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KENYA
Tourism Board



ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED JUNE 30TH
2015

PAPER HAND BY THE
MAJORITY PARTY WITH
HON. BENJAMIN
WASHAW MP ON
14/09/2017
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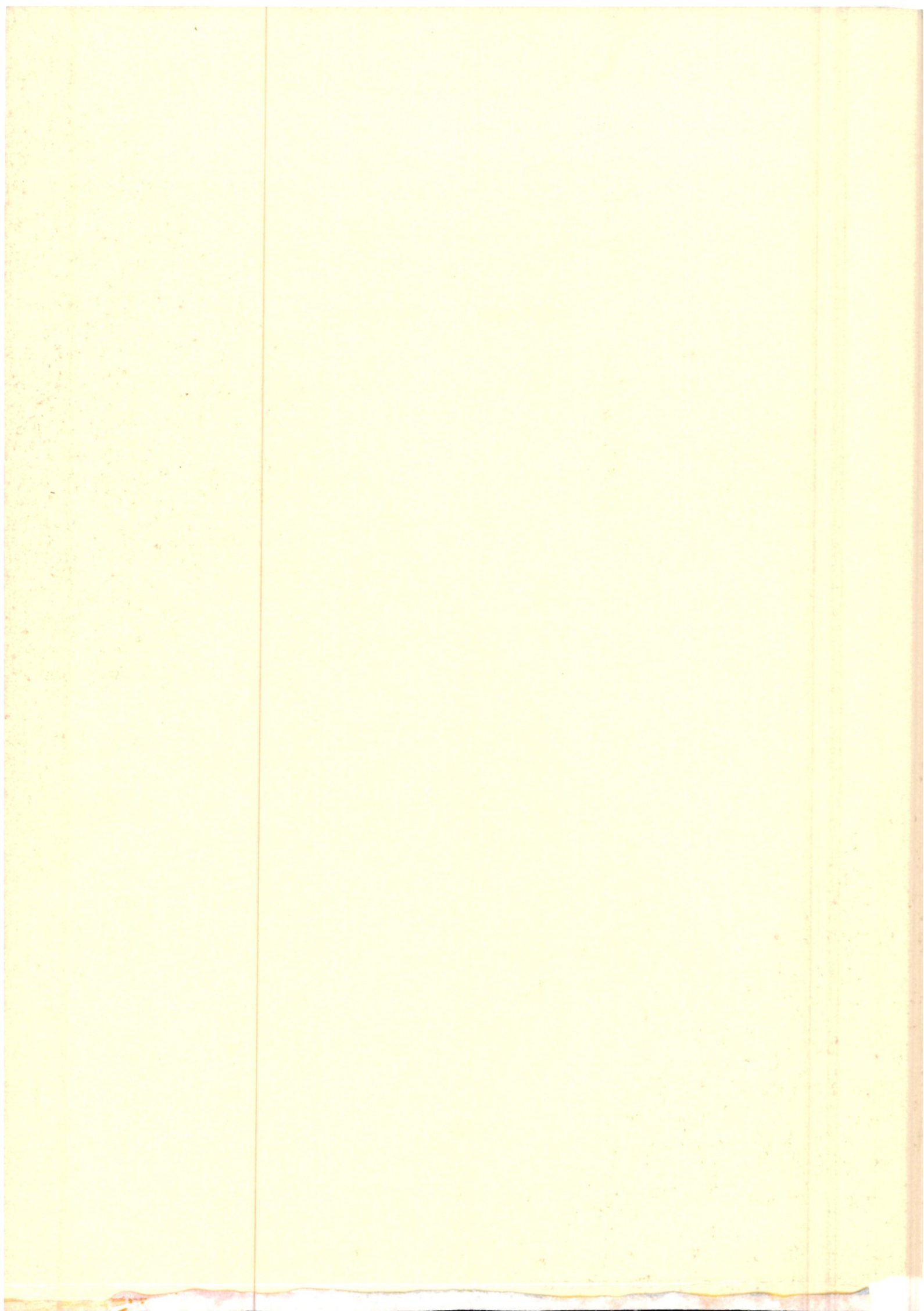


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Managing Director

Name

Mr. Muriithi Ndegwa; OGW

Qualifications

B.Ed Science, MBA, Cert Marketing, AMD, PHD On-going



Ag. Director of Marketing

Name

Mrs. Jacinta Nzioka - Mbithi

Qualifications

BSc (Tourism Management), PGDip. In Marketing, EMBA (Strategic Mngt)



Company Secretary

Name

Mr. Allan Njoroge

Qualifications

LLB, Dip Law, CPS(K), MBA finalist



Head of Finance & ICT

Name

Mr. Orumoi Jonah

Qualifications

MSc (Finance & Investment), FACCA, BA Hons.(Accounting and Finance)



**Head of Human Capital & Admin
(Resigned June 2015)**

Name

Mr. Voi Chiuli

Qualifications

BA, HND HRM, MSC HRM



Head of Internal Audit

Name

Mrs. Mary G. Maina

Qualifications

B.com(Accounting),CPA,(K) CISA, CIA, MBA

(e) BOARD HEADQUARTERS

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

(f) 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

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:

- Managing Director
- Executive management

(d) MANAGEMENT TEAM

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:



SERVICE DELIVERY CENTRES

| | | | |
|---|---|--|--|
| NAIROBI Jomo Kenyatta International Airport NAIROBI Tel: 8221111 – Ext. 5299/341728 | MOMBASA Mombasa International Airport MOMBASA 020 204 73 70 | CZECH REPUBLIC & POLAND 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 | AUSTRALIA GTI Tourism 35 Grafton Street Bondi Junction Sydney 2022, Australia Phone: +61 (0) 2 9028 3577 Email: anne.morris@gtitourism.com.au |
|---|---|--|--|

MARKET DEVELOPMENT REPRESENTATIVES

| | | | |
|---|--|---|---|
| GERMANY & AUSTRIA: Travel Marketing Romberg Schwarzbachstrasse 32 40822 Mettmann Near Dusseldorf Germany Phone: 49 0 2104 832919 Fax: 49 02104 912673 Email: g.romberg@travelmarketing.de | ITALY: Interface Tourism Italy Srl Ripa Di Ticinese, 5-20144 Milano, Italy. Phone: +390283660917, +390283660917 Email: serena.valle@interfacetourism.com | GCC: Gulf Reps Limited P.O.BOX 75142 Sheikh Zayed Road, Dubai, United Arab Emirates +97143166333 Fax:+97143166565 Email:leo@gulfreps.com | SCANDINAVIA: Related Aps Havneparken Jyllandsgade 8 7100, Vejle Denmark Tel:+45 6155 7489 Fax: 46 8 241 888 Email: haj@related.dk |
| FRANCE & SPAIN Interface Tourism 11 bis rue Blanche 75009 Paris Phone: +33 1 532511 Fax: +33 1 53251112 Email: Kenya@interfacetourism.org | UNITED KINGDOM 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 | RUSSIA: 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 | CHINA: 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 |
| USA: Myriad Marketing 1334 Parkview Avenue Suite 300 Manhattan Beach California 90266 Phone: +1 310 545 4200 Fax:+1 310 545 4221 Email:Al@myriadmarketing.com | CANADA: 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 | INDIA: 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 | |

(g) KTB'S BANKERS

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

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

(h) INDEPENDENT AUDITORS

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

(i) PRINCIPAL LEGAL ADVISERS

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





THE BOARD OF DIRECTORS

Mr. Kitili Mbathi

Retired 28th Sep 2011 Board Chairman

Mr. Muriithi Ndegwa

Managing Director

Mr. Allan Njoroge

Company Secretary

The appointments of members of the KTB Board of Directors were revoked by the then Hon. Minister for Tourism vide a Gazette Notice No. 10232 dated 19th July 2012. The appointment of new members contained in the same Gazette Notice was stopped by the Courts and no further developments on the same have been forthcoming. Accordingly, during the 2014/15 financial year, KTB did not have a sitting Board of Directors.

