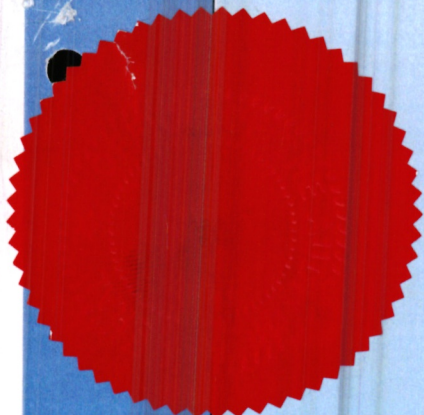


REPUBLIC OF KENYA



*Paper laid by LOM
Hon. Aken Dida MP
on 27/9/2017
Wednesday
Afternoon
Sitting
Apt*

TABLE OFFICE
S/No: 1107
27 SEP 2017



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA TOURISM BOARD

FOR THE YEAR
ENDED 30 JUNE 2016





KENYA TOURISM BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016

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

TABLE OF CONTENT

PAGE

I.	BOARD'S INFORMATION AND MANAGEMENT	ii
II.	CHAIRMAN'S STATEMENT	vii
III.	REPORT OF THE CHIEF EXECUTIVE OFFICER	x
IV.	CORPORATE GOVERNANCE	xiv
IV.	THE BOARD OF DIRECTORS' PROFILES.....	xv
V.	MANAGEMENT TEAM	xx
VI.	BOARD COMMITTEES	xxiii
V.	CORPORATE SUSTAINABILITY STATEMENT	xxxii
VI.	REPORT OF THE DIRECTORS	xxxiv
VII.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxxvi
VIII.	REPORT OF THE AUDITOR-GENERAL ON KENYA TOURISM BOARD FOR THE YEAR ENDED 30 JUNE 2016.....	xxxviii
IX.	STATEMENT OF FINANCIAL PERFORMANCE	1
X.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016	2
XI.	STATEMENT OF CHANGES IN NET ASSETS	3
XII.	STATEMENT OF CASH FLOWS.....	4
XIII.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
X.	ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS.....	7
	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS/OTHER MATTER	20

I. BOARD'S INFORMATION AND MANAGEMENT

(a) BACKGROUND INFORMATION

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

(b) PRINCIPAL ACTIVITIES

The Kenya Tourism Board mandate under the Tourism Act No. 28 of 2011 is to:-

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

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

(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 020 204 73 70
--	---

MARKET DEVELOPMENT REPRESENTATIVES

<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
<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
<u>USA:</u> Myriad Marketing 6033 West Century Boulevard, Suite 900 Los Angeles, CA 90045, USA Tel: +1 310 649 7718 Email: AI@myriadmarketing.com	<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: swebb@voxtm.ca

<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: ktbprague@travel-advance.com, paddington@travel-advance.com</p>	<p><u>AUSTRALIA</u> GTI Tourism 35 Grafton Street Bondi Junction Sydney 2022, Australia Phone: +61 (0) 2 9028 3577 Email: anne.morris@gtitourism.com.au</p>
<p><u>GCC:</u> Gulf Reps Limited P.O.BOX 75142 Sheikh Zayed Road, Dubai, United Arab Emirates +97143166333 Fax+97143166565 Email:leo@gulfreps.com</p>	<p><u>SCANDINAVIA:</u> Related Aps Havneparken Jyllandsgade 8 7100, Vejle Denmark Tel:+45 6155 7489 Fax: 46 8 241 888 Email: haj@related.dk</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. Tel: +86 10 8532, 5463/1763/4163 Fax.: +86 10 8532 3845 Mobile : + 86 139 1143 9398</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>	

(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
GOP 00100
Nairobi, Kenya.

(h) PRINCIPAL LEGAL ADVISERS
Daly & Inamdar
6th Floor, ABC Towers
ABC Place
P.O. BOX 40034
NAIROBI, 00100



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 2016.

Overview

Tourism arrivals to Kenya continued on a recovery path that has seen arrival numbers grow from the lows recorded in previous years to 799,904 international arrivals by air and sea as at the close of the 2015/16 FY. This growth is a welcome improvement over the 780,631 international arrivals by air and sea as at the close of the 2014/15 FY. However, more remains to be done to see the tourism performance recover to the numbers recorded in 2011 where international arrivals hit a peak of 1,822,900 arrivals making it Kenya's best year to date in terms of international arrivals.

Operating Environment

Globally, outbound tourism continued to grow as evidenced by statistics from the United Nations World Tourism Organization (UNWTO). However, Kenya has been unable to fully benefit from these global trends due to local and global challenges that have hampered growth in tourism arrivals and tourism revenues especially from Kenya's traditional source markets. These challenges include the threat arising from terrorism, negative safety perceptions, travel advisories, lack of direct and convenient air access from our source markets and decline in charters flying into the destination.

However, growth in the domestic tourism front together with increased focus on regional source markets as well as emerging source markets such as India and China have helped to mitigate the decline recorded in our traditional source markets. Locally, growth in the middle class segment of the domestic market is expected to grow the share of bed nights by the domestic tourism market which will form the focus of our marketing activities. Increased air access and freer movement of persons within the African region will also see this important market segment contribute more to our tourism bottom-line.

Investment by the Government in infrastructure such as the brand new Terminal 1A at the Jomo Kenyatta International Airport as well as the Standard Gauge Railway (SGR) that is under construction and the planned cruise ship terminal at Mombasa port are positive developments that bode well for the growth in tourism. In addition, the Government's sustained efforts at improving security within the country, at border points as well as on Kenya's territorial waters have seen the threat of terrorism reduce significantly. Additionally, the threat of terror has now been recognized as a global issue that is not confined to the developing world and this has

helped to shape perceptions around the issue of safety and security. Growth in hotel development in Kenya especially in the capital, Nairobi has also been a key indicator of a positive outlook for the destination.

