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# ANNUAL REPORT & FINANCIAL STATEMENTS 2014





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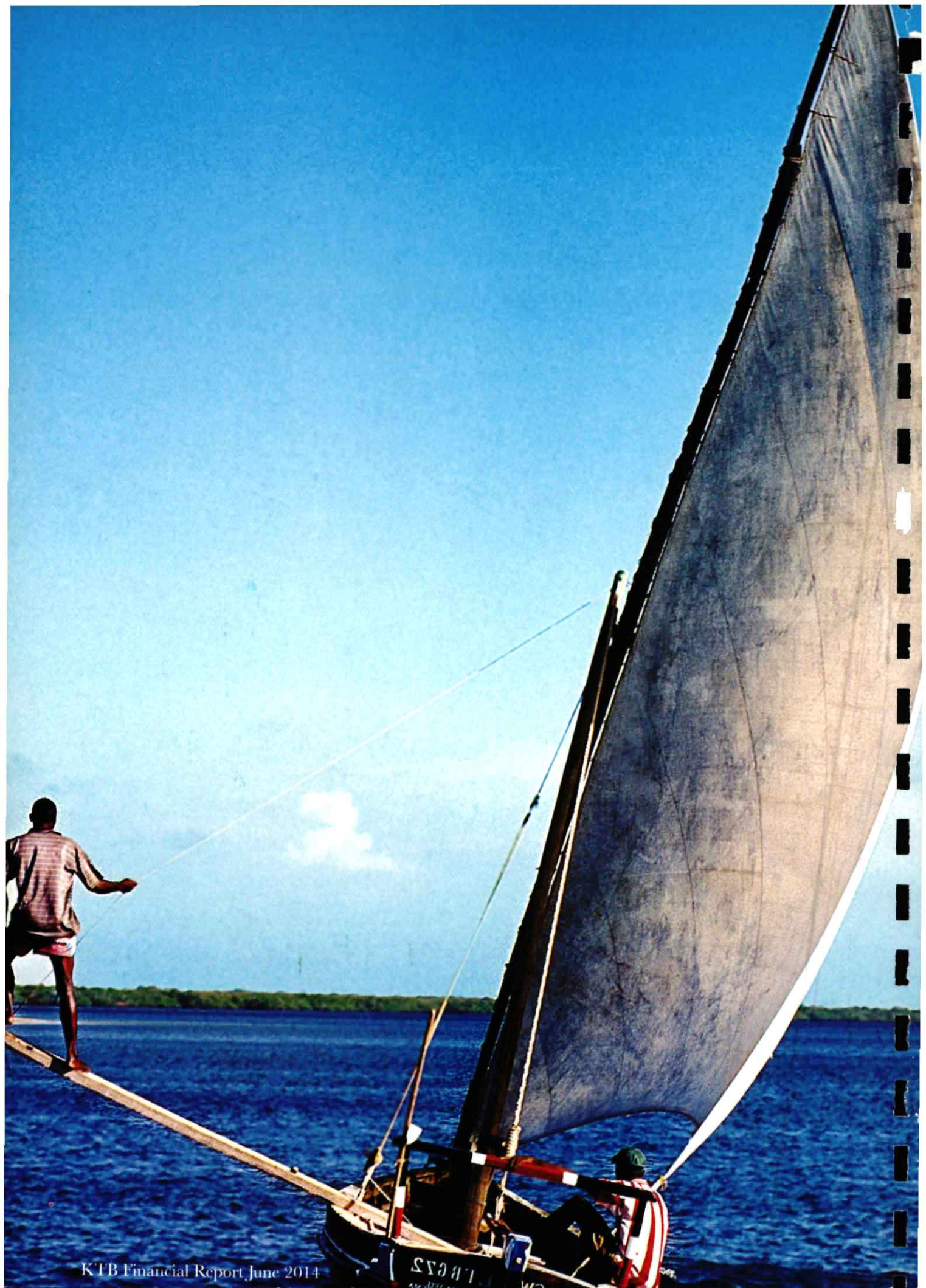
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**ANNUAL REPORT  
& FINANCIAL  
STATEMENTS 2014**

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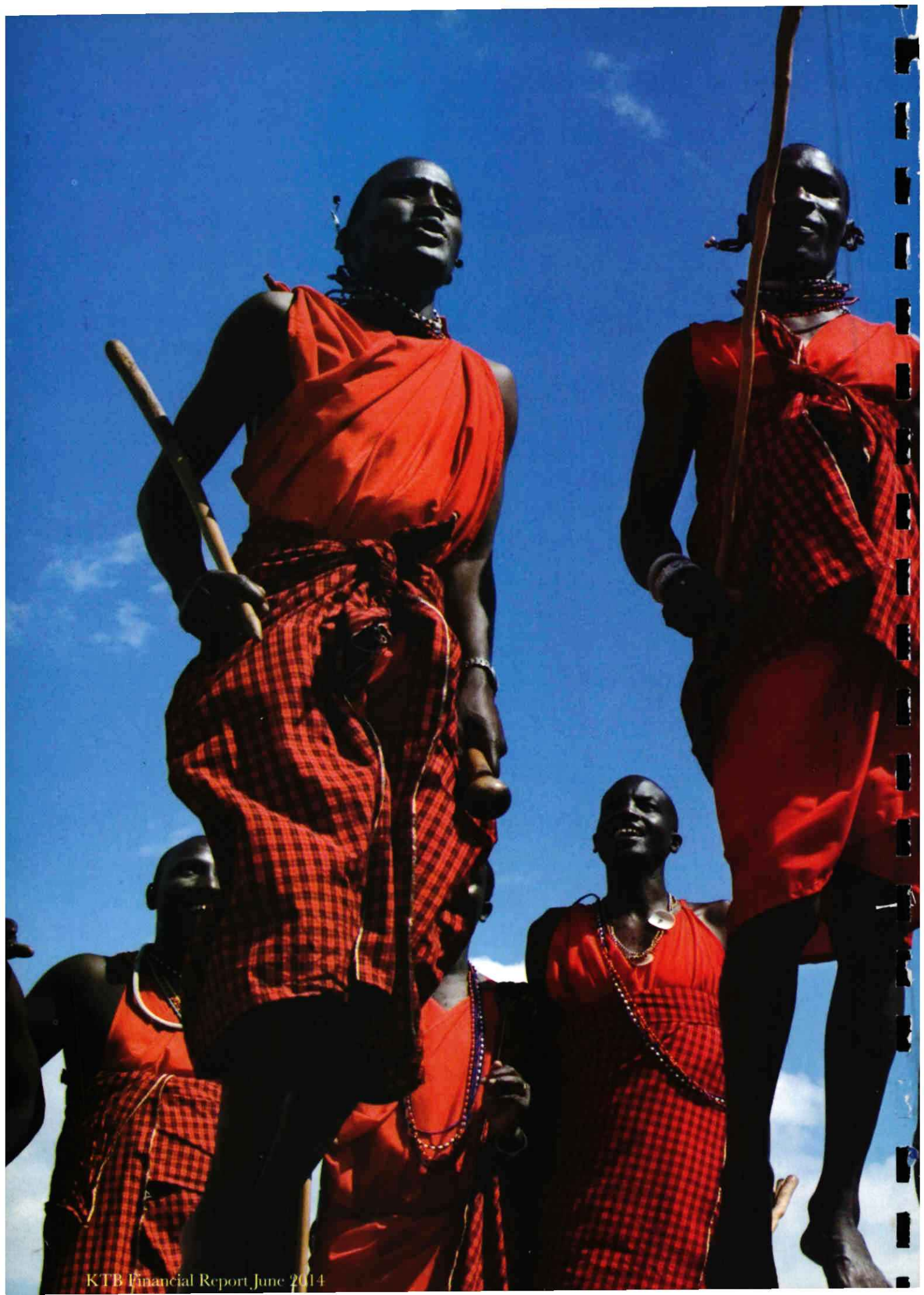