THE KENYA TOURISM BOARD'S NEW BOARD MEMBERS AND CHAIRMAN

GAZETTE NOTICE No. 7449

THE TOURISM ACT (No. 28 of 2011) APPOINTMENT

IN -EXERCISE of the powers conferred by section 32 (1) Q) of the Tourism Act, the Cabinet Secretary for East Africa Affairs, Commerce and Tourism appoints

Under paragraph Richard Kimenyi,
Adam Jillo,

Under paragraph (ii) Judy Kosgei,
Ken Waibochi,
Mohanjit Brar,

to be members of Kenya Tourism Board, for a period of three (3) years, with effect from **2nd October, 2015.**

Dated the 2nd October, 2015.

GAZETTE NOTICE No. 1733

THE TOURISM ACT (No. 28 of 2011) APPOINTMENT

IN EXERCISE of the powers conferred by section 32 (1) (a) of the Tourism Act, I, Uhuru Kenyatta, President of the Republic of Kenya and Commander-in-Chief of the Defence Forces, appoint—JIMMY KARIUKI to be the Chairperson of the Kenya Tourism Board, for a period of three (3) years, with effect from the 18th March, 2016.

Dated the 17th March, 2016.

UHURU KENYATA,
President.

"Institutional Representatives"

PS, MoT

PS, National Treasury

MD, Tourism Fund

CHAIRMAN'S STATEMENT

The contribution of the tourism sector as an economic pillar under the Vision 2030 cannot be overemphasized.

The sector contributes about 11% of our Gross Domestic Product (GDP) and provides employment to Kenyans both in the formal and the informal sector.

Like any other key economic sectors, tourism has been faced with a number of challenges, a trend that has led to a drop in its growth.

In his report, the Managing Director has detailed the drop in performance of the sector with key highlights on the specific markets and other focus areas.

Let me briefly share with you a number of challenges that has contributed to this drop during the financial year under review;

- **Insecurity:** In as much as there was renewed confidence in the destination following peaceful elections, there have been cases of insecurity incidences reported in some parts of the country during the period under review.

These incidences attributed to Al Shabaab, a terrorist group with international links have negatively impacted on destination owing to international media coverage and thereby scaring away potential tourists.

The most notable was the Westgate attack in September 2013 and the Mpeketoni attack in June 2014. Travel advisories occasioned by these attacks

led to cancellations by visitors who had planned to holiday in Kenya. September to December 2013 experienced the largest decline. During the period, international arrivals declined by 20% as compared to 2012. Unfortunately these incidences spilled over to 2014 and its impacts have continued to be felt resulting in massive erosion of Kenya's brand equity.

- **'Ebola'** A survey of 500 operators in September 2014 showed a fall in bookings of between 20% and 70% due to the outbreak of the Ebola virus in West Africa, which killed more than 5,000 people. Since then the decline in bookings accelerated, especially in Kenya, Tanzania and Southern African safari destinations such as Botswana and South Africa. Some tour operators across Africa reported the biggest drop in business in living memory. Several American and European agents stopped offering African tours waiting for the situation to change.

The epidemic took place far from the big safari destinations in eastern and southern Africa—as far or farther than the homes of many European tourists. There are more air links from West Africa to Europe than to the rest of the continent, whose airlines in any case largely suspended flights.

The outbreak of Ebola was an unnecessary catalyst that compounded Kenya's problems even further as in the mind of many visitors all of Africa is a single country.

- **VAT:** The introduction of Value Added Tax (VAT) pushed up park fees and operational costs of hoteliers and ground handlers. This net effect was a price increase in Kenya's offering making it a relatively more expensive destination.

This may have resulted in reduced destination appeal. The drastic price changes as a result of VAT application conflicts potential business as the travel trade usually contract business with their international counterparts in the preceding year. Consequently, the Kenya trade is forced to either absorb the cost or load the cost to the end consumer, which compromises the value offered (in either case) and destination appeal, as well as straining international trade relations.

- **Increasing incidences of poaching:** perceptually, an increase in poaching is deemed proportionate to tourist security. Conservation issues and supporting green initiatives have become a sensitive incentive for travel in itself. A contradiction of this affects the consumer's emotional brand equity and thus he/she loses interest in the destination.

- **Declining Brand Equity:** In Quarter 4 of 2014 KTB conducted a Brand Health Study. The Country Brand Index (CBI) is the most comprehensive global study of countries as brands. It examines and ranks performance of countries and assesses opportunities, insights and findings related to nation branding.

The Survey evaluated 118 countries across a variety of brand strength measures. Country brand ratings and rankings are based on a global sample of 3,600 savvy international business and leisure travelers — people who are somewhat or extremely interested in travelling and have taken two or more international trips for business or personal reasons in the past two years.

The sample was composed of respondents from 18 countries comprising of Kenya's principle source markets.

Kenya was ranked 74th globally in the country brand index. This is 16 positions down from Kenya's previous ranking in 2011. Insecurity has played a major role in this brand erosion. Kenya's profile shows weak brand perceptions overall.



Reduction in Charters:

Following repetitive travel advisories in Kenya there occurred a reduction in European charter frequency into the destination in 2014. This had an adverse effect on Mombasa arrivals. Whereas there were 99 charter operations in 2013 (which was already a strained performance), this figure was further reduced in 2014 by 28%, frequency of flights notwithstanding. Charter loads reduced by a significant 35% compared to 2013.

The combined influence of withdrawals, reduced flights in operation and abridged frequencies was the main cause of the dismal performance at the coast.

| Charter Flights in Operation | | | | | | | | | | | | | |
|------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
| 2013 | 14 | 13 | 13 | 7 | 2 | 3 | 7 | 6 | 6 | 7 | 9 | 12 | 99 |
| 2014 | 12 | 12 | 11 | 6 | 3 | 3 | 4 | 4 | 4 | 3 | 4 | 5 | 71 |

To mitigate against the above challenges, we are keen to note that our parent parent Ministry of East African Affairs Commerce and Tourism has put in place the following mitigating factors to address the above challenges. Some of the factors include the following;

Tourism Recovery Plan

The treasury's allocated development budget towards tourism recovery programs will go a long way in reviving the sector. KTB in partnership with the private sector has put in place comprehensive reassurance campaigns in the source markets. The recovery funds will also augment the Tourism Recovery efforts that are being put in place to ensure that the sector recovers from the slump.

Diversification of the tourism products

In a bid to increase the country's competitiveness, we have increased the product offering to include adventure, sports and cultural tourism on top of the traditional wildlife and beach product.

Venturing into New Markets

We have increased investments in emerging markets particularly Asia, Eastern Europe and Africa to grow the share of visitors from these markets.

Domestic Tourism Marketing

To cushion the industry against seasonality and volatility associated with the international markets, KTB has embarked on aggressive domestic tourism campaigns.

The recent tourism stimulus package by His Excellency the President will greatly contribute to giving a boost to the sector. The measures include the following;

The lifting of the ban on public institutions holding seminars and conferences in private hotels which is a major boost to MICE sub sector.