Strategy

The Board has continued to implement, and also periodically review, the 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. While the targets set out in MTP II continue to be elusive due to the myriad reasons set out above, the organization has endeavored to ensure that the deliverables that were set out in the strategic plan and performance contract for FY 2015/16 were achieved. Specifically, the target to achieve growth in tourism arrival numbers above the numbers recorded in the previous financial year was achieved. In addition, the target to grow the number of domestic bed-nights recorded during the year was achieved. In the coming year, the Board intends to undertake a full review of its destination marketing strategy with a view to benchmarking with the industry best practice in marketing of tourism. It is our belief that this comprehensive review is long overdue and when implemented, will help Kenya find its place once again as the top tourism destination in Africa.

Corporate Governance

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. 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. During the year, the Board participated in the MWONGOZO induction workshops attended by the State Corporations Advisory Committee (SCAC) which helped to cement the directors' understanding of the corporate governance environment for state corporations. Board members also attended an induction programme for new board members during the year and were able to familiarize themselves with the mandate of KTB and the marketing activities being carried out in the domestic and international source markets.

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.

Future Outlook 2016/17

In the new financial year, KTB intends to continue with its intention to effectively engage its stakeholders both in the private sector and government towards the achievement of its mandate. The Board remains committed to its 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. Kenya's tourism product remains world class and with the improved security situation, significant improvement in infrastructure, a revitalized strategy for marketing the destination and the focus on domestic, regional and emerging markets, the Board is confident that the outlook for the coming year and beyond is positive.

Acknowledgement

On behalf of KTB directors and staff, I 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 which has been invaluable during the year. Finally, I wish to thank most sincerely my fellow directors whose invaluable insights and contribution was key during the year and also the staff of the Kenya Tourism Board whose contribution on a daily basis helps us to execute the strategy set out by the Board. As a Board, we continue to build an organization that is responsive to the needs of its stakeholders and that can achieve the mandate placed on it by the people of Kenya. To this end, we look forward to a prosperous new financial year in 2016/17.



JIMI KARIUKI
CHAIRMAN, KTB



III. REPORT OF THE CHIEF EXECUTIVE OFFICER

Our overall financial estimates on revenue generation in 2015/16 stood at **Ksh. 92.9 billion**. Traditional markets posted an impressive performance albeit there were challenges that affected the destination such as insecurity, diseases, travel alerts and advisories among others. Below is a brief overview on the performance.

a) Share by Point of Entry

Total international arrivals for financial year 2015/16 by air and sea closed at **799,904** compared to **780,631** in 2014/2015, illustrating an increase of **2.5%**.

During the period under review, JKIA arrivals increased by **2.4%** to record **713,936** arrivals compared to **697,325** in 2014/2015. Moi International Airport Mombasa (MIAM), on the other hand, received **80,796** visitors, compared to **83,307** in 2014/2015, indicating a **3.0%** decline. **5,182** cruise ship arrivals were recorded during the period under review.

b) Share by Purpose of Visit

Holiday was listed as the major reason to travel into Kenya taking a share of **71%** of the total arrivals. Business and Conference contributed **15%** of the arrivals, while Visiting Friends and Relatives (VFR), Transit and Study contributed **8%**, **3%** and **1%** respectively.

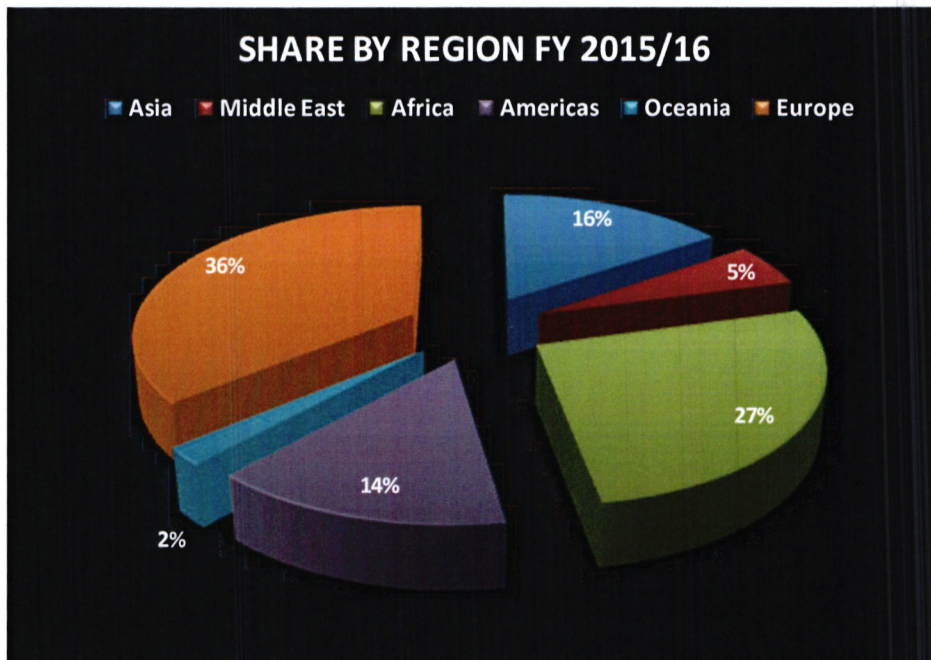
c) Share by Region

Europe remained the leading tourism source market for Kenya in the period under review but has been declining over time as seen in the figure below.

This may have been caused by various factors in the region over the years, like the financial crunch, increasing departure taxes and changing consumer behaviour like the preference for *Staycations* or travelling closer home as opposed to taking long haul holidays far away.

Other considerable factors on share of visitors to the destination included slow adaptation of diversity in products to suit changing consumer needs.

Asia, on the other hand, saw positive growth that was attributed to the growth in arrivals from China and India. Africa's growth was considered to be attributed to increased arrivals from most of Pan African focus markets namely South Africa, Uganda and Nigeria. The rest of the regions remained relatively stable.



There is a need to support regional tourism with a focus on Africa as the regional markets are less volatile to advisories and travel bans compared to Western and Asian markets.

Market Analysis

Below is a brief overview on the performance from the primary markets.

a. Traditional Markets

In 2015/2016 there was notable growth in performance from the key source markets. The top markets ranked based on 2014/2015 performance are as illustrated below:

Country	2014/15	2015/16	Percentage Growth/Decline
UK	99,923	96,781	-3.1
USA	87,403	91,460	4.6
India	51,109	57,247	12.0
Germany	40,223	41,159	2.3

The UK showed a slight decline, while all the other markets demonstrated positive growth. The lead times on UK bookings to Kenya were indicated to be in the region of 6-12 months in advance.

