000,000
Deferred revenue from 2015/16	-	380,923,801	-	380,923,801
Deferred Revenue to 2017/18	(138,498,020)	(249,286,040)	-	(387,784,060)
Recognized Revenue	421,501,980	1,132,637,761	328,000,000	1,882,139,741

	2017 KShs	2016 KShs
5. Finance income - external investments		
Income from call and fixed deposits	11,954,914	8,180,816
Total finance income – external investments	11,954,914	8,180,816
6. Other income		
Website	122,611	465,005
Miscellaneous Income	9,416,288	12,322,108
Total other income	9,538,900	12,787,113

Miscellaneous income consists of website advertising fees, tender fees and write back of over provisions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
MARKETING PROGRAMMES EXPENDITURE	KShs	KShs
Uk & Ireland Markets	117,963,865	80,391,293
Germanic & Austria markets	60,911,574	60,679,881
Americas (America & Canada)	77,361,233	82,021,737
Emerging Markets (India, China, Australia, Japan)	142,025,667	107,656,392
Kenya & East Africa	82,881,238	47,917,604
Regional Markets (Africa & UAE)	109,438,376	63,199,075
Agency Costs (Advertising & Media)	23,894,064	11,484,000
Public Relations Programmes	58,686,667	33,671,815
Market Support	162,138,886	113,622,379
Market Representation	122,823,190	152,930,945
Cross Marketing Activities	528,280,580	353,764,872
Tactical Marketing Programmes	27,345,424	15,332,002
Total Marketing Expenditure	<u>1,513,750,764</u>	<u>1,122,671,995</u>

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.

Market Support include costs related to Research, Online Marketing, Strategy & Development, Exhibitions, Product Development, Promotional Materials.

Market Representation costs include the marketing representatives f, their operational costs and Monitoring & Evaluation costs.

Cross Marketing Activities include among others: global online & consumer Campaigns, Strategic Alliances, Magical Kenya Expo, advertising, digital consultancy, Strategy review (Marketing, airline growth and beach), Refreshing magical Kenya Brand, Charter Incentive programme incentives and charter promotions.

The marketing expenditure has been presented in a detailed format to give more information to the reader of the financial statements. The comparative information has been amended as well.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Employee costs	2017	2016
	KShs	KShs
Employee related costs - salaries and wages	151,896,999	167,122,050
Housing benefits and allowances	59,961,196	48,859,193
Employee related costs - contributions to Pensions and NSSF	20,904,258	21,806,995
Provision for Gratuity	3,019,512	1,870,116
Staff Group Life Policy	1,712,486	1,429,510
Staff Medical Insurance (In & Out Patient)	23,154,402	17,059,659
Group Personal Accident	676,699	808,175
Employee costs	261,325,552	258,955,699

9. Remuneration of Board Members	2017	2016
	KShs	KShs
Honorarium	960,000	276,363
Sitting Allowances	8,876,650	4,268,000
Travel and Accomodation	3,835,855	1,996,406
Medical and other Insurances	391,548	412,933
Total	14,064,054	6,953,702

In 2015/16, corporate governance expenditure was reported under the board expenses. This expenditure was reclassified in 2016/17 to General Expenses because corporate governance budget line also caters for corporate governance training for senior management staff. The revised comparative figure for board expenses in 2015/16 is KShs 6,953,702 (previously stated as KShs 11,924,785).

10. Depreciation and amortization expense	2017	2016
	KShs	KShs
Property, plant and equipment	9,535,382	6,486,203
Intangible assets	439,029	1,209,845
Total Depreciation and Amortization	9,974,411	7,696,048

11. Repairs and maintenance		
Motor Vehicle	1,108,513	965,245
Office Furniture and Equipment	397,871	1,110,988
Computers	4,107,914	3,001,409
Total repairs and maintenance	5,614,298	5,077,642