The reduction in park, fees from 90 to 80 dollars and from Ksh 1200 to Ksh. 1000 for domestic tourists, exemptions of VAT on air-ticketing and reduction of landing rates at Moi International airport Mombasa and Malindi that will certainly increase air traffic to these regions are major milestones to the industry.

In conclusion, our strategic plan will aid to full recovery of the sector. I therefore wish to express my gratitude to our Parent Ministry of East African Affairs Commerce and Tourism, government agencies and private sector for their commitment, support and guidance throughout the past year.

My sincere thanks are also extended to management and staff for their hard work, loyalty and professionalism.



Fatuma Hirsi Mohamed, (Mrs.)
PRINCIPAL SECRETARY



REPORT OF THE CHIEF EXECUTIVE OFFICER

Total international arrivals for 2014 by air and sea closed at 861,758 compared to 1,091,095 in 2013, illustrating a 21.0% decline. During year under review, JKIA arrivals (which contributed 86% of all international arrivals) declined by 17.5% to record 743,600 compared to 2013 that registered 901,145 visitors. Moi International Airport Mombasa (MIAM) on the other hand, received 117,796 visitors, compared to 189,632 in 2013.

There were only 362 cruise ship arrivals and these were recorded in February 2014. KNBS Cross-border arrivals for the year under review grew by 14% closing at 488,970 as compared to 428,505 in 2013. As such, consolidated arrivals for 2014 closed at 1,350,728 compared to 1,519,600 in 2013, a decrease of 11%.

Tourism Receipts

Estimated tourism receipts for 2014 declined by 7.33% to close at Kshs 87.08 Billion as compared to Kshs 93.97 Billion in 2013. In USD terms, tourism receipts declined by 9.31% to close at \$989.6 Million as compared to \$1.019 Billion in 2013.

General decline in the performance from across the markets that include the traditional, regional and emerging was reported as follows;

Traditional Market Performance

In 2014 there was a general decline in arrivals from all source markets of focus. This trend was consistent with the traditional European markets and the US. The top five markets performance is as illustrated in the table:

| Country | 2013 | 2014 | Percentage Growth/Decline |
|---------|---------|---------|---------------------------|
| UK | 149,699 | 117,201 | -21.7% |
| USA | 115,636 | 94,730 | -18.1% |
| India | 60,450 | 54,984 | -9.0% |
| Italy | 79,993 | 51,092 | -36.1% |
| Germany | 64,887 | 49,004 | -24.5% |

As demonstrated in the table above, India showed the best growth rate, jumping from position five in 2013 to three in 2014, with the least decline compared to the other four countries. Italy had the highest rate of decline. Moreover, charters from Italy have reduced considerably coupled with the fact that Zanzibar has become a viable option for Italian sun-seekers. France, which has been traditionally in the top 5, is now ranked 13th, with only 18,930 arrivals in 2014.

Regional Markets & Africa

KTB has taken a strategic focus on the regional markets in line with international tourism practice whereby these markets usually are the largest contributors to the tourism arrivals.

The top five source markets for Kenya from Africa are;

| Country | 2013 | 2014 | Percentage Growth/Decline |
|---------------------|--------|--------|---------------------------|
| Uganda | 47,398 | 31,586 | -33.4% |
| South Africa | 36,405 | 25,931 | -28.8% |
| Tanzania | 28,561 | 21,460 | -24.9% |
| Rep. of South Sudan | 16,218 | 18,276 | 12.7% |
| Nigeria | 13,813 | 13,271 | -3.9% |

Republic of South Sudan has shown positive growth in the period under review. Nigeria is resilient, with the least decline while the rest of the markets are showing declines.

Emerging and Developing Markets

As part of our market diversification strategy, KTB has continuously invested in emerging /developing markets in order to mitigate the effects of the declining traditional markets. Performance of some of these countries is as shown below;

| Country | 2013 | 2014 | Percentage Growth/Decline |
|-----------|--------|--------|---------------------------|
| China | 37,062 | 33,199 | -10.4% |
| Australia | 23,497 | 18,339 | -22.0% |
| Russia | 5,593 | 4,577 | -18.2% |
| UAE | 34,101 | 24,828 | -27.2% |
| Korea | 8,498 | 5,990 | -29.5% |

General Market Share Trends

Holiday (76%) was the main reason for travel into Kenya followed by business (9%) then VFR at 7%.

97% of all travel into Mombasa was for leisure while JKIA had 72% share. Business travel through JKIA declined by 18.2% in 2014.

Regionally, Europe contributed 42% of the total arrivals into Kenya, followed by Africa with 24%. Americas and Asia had 14% of the total arrivals. Oceania mainly Australia and New Zealand and the Middle East contributed 2% and 4% respectively.

The general drop in arrivals is attributed to a myriad of factors key among them being insecurity that has seen to negative travel advisories, being issued by some of the major tourism source markets. Ebola, VAT, poaching; and Kenya's declining brand equity are additional contributing factors.

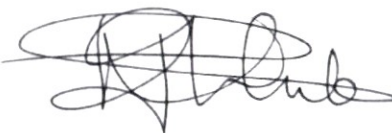
Evacuations witnessed in the coastal region and affecting mostly the traditional source markets kept the arrivals through Mombasa's Moi International Airport at an all time low. This also resulted into stop sale by some of the key trade.

The insecurity also led to the reduction of charters from some of our key source markets. At the backdrop of these challenges however, we are optimistic that the sector will

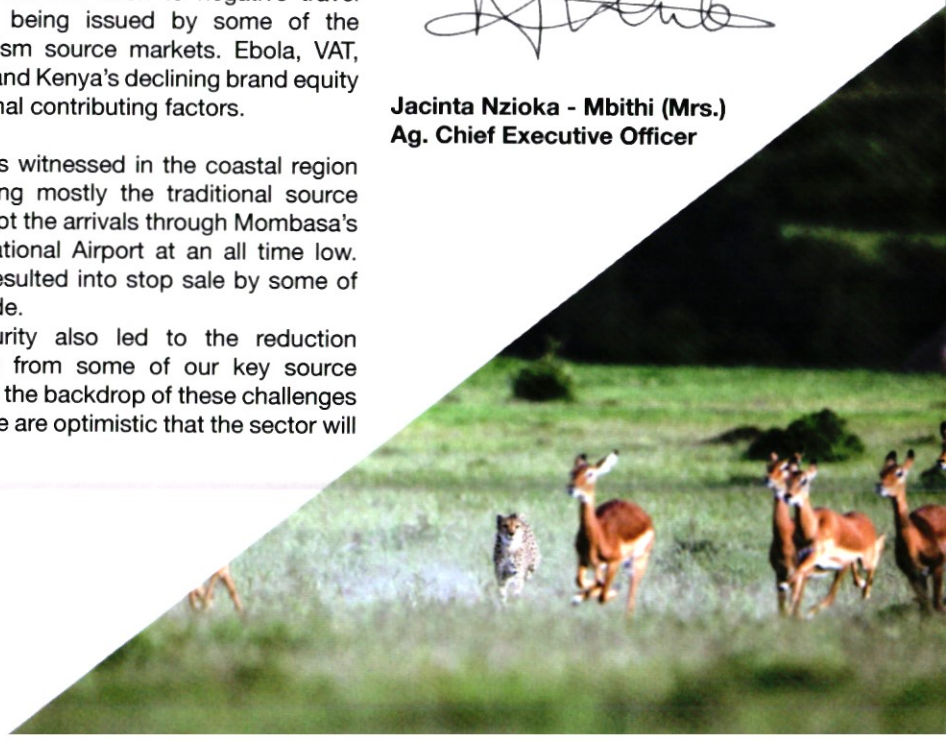
get back on track with several measures put in place by the government in conjunction with KTB.