The Foreign and Common Wealth office (FCO) advice for the Kenya coast was in force in 2015 until the reversal of the advisory on Mombasa in June 2016 and subsequently the removal of advice for Malindi in October 2016. The impact of the advisory was significant. It is worth noting that September is a peak booking period and the challenges mentioned above had an impact on operators' sales for the first half of 2016.

b. Regional Markets

KTB took a strategic focus on the regional markets, in line with international tourism practice. It was noted that the primary source of regional tourism arrivals were the neighboring countries. This was mainly because of ease of connectivity (by road or air), similar lifestyles (language, culture, etc) and easier facilitation (no visa required, use of identity card). Africa contributed 28% of the total tourism arrivals between January and June 2016.

The top five source markets for Kenya from Africa ranked based on the 2015 performance were;

Country	2014/15	2015/16	Percentage Growth/Decline
South Africa	27,353	32,181	17.7
Uganda	29,153	35,019	20.1
Tanzania	19,213	16,442	-14.4
Nigeria	13,761	16,627	20.8
Rwanda	10,765	11,770	9.3

There was positive growth from these top performing markets, apart from Tanzania. A better understanding of this decline requires an in-depth research to ascertain the challenges towards considering Kenya as a destination. However, there is a consistent number of cross border flow from the region, the development infrastructure in the region (roads, railway and air travel options) is likely to generate significant growth.

c. Other Markets Analysis

There was a positive outlook in the performance of the China, Australia and Japan, despite the fact that Kenya is considered a long haul destination. The following key markets showed great potential for growth;

Country	2014/15	2015/16	Percentage Growth/Decline
China	31,994	36,285	13.4
Australia	15,256	14,050	-7.9
Japan	7,153	7,484	4.6

Going forward, strong market presence will play a key role in ensuring that Kenya is positioned as the choice top-of-mind-destination.

Domestic market

This market remains crucial in cushioning the sector especially during low season and we have put in place strategies to further raise its contributions to the sector.

During the financial year 2015/16, according to KNBS, the domestic tourism bed occupancy is estimated at **3,154,000** which was **54%** of the total occupancy.

As a conclusion, we are optimistic that the financial year under review has set the stage for a bright future in the tourism industry. Recovery and transformational strategies in the sector are bearing fruit and we look into a remarkable growth trajectory.

Finally, I take this opportunity to thank, the Ministry of Tourism and our Board of Directors for the support accorded to us through the financial year. We also appreciate the support from other government agencies and the private sector players whose support is invaluable.

Let's continue to strive together to sustain the Magic that is Kenya.

DR. BETTY ADDERO RADIER
CHIEF EXECUTIVE OFFICER

IV. CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

The Board is chaired by a non executive chairman Mr. Jimi Kariuki appointed by the President for a period of three (3) years with effect from 18th March 2016 vide Gazette Notice No. 1733 of 17th March 2016.

The other non- executive Directors were appointed by the Cabinet Secretary for East Africa Affairs, Commerce and Tourism for a period of three (3) years with effect from 2nd October 2015 vide Gazette Notice No. 7449 dated 2nd October 2015.

In addition to the KTB CEO, the Board of Directors also have 3 institutional representatives as follows:

- PS, Ministry of Tourism
- PS, National Treasury
- CEO, Tourism Fund

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 - appointed 2 nd October 2015	Director
Mr. Ken Waibochi - appointed 2 nd October 2015	Director
Dr. Mohanjeet Brar- appointed 2 nd October 2015	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

IV. 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.

THE BOARD OF DIRECTORS' PROFILES

	<p>She has held the position of Managing Director of Scanad Kenya, JWT and Scanad Advertising Tanzania, McCann Kenya Ltd, Lowe Scanad 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 born, Vice- Chair of Kenya Tourism Board, born in 1958, holds a Bachelor of Science in Tourism & Hospitality Management.</p> <p>He is a partner at Nature Expeditions, one of the leading indigenous tour operators in Kenya and Chairman of Kenya Tourism Investment Company (KETICO) Ltd.</p> <p>He is currently Vice Chairman of the Kenya Tourism Federation, Board Director at KEPSA representing the tourism industry, Past Chairman of Kenya Association of Tour Operators, Past Chairman of Ecotourism Kenya and Past Board member at Tourism Trust Fund. He was also a member of the Tourism Recovery Taskforce.</p>
 <p>Ms. Judith Koskei</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 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>

THE BOARD OF DIRECTORS' PROFILES



Mr. Ken Waibochi

Mr. Waibochi, born in 1966, holds a Bachelor of Science Degree in Mechanical Engineering.

He has been the Managing Director of Aberdare Safari Hotels Ltd (ASH), a hotel group that manages and owns Treetops Lodge in Aberdare National Park and Outspan Hotel in Nyeri for over 10 Years. He has over 20 Years experience in the hospitality industry and is also a Director of Virtual Mobile Limited since 2001.

Prior to joining ASH, he was employed in the private corporate sector in multinational companies such as Procter & Gamble and Coca Cola for 15 years.



Mr. Richard Kimenyi

Mr. Kimenyi, born in 1949 holds an Advanced Diploma in Hotel Management.

He is a retired hotelier having been a long-serving general manager of Fairmont the Norfolk, one of Nairobi's leading hotels and is currently engaged in consultancy in the hospitality industry.



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

THE BOARD OF DIRECTORS' PROFILES

	<p>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.</p> <p>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.</p>
 <p>Mr. Joseph R Cherutoi</p>	<p>Mr. Cherutoi, born in 1967, holds a Master of Business and Administration (MBA) and is currently undertaking his PhD.</p> <p>He is the Chief Executive Officer of the Tourism Fund and sits on the KTB Board as an ex-officio member by virtue of S.32 (1)(d) of the Tourism Act.</p>

THE BOARD OF DIRECTORS' PROFILES



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 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.