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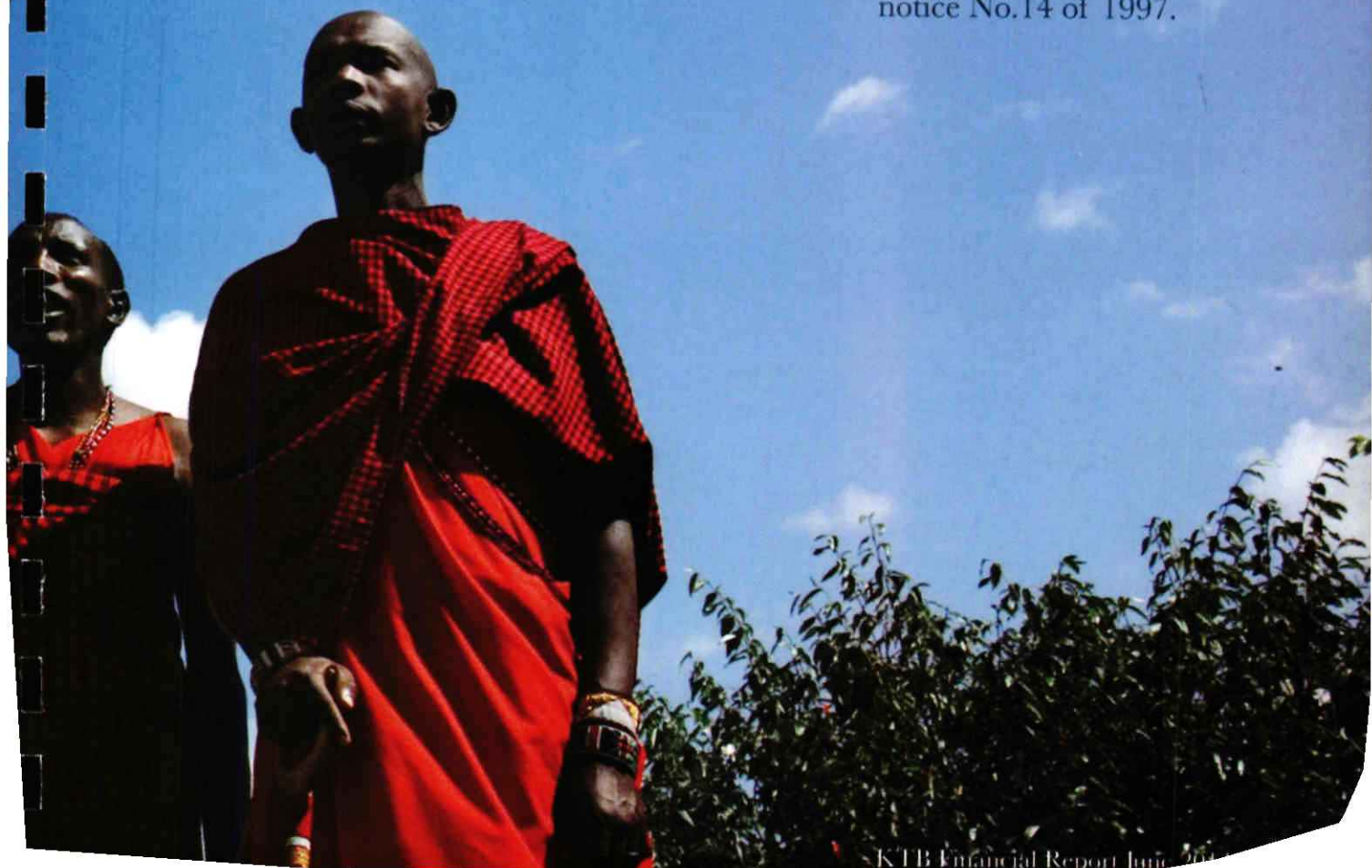


# BOARD OF DIRECTORS INFORMATION & MANAGEMENT

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## **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.



## Principal Activities

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

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

## Our Customers

### Local

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

### International

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

## Our Services

We strive to provide our customers with:

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

## Key Management

The Boards day-to-day management is under the following key organs:

- Managing Director
- Executive management

## Management Team

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

**Mr. Muriithi Ndegwa, OGW**

Managing Director

**Mrs. Jacinta Nzioka**

Ag. Director of Marketing

**Mr. Allan Njoroge**

Company Secretary

**Orumoi T. Jonah**

Head of Finance

**Mr. Voi Chiuli**

Head of Human Capital and Admin

**Mrs Mary G. Maina**

Head of Internal Audit

**Board Headquarters**

Kenya Re Towers, 7th Floor, Ragati Road, Upper Hill,

P.O Box 30630 – 00100, Nairobi, Kenya.

**KTB's Contacts**

Telephone: (254) 202711262, E-mail: info@ktb.go.ke

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

Twitter: @MagicalKenya, Facebook: MagicalKenya

Instagram: MagicalKenya

**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.

**INDEPENDENT AUDITORS**

**Auditor General**

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084, GOP 00100, Nairobi, Kenya.

**Principal Legal Adviser**

Daly & Figgis Advocates

Lonrho House, 8th Floor, P.O. BOX 40034

Nairobi, Kenya.

## Service Delivery Centres

**NAIROBI**

Jomo Kenyatta International Airport

Tel: 822111 – Ext. 5299/341728

**MOMBASA**

Mombasa International Airport

020 204 73 70

## 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

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Fax +31 (0) 20 623 01 51  
Email: kenia.ams@aviareps.com

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Email: Al@myriadmarketing.com

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Email: swebb@voxtm.ca

### CZECH REPUBLIC & POLAND

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paddington@travel-advance.com

### AUSTRALIA

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3845  
Mobile : + 86 139 1143 9398

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Fax: +44 020 7407 3810, Email: Kenya@  
hillsbalfour.com

### SOUTH AFRICA

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Wierda Valley, Sandton, Phone: +27 11 7220207



# THE BOARD OF DIRECTORS

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Mr. Kitili Mbathi  
appointed 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. Dan Mwanzo 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

# CHAIRMAN'S STATEMENT

*The contribution of the tourism sector as an economic pillar under the vision 2030 cannot be over emphasized. 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 highlighted 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

Safety and security is the single most important factor that tourists consider before visiting a destination. This is clearly demonstrated by the sharp decline in arrivals and earnings during election periods or whenever there are terrorism-related incidences in the country as seen in the recent past. Several incidences of insecurity reported mostly in Nairobi and the coastal region that are terrorism-related have greatly dented the image of the destination.

As a result, a number of tourist source markets have at times issued advisories against non-



essential travel to Kenya. Consequently, potential tourists choose alternative destinations offering similar products.

### Price competitiveness

The 16% VAT imposed on all taxable goods and services have had negative impact on tourism demand for Kenya. This has also affected existing contracts between the travelers and tour operators. The situation was complicated by the short notice before implementation when prices had been set and given to tour partners and the sudden change has adversely affected the sector.

### Decline in Product and Service Quality

Kenya has also been losing its comparative advantage in the safari product due to declining wildlife populations and haphazard development of accommodation facilities in major conservation areas such as Maasai Mara.

The poaching menace targeting rhinos and elephants has brought about adverse publicity, survival of species and threatens Kenya's pride as a world's leading safari destination.

To mitigate against the above challenges, we are keen to note that our parent Ministry 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 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 Ksh1000 for domestic tourists, exemptions of VAT on Air-ticketing and reduction of landing rates at Moi International airport and Malindi that will certainly increase air traffic to these regions are major milestones to the industry.

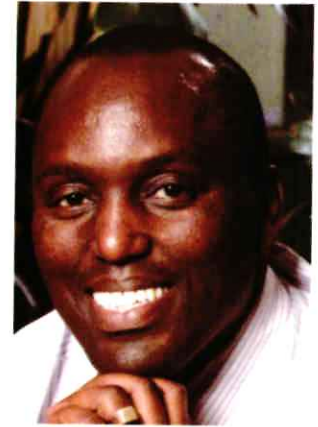
In conclusion, our strategic plan will aid to full recovery of the sector. I therefore wish to express my gratitude to our Parent Ministry, government agencies and private sector for their commitment, support and guidance throughout the past year.