Finally let me take this opportunity to thank our parent Ministry of East African Affairs Commerce and Tourism for the support accorded to us through the financial year.

We appreciate the support from other government agencies and most of all the private sector players whose support is invaluable. With our recovery efforts enumerated in the report and which are already in motion, we look forward to a fruitful financial year 2015/16.



Jacinta Nzioka - Mbithi (Mrs.)
Ag. Chief Executive Officer



CORPORATE GOVERNANCE STATEMENT

Board of Directors

The members of the board are shown on Page VI. The Board is chaired by a non-executive chairman Mr. Kitili Mbathi appointed by the President.

The appointments of members of the KTB Board of Directors were revoked by the then Hon. Minister for Tourism vide a Gazette Notice No. 10232 dated 19th July 2012. The appointment of new members contained in the same Gazette Notice was stopped by the Courts and no further developments on the same have been forthcoming. Accordingly, during the 2013/14 financial year, KTB did not have a sitting Board of Directors.

Board Finance and Establishment Committee

The committee did not meet in the current year because the Board had not been constituted.

Board Audit Committee

The committee did not meet in the current year because the Board had not been constituted.

Board Marketing Committee

The committee did not meet in the current year because the Board had not been constituted.

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.

Introduction

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

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 shown on page XVIII



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Kenya Tourism Board recognizes its role in ensuring the sustainability of Kenya's tourism base resources i.e. nature and culture, attracting sustainable markets to ensure thriving businesses and contributing to enhanced lifestyle for the Kenyan populace.

Key initiatives undertaken:

Sponsorship of the International ecotourism & Sustainable Tourism Conference:

KTB partnered with the Ecotourism Kenya to host the International Ecotourism & Sustainable Tourism Conference in Nairobi which attracted over 500 participants including key leaders in the responsible Eco tourism.

Tourism Students Mentorship:

KTB through the Sustainability committee partnered with the Global Travel & Tourism Partnership – Kenya chapter to mentor students and expose them to tourism during the regional GTTP-K career days organized in Mombasa, Kisumu, Nairobi and Nakuru where over 400 students participated.

Community Support:

The Committee introduced the first ever camel clinic during the 24th edition of the Maralal camel Derby in Samburu County. The camel is a significant resource for the Samburu community. The objective of introducing the camel clinic was to ensure the local community kept healthy camel herds.

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.

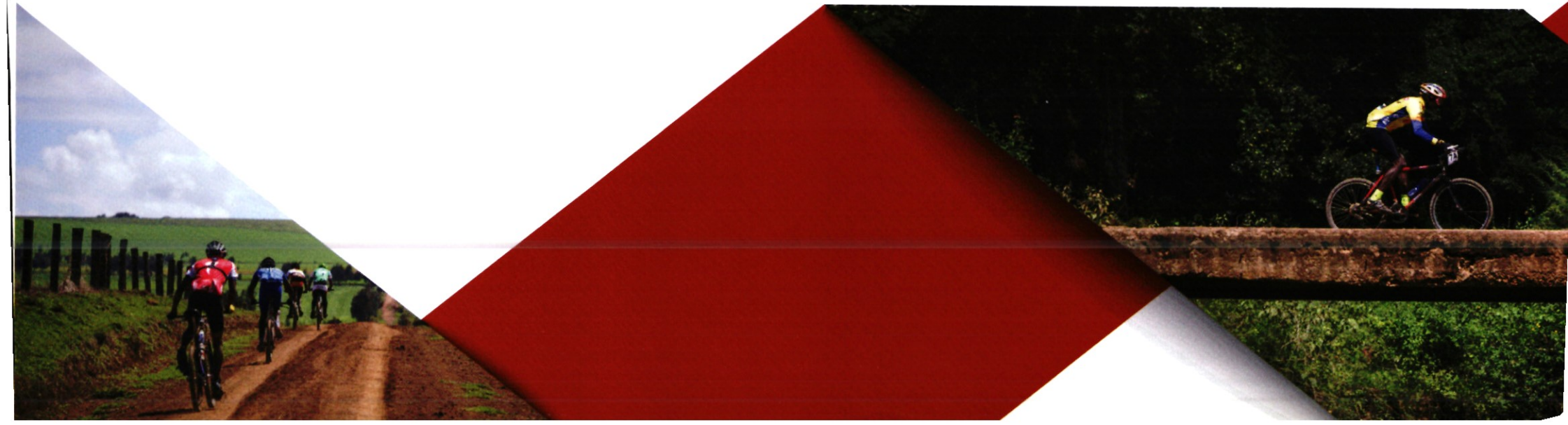
Strategic partnerships:

The committee formed strategic partnerships with Friends of Karura Forest to help reforest the Karura forest with trees and promote it as part of the Nairobi tourism circuit to both local and international tourists. KTB has been allocated a section of 1ha to plant trees.

KTB also partnered with the Nairobi Green line project to fence off Nairobi National park to avoid human encroachment into the park, the only one in the world within a city. KTB planted a total of 1,200 indigenous trees.

World Environment Day:

During the World Environment day 2015, the Committee partnered with the Kenya Rowing and Canoeing Association to undertake a beach cleanup in Tudor creek Mombasa.



REPORT OF THE DIRECTORS

The Board of the Directors submits their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the KTB's affairs.

Principal activities

The principal activity of the entity 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. Further, they shall be reviewed regularly in compliance with ISO 9001:2008 while continuously seeking to understand the needs and requirements of our customers, business stakeholders and partners.

KTB Employees

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

Customer Focus

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

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

Communication

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

Service

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

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

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

Results

The results of the entity for the year ended June 30, 2015 are set out on page 1-15.

Directors

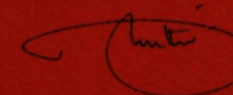
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Auditors

The Auditor-General is responsible for the statutory audit of the entity in accordance with the Public Finance Management (PFM) Act, 2012.

The Kenya National Audit office carried out the audit of the Kenya Tourism Board for the year ended 30th June 2015.

By Order of the Board



Allan Njoroge
COMPANY SECRETARY
DATE: 30TH JUNE 2015

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, 2015. 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, 2015, 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 29th September 2015 and signed by:



Jacinta Nzioka-Mbithi (Mrs.)
Ag. Chief Executive Officer



Fatuma Hirsi Mohamed, (Mrs.)
PRINCIPAL SECRETARY



REPORT OF THE AUDITOR-GENERAL ON KENYA TOURISM BOARD FOR THE YEAR ENDED 30 JUNE 2015



GOVERNMENT OF KENYA

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Tourism Board set out on page 1 to 17, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, statement of comparison of budget and actual amounts and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International 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 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2015, 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.

Other Matter

i. Leave Provisions

Included in trade and other payables from exchange transaction balance of Kshs.300,306,858, is an amount of Kshs.9,423,407 in respect staff leave provision as at 30 June 2015. The list includes virtually all staff members implying that staff 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.

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.

iii. Procurement without Electronic Tax Receipts and Certificates

- a) Management paid Kshs.210,000 to a local company for supply of assorted items on 16 March 2015. The inspection and acceptance certificate was however not availed for audit verification of the items received.
- b) It was observed that the management paid Kshs.96,000 on 28 August 2014 to a local company for supply of 12 pieces of toners at Kshs.8,000 each. However, the payment was not certified by an inspection and acceptance committee in accordance with the Public Procurement and Disposal Act, 2005.
- c) Procurement worth Kshs.2,283,690 were done without Electronic Tax Registers (ETRs) contrary to the government policy on Value Added Tax.