V. MANAGEMENT TEAM

The key management personnel who held office during the financial year ended 30th June 2016 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>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 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 of Management in the Netherlands besides other project management and transformational leadership courses.</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>Ag. Head of Finance & ICT Mary G. Maina (M rs)</p>	<p>Mary Maina, born in 1975, holds an Executive MBA from Kenyatta University, Bachelor of Commerce (Accounting major) 1st class degree from the Catholic University of Eastern Africa. She is a certified public Accountant (CPA), a certified Information Systems auditor (CISA) and a certified Internal Auditor (CIA).</p> <p>Mary has 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>Ag. Head of Human Capital & Admin Dr Maundu Muli</p>	<p>Dr Maundu, born in 1976, holds PhD, MBA (Strategy Management), B.A (Economics) and HND – IHRM, Dr. Muli has 16 years experience in Human Resources Management and Administration. He is a member of Institute of Human Resources Management & KIM.</p>



Ag. Head of Internal Audit

Mr Onesmus Karanja

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).

Onesmus has 12 years of experience in the areas of Audit Assurance, Risk Management and Investigations.

VI. 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 Ken Waibochi, 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 (Ms. Judith Koskei) 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 Ken Waibochi, Dr Mohanjeet Brar, PS-National Treasury and an independent Head of Internal Audit (Mr. Onesmus Karanja). The Committee provides oversight of financial reporting, risk management, internal control, compliance and governance processes.

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 XXXVII.

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 corporate 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.

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.

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

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-Chief 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 organisation and takes responsibility for the effective and efficient day to day running of the affairs of the organisation. 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, MWONGOZO Code of Governance and the Board Charter. The board defines the purpose of the organisation, 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 behavior 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 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 to this charter as requested by the Board of Directors.

Remuneration of the Board

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

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

Directors Induction and Training

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

During the year, the board members attended an induction programme on the MWONGOZO Code of Governance held in Mombasa and organized by the State Corporations Advisory Committee. The board also attended an induction programme in Naivasha which included among others presentations by all heads of departments, on the operations of KTB.

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.

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 defines 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 press statement, stakeholder forums and annual reports and financial statements. 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.

V. CORPORATE SUSTAINABILITY STATEMENT

Conservation and sustainable tourism have fast become key words in Kenya's tourism sector. This is because the modern traveller is keen to be associated with destinations whose key principles are to conserve and sustain the tourism business for posterity.

In line with this sustaining Kenya for future generations, the Kenya Tourism Board (KTB) continues to play its part towards promoting and implementing best practice in conservation and sustainable tourism. To further drive this, a number of initiatives have been undertaken, below is a snippet of these.

Key initiatives undertaken

A. Participating in the Anti-Poaching Campaigns

Kenya destroyed the largest stock of ivory and Rhino horns on 30th April 2016 through its traditional method of burning, at the burning site within Nairobi National Park.

The aim was three-pronged. To;

1. Rally international community to support the ban of ivory trade
2. Lower Ivory Demand and
3. Mobilize resources towards conservation of live elephants and rhinos

Kenya's President, H.E. Uhuru Kenyatta was joined by other Heads of State, dignitaries, celebrities and leading conservationists in the drive to stop poaching, wiping out of our indigenous elephants and rhinos, and the illegal sale of ivory.

The ivory burning demonstrated to the world Kenya's zero tolerance to the illegal ivory trade. The disposal of ivory was significant given that the stockpile burnt, was over 100 tones, which was the largest pile in the world done at one go.

Prior to this event, Kenya hosted the Giant Summit that took place on 28th and 29th April in Nanyuki that is dubbed the "Davos of Conservation". The Summit was held to discuss and implement solutions that will lead to the protection of elephants and conservation of natural resources.

For this session the key focus was on addressing the elephant poaching crisis in Africa and working towards lasting solution for the conservation of the continent's wildlife.

B. Communication Channel

KTB used its communications platforms to drive the message on the importance on the importance of conservation and sustainable tourism.

Through its publication, *Tembea* Magazine KTB highlighted conservation efforts showcased in conservancies such as in Laikipia: Ol Pajeta, Isiolo and how these efforts are impacting on the general sustainability agenda of the tourism sector.

The aim was to use Kenyan based organizations as exemplary case studies to promote implementation of similar efforts within the industry to preserve, conserve and sustain destination Kenya. The magazine, which is circulated to industry players and clients, serves as an avenue for creating awareness on conservation and sustainable tourism.

Additionally, KTB also participated in the sponsorship of the Giant Club Summit as well as conducting media communication in all tourist source markets to demonstrate Kenya's seriousness and commitment to conservation.

C. Community Support:

The Committee introduced the first ever Camel clinic during the 27th edition of the Maralal camel Derby in Samburu County. This provided a great opportunity for visitors to engage with Kenya's rich wildlife (the camels and the natural environment) and culture, while painting a lasting memorable experience worth sustaining for future generations from the world-over.

The Camel is a significant resource for the Samburu community. The objective of introducing the Camel clinic was to enhance the health of the Camel thereby enabling to be more useful to the community.

The committee also introduced a tree planting initiative to revive the Maralal Wildlife Sanctuary, which was once a part of the Northern Kenya Tourism circuit.

VI. REPORT OF THE DIRECTORS

The Board of the Directors submits their report together with the audited financial statements for the year ended June 30, 2016 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, 2016 are set out on page 1-19.

Directors

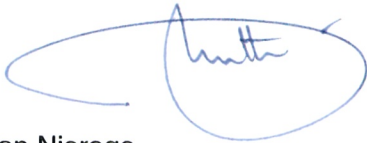
The present members of the Board of Directors are shown on page XV.

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 2016.

By Order of the Board



Allan Njoroge

COMPANY SECRETARY

DATE: 22nd September 2016

VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 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 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.

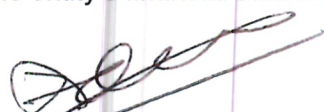
The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate 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, 2016, 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.

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.

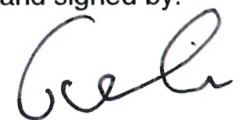
Approval of the financial statements

The entity's financial statements were approved on 22nd September 2016 and signed by:



Dr. Betty Addero Radier

CHIEF EXECUTIVE OFFICER



Jimi Kariuki

CHAIRMAN

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Tourism Board set out on page 1 to 19 which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows, 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.