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

Kitili Mbathi  
Chairman

# REPORT OF THE MANAGING DIRECTOR

*The year 2013 showed consolidated arrivals for January to December close at 1,499,059 in comparison to 1,780,768 in 2012 a decline of 15.8%. The total international arrivals for 2013 by air and sea (January-December 2013) closed at 1,091,095 compared to 1,236,024 in 2012, giving 11.7% decline.*



**Arrivals through Jomo Kenyatta International Airport (JKIA), in the year under review, also dropped by 14% to record 901,145 compared to 2012 that registered 1,047,816 visitors.**

**Moi International Airport Mombasa (MIAM) however received 189,632 visitors, compared to 187,151 in 2012, a 1.3% growth. Cross-border arrivals for the year declined by 25% closing at 407,964 as compared to 544,744 in 2012.**

## Revenue receipt

Estimated tourism receipts for 2013 declined by 2.13% to close at Kshs 93.97 Billion as compared to 96.02 Billion in 2012. In USD terms, tourism receipts declined by 4% to close at \$ 1.019 Billion as compared to \$ 1.136 Billion in 2012. General decline in the performance from across the markets that include the traditional, Regional and emerging was reported as follows;

### Top five performing markets

Country	2012	2013	Percentage Growth/Decline
UK	185,976	149,699	-19.5%
USA	123,905	115,636	-6.7%
Italy	82,330	79,993	-2.8%
India	65,199	64,887	-0.5%
Germany	61,275	60,450	-1.3%

## Regional and Emerging markets Performance

Though with a decline of 14.5%, Uganda regionally remains the highest source market for Kenya in Africa, with 47,398 visitors in the year under review compared to, 55,449 in 2012. South Africa and Tanzania come in second and third with 36,405 and 28,561 visitors, respectively compared to 40,707 and 33,309 in 2012. Tanzania declined by 14.3% while South Africa declined by 10.6% in the same period.

China declined by 10.3% to 37,062 visitors from 41,303 in 2012. From the Middle East; UAE declined by 15.8% to 34,101 arrivals from 40,485 in 2012, compared to 2012.

MIAM registered slight growth of 1.3% compared to the same period in 2012. This however may be partly attributed to the increased number of passengers in August due to diverted flights immediately after the fire at JKIA.

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.

Evacuations witnessed in the coastal region and affecting mostly the traditional source markets kept the arrivals through Mombasa Moi International Airport at an all time low.

The insecurity also led to the reduction of charters from 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. We look forward to a fruitful financial year 2014/2015

Muriithi Ndegwa, OGW  
Managing Director



## Market Share by Point of Entry

JKIA had the highest share of inbound traffic compared to MIAM in 2013 with 83% of the total arrivals coming in through this airport, and 17% through MIAM.

# CORPORATE GOVERNANCE STATEMENT

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*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.*

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## **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.

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
- 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 XVII.



# 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.*

## 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 enhance the health of the Camel thereby sustaining the sport as well as enabling them 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.

## Strategic partnerships:

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

KTB also partnered with the Nairobi Greenline 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 2014, the Committee partnered with the Kenya Rowing and Canoeing Association to undertake a beach clean-up exercise in Tudor creek Mombasa.



# REPORT OF THE DIRECTORS

*The Report of the Directors is submit their report together with the audited financial statements for the year ended June 30, 2014 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, 2014 are set out on page 26-40

## Directors

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.

## 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 2014.

By Order of the Board



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

*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, 2014.*

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, 2014. 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.

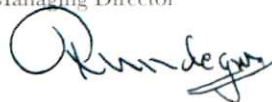
The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required 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, 2014, 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.

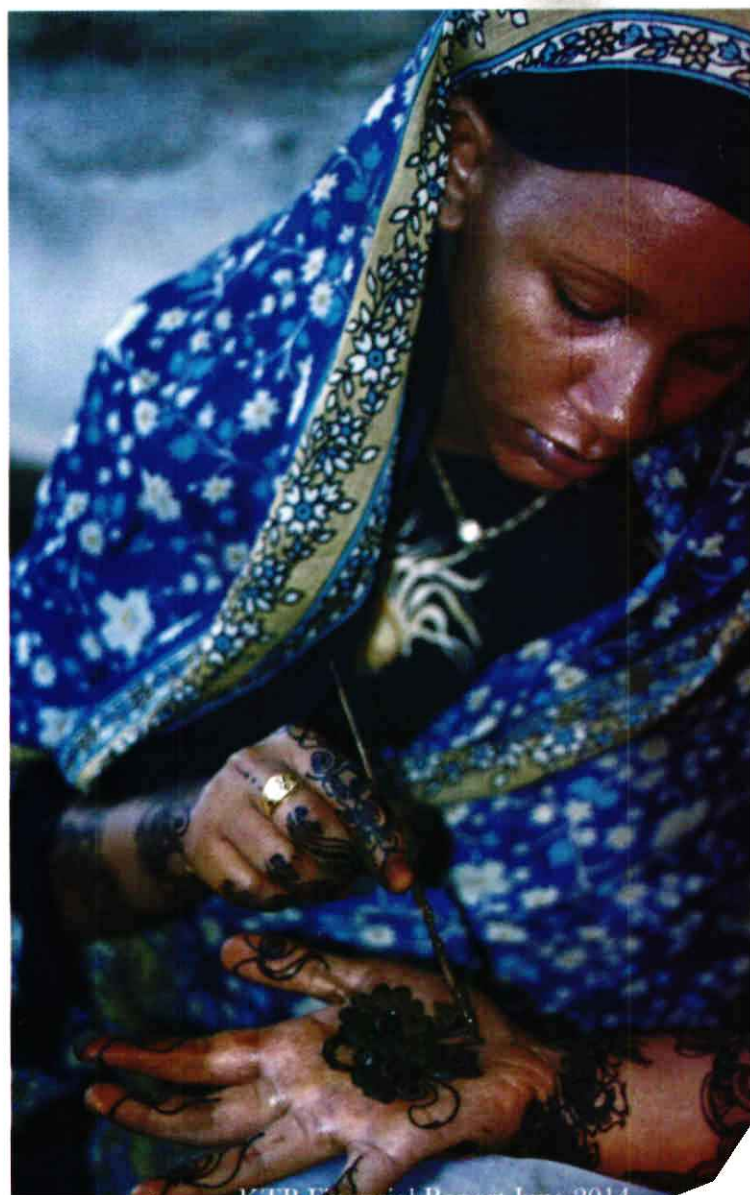
## Approval of the financial statements

The entity's financial statements were approved on 15th September 2014 and signed by:

Muriithi Ndegwa, OGW  
Managing Director



Kitili Mbathi  
Chairman

# REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA TOURISM BOARD

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## REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Tourism Board set out on page 1 to 15, which comprise the financial position as at 30th June 2014, and the statement of financial performance, statement of changes in net assets, statements 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 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 misstatements, 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 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 Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

assessments, 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 30th June 2014, and of its financial performance and its cash flow for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Tourism Act No. 28 of 2011.