My opinion is however not qualified on these matters.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL
Nairobi
13 JULY 2016

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | 2015 Shs | 2014 Shs |
|--|-------|----------------------|----------------------|
| Revenue from non-exchange transactions | | | |
| Industry contributions and donations | 4 | 47,657,098 | 75,728,612 |
| Transfer from Government Grants & other Agencies | 5 | 1,003,000,000 | 1,086,354,176 |
| | | 1,050,657,098 | 1,162,082,788 |
| Revenue from exchange transactions | | | |
| Finance income - external investments | 6 | 3,809,557 | 9,365,435 |
| Other income | 7 | 12,525,468 | 2,233,885 |
| | | 16,335,024 | 11,599,320 |
| Total revenue | | 1,066,992,122 | 1,173,682,108 |
| Expenses | | | |
| Marketing Cost | 8 | 729,110,176 | 841,434,364 |
| Employee costs | 9 | 253,676,580 | 257,631,107 |
| Remuneration of Board | 10 | - | 0 |
| Depreciation and amortization expense | 11 | 7,512,527 | 7,265,740 |
| Repairs and maintenance | 12 | 4,457,701 | 2,479,883 |
| General expenses | 13 | 64,852,354 | 59,436,130 |
| Finance costs | 14 | 1,182,392 | 1,298,839 |
| Total expenses | | 1,060,791,729 | 1,169,546,063 |
| Other gains/(losses) | | | |
| Gain on sale of assets | 15 | 6,077 | 821,732 |
| Loss on foreign exchange transactions | 16 | (1,912,580) | (3,766,294) |
| Surplus/(Deficit) | | 4,293,890 | 1,191,482 |
| Surplus/(Deficit) for the period | | 4,293,890 | 1,191,482 |

The notes set out on pages 6 to 17 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

| | Note | 2015 Kshs | 2014 Kshs |
|---|------|--------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 17 | 344,304,156 | 183,929,596 |
| Receivables from non-exchange transactions | 18 | 22,899,761 | 100,386,649 |
| Inventories | 19 | 5,554,464 | 8,087,316 |
| | | 372,758,380 | 292,403,561 |
| Non-current assets | | | |
| Property, plant and equipment | 20 | 9,035,329 | 11,071,500 |
| Intangible assets | 21 | 1,723,188 | 2,339,897 |
| | | 10,758,517 | 13,411,398 |
| Total assets | | 383,516,897 | 305,814,958 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 22 | 300,306,858 | 217,478,915 |
| Refundable deposits from customers | 23 | 104,423 | 137,677 |
| Provisions | 24 | 22,569,475 | 31,956,115 |
| | | 322,980,756 | 249,572,707 |
| Total liabilities | | 322,980,756 | 249,572,707 |
| Accumulated surplus | | 54,536,141 | 52,242,251 |
| Sinking Fund | 25 | 6,000,000 | 4,000,000 |
| Net assets | | 60,536,141 | 56,242,251 |
| Total net assets and liabilities | | 383,516,897 | 305,814,958 |

The Financial Statements set out on pages 6 to 17 were signed on behalf of the Board of Directors by:



Jacinta Nzioka – Mbithi (Mrs.)
Ag. Chief Executive Officer



Fatuma Hirsi Mohammed (Mrs.)
PRINCIPAL SECRETARY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

| | Sinking Reserves | Accumulated Reserves | Total |
|---|------------------|----------------------|-------------------|
| | Kshs | Kshs | Kshs |
| Balance as at 30 JUNE 2013 | 2,000,000 | 53,050,768 | 55,050,768 |
| Surplus/(Deficit) for the period | 0 | 1,191,483 | 1,191,483 |
| Transfers to/from accumulated surplus/(Deficit) | 2,000,000 | (2,000,000) | 0 |
| Balance as at 30 JUNE 2014 | 4,000,000 | 52,242,251 | 56,242,251 |
| Surplus /Deficit for the period | 0 | 4,293,890 | 4,293,890 |
| Transfers to/from accumulated surplus/(Deficit) | 2,000,000 | (2,000,000) | 0 |
| Balance as at 30 JUNE 2015 | 6,000,000 | 54,536,141 | 60,536,141 |

STATEMENT OF CASH FLOWS

| | | 2015 | 2014 |
|--|-------|-------------|-------------|
| | Notes | Shs | Shs |
| Net cash flows from operating activities | 26 | 165,228,130 | 34,455,890 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | (4,863,570) | 7,527,757 |
| Proceeds from sale of property, plant and Equipments | | 10,000 | 951,911 |
| Decrease in non-current receivables | | | 0 |
| Increase in investments | | 0 | 0 |
| Net cash flows used in investing activities | | (4,853,570) | 8,479,668 |
| Cash flows from financing activities | | | |
| Net cash flows used in financing activities | | 0 | 0 |
| Net increase/(decrease) in cash and cash equivalents | | 160,374,560 | 42,935,558 |
| Cash and cash equivalents at 1 JULY | | 183,929,597 | 140,994,039 |
| Cash and cash equivalents at 30 JUNE | | 344,304,156 | 183,929,597 |

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference Under/ (Over) |
|---|----------------------|----------------------|----------------------|----------------------------|--------------------------------------|
| | 2015 | 2015 | 2015 | 2015 | 2015 |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Revenue | | | | | |
| Gok Recurrent Grant | 550,000,000 | 27,000,000 | 577,000,000 | 550,000,000 | 27,000,000 |
| Gok Market Dev. Grant | 500,000,000 | (359,000,000) | 141,000,000 | 168,000,000 | (27,000,000) |
| Tourism Fund Grant | 400,000,000 | (110,000,000) | 290,000,000 | 285,000,000 | 5,000,000 |
| Industry contribution | 70,000,000 | (1,500,000) | 68,500,000 | 47,657,098 | 20,842,902 |
| Finance Income | 14,500,000 | 0 | 14,500,000 | 3,809,557 | 10,690,444 |
| Other income | 11,000,000 | (3,400,000) | 7,600,000 | 12,525,468 | (4,925,468) |
| Total income | 1,545,500,000 | (446,900,000) | 1,098,600,000 | 1,066,992,122 | 31,607,878 |
| Expenses | | | | | |
| Marketing Expenditure | 635,490,000 | 110,100,000 | 745,590,000 | 729,110,176 | 16,479,824 |
| Personell emolument | 305,200,000 | (41,000,000) | 264,200,000 | 253,676,580 | 10,523,420 |
| Rent paid | 20,000,000 | 0 | 20,000,000 | 19,537,083 | 462,917 |
| Other payments | 584,810,000 | (516,000,000) | 68,810,000 | 60,374,393 | 8,435,607 |
| Total expenditure | 1,545,500,000 | (446,900,000) | 1,098,600,000 | 1,062,698,232 | 35,901,768 |
| Surplus/(Deficit) for the period | 0 | 0 | 0 | 4,293,890 | (4,293,890) |

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 entity. 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 Entity'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 million annually for this fund. The current balance as at June 2015 is Ksh 6 million.