Management's Responsibility 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.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Report of the Auditor-General for the Financial Statements of Kenya Tourism Board for the year ended 30 June 2016

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

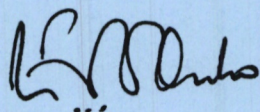
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Tourism Board as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act, No.28 of 2011.

Emphasis of Matter

Underfunding and Delayed Disbursement of Funds by State Agencies

During the year under review, the Board was to receive part of its capitation from the Tourism Fund and the State Department of Commerce and Tourism. However, 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 grants 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.

My opinion is however not qualified on this matter.



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

Nairobi

21 July 2017

**IX. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 KShs	2015 KShs RESTATED	2015 Shs
Revenue from non-exchange transactions				
Industry contributions and donations	3	47,623,696	47,657,098	47,657,098
Transfer from Government Grants & other Agencies	4	1,370,975,193	1,003,000,000	1,003,000,000
		1,418,598,889	1,050,657,098	1,050,657,098
Revenue from exchange transactions				
Finance income - external investments	5	8,180,816	3,809,557	3,809,557
Other income	6	12,787,113	12,525,468	12,525,468
		20,967,928	16,335,024	16,335,024
Total revenue		1,439,566,817	1,066,992,122	1,066,992,122
Expenses				
Marketing Cost	7	1,122,671,995	696,206,962 *	729,110,176
Employee costs	8	258,955,699	253,676,580	253,676,580
Remuneration of Board	9	11,924,785	-	0
Depreciation and amortization expense	10	7,696,048	7,512,527	7,512,527
Repairs and maintenance	11	5,077,642	4,390,196 *	4,457,701
General expenses	12	80,296,264	57,806,650 *	64,852,354
Finance costs	13	1,307,011	1,182,392	1,182,392
Total expenses		1,487,929,445	1,020,775,306	1,060,791,729
Other gains/(losses)				
Gain on sale of assets	14	5,000	6,077	6,077
Loss on foreign exchange transactions	16	(2,925,721)	256,577 *	(1,912,580)
Surplus/(Deficit)		(51,283,349)	46,479,470 *	4,293,890
(Deficit)/ Surplus for the Period		(51,283,349)	46,479,470	4,293,890

The Board restated 2015 accounts and the affected items are shown (*) and explained in note 27 of the Financial statements

The notes set out on pages 6 to 19 form an integral part of the Financial Statements

X. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 KShs	2015 KShs RESTATED	2015 Kshs
Assets				
Current assets				
Cash and cash equivalents	16	712,770,426	344,304,156	344,304,156
Receivables from non-exchange transactions	17	316,546,195	22,899,761	22,899,761
Inventories	18	4,570,109	5,554,464	5,554,464
		1,033,886,730	372,758,380	372,758,380
Non-current assets				
Property, plant and equipment	19	22,947,985	9,035,329	9,035,329
Intangible assets	20	513,343	1,723,188	1,723,188
		23,461,328	10,758,517	10,758,517
Total assets		1,057,348,058	383,516,897	383,516,897
Liabilities				
Current liabilities				
Trade and other payables from exchange transactions	21	989,543,058	258,225,701 *	300,306,858
Refundable deposits from customers	22	-	*	104,423
Provisions	23	16,366,628	22,569,475	22,569,475
		1,005,909,686	280,795,177	322,980,756
Total liabilities		1,005,909,686	280,795,177	322,980,756
Accumulated surplus		43,438,372	96,721,721 *	54,536,141
Sinking Fund	24	8,000,000	6,000,000	6,000,000
Net assets		51,438,372	102,721,721	60,536,141
Total net Assets and liabilities		1,057,348,058	383,516,897	383,516,897

The Board restated 2015 accounts and the affected items are shown (*) and explained in note 27 of the Financial statements.

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board of Directors by:


 Dr. Betty Addero Radier
CHIEF EXECUTIVE OFFICER


 Jimi Kariuki
CHAIRMAN

**XI. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2016**

	Sinking Reserves Kshs	Accumulated Reserves Kshs	2015 Total Kshs
Balance as at 30 JUNE 2013	2,000,000	53,050,768	55,050,768
Surplus/(Deficit) for the period	-	1,191,483	1,191,483
Transfers to/from accumulated surplus/(Deficit)	<u>2,000,000</u>	<u>(2,000,000)</u>	-
Balance as at 30 JUNE 2014	4,000,000	52,242,251	56,242,251
Surplus /Deficit for the period	-	4,293,890	4,293,890
Transfers to/from accumulated surplus/(Deficit)	<u>2,000,000</u>	<u>(2,000,000)</u>	-
Balance as at 30 JUNE 2015	6,000,000	54,536,141	60,536,141

	Sinking Reserves Kshs	Accumulated Reserves Kshs	RESTATED 2015 Total Kshs
Balance as at 30 JUNE 2013	2,000,000	53,050,768	55,050,768
Surplus/(Deficit) for the period	-	1,191,483	1,191,483
Transfers to/from accumulated surplus/(Deficit)	<u>2,000,000</u>	<u>(2,000,000)</u>	-
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)	<u>2,000,000</u>	<u>(2,000,000)</u>	-
Balance as at 30 JUNE 2015	6,000,000	96,721,721	102,721,721

	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)	<u>2,000,000</u>	<u>(2,000,000)</u>	-
Balance as at 30 June 2015	6,000,000	96,721,721	102,721,721
Surplus /Deficit for the period	-	(51,283,349)	(51,283,350)
Transfers to/from accumulated surplus/(Deficit)	<u>2,000,000</u>	<u>(2,000,000)</u>	-
Balance as at 30 June 2016	<u>8,000,000</u>	<u>43,438,372</u>	<u>51,438,372</u>

**XII. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 KShs	2015 Shs
Net cash flows from operating activities	24	372,494,822	165,228,130
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(4,023,551)	(4,863,570)
Proceeds from sale of property, plant and Equipments		(5,000)	10,000
Decrease in non-current receivables		-	-
Increase in investments		-	-
Net cash flows used in investing activities		(4,028,551)	(4,853,570)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		368,466,271	160,374,560
Cash and cash equivalents at 1 July		<u>344,304,156</u>	<u>183,929,597</u>
Cash and cash equivalents at 30 JUNE		<u>712,770,426</u>	<u>344,304,156</u>

