

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
BRAND KENYA BOARD**

**FOR THE YEAR
ENDED 30 JUNE 2018**



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2018**

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

*Brand Kenya Board
Financial Statements
As at 30th June, 2018*

Table of Content	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	ii
II. THE BOARD OF DIRECTORS	vi
III. MANAGEMENT TEAM	xii
IV. CHAIRMAN'S STATEMENT	xvi
V. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xx
VI. CORPORATE GOVERNANCE STATEMENT	xxv
VII. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxx
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xxx
IX. REPORT OF THE DIRECTORS.....	xxxii
X. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxxiii
XI. REPORT OF THE INDEPENDENT AUDITORS ON BRAND KENYA BOARD.....	xxxv
XII. STATEMENT OF FINANCIAL PERFORMANCE.....	1
XIII. STATEMENT OF FINANCIAL POSITION.....	2
XIV. STATEMENT OF CHANGES IN NET ASSETS.....	3
XV. STATEMENT OF CASH FLOWS.....	4
XVI. STATEMENT OF COMPARATIVE OF BUDGET AND ACTUAL AMOUNTS.....	5
XVII. NOTES TO THE FINANCIAL STATEMENTS.....	7- 36
XVIII. APPENDIX 1:PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS... ..	37
XIX. APPENDIX 2: PROJECTS IMPLEMENTED BY THE BOARD.....	38
XX. APPENDIX 3: INTER-ENTITY TRANSFERS.....	39
XXI. APPENDIX 4: TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	40

I. KEY ENTITY INFORMATION AND MANAGEMENT

i) Background Information

Brand Kenya Board is a State Corporation established in March 2008 under the State Corporations Act, CAP 446 through a Legal Notice known as the Brand Kenya Board Order, No. 38 of 2008.

ii) Principal Activities

The Board's principal activity is to ensure an integrated national brand is created, harnessed and sustained in the long-term through;

- (a) Coordinating initiatives for marketing the country in order to maximize their efficiency;
and
- (b) Creating and maintaining the Kenya Brand and distinguish Kenyan Products, Services and Concepts.

Specifically, the functions of Brand Kenya Board are to;

- (a) Establish a brand for Kenya which positions the country optimally in terms of investments, tourism and international relations;
- (b) Unite Kenyans and provide them with positive information about the country in order to promote patriotism and national pride;
- (c) Establish an integrated approach within Government and the private sector towards the international marketing of Kenya;
- (d) Build national support for the brand within Kenya with the cooperation of the government, non-governmental organizations and the private sector;
- (e) Promote local products and services to encourage economic transformation;
- (f) Encourage commitment to quality and innovation among the businesses and people;
- (g) Assist the different towns and cities in the country to improve their image; and
- (h) Undertake measures aimed at improving the international image of Kenya.

Key Management

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

- Board of Directors;
- Board Committees; and
- Management.

iii) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Ms. Mary Luseka
2.	Corporation Secretary	Ms. Frida Mbugua
3.	Branding & Marketing Manager	Ms. Hilda Ogada
4.	Internal Audit Manager	Ms. Margaret Waihenya
5.	Media & Publicity Manager	Ms. Maureen Mambo
6.	HR & Admin. Manager	Ms. Damaris Ngugi
7.	Finance Manager	Ms. Floice Mukabana
8.	ICT Manager	Mr. Samwel Rutto
9.	Supply Chain Manager	Mr. Domnick Ariro

iv) Fiduciary Oversight Arrangements

The Board of Directors has established four Committees which have specific terms of reference to guide their operations. The Committees which meet on a quarterly basis are as follows:

Marketing and Communications Committee

The Marketing and Communications Committee's responsibility is to provide strategic direction in implementation of the mandate of Brand Kenya Board. This covers country branding, marketing and strategic communication.

Human Resources and Administration Committee

The Human Resources and Administration Committee has an oversight responsibility over all human resource matters including recruitment of right caliber of staff as well as administrative issues.

Finance and Tender Oversight Committee

The Finance and Tender Oversight Committee undertakes an oversight role over finance and procurement matters in the Board.