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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for 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 2015.

m) Related parties

The board related parties are the Tourism Fund and the GOK. The two Parties contribute 70% and 20% respectively to the marketing fund for the Board. As at 30th June 2015 the Tourism fund and GOK had contributed KSH 285M and KSH 664M respectively. GOK had an accrued income of KSH 5M which was disbursed in July 2015.

n) Budget Variance

The annual budget is prepared on the accrual basis. Below please find the explanation on the variance

Income

The variance of on income is contributed by Kshs. 31 million been a variance as a result of lower disbursement from the Tourism fund, Kshs. 20 million under achievement income as a result low exhibition participants by the stakeholders. Under performance of finance income of Kshs. 10 million was as a result of lower contribution from investment income due to late disbursement of funds from GOK and Tourism Fund.

Expenditure

The variance of KSH 16 million was as a result of cancellation/ reduction of marketing activities as a result of lowers than expected disbursement from the related parties Tourism Fund and GOK.

o) 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 have a risk policy to assist in mitigating the board's business and market environment risks. The risk 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.

p) 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 2015, 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 board has been advised by its lawyers that is possible but not probable that the decision will succeed and accordingly no provision for any liability has been made in this financial statement. The estimated amount is Kshs. 27,685,923.40

NOTES TO FINANCIAL STATEMENTS

| | 2015 | 2014 |
|---|----------------------|----------------------|
| | Shs | Shs |
| 4. Industry contributions and donations | | |
| Industry Contribution | 47,657,098 | 63,185,914 |
| Partnership and Donations | | 12,542,698 |
| Total transfers and sponsorships | 47,657,098 | 75,728,612 |
| 5. Transfer from Government & other agencies | | |
| Unconditional grants | | |
| Recurrent Grant | 550,000,000 | 705,750,000 |
| Tourism Fund | 285,000,000 | 265,000,000 |
| | 835,000,000 | 970,750,000 |
| Conditional grants | | |
| Development Grant | 168,000,000 | 115,604,176 |
| | 168,000,000 | 115,604,176 |
| Total | 1,003,000,000 | 1,086,354,176 |
| 6. Finance income - external investments | | |
| Income from call and fixed deposits | 3,809,557 | 9,365,435 |
| Total finance income - external investments | 3,809,557 | 9,365,435 |
| 7. Other income | | |
| Website | 486,907 | 430,610 |
| Miscellaneous Income | 12,038,561 | 1,803,275 |
| Total other income | 12,525,468 | 2,233,885 |

NOTES TO FINANCIAL STATEMENTS (Continued)

| | 2015 | 2014 |
|---|--------------------|--------------------|
| | Shs | Shs |
| 8. Marketing Related Costs | | |
| Marketing Programmes | 554,938,637 | 678,075,444 |
| MDR Fees | 147,981,802 | 142,293,320 |
| Public relation Programmes | 26,189,737 | 21,065,600 |
| | 729,110,176 | 841,434,364 |
| 9. Employee costs | | |
| Employee related costs - salaries and wages | 149,572,054 | 142,677,923 |
| Housing benefits and allowances | 55,600,649 | 68,507,402 |
| Employee related costs - contributions to pensions and NSSF | 21,385,210 | 21,885,356 |
| Provision for Gratuity | 2,083,200 | 2,083,200 |
| Staff Group Life Policy | 1,731,406 | 1,946,052 |
| Staff Medical Insurance (In & Out Patient) | 22,554,061 | 19,793,754 |
| Group Personal Accident | 750,000 | 737,420 |
| Employee costs | 253,676,580 | 257,631,107 |
| | - | - |
| 10. Remuneration of Board Members | | |
| Honorarium | - | - |
| Sitting Allowances | - | - |
| Travel and Accomodation | - | - |
| Medical and other Insurances | - | - |
| Total | - | - |
| Their was no board in the current year. | | |

NOTES TO FINANCIAL STATEMENTS (Continued)

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | Shs | Shs |
| 11. Depreciation and amortization expense | | |
| Property, plant and equipment | 6,055,799 | 5,721,885 |
| Intangible assets | 1,456,727 | 1,543,855 |
| Total depreciation and amortization | 7,512,527 | 7,265,740 |
| 12. Repairs and maintenance | | |
| Motorvehicle | 894,339 | 921,167 |
| Office Furniture and Equipment | 309,077 | 368,784 |
| Computers | 3,254,284 | 1,189,932 |
| Total repairs and maintenance | 4,457,701 | 2,479,883 |
| 13. General expenses | | |
| Audit fees | 700,000.00 | 700,000 |
| Staff welfare, professional memberships, club membership | 1,512,932.00 | 1,457,200 |
| Staff Training & Recruitment | 9,575,429 | 6,720,136 |
| Staff Uniform | - | 192,436 |
| Insurance for Motor Vehicle, Computers & Office Equip. | 692,624 | 829,048 |
| Rent | 19,537,083 | 21,578,517 |
| Telephone, postal & Directories | 4,038,317 | 4,165,113 |
| Printing & Stationery | 2,740,771 | 2,985,315 |
| Entertainment | 2,023,465 | 2,071,673 |
| Local Traveling & Accommodation | 2,767,466 | 1,365,313 |
| Legal & Consultancies | 2,649,350 | 1,546,883 |
| ICT Software licences/ Support fees & ERP Programmes | 5,215,535 | 5,965,866 |
| Office general expenses | 13,399,381 | 9,858,630 |
| Total general expenses | 64,852,354 | 59,436,130 |

NOTES TO FINANCIAL STATEMENTS (Continued)

| | 2015 | 2014 |
|--|--------------------|--------------------|
| | Shs | Shs |
| 14. Finance Cost | | |
| Bank charges | 1,182,392 | 1,298,839 |
| | 1,182,392 | 1,298,839 |
| 15. Gain on sale of assets | | |
| Property, plant and equipment | 6,077 | 821,732 |
| Total gain on sale of assets | 6,077 | 821,732 |
| 16. Loss on foreign exchange transactions | | |
| Forex Loss | 1,912,580 | 3,766,294 |
| | 1,912,580 | 3,766,294 |
| 17. Cash and cash equivalents | | |
| Bank | 344,164,569 | 133,744,513 |
| Cash-on-hand and in transit | 139,587 | 185,083 |
| Short-term Fixed/Call deposits | - | 50,000,000 |
| Total cash and cash equivalents | 344,304,156 | 183,929,596 |

The Board held large cash balance after disbursement from the exchequer was made towards the end of the financial year. These funds have since been spent.

NOTES TO FINANCIAL STATEMENTS (Continued)

| | 2015 | 2014 |
|---|-------------------|--------------------|
| | Shs | Shs |
| 18. Receivables from non exchange transactions | | |
| Current receivables | | |
| Exhibition debtors | 8,236,709 | 9,447,727 |
| GoK & Tourism Fund | 5,000,000 | 73,000,000 |
| Staff Advances and Perdiem | 5,125,389 | 5,708,141 |
| Prepayment | 2,695,266 | 11,234,158 |
| Imprest | 1,196,610 | 3,090,609 |
| Interest and other deposits/receivables | 3,183,133 | 443,361 |
| | 25,437,109 | 102,923,996 |
| Less Provisions: | | |
| Bad Debt- Industry | 813,502 | 813,501 |
| Bad Debt- Staff | 1,723,846 | 1,723,846 |
| Sub Total | 2,537,348 | 2,537,347 |
| Total current receivables | 22,899,760 | 100,386,649 |
| 19. Inventories | | |
| Consumable stores | 5,554,464 | 8,087,316 |
| Total Inventories | 5,554,464 | 8,087,316 |

NOTES TO FINANCIAL STATEMENTS (Continued)