XIII. 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	(21,000,000)	539,000,000	539,000,000	-
GOK-Development	200,400,000	-	200,400,000	168,000,000	32,400,000
GOK-Recovery (MSP Project)	1,765,900,000	(1,033,401,066)	732,498,934	383,975,133	348,523,801
Tourism Fund Grant	400,000,000	-	400,000,000	280,000,000	120,000,000
Industry contribution	56,000,000	-	56,000,000	47,623,696	8,376,304
Finance Income	5,000,000	-	5,000,000	8,180,816	(3,180,816)
Other Income	10,000,000		10,000,000	12,787,113	(2,787,113)
Total Income	2,997,300,000	(1,054,401,066)	1,942,898,934	1,439,566,757	503,332,177
Expenses					
Marketing Expenditure	2,529,450,000	(1,023,901,066)	1,505,548,934	1,122,671,995	382,876,939
Personnel Emolument	305,750,000	(37,000,000)	268,750,000	258,955,699	9,794,301
Rent Paid	23,500,000	500,000	24,000,000	23,939,165	60,835
Other Operational Expenses	138,600,000	6,000,000	144,600,000	85,283,245	59,316,755
Total Expenditure	2,997,300,000	(1,054,401,066)	1,942,898,934	1,490,850,105	452,048,829
(Deficit)/ Surplus for the period	-	-	-	(51,283,348)	51,283,348

Budget Variances (Performance difference)

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

- i. Revenue- GOK Development**

The variance between the budget and the actual spend is because 50% of the general development funds were received close to year end (23rd June 2016). Some of the planned activities could therefore not be implemented before 30th June 2016. Income of KShs 32.4M was therefore deferred to 2016/17 FY.
- ii. Revenue- GOK Recovery (MSP)**

The variance between the budget and the actual spend is because the recovery funding was received at year end with KShs 445.129M being received on 23rd June 2016 while the balance of KShs 287.371M was accrued on 30th June 2016 and received on 1st July 2016. Some of the planned activities could therefore not be implemented before 30th June 2016. Income of KShs 348,523,801 was therefore deferred to 2016/17 FY.
- iii. Tourism Fund Grant**

Tourism Fund reduced the budgeted grant from KShs 400M to KShs 280M.
- iv. Industry Contribution**

There was negative variance because of lower participation by KTB and the industry in exhibition in the 2015/16 FY.
- v) Marketing Expenditure**

Negative variance because of late disbursement of funds and also reduction in funding by Tourism fund hence some of the planned activities were not undertaken. The deferred funds arising from the late disbursements will be utilized in 2016/17 FY.
- vi) Personnel Emolument**

These were savings arising from budgeted positions that were not filled during the financial year.
- vii) Other operational expenses**

Some activities were cancelled following the budget cut by the Government (recurrent) and also by Tourism Fund.

X. 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.

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 %

d) Intangible Assets

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

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%
-----	-------------------	-------

e) Inventories

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

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

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

f) Sinking Fund and General Reserve

KTB maintains a sinking reserve and Surplus Reserves.

The Sinking fund reserve is a fund set aside for future replacement of assets. KTB provides for Ksh 2 M annually for this fund. The current balance as at June 2016 is KSh 8Million.

KTB also maintaining general fund reserves where all surplus from previous year are accumulated.

g) 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.

h) 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.

i) 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.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

k) Comparative figures

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

l) Subsequent events

There are no materials adjusting events after the reporting 30th June 2016.

m) 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 26 in the accounts.

n) Financial Risk Management

The board maintains an investment policy which guides the Board in ensuring that risks related to investment is well managed. The board also has a risk management framework to assist in mitigating the board's business and market environment risks .The risk management framework policy cover all areas of instruments such as Payables, Receivables, cash and cash equivalents.

The current risks that the board is exposed to are liquidity risk, forex risk and market risk.

o) 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.

(q) Provisions

Provisions are recognized when the Entity 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.

r) 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. This amount was subsequently paid.

NOTES TO FINANCIAL STATEMENTS

	2016 KShs	RESTATED 2015 KShs
3. Industry contributions and donations		
Industry Contribution	43,082,780	47,657,098
Partnership and Donations	4,540,916	-
Total transfers and sponsorships	<u>47,623,696</u>	<u>47,657,098</u>
4. Transfer from Government & other agencies		
Unconditional grants		
Recurrent Grant	539,000,000	550,000,000
Tourism Fund	<u>280,000,000</u>	<u>285,000,000</u>
	819,000,000	835,000,000
Conditional grants		
Development Grant	<u>551,975,193</u>	<u>168,000,000</u>
	551,975,193	168,000,000
Total	<u>1,370,975,193</u>	<u>1,003,000,000</u>
5. Finance income - external investments		
Income from call and fixed deposits	<u>8,180,816</u>	<u>3,809,557</u>
Total finance income – external investments	<u>8,180,816</u>	<u>3,809,557</u>
6. Other income		
Website	465,005	486,907
Miscellaneous Income	<u>12,322,108</u>	<u>12,038,561</u>
Total other income	<u>12,787,113</u>	<u>12,525,468</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	2016	2015	2015
Shs		Shs	Shs
7. Marketing Related Costs		RESTATED	
Marketing Programmes	945,021,408	522,035,424	554,938,537
MDR Fees	143,978,772	147,981,802	143,978,772
Public relation Programmes	<u>33,671,815</u>	<u>26,189,737</u>	<u>33,671,815</u>
	1,122,671,995	696,206,962	732,589,124

	2016	2015
Shs		Shs
8. Employee costs		
Employee related costs - salaries and wages	167,122,050	149,572,054
Housing benefits and allowances	48,859,193	55,600,649
Employee related costs - contributions to pensions and NSSF	21,806,995	21,385,210
Provision for Gratuity	1,870,116	2,083,200
Staff Group Life Policy	1,429,510	1,731,406
Staff Medical Insurance (In & Out Patient)	17,059,659	22,554,061
Group Personal Accident	<u>808,175</u>	<u>750,000</u>
Employee costs	258,955,699	253,676,580