Audit Committee

The Audit Committee assists the Board of Directors in furtherance of its oversight role in:

- Ensuring the integrity of the Board's financial statements, including the review of accounting policies and practices adopted in preparation of financial information;
- Strengthening risk management and the internal control environment;
- Fostering compliance with legal and regulatory requirements, ethical guidelines and good corporate governance;
- Strengthening the internal audit function.

v) Headquarters

P.O. Box 40500 - 00100
4th Floor, NHIF Building
Ragati Road, Upper Hill
Nairobi, Kenya

vi) Contacts

Telephone:(254) 20 2715236/7
E-mail: info@brandkenya.go.ke
Website: www.brandkenya.go.ke

Brand Kenya Board
Financial Statements
As at 30th June, 2018

vii) Bankers

Kenya Commercial Bank

Capital Hill Branch

NHIF Building

P.O. Box 46360 - 00100

Nairobi, Kenya

viii) Independent Auditors

Auditor-General

Office of the Auditor-General

Anniversary Towers, University Way

P.O. Box 30084 - 00100

Nairobi, Kenya

ix) Principal Legal Adviser

The Attorney-General

State Law Office

Harambee Avenue

P.O. Box 40112 - 00200

City Square

Nairobi, Kenya

II. THE BOARD OF DIRECTORS



**Dr. Chris Kirubi(h.c), EBS
Chairman.**

D.O.B.20/08/1940

Dr. Chris Kirubi is an industrialist and prominent Kenyan investor with interests in various sectors of our economy. He is Chairman of Haco Tiger Brands and is a director and majority Shareholder in the Centum Investment Group.

Dr.Kirubi is a recipient of the *Elder of the Burning Spear* (Kenya 1999), the *Honour of the Grand Medal* (Ghana 2015) and the *Insignia of Chevalier of the Legion of Honour* (France 2015).

(Resigned on 15th December 2017)



**Mr. Samson Wangusi
Alt. to PS, State Department for
Trade, Ministry of Industry, Trade
and Cooperatives.**

D.O.B.31/12/1966

Mr. Samson Palia Wangusi is a career administrator having worked in the field as well as the Central Government and has served on various Boards of Directors as alternate to the Principal Secretary. He is currently the Director of Administration in the Ministry of Public Service, Youth and Gender Affairs. Mr. Wangusi holds a Masters Degree in Public Administration from Moi University and a Bachelor of Arts in Political Science from the University of Nairobi.

(Ceased being the alternate to PS from September 2018)



**Mr. Muia Mulei
Alt. to PS, Ministry of Tourism**

D.O.B. 14/04/1969

Mr. Mulei Muia is a career civil servant having worked in public service in various capacities since the year 2,000. He is currently the Deputy Director/Head of Public Communications at the Ministry of Tourism & Wildlife. He has previously held similar positions in the Transition Authority, Ministry of Health, Ministry of Environment, Water and Natural Resources, State Law Office and Ministry of Lands.

He holds a Bachelor of Arts (Communications) degree from Daystar University majoring in public relations and minoring in business administration.



Mr. Maina Kigaga
Alt. to PS, The National Treasury

D.O.B. 11/11/1962

Mr. Maina Kigaga holds a post graduate diploma, a Bachelor of Arts- Sociology & Arabic and is currently the Senior Assistant Director of Public Communications at the National Treasury and has served in various capacities such as: Deputy Director in charge of Communications, Office of the First Lady, Assistant Director for Public Communications, National Treasury.



Denis Chebitwey
Alt. to PS, Ministry of
Information, Communication
and Technology

D.O.B. 07/04/1974

A public relations and communications practitioner with 16 years' experience. Has progressively culminated to holding leadership and management roles as regards to building brand awareness for some of Kenya's most recognizable trademarks. Currently, He is the Director of Public Communications (DPC) in the Ministry of Information, Communications and Technology (MoICT), leading public communication functions in the government. Also held the Executive officer in charge of the inception and operationalization of the Government Advertising Agency (GAA), a unit under the MoICT responsible for streamlining advertising exercises in government organizations. He previously served as Chief Executive Officer of the Kenya Yearbook Editorial Board, a State corporation under MoICT. **(Retired in May 2018)**



Ms. Hellen Gichuhi
Alt. to the PS, Ministry of
Foreign Affairs

D.O.B. 09/11/1966

Ms. Hellen Gichuhi is a career diplomat and is currently the Ag. Director, Cultural Diplomacy in the Ministry of Foreign Affairs. Prior to this, she was the Deputy Director, Diaspora & Consular Affairs. She has worked in various other capacities including Head, Public Affairs and Communication as well as Africa & AU Directorate before being posted to South Africa in May, 2010 and was the acting High Commissioner Feb-May 2013.