20. Property, plant and equipment

| | Office Equipment | Computer Hardware | Furniture & Fittings | Motorvehicle | Total |
|------------------------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
| Cost | Shs | Shs | Shs | Shs | Shs |
| At 1st July 2013 | 11,268,612 | 27,309,396 | 21,399,562 | 25,094,013 | 85,071,583 |
| Additions | 320,738 | 2,742,027 | 3,036,252 | - | 6,099,017 |
| Disposals | (890,229) | (2,484,590) | - | (11,255,149) | (14,629,968) |
| 30th June 2014 | 10,699,121 | 27,566,834 | 24,435,814 | 13,838,864 | 76,540,634 |
| Additions | 2,250,200 | 1,773,351 | 0 | 0 | 4,023,551 |
| Disposals | | (155,500) | | | (155,500) |
| At 30 June 2015 | 12,949,322 | 29,184,685 | 24,435,814 | 13,838,864 | 80,408,685 |
| Depreciation and impairment | | | | | |
| At 1st July 2013 | 8,734,652 | 26,273,037 | 19,043,051 | 20,188,388 | 74,239,128 |
| Depreciation | 783,995 | 2,712,404 | 972,986 | 1,252,500 | 6,055,799 |
| Disposals | (752,141) | (2,484,590) | - | (11,255,149) | (14,491,880) |
| At 30 June 2014 | 8,766,506 | 26,500,851 | 20,016,037 | 10,185,739 | 65,469,133 |
| Depreciation | 859,576 | 2,793,829 | 1,149,894 | 1,252,500 | 6,055,799 |
| Disposals | | (151,577) | | | (151,577) |
| At 30 June 2015 | 9,626,082 | 29,143,103 | 21,165,931 | 11,438,239 | 71,373,356 |
| Net book values | | | | | |
| At 30 June 2015 | 3,323,239 | 41,582 | 3,269,883 | 2,400,625 | 9,035,329 |
| At 30 June 2014 | 1,932,615 | 1,065,983 | 4,419,777 | 3,653,125 | 11,071,500 |

NOTES TO FINANCIAL STATEMENTS (Continued)

| 21. Intangible assets - software | 2015 |
|------------------------------------|-------------------|
| Cost | Shs |
| At 1st July 2013 | 31,121,926 |
| Additions – internal development | 1,428,740 |
| At 30 June 2014 | 32,550,666 |
| Additions – internal development | 840,018 |
| At 30 June 2015 | 33,390,685 |
| Amortization and impairment | |
| At 1st July 2013 | 28,666,914 |
| Amortization | 1,543,855 |
| Impairment loss | 0 |
| At 30 June 2014 | 30,210,769 |
| Amortization | 1,456,727 |
| Impairment loss | 0 |
| At 30 June 2015 | 31,667,496 |
| Net book values | |
| At 30 June 2015 | 1,723,188 |
| At 30 June 2014 | 2,339,897 |

NOTES TO FINANCIAL STATEMENTS (Continued)

| | 2015 | 2014 |
|--|--------------------|--------------------|
| | Shs | Shs |
| 22. Trade and other payables from exchange transactions | | |
| Trade payables | 240,518,259 | 170,909,925 |
| Payments received in advance- Exhibitions | 5,061,238 | 6,756,164 |
| Accruals | 54,473,254 | 34,765,885 |
| Other payables | 254,106 | 5,046,941 |
| Total trade and other payables | 300,306,858 | 217,478,915 |

The large movement in creditors relate to CNN advertising campaign for USD 1,052,000 The campaign will run in 2015/16.

23. Refundable deposits from customers

| | | |
|-----------------------|----------------|----------------|
| Consumer deposits | 104,423 | 137,677 |
| Total deposits | 104,423 | 137,677 |

NOTES TO FINANCIAL STATEMENTS (Continued)

24. Provisions

| | Leave Balances | Staff Salaries | Staff Gratuity | Pension | Audit Fees | Total |
|-------------------------------------|-------------------|------------------|------------------|------------------|----------------|-------------------|
| | Shs | Shs | Shs | Shs | Shs | Shs |
| Balance as at 1st July 2015 | 18,552,476 | 6,857,273 | 3,371,594 | 2,402,772 | 772,000 | 31,956,115 |
| Additional provisions raised | | | 2,083,200 | | 700,000 | 2,783,200 |
| Over provision reversed | (9,129,069) | | | (800,924) | | (9,929,993) |
| Provision utilized | | | | (1,601,848) | (638,000) | (2,239,848) |
| Balance as at 30th June 2015 | 9,423,407 | 6,857,273 | 5,454,794 | - | 834,000 | 22,569,474 |

25. Sinking Fund

| | | | |
|------------------------------|--|------------------|------------------|
| Opening Balance | | 4,000,000 | 2,000,000 |
| Sinking Fund Provision | | 2,000,000 | 2,000,000 |
| Balance as at 30 JUNE | | 6,000,000 | 4,000,000 |

26. Cash generated from operations

| | 2015 | 2014 |
|---|--------------------|-------------------|
| | Shs | Shs |
| Surplus for the year before tax | 4,293,890 | 1,191,482 |
| Adjusted for: | | |
| Depreciation | 6,055,799 | 5,721,885 |
| Amortisation | 1,456,727 | 1,543,855 |
| Working capital adjustments: | | |
| Increase in inventory | 2,532,852 | (1,654,451) |
| Decrease in receivables | 77,486,889 | 34,359,602 |
| Gain on Disposal of PPE | (6,077) | |
| Increase in payables | 73,408,049 | (6,706,485) |
| Net cash flows from operating activities | 165,228,130 | 34,455,889 |

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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.

