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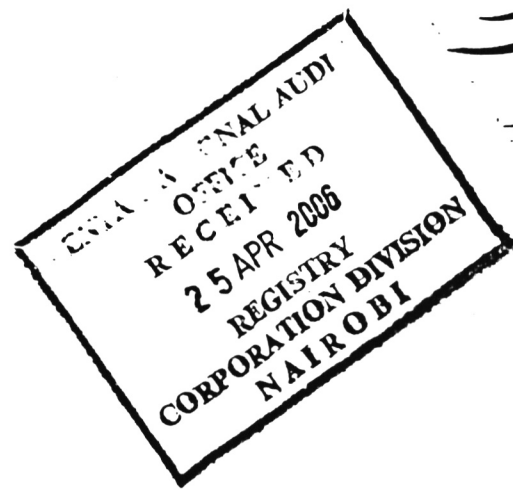
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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA TOURIST BOARD FOR THE YEAR ENDED 30 JUNE, 2005

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KENYA TOURIST BOARD
ANNUAL REPORT
AND
FINANCIAL STATEMENTS

30 JUNE 2005



KENYA TOURIST BOARD
BOARD'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

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KENYA TOURIST BOARD
BOARD INFORMATION
FOR THE YEAR ENDED 30 JUNE 2005

PRINCIPAL PLACE OF BUSINESS

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

BANKERS

Kenya Commercial Bank Ltd
Moi Avenue Branch,
P.O Box 48400, 00100
NAIROBI

Commercial Bank of Africa Ltd.
Commercial Bank Building,
Wabera Street
P.O Box 30437, 00100
NAIROBI

SOLICITORS

Kaplan & Stratton,
Williamson House, 9th Floor,
P.O Box 40111, 00100
NAIROBI

AUDITORS

Controller & Auditor General
Kenya National Audit Office,
Kencom House,
P.O Box 30084, 00100
NAIROBI

KENYA TOURIST BOARD
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2005

The Directors submit their report together with the audited financial statements for the year ended 30th June 2005, which show the state of the Board's affairs.

1. PRINCIPLE ACTIVITIES

Kenya Tourist Board was formed as a State Corporation, through Kenya Gazette Supplement No. 9 dated February 1997.

The mandates of Kenya Tourist Board, as per the Gazette Supplement are:

- (a) To promote and market Kenya as a tourist destination locally and internationally.
- (b) To establish public relations services to address issues concerning the image of the tourism industry in Kenya and facilitate the resolutions of conflicts within the industry.
- (c) To work in partnership with national, regional and international organizations, and local authorities in order to improve the tourism environment.
- (d) To monitor the quality and standards of facilities available to both local and international tourists and advise the private and government agencies on how to improve the facilities for the targeted markets.
- (e) To develop and maintain professional personnel to deal with issues that adversely affect Kenya's image in the tourism industry: and
- (f) To initiate education and awareness programmes on tourism locally and abroad.

2. RESULTS

The results for the year are shown on page 6.

3. DIRECTORS

The Directors who served during the year and to the date of this report are:

Jake Grieves-Cook – Chairman

Dr. Ongonga' Achieng' – Managing Director/Board Secretary

Mr. Gituai- Alternate Mr. E. M Ngugi

Mrs. Rebecca Nabutola, M.B.S. –Alternate Ms. Wanjiru Munene

Mr. P. K Karanja

Mrs. Mia Dunford

Mr. J.K. Kinyua - Alternate Mr. J. Tuamwari

Mr. S. K Maina

Mr. Julius Kipngetich

Mr. Khalid Shapi

Mr. Sandy Vohra – Retired 30th June 2005

Ms. Lucy Karume – Appointed 30th June 2005 (Alternate Mr. M. Macharia)

Mr. Mutua Nzoka

Maj. Rtd. William Kamunge

By order of the Board

Managing Director

13-04-2006 ~~2005~~

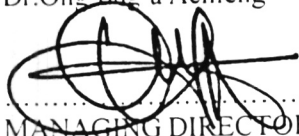
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

It is the responsibility of the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Board as at the end of the financial year and of its operating results for that year. It is also the Directors responsibility to ensure that the Board keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