Hellen holds a Master of Arts Degree in International Studies & Diplomacy from University of Nairobi and is currently pursuing her PhD. She is happily married with 3 children.



Mr. Waweru Kamau
Alt. to the PS, Ministry of State
for Public Service, Youth and
Gender.

D.o.B.04/04/1963

Mr. Waweru holds an MSc. From the University of Bradford, UK and a Bachelor of Arts (Economics) from the University of Nairobi. He is the Chief Economist and Head of Central Planning and Project Management Unit, Ministry of Public Service, Youth and Gender Affairs. He has expertise in economic development planning and policy analysis, matters related to achievement of efficient and effective public service, Strategic planning, Performance management, Performance contracting, monitoring, evaluation and reporting. He has wide experience in training and capacity building.

(Left in March 2018)



Ms. Lucy Kagwanja
Alt. to the Attorney General

D.O.B.02/02/1966

Ms. Kagwanja holds an LLM in International Legal Studies from American University and LLB from the University of Nairobi. She is an advocate of the High Court of Kenya and the Deputy Chief State Counsel, Attorney General's Office. She has wide experience in negotiating, vetting and reviewing public service contracts.



Ms. Julie Gichuru
Independent Director

D.O.B.07/01/1974

Ms. Gichuru is an entrepreneur and media personality with investments in media, hospitality, fashion, retail and entertainment sectors. She is a director at Acumen Communications Ltd. Her career of over 15 years in media cuts across the fields of broadcast, print and digital media. She holds the Martin Luther King Salute to Greatness, Fellow, Africa Leadership Initiative and Aspen Global Leadership Network, Order of the Grand Warrior, Archbishop Desmond Tutu Fellow, among other awards and recognitions. She is an alumnus of the University of Wales, College of Cardiff, Harvard Kennedy School and Said Business School, Oxford University.



Mr. Chris Diaz
Independent Director

D.O.B 08/12/1968

Mr. Diaz holds a Masters in Science (International Marketing), Bachelor of Commerce (Hons) in accounting and a diploma in marketing. He is currently the Group Sales and Marketing Director at Bidco Africa Group. He is a trustee on the Board of Chartered Institute of Marketing (UK) and has held senior positions in the private sector in the area of marketing & communication.



Mr. Geoffrey Shimanyula
Independent Director

D.O.B.27/01/1968

Mr. Shimanyula is a seasoned business executive with local and regional experience in general management in the Hi-Tech Industry. He has 20 years' experience working for Multinational Corporations offering data-Telecoms services currently consulting in Security, QoS and Network Intelligence Software solutions.



Ms. Margaret M. Kositany
Independent Director

D.O.B.15/07/1968

Margaret Kositany has over 19 years domestic and international experience in leadership, marketing and strategy. She has an Economics & Business Administration degree from Kenyatta University and an MBA from Curtin University, Australia. Margaret has previously held senior roles within Ericsson Africa, Unilever and Airtel, where she was responsible for driving revenue and growing market share.



Ms. Kathleen Kihanya
Independent Director

D.O.B. 18/05/1962

Ms. Kihanya is the Managing Director of Sundales International, a firm that deals with supplies of different products to various institutions in the region. She is also the founder of XQUE Communications Ltd, an integrated marketing services and training consultancy firm.

Kathleen has a Bachelor of Business Administration, Marketing Major from the University of Texas, USA and an MBA from United States International University.

She is a marketing consultant, a corporate culture trainer and a guest lecturer at the United States International University.



Mr. Arvind Vohora
Independent Director

D.O.B. 30/08/1953

Arvind Vohora is a photographer living in Nairobi, Kenya. Arvind has worked in the photography industry since 1979 where he started working as an advertising and fashion photographer until 1988. Between 1987 and 1988, he travelled around Kenya documenting 'Wall Art' in Kenya, which later became a published book.

Arvind was part of establishing of the artist space, Kuona Trust in 1996 where he served in the Board for 20 years. In 1998, Arvind started Creative Business that eventually became TBWA. He is semi-retired since 2011 but he is a co-director at Circle Art Gallery and Agency in Nairobi, Kenya.