## EMPHASIS OF MATTER

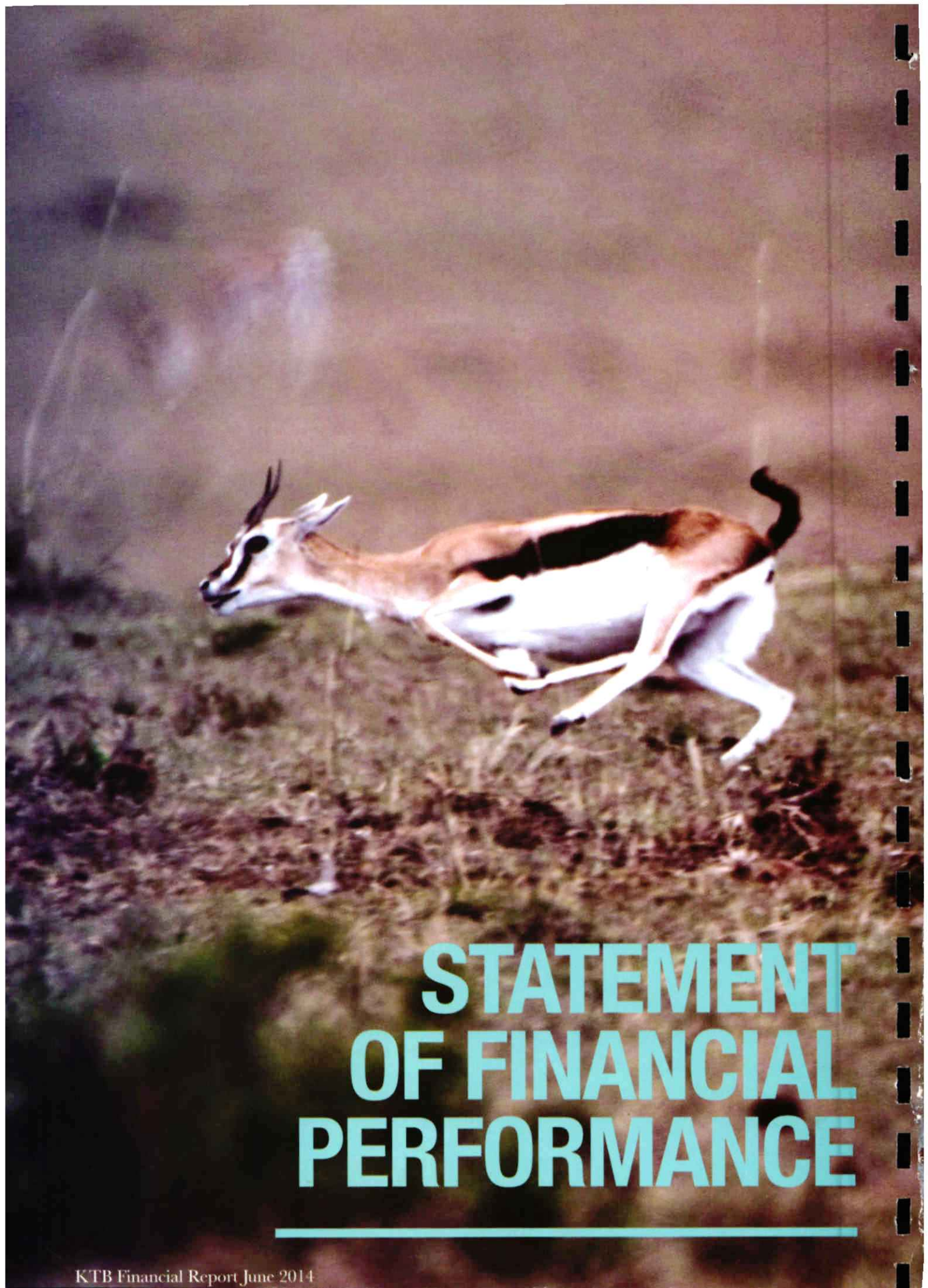
Without qualifying my opinion, I draw attention that the Cabinet Secretary is supposed to appoint the Board of Directors as per Section 6(1)(e) of the State Corporations Act Cap. 446 and gazettes the appointment. Their responsibilities are laid down under Legal Notice No. 93 of 10 August 2001. The then Minister for Tourism revoked appointment of the Board members. However the newly appointed members did not take up their duties due to court case filed by degazetted board members of various corporations under the Ministry of Tourism citing that the three years term of the previous appointments had not expired.

As a result, the Board continues to operate without a board of directors, which is in breach of Section 6(1)(e) of the State Corporations Act cap. 446 and Tourism Act No. 28 of 2001 and undermines the efficiency and effectiveness of the Board in its mandate.

Edward R.O. Ouko, CBS  
Auditor

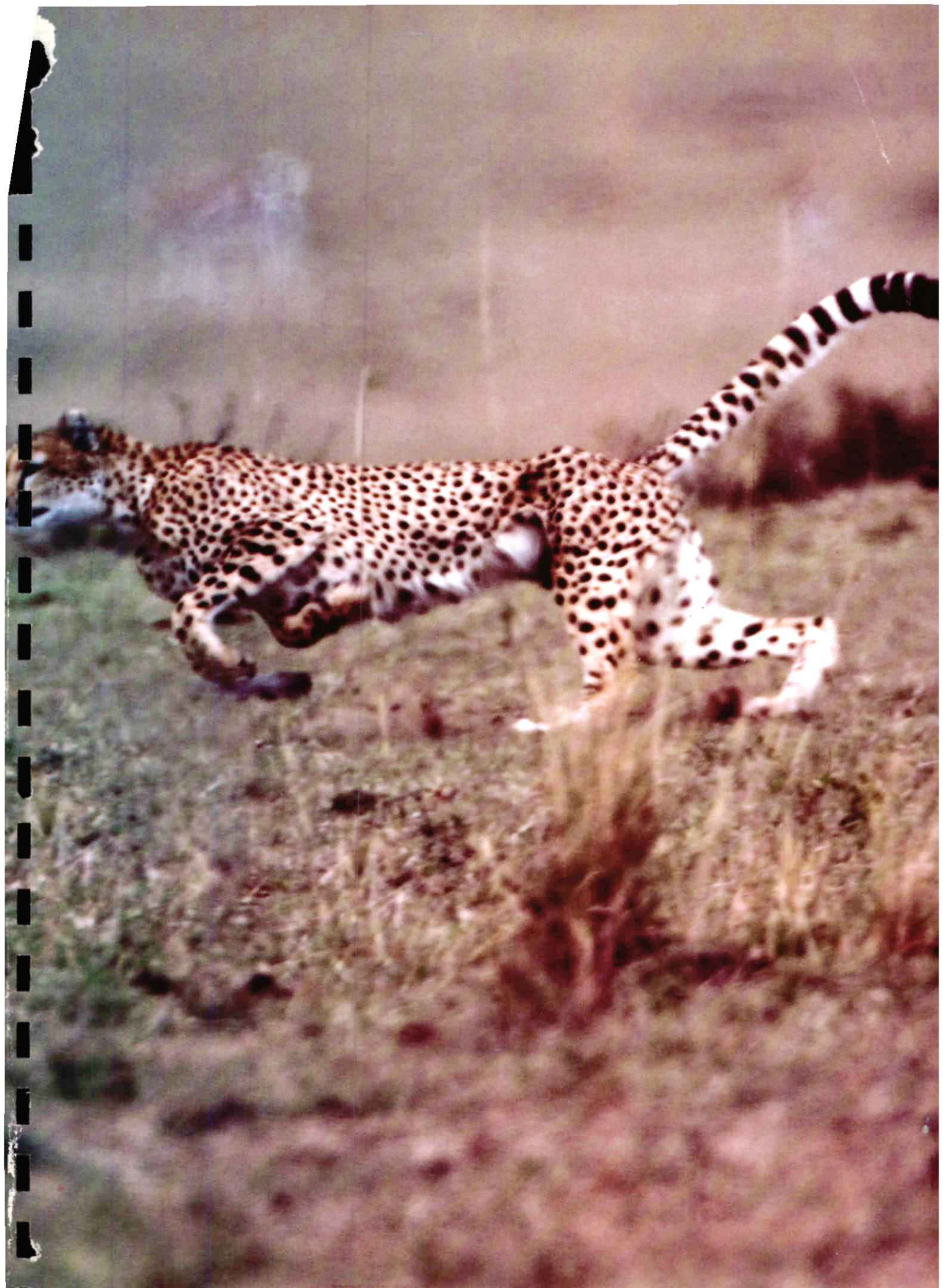
Nairobi, 3rd March 2015





# STATEMENT OF FINANCIAL PERFORMANCE

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## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014

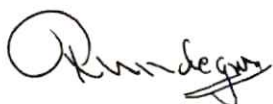
	Notes	2014 Shs	2013 Shs
<b>Revenue from non-exchange transactions</b>			
Industry contributions and donations	4	75,728,612	57,847,709
Transfer from Government Grants & other Agencies	5	1,086,354,176	967,923,979
		<b>1,162,082,788</b>	<b>1,025,771,687</b>
<b>Revenue from exchange transactions</b>			
Finance income - external investments	6	9,365,435	9,472,348
Other income	7	2,233,885	4,764,215
		11,599,320	14,236,563
<b>Total revenue</b>		<b>1,173,682,108</b>	<b>1,040,008,250</b>
<b>Expenses</b>			
Marketing Cost	8	841,434,364	736,629,941
Employee costs	9	257,631,107	226,147,832
Remuneration of Board	10	0	1,162,051
Depreciation and amortization expense	11	7,265,740	7,098,217
Repairs and maintenance	12	2,479,883	3,404,739
General expenses	13	59,436,130	54,445,402
Finance costs	14	1,298,839	1,451,098
<b>Total expenses</b>		<b>1,169,546,063</b>	<b>1,030,339,281</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets	15	821,732	0
Loss on foreign exchange transactions		(3,766,294)	(4,044,910)
<b>Surplus for the period</b>		<b>1,191,482</b>	<b>5,624,060</b>