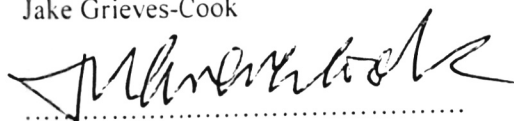
Dr.Ong'ong'a Achieng



.....
MANAGING DIRECTOR

13-04-2006
Date

Jake Grieves-Cook



.....
DIRECTOR

13-04-2006
Date



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA TOURIST BOARD FOR THE YEAR ENDED 30 JUNE, 2005

I have audited the financial statements of Kenya Tourist Board for the year ended 30 June, 2005 in accordance with the provisions of 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. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Board of Directors and the Controller and Auditor General

As set out in the statement of directors responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Board's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Board as at 30 June 2005 and of its deficit and cash flows for the year then

ended in accordance with the International Financial Reporting Standards and
comply with Kenya Tourist Board Order, 1997.



E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

24 April 2006

KENYA TOURIST BOARD
BALANCE SHEET
AS AT 30TH JUNE 2005

	NOTES	30-Jun-05 KSHS	30-Jun-04 KSHS
PROPERTY, PLANT & EQUIPMENT	2	14,648,897	13,763,688
		14,648,897	13,763,688
<u>CURRENT ASSETS</u>			
PETTY CASH	19	5,258	3,549
BANK ACCOUNT	3	64,552,199	74,698,815
TREASURY BILLS	20	-	2,389,680
INVENTORY	21	7,432,336	1,586,738
PREPAYMENT	4	1,553,890	4,032,243
RECEIVABLES	5	60,375,841	11,604,883
		133,919,523	94,315,908
<u>CURRENT LIABILITIES</u>			
CREDITORS AND ACCRUALS	6	137,147,307	68,781,895
REFUND TO TOURIST TRUST FUND	22	-	23,868,721
AUDIT FEE PAYABLE		450,000	450,000
		137,597,307	93,100,616
NET CURRENT ASSETS		(3,677,784)	1,215,293
TOTAL ASSETS		10,971,113	14,978,981
<u>FINANCED BY</u>			
GENERAL FUND	23	9,161,613	13,160,480
REVALUATION RESERVE	24	1,790,000	1,790,000
CAPITAL GRANTS (EU)	25	19,500	28,500
		10,971,113	14,978,980

The Financial accounts were approved by the Board on the 26th August 2005 and signed on it's behalf on

Dr. Ong'ong'a Achieng

Managing Director: 

Jake Grieves-Cook

Chairman: 

KENYA TOURIST BOARD
 INCOME AND EXPENDITURE ACCOUNT
 FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	30-Jun-05 KSHS	30-Jun-04 KSHS
<u>INCOME</u>			
GOVERNMENT GRANT-ANNUAL	9	321,996,000	190,000,000
GOVERNMENT GRANT-PENDING BILLS	10	-	50,000,000
GOVERNMENT GRANT-RECOVERY	11	-	200,000,000
TOURIST TRUST FUND GRANT-RECOVERY	12	-	209,646,411
TOURIST TRUST FUND GRANT-AMP	13	127,462,667	-
TTF-HOTEL MASTER FILE SURVEY	14	4,860,000	-
CATERING LEVY	15	72,250,100	53,495,794
OTHERS	7	34,413,217	34,522,791
		560,981,983	737,664,995
<u>EXPENDITURE</u>			
RECURRENT EXPENDITURE	8	553,114,929	637,672,993
DIRECTORS EXPENSES	16	3,972,644	2,219,938
DEPRECIATION	2	5,136,278	5,193,594
AUDIT FEE	17	150,000	180,160
		562,373,850	645,266,686
SURPLUS / (DEFICIT)		(1,391,867)	92,398,310
<u>GENERAL FUND</u>			
OPENING BALANCE		13,160,480	(80,437,188)
PRIOR PERIOD ADJUSTMENT	18	(2,607,000)	1,199,358
SURPLUS / (DEFICIT) FOR THE YEAR		(1,391,867)	92,398,310
CLOSING BALANCE		9,161,613	13,160,480

KENYA TOURIST BOARD
 STATEMENT OF CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED 30 JUNE 2005

	EUROPEAN UNION	REVALUATION RESERVE	GENERAL	TOTAL
	KShs.	KShs.	KShs.	KShs.
As at 1st July 2003	37,500	1,790,000	(80,437,188)	(78,609,688)
Surplus/ (Deficit) for the year	(9,000)	-	93,597,668	93,588,668
Balance as at 30th June 2004	28,500	1,790,000	13,160,480	14,978,980
As at 1st July 2004	28,500	1,790,000	13,160,480	14,978,980
Deficit for the year	(9,000)	-	(3,998,867)	(4,007,867)
Balance as at 30th June 2005	19,500	1,790,000	9,161,613	10,971,113