9. Remuneration of Board Members

	2016	2015
Shs		Shs
Honorarium	276,363	-
Sitting Allowances	4,268,000	-
Travel and Accomodation	6,967,489	-
Medical and other Insurances	<u>412,933</u>	-
Total	11,924,785	-

10. Depreciation and amortization expense

	2016	2015
Shs		Shs
Property, plant and equipment	6,486,203	6,055,799
Intangible assets	<u>1,209,845</u>	<u>1,456,727</u>
Total depreciation and amortization	7,696,048	7,512,527

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	2016 KShs	2015 KShs RESTATED	2015 KShs
11. Repairs and maintenance			
Motor Vehicle	965,245	826,834	894,339
Office Furniture and Equipment	1,110,988	309,077	309,077
Computers	<u>3,001,409</u>	<u>3,254,284</u>	<u>3,254,284</u>
Total repairs and maintenance	<u>5,077,642</u>	<u>4,390,196</u>	<u>4,457,700</u>

12. General expenses

Audit fees	700,000	700,000	700,000
Bad debts Expense- Industry Debtors	1,415,478	-	-
Bad debts Expense- Staff Debtors	42,050	-	-
Staff welfare, professional memberships, club membership	1,655,023	1,512,932	1,512,932
Staff Training & Recruitment	11,294,925	8,859,073	9,575,429
Staff Uniform	190,008	-	-
Insurance for Motor Vehicle, Computers & Office Equip.	1,065,692	692,624	692,624
Rent	23,939,165	19,279,794	19,537,083
Telephone, postal & Directories	4,677,341	4,010,962	4,038,317
Printing & Stationery	1,976,275	2,740,771	2,740,771
Entertainment	2,027,295	1,904,454	2,023,465
Local Traveling & Accommodation	4,775,396	2,445,882	2,767,466
Legal & Consultancies	3,181,979	2,289,623	2,649,350
ICT Software licences/ Support fees & ERP Programmes	3,824,473	3,491,695	5,215,535
Office general expenses	<u>19,531,164</u>	<u>9,878,839</u>	<u>13,399,381</u>
Total general expenses	<u>80,296,264</u>	<u>57,806,650</u>	<u>64,852,353</u>

13. Finance Cost

	2016 Shs	2015 Shs
Bank charges	<u>1,307,011</u>	<u>1,182,392</u>
	<u>1,307,011</u>	<u>1,182,392</u>

14. Gain on sale of assets

	2016 Shs	2015 Shs
Property, plant and equipment	<u>5,000</u>	<u>6,077</u>
Total gain on sale of assets	<u>5,000</u>	<u>6,077</u>

RESTATED

15. Loss on foreign exchange transactions

	2016 Shs	2015 Shs	2015 Shs
Forex Loss	<u>(2,925,721)</u>	<u>256,577</u>	<u>(1,912,580)</u>
	<u>(2,925,721)</u>	<u>256,577</u>	<u>(1,912,580)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. Cash and cash equivalents	2016	2015
	Shs	Shs
Bank	712,604,088	344,164,569
Cash-on-hand and in transit	<u>166,338</u>	<u>139,587</u>
Total cash and cash equivalents	712,770,426	344,304,156

Bank and Account Number	Ksh Equivalent	Forex amount
KCB Moi Av. EURO A/C 1101689846	7,849,419	39,401.33
KCB Moi Av . USD A/C 1101660066	5,661,136	77,638.46
KCB Moi Av .GB P A/C 1101636912	4,424,793	41,490.67
KCB Moi Av. KES A/c 1108980457	694,668,740	1

The Board held large cash balance after disbursement from the exchequer was made towards the end of the financial year.

17. Receivables from non exchange transactions

	2016	2015
Current receivables	Shs	Shs
Exhibition debtors	12,454,718	8,236,709
GoK & Tourism Fund	291,371,917	5,000,000
Staff Advances and Perdiem	5,850,422	5,125,389
Prepayment	6,555,541	2,695,266
Imprest	458,348	1,196,610
Interest and other deposits/receivables	<u>3,850,124</u>	<u>3,183,133</u>
	320,541,071	25,437,109
Less Provisions:		
Bad Debt- Industry	2,228,979	813,502
Bad Debt- Staff	<u>1,765,896</u>	<u>1,723,846</u>
Sub Total	3,994,875	2,537,348
Total current receivables	316,546,195	22,899,760

18. Inventories

Consumable stores	<u>4,570,109</u>	<u>5,554,464</u>
Total Inventories	4,570,109	5,554,464

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

19. Property, Plant and equipment

Cost	Office Equipment KShs	Computer Hardware KShs	Furniture & Fittings KShs	Motorvehicle KShs	Total KShs
At 1st July 2014	10,699,121	27,566,834	24,435,814	13,838,864	76,540,634
Additions	2,250,200	1,773,351	-	-	4,023,551
Disposals	-	155,500	-	-	(155,500)
Transfer/adjustments	-	-	-	-	-
As At 30 June 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
At 1st July 2014	8,766,506	24,239,675	20,016,037	10,185,739	63,207,957
Depreciation	859,576	2,793,829	1,149,894	1,252,500	6,055,799
Disposals	-	(151,577)	-	-	(151,577)
Transfer/adjustment	-	-	-	-	-
At 30 June 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)
As At 30 June 2016	10,400,994	29,242,644	22,184,863	13,684,881	75,513,382
Net Book Values					
At 30 June 2016	5,400,247	1,524,683	3,834,967	12,188,088	22,947,985
At 30 June 2015	3,323,239	41,582	3,269,883	2,400,625	9,035,329

The opening balance of the computer hardwares accumulated depreciation was restated to correct a systems's error on depreciation .