The notes set out on pages 35 to 40 form an integral part of the Financial Statements

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 Kshs	Restated 2013 Kshs	2013 Kshs
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	16	183,929,596	140,994,039	140,994,039
Receivables from non-exchange transactions	17	100,386,649	134,746,252	134,746,252
Inventories	18	8,087,316	6,432,865	6,432,865
		<b>292,403,561</b>	<b>282,173,155</b>	<b>282,173,156</b>
<b>Non-current assets</b>				
Property, plant and equipment	19	11,071,500	10,832,455	10,832,455
Intangible assets	20	2,339,897	2,455,012	2,455,012
		13,411,397	13,287,467	13,287,467
<b>Total assets</b>		<b>305,814,958</b>	<b>295,460,623</b>	<b>295,460,623</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables from exchange transactions	21	217,478,915	223,011,999	240,409,855
Refundable deposits from customers	22	137,677	1,311,077	
Provisions	23	31,956,115	16,086,779	240,409,855
<b>Total liabilities</b>		<b>249,572,708</b>	<b>240,409,855</b>	<b>240,409,855</b>
Accumulated surplus		52,242,251	53,050,768	53,050,768
Sinking Fund	24	4,000,000	2,000,000	2,000,000
<b>Net assets</b>		<b>56,242,251</b>	<b>55,050,768</b>	<b>55,050,768</b>
<b>Total net assets and liabilities</b>		<b>305,814,958</b>	<b>295,460,623</b>	<b>295,460,623</b>

Financial Statements set out on pages 26 to 40 were signed on behalf of the Board of Directors by:



Muriithi Ndegwa, OGW  
Managing Director



Kitili Mbathi  
Chairman

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	<i>Sinking Reserves Kshs</i>	<i>Accumulated Reserves Kshs</i>	<i>Total Kshs</i>
Balance as at 30 JUNE 2012	0	49,241,592	49,241,592
Restatements		185,116	185,116
Surplus/(deficit) for the period		5,624,060	5,624,060
Transfers to/from Accumulated	2,000,000	(2,000,000)	0
<b><i>Balance as at 30 JUNE 2013</i></b>	<b><i>2,000,000</i></b>	<b><i>53,050,768</i></b>	<b><i>55,050,768</i></b>
Surplus for the period		1,191,483	1,191,483
Transfers to/from Accumulated	2,000,000	(2,000,000)	0
<b><i>Balance as at 30 JUNE 2014</i></b>	<b><i>4,000,000</i></b>	<b><i>52,242,251</i></b>	<b><i>56,242,251</i></b>

## STATEMENT OF CASH FLOWS

	<b>Notes</b>	<b>2014 Shs</b>	<b>2013 Shs</b>
<b><i>Net cash flows from operating activities</i></b>	<b>24</b>	<b>34,455,890</b>	<b>(104,152,961)</b>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		7,527,757	(11,659,313)
Proceeds from sale of property, plant and Equipments		951,911	0
Increase in investments		0	
<b><i>Net cash flows used in investing activities</i></b>		<b>8,479,668</b>	<b>(11,659,313)</b>
<b><i>Cash flows from financing activities</i></b>			
<b><i>Net cash flows used in financing activities</i></b>		<b>0</b>	<b>0</b>
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>		<b>42,935,558</b>	<b>(115,812,274)</b>
Cash and cash equivalents at 1 JULY		140,994,039	256,806,312
<b><i>Cash and cash equivalents at 30 JUNE</i></b>		<b>183,929,596</b>	<b>140,994,039</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	<i>Original budget</i>	<i>Adjustments</i>	<i>Final budget</i>	<i>Actual on comparable basis</i>	<i>Performance difference Under/ (Over)</i>
	<b>2014 Kshs</b>	<b>2014 Kshs</b>	<b>2014 Kshs</b>	<b>2014 Kshs</b>	<b>2014 Kshs</b>
<b>Revenue</b>					
Gok - Recurrent Grant	835,750,000	(130,000,000)	705,750,000	705,750,000	0
Gok - Market Development Grant	42,604,175	73,000,000	115,604,175	115,604,176	(1)
Tourism Fund Grant	400,000,000	(100,000,000)	300,000,000	265,000,000	35,000,000
Industry contribution	57,200,000	0	57,200,000	63,185,914	(5,985,914)
Finance Income	14,300,000	0	14,300,000	9,365,435	4,934,565
Other income	18,200,000	7,500,000	25,700,000	15,598,315	10,101,685
<b>Total income</b>	<b>1,368,054,175</b>	<b>(149,500,000)</b>	<b>1,218,554,175</b>	<b>1,174,503,839</b>	<b>44,050,336</b>
<b>Expenses</b>					
Marketing Expenditure	985,500,000	(96,890,000)	888,610,000	841,434,364	47,175,636
Personell emolument	275,661,000	(19,800,000)	255,861,000	257,631,107	(1,770,107)
Rent paid	18,000,000	820,000	18,820,000	21,578,517	(2,758,517)
Other payments	88,893,175	(33,630,000)	55,263,175	52,668,369	2,594,806
<b>Total expenditure</b>	<b>1,368,054,175</b>	<b>(149,500,000)</b>	<b>1,218,554,175</b>	<b>1,173,312,357</b>	<b>45,241,818</b>
 <b>Surplus for the period</b>	 <b>0</b>	 <b>0</b>	 <b>0</b>	 <b>1,191,482</b>	 <b>(1,191,482)</b>

# ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS

## 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.

## 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.

The Board restated the financial statement of 2013 from IFRS to IPSAS

## Revenue Recognition

### 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.

### Revenue from exchange transactions

#### *Sale of goods*

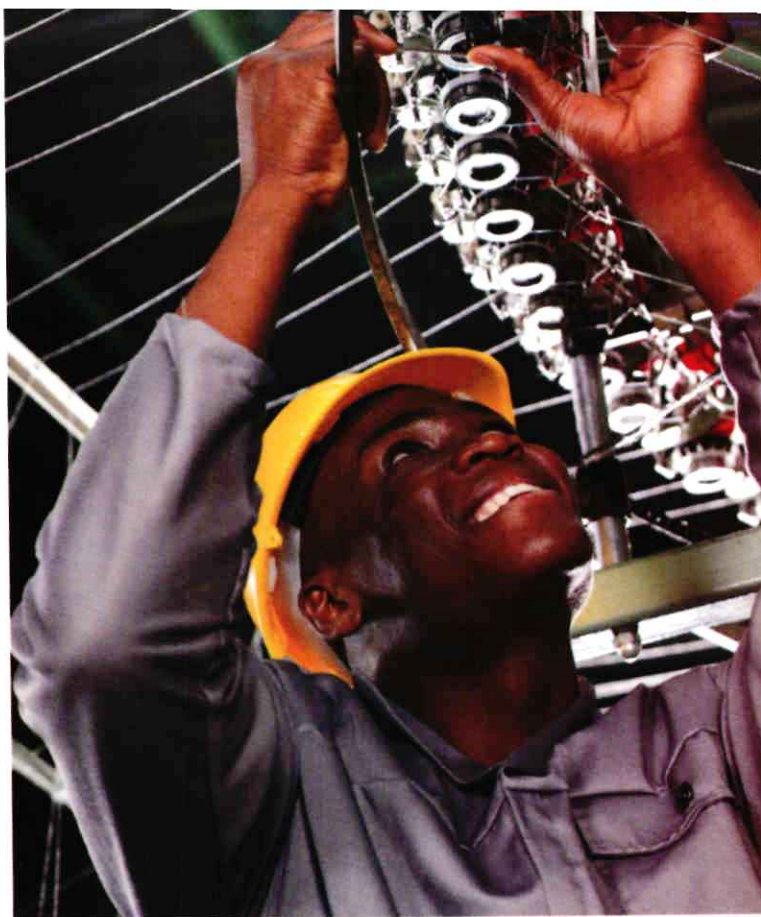
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with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

## 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.

## 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%

## 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

## 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 2014 is Ksh 4Million.

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



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:-

Intangible assets 33.3%

## 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.

## 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.

## 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.

## 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.

## 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.

## Comparative figures

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

### Subsequent events

There are no materials adjusting events after the reporting 30th June 2014.