KENYA TOURIST BOARD

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2005

	30-Jun-05 KSHS	30-Jun-04 KSHS
NET CASH FLOW FROM OPERATING ACTIVITIES		
OPERATING SURPLUS / (DEFICIT)	(1,391,867)	92,398,310
<u>ADJUSTMENT</u>		
DEPRECIATION	5,136,278	5,193,594
AMORTIZATION-EU CAPITAL GRANT	(9,000)	(9,000)
<u>CHANGES IN WORKING CAPITAL</u>		
(INCREASE) / DECREASE IN DEBTORS	(54,745,202)	(11,914,006)
INCREASE / (DECREASE) IN CREDITORS	44,496,691	(11,920,665)
NET CASH FLOW FROM OPERATING ACTIVITIES	(6,513,101)	73,748,233
INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(6,021,487)	(2,081,656)
NET CASH FLOW FROM INVESTING ACTIVITIES	(6,021,487)	(2,081,656)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(12,534,588)	71,666,577
CASH & CASH EQUIVALENTS 1ST JULY	77,092,044	5,425,467
	64,557,456	77,092,044
ANALYSIS OF BALANCES OF CASH & CASH EQUIVALENTS		
PETTY CASH	5,258	3,549
BANK BALANCE	64,552,199	74,698,815
TREASURY BILLS	-	2,389,680
	64,557,456	77,092,044

KENYA TOURIST BOARD
ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2005

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

- (a) **Basis of Accounting**
The financial statements are prepared under the historical cost convention basis of accounting as modified by revaluation of motor vehicles.
- (b) **Depreciation**
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:-
- | | |
|------------------|-------|
| Motor vehicles | 25% |
| Office Equipment | 12.5% |
| Furniture | 12.5% |
| Computers | 30% |
- (c) **Foreign Currency transactions**
Revenue received and expenditure incurred in foreign currencies is translated into Kenya Shillings at the rates of exchange prevailing on the transaction dates. Assets and Liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Kenya shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income and expenditure statement in the year in which they arise.
- (d) **Inventories**
Inventories are valued at fair value using the First in First out (FIFO) formula.
- (e) **Revenue recognition**
Income recognized on accrual basis. Grants from the Government of Kenya and Catering Levy Trustees are recorded when realized. Grants from the European Union are recognized once the conditions for disbursements are met.
- (f) **Retirement benefit costs**
The Board contributes to a defined contribution pension scheme, at the rate of 10% of basic pay and to the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to KShs 200 per employee per month.
- The Board's contributions to the above scheme are charged to the income and expenditure account in the period to which they relate.
- (g) **Employee entitlements**
The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.
Employee entitlements to gratuity are recognised 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.
- (h) **Cash and cash equivalents**
For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days of maturity from the balance sheet date.

KENYA TOURIST BOARD
 NOTES TO THE THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2005

1 GENERAL INFORMATION

Kenya Tourist Board is a legal entity established by Kenya Gazette Supplement No. 9 dated 7th February 1997 and mandated to, among other duties, promote and market Kenya as a tourist destination

2 FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2005

DETAILS

	OFFICE EQUIPMENT	COMPUTERS	FURNITURE	MOTOR VEHICLES	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS
<u>COST / VALUATION</u>					
As at 1st July 2004	3,372,833	8,767,778	13,925,382	9,341,886	35,407,879
Additional during the year	336,761	982,314	440,943	4,261,469	6,021,487
Total as at 30th June 2005	3,709,593	9,750,092	14,366,325	13,603,355	41,429,366
<u>DEPRECIATION</u>					
As at 1st July 2004	1,609,979	6,995,738	5,948,087	7,090,386	21,644,191
Charge for the year	410,810	793,047.83	1,781,561	2,150,859	5,136,278
Total as at 30th June 2005	2,020,789	7,788,786	7,729,649	9,241,245	26,780,469
NBV as at 30th June 2005	1,688,804	1,961,306	6,636,677	4,362,110	14,648,897
NBV as at 30th June 2004	1,762,854	1,772,040	7,977,295	2,251,500	13,763,689