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
	KShs	KShs
12. General expenses		
Audit fees	700,000	700,000
Bad debts Expense- Industry Debtors	3,161,150	1,415,478
Bad debt Provison -TF	4,000,000	0
Bad debts Expense- Staff Debtors	-	42,050
Staff welfare	2,467,576	1,497,522
Team Building	1,833,710	3,499,465
Hiv aids/Positive living	243,520	86,800
Subscription and Memberships	1,111,733	1,398,550
Staff Training	13,296,543	9,748,458
Recruitment	8,448,069	1,546,467
Staff Uniform & laundry	414,261	508,698
Insurance for Motor Vehicle, Computers & Office Equip.	952,353	1,065,692
Rent	27,449,820	23,939,165
Telephone, postal & Directories	4,577,767	4,677,341
Printing & Stationery	5,871,551	1,976,275
Entertainment	1,366,545	2,027,295
Local Traveling &Product fam trips	6,019,372	6,743,711
Legal & Consultancies	7,390,464	3,181,979
ICT Software licences/ Support fees & ERP Programmes	9,854,091	8,503,741
Corporate Governance	5,256,845	4,971,084
Procurement Management	3,028,046	1,860,114
Motorvehicle fuel	1,274,294	1,218,477
Tax and statutory charges	4,446,559	-
Consultancy -relocation expenses	16,409,529	-
Office general expenses	4,666,589	4,658,986
Total General expenses	134,240,386	85,267,348

In 2015/16, corporate governance expenditure was reported under the board expenses. This expenditure was reclassified in 2016/17 to General Expenses because corporate governance budget line caters for corporate governance training for board and senior management staff. The revised comparative figure for General Expenses in 2015/16 is therefore KShs 85,267,348 (previously stated as KShs 80,296,264).

	2017	2016
	KShs	KShs
13. Finance Cost		
Bank charges	1,543,204	1,307,011
	1,543,204	1,307,011
14. Gain on sale of assets		
Property, plant and equipment	-	5,000
Total gain on sale of assets	-	5,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
	KShs	KShs
15. Loss on foreign exchange transactions		
Forex Loses	22,444,318	(2,925,721)
	22,444,318	(2,925,721)

	2017	2016
	KShs	KShs
16. Cash and cash equivalents		
Bank	1,302,459,771	712,604,088
Cash-on-hand and in transit	71,338	166,338
Total cash and cash equivalents	1,302,531,109	712,770,426

Bank and Account Number	KSh Equivalent	Forex Amount	Forex Exc Rate
KCB Moi Av. EURO A/C 1101689846	36,178,259.53	305,790.00	118.3108
KCB Moi Av . USD A/C 1101660066	123,140,712.81	1,187,336.75	103.7117
KCB Moi Av .GB P A/C 1101636912	31,972,591.82	237,540.30	134.5986
KCB Moi Av. KES A/c 1108980457	1,111,168,195.97		
	1,302,459,771		

17. Receivables from non exchange transactions

	2017	2016
	KShs	KShs
Current receivables		
Exhibition debtors	11,265,818	12,454,718
GoK & Tourism Fund	4,000,000	291,371,917
Staff Advances and Perdiem	3,931,056	5,850,422
Prepayment	8,248,040	6,555,541
Imprest	1,761,222	458,348
Interest and other deposits/receivables	13,205,450	3,850,124
	42,411,586	320,541,071
Less Provisions:		
Bad Debt- Industry	5,390,130	2,228,979
Provision TF	4,000,000	0
Bad Debt- Staff	1,765,896	1,765,896
Sub Total	11,156,026	3,994,875
Total current receivables	31,255,560	316,546,195

18. Inventories		
Consumable stores	8,551,265	4,570,109
Total Inventories	8,551,265	4,570,109

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

19. Property, plant and equipment

	Office Equipment KShs	Computer Hardware KShs	Furniture & Fittings KShs	Motorvehicle KShs	Total KShs
Cost					
As at 1st July 2015	12,949,322	29,184,685	24,435,814	13,838,864	80,408,685
Additions	2,830,413	1,418,242	1,584,016	12,034,105	17,866,776
WIP	21,506	249,400	-	-	270,906
Disposals	-	(85,000)	-	-	(85,000)
As 30th June 2016	15,801,241	30,767,327	26,019,830	25,872,969	98,461,367
Additions	1,344,624	14,796,008	163,000	-	16,303,632
Disposals	-	-	-	-	-
As 30th June 2017	17,145,865	45,563,335	26,182,830	25,872,969	114,764,999
Depreciation and impairment					
As at 1st July 2015	9,626,082	26,881,927	21,165,931	11,438,239	69,112,179
Depreciation	774,912	2,445,717	1,018,932	2,246,642	6,486,203
Disposals	-	(85,000)	-	-	(85,000)
At 30 June 2016	10,400,994	29,242,644	22,184,863	13,684,881	75,513,382
Depreciation	1,052,175.00	3,665,228.69	661,321.00	4,156,657	9,535,382
Disposals	-	-	-	-	-
As At 30 June 2017	11,453,169	32,907,873	22,846,184	17,841,538	85,048,764
Net book values					
At 30 June 2017	5,692,696	12,655,462	3,336,646	8,031,431	29,716,235
At 30 June 2016	5,400,247	1,524,683	3,834,967	12,188,088	22,947,985