## 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 2014 the Tourism Fund and GOK had contributed Ksh 265M and 820M respectively. GOK had an accrued income of Ksh 73M which was disbursed in July 2014.

## Budget Variance

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

### Income

The variance of Ksh 44M on income is contributed by Ksh 35M been a variance as a result of lower disbursement from the Tourism Fund, 5M over achievement income as a result of effective marketing of marketing activities. Under performance of finance income of Ksh 4.9M and 10M is as a result of lower contribution from investment income due to late disbursement of funds from GOK and Tourism Fund.





# NOTES TO FINANCIAL STATEMENTS

## Expenditure

The variance of Ksh 45 M was as a result of cancellation/ reduction of marketing activities as a result of lower than expected disbursement from the related parties Tourism Fund and GOK .

## 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.

## 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.

## 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.

## Contingent Liabilities

As at 30th June 2014, 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 it's 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 Ksh 27,685,923.40



## NOTES TO FINANCIAL STATEMENTS

	2014 Shs	Restated 2013 Shs
<b>4. INDUSTRY CONTRIBUTIONS AND DONATIONS</b>		
Industry Contribution	63,185,914	57,847,709
Partnership and Donations	12,542,698	-
<b>Total transfers and sponsorships</b>	<b>75,728,612</b>	<b>57,847,709</b>
<b>5. TRANSFER FROM GOVERNMENT &amp; OTHER AGENCIES</b>		
<b>Unconditional grants</b>		
Recurrent Grant	705,750,000	619,123,979
Tourism Fund	265,000,000	320,000,000
	<b>970,750,000</b>	<b>939,123,979</b>
<b>CONDITIONAL GRANTS</b>		
Development Grant	115,604,176	28,800,000
	115,604,176	28,800,000
<b>Total</b>	<b>1,086,354,176</b>	<b>967,923,979</b>
<b>6. FINANCE INCOME - EXTERNAL INVESTMENTS</b>		
Income from call and fixed deposits	9,365,435	9,472,348
<b>Total finance income - external investments</b>	<b>9,365,435</b>	<b>9,472,348</b>
<b>7. OTHER INCOME</b>		
Website	430,610	1,444,601
Miscellaneous Income	1,803,275	3,319,614
<b>Total other income</b>	<b>2,233,885</b>	<b>4,764,215</b>
<b>8. MARKETING RELATED COSTS</b>		
	Shs	Restated 2013 Shs
Marketing Programmes	678,075,444	609,002,487
MDR Fees	142,293,320	110,284,339
Public relation Programmes	21,065,600	17,343,115
	<b>841,434,364</b>	<b>736,629,941</b>
<b>9. EMPLOYEE COSTS</b>		
Employee related costs - salaries and wages	142,677,923	131,840,947
Housing benefits and allowances	68,507,402	59,739,146
Employee related costs - contributions to pensions and NSSF	21,885,356	17,064,854
Provision for Gratuity	2,083,200	2,456,898
Staff Group Life Policy	1,946,052	1,363,960
Staff Medical Insurance (In & Out Patient)	19,793,754	12,896,130
Group Personal Accident	737,420	785,898
<b>Employee costs</b>	<b>257,631,107</b>	<b>226,147,832</b>
<b>10. REMUNERATION OF BOARD MEMBERS</b>		
Honorarium	-	960,000
Sitting Allowances	-	140,000
Travel and Accommodation	-	3,750
Medical and other Insurances	-	58,301
<b>Total</b>	<b>-</b>	<b>1,162,051</b>

Their was no board in the current year.

**11. DEPRECIATION AND AMORTIZATION EXPENSE**

Property, plant and equipment	5,721,885	5,348,640
Intangible assets	1,543,855	1,749,577

<b>TOTAL DEPRECIATION AND AMORTIZATION</b>	<b>7,265,740</b>	<b>7,098,217</b>
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**2014****Restated 2013****Shs****Shs****12. REPAIRS AND MAINTENANCE**

Motor Vehicle	921,167	618,906
Office Furniture and Equipment	368,784	1,370,371
Computers	1,189,932	1,415,463

<b>Total repairs and maintenance</b>	<b>2,479,883</b>	<b>3,404,739</b>
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**13. GENERAL EXPENSES**

Audit fees	700,000	710,000
Staff welfare, professional memberships, club membership	1,457,200	1,353,561
Staff Training & Recruitment	6,720,136	6,823,477
Staff Uniform	192,436	140,184
Insurance for Motor Vehicle, Computers & Office Equip.	829,048	703,156
Rent	21,578,517	16,746,777
Telephone, postal & Directories	4,165,113	4,039,789
Printing & Stationery	2,985,315	1,956,305
Entertainment	2,071,673	2,092,031
Local Traveling & Accommodation	1,365,313	3,637,478
Legal & Consultancies	1,546,883	1,577,117
ICT Software licences/ Support fees & ERP Programmes	5,965,866	3,752,545

Office general expenses	9,858,630	10,912,982
<b>Total general expenses</b>	<b>59,436,130</b>	<b>54,445,402</b>

**14. FINANCE COST**

Bank charges	1,298,839	1,451,098
	<b>1,298,839</b>	<b>1,451,098</b>

**15. GAIN ON SALE OF ASSETS**

Property, plant and equipment	821,732	0
<b>Total gain on sale of assets</b>	<b>821,732</b>	<b>0</b>

**Loss on foreign exchange transactions**

Forex Loss	3,766,294	4,044,910
	<b>3,766,294</b>	<b>4,044,910</b>

**16. CASH AND CASH EQUIVALENTS**

Bank	133,744,513	90,914,545
Cash-on-hand and in transit	185,083	79,494
Short-term Fixed/Call deposits	50,000,000	50,000,000
<b>Total cash and cash equivalents</b>	<b>183,929,596</b>	<b>140,994,039</b>

## 17. RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

	<b>2014</b>	<b>2013</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current receivables</b>		
Exhibition debtors	9,447,727	4,653,109
GoK & Tourism Fund	73,000,000	113,333,106
Staff Advances and Perdiem	5,708,141	4,748,194
Prepayment	11,234,158	11,428,052
Imprest	3,090,609	2,335,557
Interest and other deposits/receivables	443,361	785,582
	<b>102,923,996</b>	<b>137,283,599</b>
Less Provisions:		
Bad Debt- Industry	813,501	813,501
Bad Debt- Staff	1,723,846	1,723,846
<b>Sub Total</b>	<b>2,537,347</b>	<b>2,537,347</b>
<b>Total current receivables</b>	<b>100,386,649</b>	<b>134,746,252</b>

## 18. INVENTORIES

Consumable stores	8,087,316	6,432,865
<b>Total Inventories</b>	<b>8,087,316</b>	<b>6,432,865</b>