3 BANK ACCOUNTS

30-Jun-05 30-Jun-04

Kenya Shillings Accounts	46,562,996	41,324,599
Euro Accounts	14,383,960	32,426,708
USD Accounts	3,605,242	947,508
	<u>64,552,199</u>	<u>74,698,815</u>

The bank balances exclude unexplained transactions by the bank totalling to a credit amount of Kshs. 1,014,341 the effect of which would increase the cash balance to Ksh.65,566,540

4 PREPAYMENTS & DEPOSITS

30-Jun-05 30-Jun-04

Insurances	526,930	556,817
Imprest	782,996	3,262,186
Others	243,964	213,240
	<u>1,553,890</u>	<u>4,032,243</u>

KENYA TOURIST BOARD
NOTES TO THE THE FINANCIAL STATEMENT-Continued
FOR THE YEAR ENDED 30 JUNE 2005

4 PREPAYMENTS & DEPOSITS	30-Jun-05 KSHS.	30-Jun-04 KSHS.
Insurances	526,930	556,817
Imprest	782,996	3,262,186
Others	243,964	213,240
	<u>1,553,890</u>	<u>4,032,243</u>

5 RECEIVABLES		
Industry contribution	4,109,003	10,652,574
Jim Flannery	208,284	208,284
EU/TF -AMP 04 GRANT Receivable	54,846,667	-
Staff Advances	1,407,001	959,264
Mediplus	569,727	569,727
Others	35,825	15,700
	<u>61,176,507</u>	<u>12,405,549</u>
Provision for bad debts	(800,666)	(800,666)
	<u>60,375,841</u>	<u>11,604,883</u>

The Board approved the write off of the amount receivable from Jim Flannery subject to the approval of the Minister.

6 CREDITORS AND ACCRUALS	30-Jun-05 KSHS.	30-Jun-04 KSHS.
International Creditors	56,313,745	36,569,128
Local Creditors	49,614,305	6,426,598
Accruals	27,945,105	857,520
Payroll Deductions	3,274,152	24,928,650
	<u>137,147,307</u>	<u>68,781,895</u>

7 OTHER INCOME		
Industry contribution	29,690,441	25,166,986
EU Grant Receivables	-	-
Interest income	1,112,818	491,798
International VAT refund	1,700,792	-
Miscellaneous	213,941	429,737
EU Grant Amortization	9,000	9,000
	<u>34,413,217</u>	<u>34,522,791</u>

8 RECURRENT EXPENDITURE		
Bank charges	735,749	711,908
Salaries and wages	63,686,404	55,546,661
Pension and NSSF Contribution	4,014,334	4,427,779
Staff Group Life Policy	1,004,985	1,189,705
Staff Medical Insurance	2,210,453	1,739,439
Group Personal Accident	644,404	480,486
Subscriptions & Donations	506,550	436,772
Staff Training & Recruitment	7,037,783	2,202,682
R & M for Motor Vehicle,Computers & Office Equip.	3,708,613	2,203,087
Insurance for Motor Vehicle,Computers & Office Equ	332,954	273,443
Rent	7,761,130	7,185,428
Postage	526,618	339,211
Telephone	5,864,140	4,969,304
Stationery	1,829,916	688,656
Office general expenses	1,680,654	1,687,605
Staff uniforms	60,066	133,809
Entertainment	793,210	493,076
Committes,Conferences & Meetings	84,605	12,680
Local Travelling & Accommodation	2,196,621	1,988,476
Legal/Consultancy fees	968,551	663,970
Strategic workshop	-	3,388,816
Marketing and promotion	448,164,166	108,924,799
TMRP Fulfilment consultancy	-	5,500,000
Recovery Programme	-	429,901,172
Exchange Loss/(Gain)	(696,978)	2,584,029
	<u>553,114,929</u>	<u>637,672,993</u>

KENYA TOURIST BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005 (continued)