20. Intangible assets - software

	KShs
Cost	
At 1st July 2015	33,390,684
Additions – internal development	-
At 30 June 2016	33,390,684
Additions – internal development	695,800
WIP	-
At 30 June 2017	34,086,484
Amortization and impairment	
At 1st July 2015	31,667,496
Amortization	1,209,845
Impairment loss	-
At 30 June 2016	32,877,341
Amortization	439,029
Impairment loss	-
At 30 June 2017	33,316,370
Net book values	
At 30 June 2017	770,114
At 30 June 2016	513,343

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
	KShs	KShs
21. Trade and other payables from exchange transactions		
Trade payables	635,685,628	479,795,040
Payments received in advance- Exhibitions	2,439,212	9,449,976
Accruals	247,548,077	117,281,997
Other payables	6,060,683	2,092,243
Deferred Income	387,784,060	380,923,801
Total trade and other payables	1,279,517,660	989,543,058

22. Current provisions

	Leave Balances KShs	Staff Gratuity KShs	Audit Fees KShs	Total KShs
Balance as at 1st July 2016	15,285,717	380,910	700,000	16,366,628
Additional provisions raised	-	3,019,512	700,000	3,719,512
Over provision written back	(1,304,998)	-	-	(1,304,998)
Balance as at 30 June 2017	13,980,720	3,400,422	1,400,000	18,781,142

23. Cash generated from operations

	Notes	2017 KShs	2016 KShs
Surplus for the year before tax	23	23,087,108	(51,283,349)
Adjusted for:			
Depreciation		9,535,382	6,486,203
Amortisation	10	439,029	1,209,845
Additional provisions	10	2,414,514	2,898,681
Working capital adjustments:			
(Increase)/Decrease in inventory		(3,981,157)	984,355
(Increase)/Decrease in receivables		285,290,636	(293,646,435)
(Increase)/Decrease in deferred income		6,860,259	380,923,801
Gain on Disposal of PPE		-	(5,000)
Increase(Decrease) in payables		283,114,344	324,926,720
Net cash flows from operating activities		606,760,114	372,494,822

24. Sinking Reserves

	2017 KShs	2016 KShs
Opening Balance	8,000,000	6,000,000
Sinking Fund Provision	2,000,000	2,000,000
Balance as at 30 June 2017	10,000,000	8,000,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

25. Related parties

The board related parties are the Tourism Fund and the GOK. In 2016/17, the two Parties contributed 70% and 20% respectively to the marketing fund for the Board. Details of transactions between Kenya Tourism Board and the related parties are disclosed below:

	Actual Receipts in 2016/17 KShs	Accrued Amounts as at 30th June 2017 KShs
(i) Related Parties- Government of Kenya & Tourism Fund		
GOK - Recurrent	560,000,000	-
GOK- Development	1,001,000,000	-
Tourism Fund	328,000,000	4,000,000
	1,889,000,000	4,000,000
	KShs	KShs
(ii) Related Parties- Management compensation		
Non - executive Director (Chairman)	960,000	960,000
Executive Director (CEO) and key management	52,252,093	47,192,247
TOTAL	53,212,093	48,152,247
(iii) Related Parties- Staff Advances	3,734,656	5,782,983

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)
Emphasis of Matter	<p>Underfunding and Delayed Disbursement of Funds by State Agencies</p> <p>During the year under review, the Board was to receive part of its capitation from the Tourism Fund and State Department of Commerce and Tourism. However, the examination of records indicated that although a sum of Kshs. 280,000,000 had been budgeted for as revenue from the Tourism Fund, the Board received Kshs. 276,000,000 resulting in underfunding by Kshs. 4,000,000. Further, the Board received Government grants amounting to Kshs. 1,090,975,193, equivalent to 43.5% of the total budgeted grant of Kshs. 2,505,300,000. It was also noted that of the total grants received, an amount of Kshs. 545,426,977 or 50% was received one week to the closure of the financial year. As a result, the Board could not implement fully the activities and programs it had planned for the year</p>		PS- MOT	not resolved	