## 19. PROPERTY, PLANT AND EQUIPMENT

	<b>Office</b>	<b>Computer</b>	<b>Furniture &amp;</b>	<b>Motorvehicle</b>	<b>Total</b>
	<b>Equipment</b>	<b>Hardware</b>	<b>Fittings</b>		
<b>Cost</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
<b>At 1 July 2012</b>	<b>10,562,734</b>	<b>24,264,877</b>	<b>21,302,072</b>	<b>20,084,013</b>	<b>76,213,696</b>
Additions	705,878	3,044,519	97,490	5,010,000	8,857,887
Disposals	0	0	0	0	0
Transfers/ adjustments	0	0	0	0	0
<b>At 30 June 2013</b>	<b>11,268,612</b>	<b>27,309,396</b>	<b>21,399,562</b>	<b>25,094,013</b>	<b>85,071,583</b>
Additions	320,738	2,742,027	3,036,252	0	6,099,017
Disposals	(890,229)	(2,484,590)	-	(11,255,149)	(14,629,967)
Transfer/ adjustments	0	0	0	0	0
<b>At 30 June 2014</b>	<b>10,699,121</b>	<b>27,566,834</b>	<b>24,435,814</b>	<b>13,838,864</b>	<b>76,540,633</b>
	<b>Office</b>	<b>Computer</b>	<b>Furniture &amp;</b>	<b>Motorvehicle</b>	<b>Total</b>
	<b>Equipment</b>	<b>Hardware</b>	<b>Fittings</b>		
<b>Depreciation and impairment</b>					
At 1 July 2012	7,804,861	23,143,241	18,147,541	19,794,845	68,890,488
Depreciation	929,791	3,129,796	895,510	393,543	5,348,640
<b>At 30 June 2013</b>	<b>8,734,652</b>	<b>26,273,037</b>	<b>19,043,051</b>	<b>20,188,388</b>	<b>74,239,128</b>
Depreciation	783,995	2,712,404	972,986	1,252,500	5,721,885
Disposals	(752,141)	(2,484,590)	-	(11,255,149)	(14,491,880)
<b>At 30 June 2014</b>	<b>8,766,506</b>	<b>26,500,851</b>	<b>20,016,037</b>	<b>10,185,739</b>	<b>65,469,133</b>
<b>Net book values</b>					
<b>At 30 June 2014</b>	<b>1,932,615</b>	<b>1,065,983</b>	<b>4,419,777</b>	<b>3,653,125</b>	<b>11,071,500</b>
<b>At 30 June 2013</b>	<b>2,533,960</b>	<b>1,036,359</b>	<b>2,356,511</b>	<b>4,905,625</b>	<b>10,832,455</b>

## 20. INTANGIBLE ASSETS SOFTWARE

	2014 KShs
Cost	
<b>At 1 July 2012</b>	<b>28,320,500</b>
Additions	2,801,426
<b>At 30 June 2013</b>	<b>31,121,926</b>
Additions – internal development	1,428,740
<b>At 30 June 2014</b>	<b>32,550,666</b>
<b>Amortization and impairment</b>	
<b>At 1 July 2012</b>	<b>26,917,337</b>
Amortization	1,749,577
<b>At 30 June 2013</b>	<b>28,666,914</b>
Amortization	1,543,855
Impairment loss	0
<b>At 30 June 2014</b>	<b>30,210,769</b>
<b>Net book values</b>	
<b>At 30 June 2014</b>	<b>2,339,897</b>
<b>At 30 June 2013</b>	<b>2,455,012</b>

## 21. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2014 Kshs	2013 Kshs
Trade payables	170,909,925	170,289,982
Payments received in advance- Exhibitions	6,756,164	10,436,695
Accruals	34,765,885	42,151,449
Other payables	5,046,941	133,873
<b>Total trade and other payables</b>	<b>217,478,915</b>	<b>223,011,999</b>

## 22. REFUNDABLE DEPOSITS FROM CUSTOMERS

	2014 Kshs	2013 Kshs
Consumer deposits	137,677	1,311,077
<b>Total trade and other payables</b>	<b>137,677</b>	<b>1,311,077</b>

## 23. CURRENT PROVISIONS

	Leave Balances Shs	Staff Salaries Shs	Staff Gratuity Shs	Pension Shs	Audit Fees Shs	Total Shs
Balance at the beginning of the year	7,896,955	6,191,430	1,288,394		710,000	16,086,779
Additional provisions raised	10,655,521	665,843	2,083,200	2,402,772	700,000	16,507,336
Provision utilized		0	0		(638,000)	(638,000)
<b>Balance as at 30 June 2014</b>	<b>18,552,476</b>	<b>6,857,273</b>	<b>3,371,594</b>	<b>2,402,772</b>	<b>772,000</b>	<b>31,956,115</b>

## 24. CASH GENERATED FROM OPERATIONS

	<b>2014</b>	<b>2013</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>	<b>1,191,482</b>	<b>5,624,060</b>
<i>Adjusted for:</i>		
Depreciation	5,721,885	5,348,640
Amortisation	1,543,855	1,749,577
<i>Working capital adjustments:</i>		
Increase in inventory	(1,654,451)	(490,781)
Decrease in receivables	34,359,602	(123,709,515)
Prior year adjustment		185,116
Decrease in payables	(6,706,484)	7,139,942
<b><i>Net cash flows from operating activities</i></b>	<b>34,455,890</b>	<b>(104,152,961)</b>



# PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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*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.*

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>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 de-gazetted 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 "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"</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. 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	

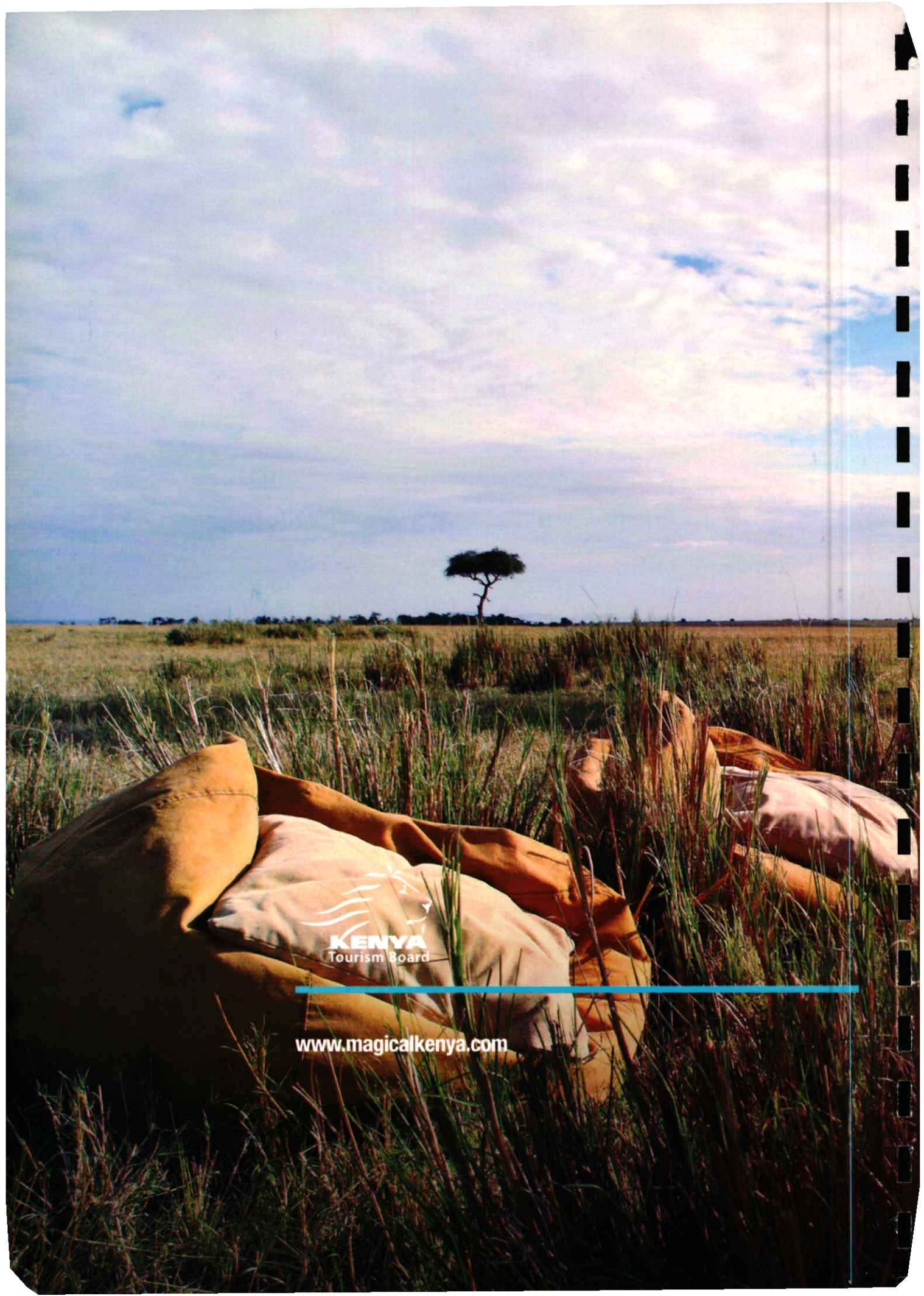
Muriithi Ndegwa, OGW  
Managing Director