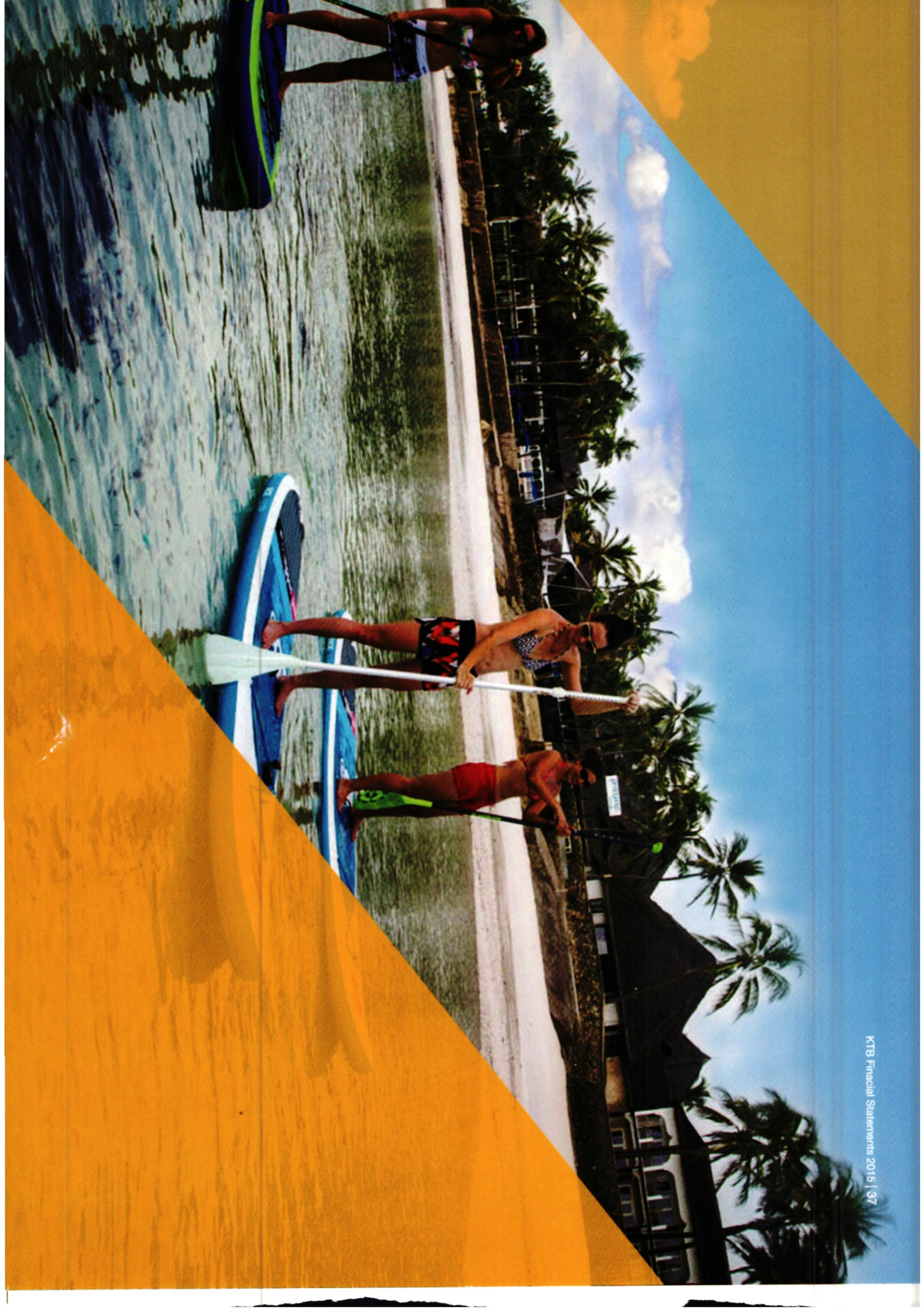
| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|---|---|--|
| | <p>The minister is supposed to appoint the Board of Directors as per section 6 (1) (e) of the state corporation Act Cap 446 and gazettes the appointment. Their responsibilities are laid down under legal notice No.93 of the 10th August 2004 on performance contracting section 4 (2).</p> <p>The minister revoked appointment of the board members with effect from 20th July 2012 through Gazette Notice No. 10232 dated 19th July 2012. Subsequently appointed board members did not take up their duties due to court case filed by degazetted board members of various institutions under the ministry of tourism because the three years' term of the previous appointment had not expired. Hence, the board continued to operate without Board of directors.</p> <p>As a result, the function and operations of the Board may have been hampered by lack of the Board of directors' decisions/resolutions especially on some policy matters.</p> | <p>It is true that KTB has operated without a Board of Directors since 19th July 2012 when the appointment of the existing board members were revoked by the then Hon. Minister for Tourism vide a Gazette Notice No. 10232.</p> <p>Management subsequently received instructions from the then Hon. Minister for Tourism vide a letter dated 29th August 2012 which stated that <i>"The net effect of the court action is that the boards are no longer operational and thus may not be able to make policy decisions in pursuit of their mandates under their respective frameworks and the State Corporations Act. Accordingly, I direct that all policy decisions that would ordinarily require board approvals which cannot be done to the foregoing be forwarded to my office for review and guidance"</i></p> <p>Accordingly, Management has been forwarding issues that require board decisions to the office of the Permanent Secretary in the Parent Ministry for guidance as instructed vide the said letter.</p> <p>Consequently, KTB has been able to carry out its mandate throughout the period that there has been no board or directors.</p> | Cabinet Secretary | Not Resolved | |

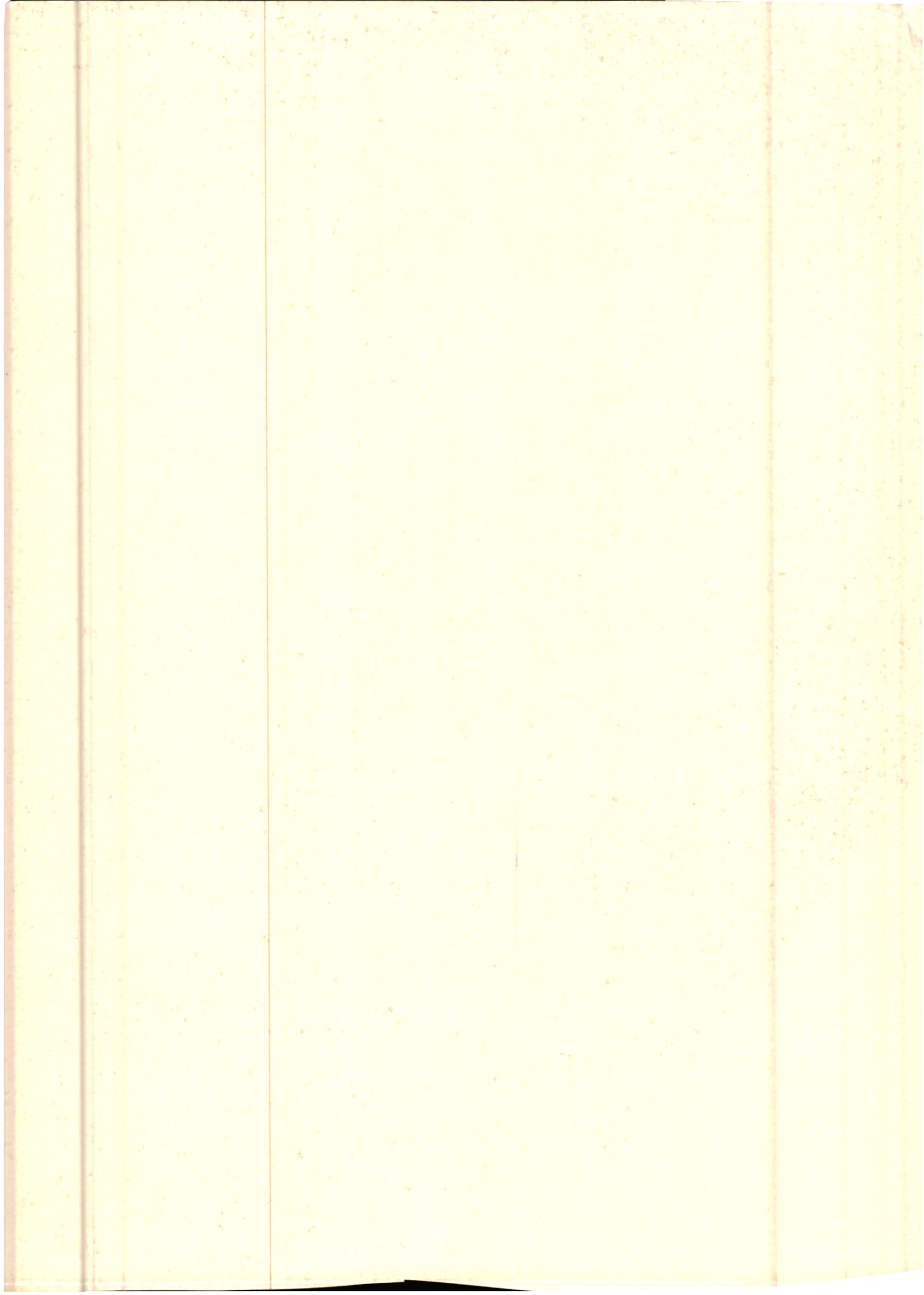


Jacinta Nzioka-Mbithi (Mrs.)
Ag. Chief Executive Officer



Fatuma Hirsi Mohamed, (Mrs.)
PRINCIPAL SECRETARY







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