9. GOVERNMENT GRANT-ANNUAL.
Government Grant-annual consists of annual Grants to the Board as voted for in the Government budget for the financial year. The expected receipts from Government are thus well known before the start of the year and the same are released on a quarterly basis.
10. GOVERNMENT GRANT-PENDING BILLS
The amount was voted in the financial year 2003/04 to enable the Board pay some outstanding creditors who could not have been paid out of the Annual allocation for the period. This was therefore not voted for in the Financial Year 2004/05
11. GOVERNMENT GRANT-RECOVERY.
The amount was voted in the Financial Year 2003/04 to help revive the tourism sector following the adverse publicity and travel advisories in key source markets. The Government together with the European Union financed a Tourism Market Recovery Programme (TMRP) which was a six months intense marketing campaign. This was however not to be repeated in the following year.
12. TOURIST TRUST FUND GRANT-RECOVERY
This was meant to match the Government of Kenya funds in support of the Tourism Market Recovery Programme (TMRP). The Government together with the European Union financed a Tourism Market Recovery Programme (TMRP) which was a six months intense marketing campaign. This was however not to be repeated in the following year.
13. TOURIST TRUST FUND GRANT-AMP
The Annual Marketing plan is meant to supplement the Government budgetary allocation to the Board to support the marketing programmes. This was initiated in the year under review.
14. TTF-HOTEL MASTER FILE SURVEY
The Hotel master file survey was funded by the Tourism Trust Fund to enable the Central Bureau of Statistics and the Kenya Tourist Board collect data on a timely basis for planning, policy making, marketing and promotion purposes. The aim of the survey was to improve on the frame used to conduct studies for the tourism sector since the last frame was developed in 1997.
15. CATERING LEVY
The revenue from the Catering Levy Trustees is a share of the Hotel catering levy of 2% levied to hotel establishments. The enhanced collection is a reflection of the improved performance of the tourism sector.
16. DIRECTORS EXPENSES
The Directors expenses relate to sitting allowances paid to Directors and other expenses incurred in transacting Directors activities as far as they relate to the Board.
17. AUDIT FEES
This comprises of the fees expected to be paid to our Auditors for work done in relation to the financial year. The amount charged in the current financial statements is an estimate based on the fees paid in the previous year.
18. PRIOR PERIOD ADJUSTMENT.
The Prior period adjustment of KShs. 2,607,000 relates to web advertising invoices duplicated in the Debtors account and for which the adjustments were made in the current period.
19. PETTY CASH.
Petty cash is held to enable the Board pay for minor expenses of less than KShs. 5,000 and where such expenses can not be well planned for in advance.

KENYA TOURIST BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005 (continued)

20. **TREASURY BILLS**
Treasury bills amounting to KShs 2,389,680 are held as security for the staff car loan scheme as approved. The bills matured towards the end of the year and the proceeds credited back to the bank account. They were however repurchased in the current financial year.
21. **INVENTORY.**
The inventory comprises of stationery and promotional giveaways.
22. **REFUND TO TOURISM TRUST FUND**
In accordance with the financing agreement, a provision of KShs 23,866,721 refund to Tourist Trust Fund for the unspent balance of the Tourism Market Recovery Project (TMRP) grant.
23. **GENERAL FUND**
The General fund is composed of the accumulated surplus over the period of the Board's existence.
24. **REVALUATION RESERVE**
The revaluation surplus represents solely the surplus on revaluation of Property, plant and Equipment (Motor vehicles) and is non-distributable.
25. **CAPITAL GRANTS (EU)**
The capital grants (EU) arose from donations made by the European Union in form of Equipment and whose value will be amortized over their useful lives. The Capital grants account will thus be amortized over the same time.
26. **CONTINGENT LIABILITIES**
At 30th June 2005 there was a contingent liability arising from a claim by a former employee representing damages for alleged wrongful dismissal. The subject of a court case. It is not practicable to estimate the eventual liability. The company has been advised by its lawyers that it is possible, but not probable, that the action will succeed and accordingly no provision for any liability has been made in this financial statement.
27. **COMPARATIVES**
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparative figures have been adjusted to take into account the effect of the prior year adjustment.
28. **CAPITAL COMMITMENTS**
The Board is not involved in any capital projects and has therefore no capital commitments outstanding.
29. **TAX EXEMPTION**
The Board's income is exempt from tax by the Minister for Finance under section 13(2) of the Income Tax Cap 470 vide Kenya Gazette Supplement No. 121 dated 20th December 2002 (copy attached).
30. **EMPLOYEES**
The average number of employees for the Board during the period was fifty five -55 (June 2004 – twenty nine).
31. **CURRENCY RISK**
The Board operates wholly within Kenya and its assets and liabilities are reported in the local currency. It held no significant foreign currency exposure as at 30 June 2005.
32. **CURRENCY**

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