20. Intangible assets - software

Cost	2016 Shs
At 1st July 2014	32,550,666
Additions – internal development	840,018
At 30 June 2015	33,390,684
Additions – internal development	0
At 30 June 2016	33,390,684

Amortization and impairment

At 1st July 2014	30,210,769
Amortization	1,456,727
Impairment loss	0
At 30 June 2015	31,667,496
Amortization	1,209,845
Impairment loss	0
At 30 June 2016	32,877,341

Net book values

At 30 June 2016	513,343
At 30 June 2015	1,723,188

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	2016 Shs	2015 Shs	2015 Shs
21. Trade and other payables from exchange transactions		RESTATED	
Trade payables	479,795,040	198,437,103	240,518,259
Payments received in advance-Exhibitions	9,449,976	5,061,238	5,061,238
Accruals	117,281,997	54,473,254	54,473,254
Other payables	2,092,243	254,106	254,106
Deferred Income	380,923,801	-	-
Total trade and other payables	989,543,058	258,225,701	300,306,857

The large movement in creditors relate to Market sustainable programme (MSP) funded under the development (recovery) budget in 2015/16, the activities are ongoing. Deferred Income relate to development funds for specific projects that were received at year end and therefore not implemented by year end.

	2016 Shs	2015 Shs	2015 Shs
22. Refundable deposits from			
Consumer deposits			104,423
Total deposits	-	-	104,423

23. Current provisions

	Leave Balances KShs	Staff Salaries KShs	Staff Gratuity KShs	Audit Fees KShs	Total KShs
Balance as at 1st July 2015	9,423,407	6,857,273	5,454,794	834,000	22,569,475
Additional provisions raised	5,862,310	-	1,870,116	700,000	8,432,426
Over provision written back	-	(6,857,273)	-	(134,000)	(6,991,273)
Provision utilized	-	-	(6,944,000)	(700,000)	(7,644,000)
Balance as at 30 June 2016	15,285,717	-	380,910	700,000	16,366,628

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

	2016	2015	2015
	KShs	KShs	KShs
		RESTATED	
Surplus for the year before tax	(51,283,349)	46,479,470	4,293,890
Adjusted for:			
Depreciation	6,486,203	6,055,799	6,055,799
Amortisation	1,209,845	1,456,727	1,456,727
Additional provisions	2,898,681	2,783,200	-
Working capital adjustments:			
Decrease in inventory	984,355	2,532,852	2,532,852
(Increase)/Decrease in receivables	(293,646,435)	76,763,049	77,486,889
Increase in deferred income	380,923,801	-	-
Gain on Disposal of PPE	(5,000)	(6,077)	(6,077)
Increase in payables	324,926,720	29,163,109	73,408,049
Net cash flows from operating activities	372,494,822	165,228,130	165,228,130

25. Sinking Reserves

	2016	2015
	KShs	KShs
Opening Balance	6,000,000	4,000,000
Sinking Fund Provision	2,000,000	2,000,000
Balance as at 30 June 2014	8,000,000	6,000,000

26. Related parties

The board related parties are the Tourism Fund and the GOK. In 2015/16, 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 2015/16 KShs	ACCRUED AMOUNTS AS AT 30TH JUNE 2016 KShs
GOK - Recurrent	539,000,000	-
GOK- Development (General)	200,400,000	-
GOK- Development (Recovery)	445,127,077	287,371,971
Tourism Fund	276,000,000	4,000,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

27. Restatement (*)

During the year, the Board approved and passed entries to correct errors and unutilized provisions made in prior years. The Board has restated the relevant expenses in financial statements in 2014/15. The net effect was an increase in accumulated surplus by KShs 42,185,586.

Item	Prior-2015	Restated	Adjustment	Explanation
Marketing Cost	729,110,176	696,206,962	32,903,214	Writeback of Non owed invoices
Repairs and maintenance	4,457,701	4,390,196	67,505	Writeback of Non owed invoices
General expenses	64,852,354	57,806,650	7,045,705	Writeback of Non owed invoices
Loss on foreign exchange transactions	(1,912,580)	256,577	2,169,157	Forex Exchange
	796,507,651	758,660,384	42,185,580	

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)
i) Leave Provisions	Included in the trade and other payables from exchange transaction balance of Ksh.300, 306,858, is an amount of Kshs.9, 423,407 in respect of staff leave provision as at 30th June 2015. The list includes virtually all staff members implying that they are not usually allowed to take leave. This is not in compliance with human resource policies and procedures manual on leave which encourages staff members to take annual leave.	<p>We have noted your recommendation and management has since put in place measures to ensure that staff utilise their outstanding leave days. Since then, a significant number of staff have taken some of their leave days leading to a reduction in the leave balances provisions.</p> <p>A comprehensive audit of pending leave balances was conducted to ensure that balances are correct and updated leave balances were communicated to staff.</p> <p>Going forward, management will ensure all staff take leave within the financial year as per laid down guidelines.</p>	CEO/ HHCA	Resolved	31st August 2017
ii) Imprest and Advances held by Former employees	Included in imprest balance of Kshs. 1,196,610 is an amount of Kshs. 60,070 due from former employees. Also included in advances balance of Kshs.5,125,389 is an amount of Kshs. 836,423 due from former employees. The recoverability of these amounts is doubtful.	<p>We note and agree with the observation.</p> <p>It should be noted that the amounts shown as owing to KTB from the former staff are net of terminal dues. Before releasing the staff, KTB mitigated the possible loss through partial recovery from their terminal dues. Subsequently, KTB made further recovery efforts by forwarding the claims to the Inspectorate of State Corporations for recovery through the framework provided for under the State Corporations Act.</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>However, this has not yielded results to date.</p> <p>These amounts have also been followed up through the Directorate of Criminal Investigation (DCI) and the Ethics & Anti-Corruption Commission (EACC) since 2007 and have also not borne any fruits. As a result and based on the KTB's Bad Debts Policy and the Public Finance Management Act, these amounts were identified for write off against the specific provision. The write off was approved by the Board on 22nd September 2016 subject to National Treasury approval. A follow up letter was sent to National Treasury in April 2017.</p> <p>The approval to write off is being awaited from National Treasury.</p> <p>Management has subsequently enforced strict management of imprests and advances to avoid recurrence. As a result of these measures, there has not been a new case of exits with uncleared amounts in the recent past. The amount owing from ex-staff has therefore not grown.</p> <p>Management has also put controls to ensure that no exiting staff is cleared/ paid terminal dues before he/she has fully cleared any obligations and returned all assets under his/ her custody. Various departments namely HR, ICT, Procurement and Finance work together to ensure the exiting staff is cleared. A clearance form is signed by responsible persons in these departments to confirm clearance/ return of assets.</p>	CEO/PS	Not resolved	