Kiitii Mbathi  
Chairman

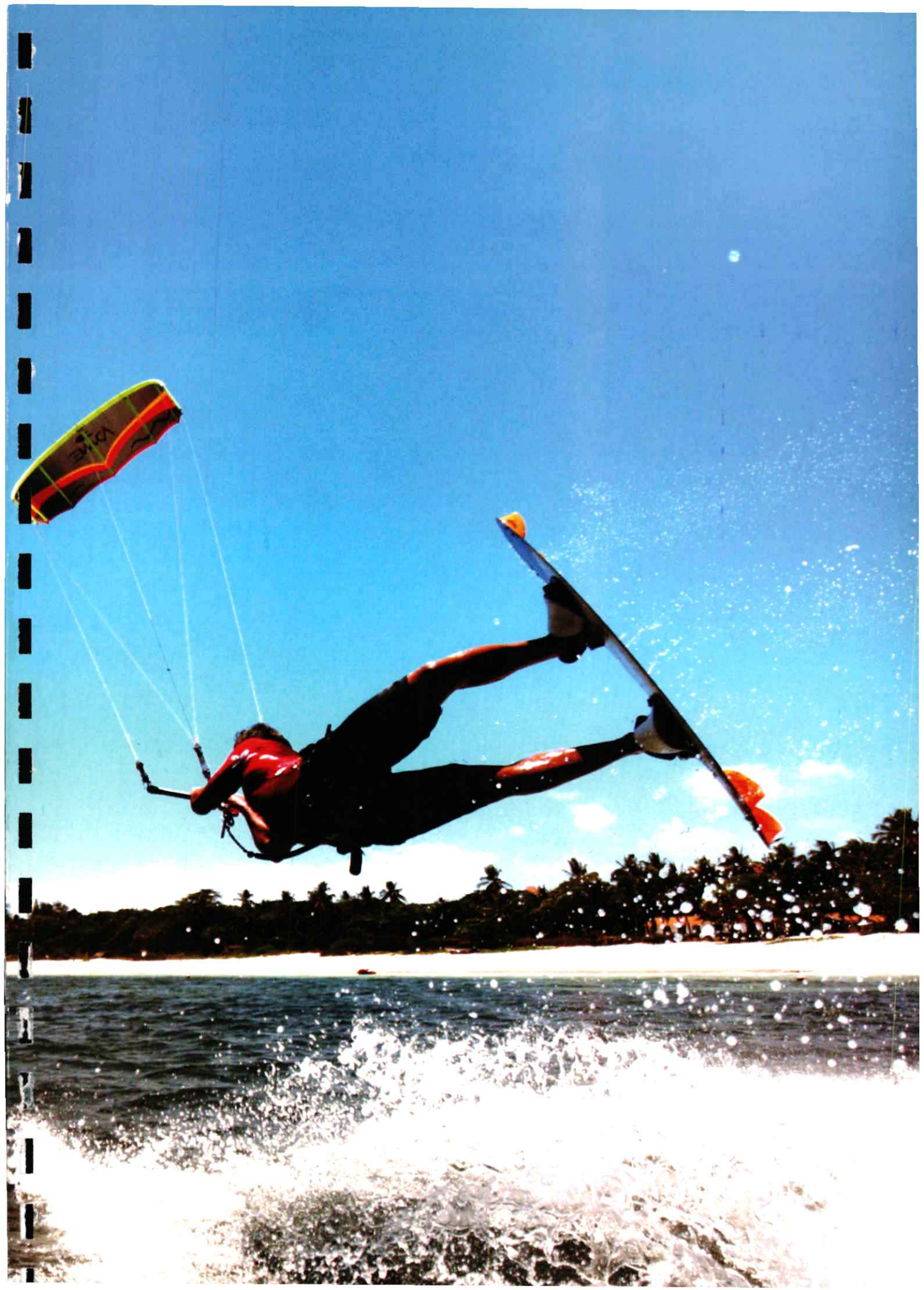


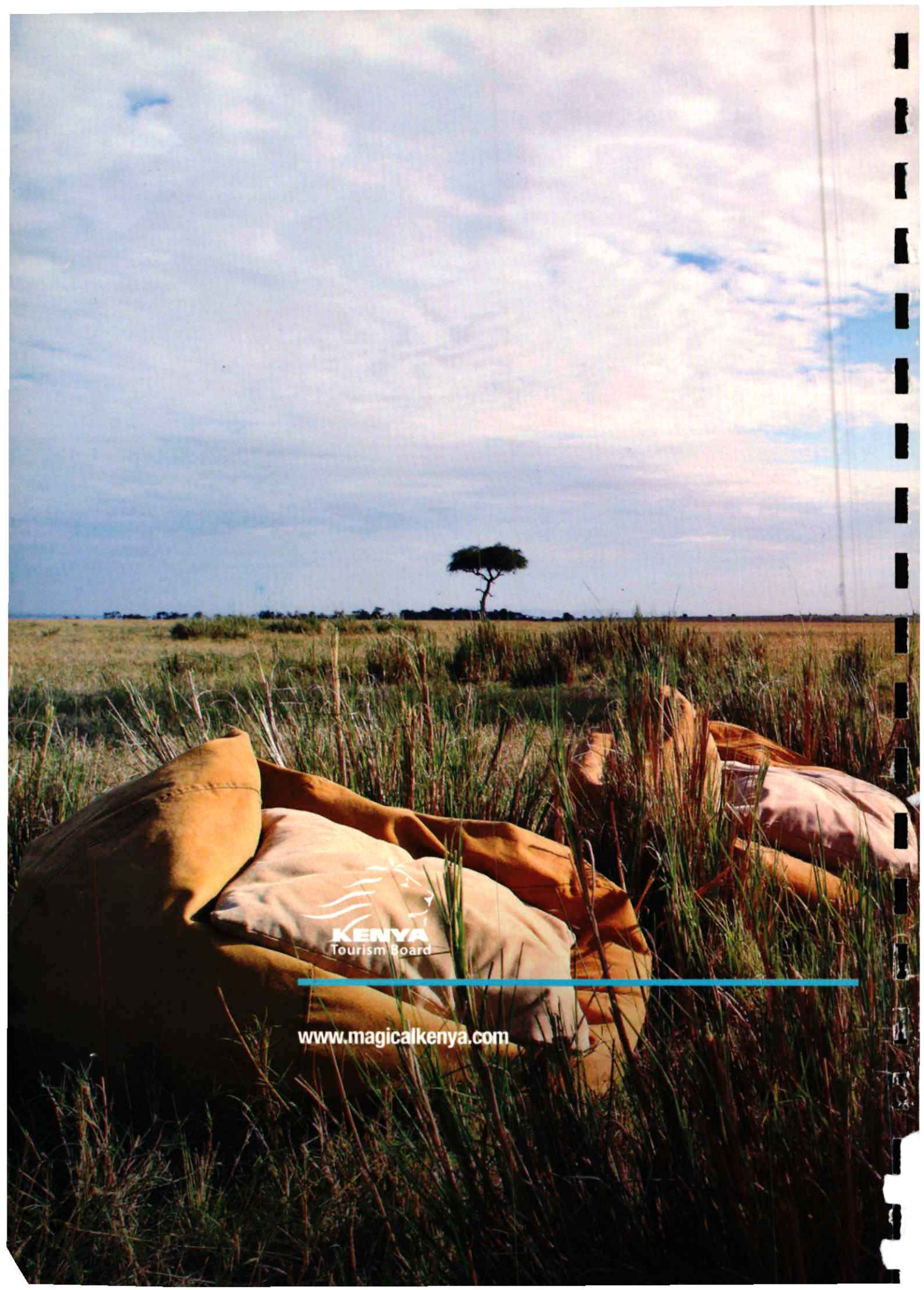




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