Ms. Mary Luseka
Chief Executive Officer

D.O.B. 29/06/1982

Mary has over thirteen years' experience in branding and marketing strategy attained from both Banking and Travel & Tourism industries. She has previously worked for leading institutions among them Kenya Tourism Board, KCB Group and Gulf African Bank in the development and implementation of business strategies, new products and marketing campaigns.

She holds an MBA from the Strathmore Business School with the Pan African Certification from IESE Business School in Spain, a Bachelor of Arts degree in Economics and Sociology from the University of Nairobi, a Diploma in Marketing from the Marketing Society of Kenya and CPA 1 & 2 qualifications.

(Left on 15th May 2018).



Ms. Fridah Mbugua
Corporation Secretary

D.O.B. 17/08/1984

Frida is an Advocate of the High Court of Kenya. She holds a Masters of Arts Degree in International Studies from the University of Nairobi, a Bachelor of Laws from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law and a Higher Diploma in Human Resource Management from the Institute of Human Resource Management. She is a Certified Public Secretary and a member of the Institute of Certified Public Secretaries of Kenya, a trained Arbitrator, Governance and Public Policy Expert.

She has a wealth of experience having worked in the manufacturing sector at the Kenya Association of Manufacturers (KAM) and in the agricultural sector while she worked at the Kenya Plant Health Inspectorate Service (KEPHIS).

(Joined on 20th November 2017 and left on 31st May 2018)

III. MANAGEMENT TEAM



Ms. Mary Luseka
Chief Executive Officer

Mary has over thirteen years' experience in branding and marketing strategy attained from both Banking and Travel & Tourism industries. She has previously worked for leading institutions among them Kenya Tourism Board, KCB Group and Gulf African Bank in the development and implementation of business strategies, new products and marketing campaigns. She holds an MBA from the Strathmore Business School with the Pan African Certification from IESE Business School in Spain, a Bachelor of Arts degree in Economics and Sociology from the University of Nairobi, a Diploma in Marketing from the Marketing Society of Kenya and CPA 1 & 2 qualifications.

(Left on 15th May 2018).



Ms. Floice Mukabana
Manager, Finance & Accounts

Floice is a member of the Institute of Certified Financial Analysts (ICFA), Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Public Secretaries of Kenya (ICPSK) and the Law Society Kenya (LSK). She holds an Executive MBA from Jomo Kenyatta University of Agriculture and Technology and Bachelors of Law from the University of Nairobi. She has over 10 years' experience in the Public Sector Financial Management, having worked with Kenya Industrial Research and development Institute (KIRDI) as the Finance Manager and Assistant Director, Finance. Prior to that she had worked in various capacities with Celtel Kenya Ltd, Kenya Revenue Authority and Devtech SYS Inc.

(Joined on 3rd December 2017)



**Ms. Fridah Mbugua
Corporation Secretary**

Frida is an Advocate of the High Court of Kenya. She holds a Masters of Arts Degree in International Studies from the University of Nairobi, a Bachelor of Laws from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law and a Higher Diploma in Human Resource Management from the Institute of Human Resource Management. She is a Certified Public Secretary and a member of the Institute of Certified Public Secretaries of Kenya, a trained Arbitrator, Governance and Public Policy Expert.

She has a wealth of experience having worked in the manufacturing sector at the Kenya Association of Manufacturers (KAM) and in the agricultural sector while she worked at the Kenya Plant Health Inspectorate Service (KEPHIS).

(Joined on 20th November 2017 and left on 31st May 2018)



**Ms. Damaris Ngugi
Manager, HR & Administration**

Damaris holds an MBA -Strategic Management from Kenyatta University, Bachelor of Education Degree from Moi University, a Higher Diploma in Human Resource Management (KNEC) from the Institute of Human Resource Management and a Diploma in Management of Information Systems (IMIS) from Strathmore University. She is a Human Resource expert with over 10 years of experience, with a wide exposure in matters of human capital, acquired through training, industry practice and HR networks. She is an active member of the Institute of Human Resource Management (IHRM) with a valid practicing certificate, an associate member of the Kenya Institute of Management (KIM) and a member of Institute of Management of Information Systems (IMIS), UK.

(Joined on 13th November 2017)



**Ms. Hilda Ogada
Manager, Branding & Marketing**

Hilda has over ten (10) years' experience in the travel and tourism industry. Prior to joining Brand Kenya she worked in sales and marketing at Kenya Airways and Kenya Tourism Board respectively. Hilda's greatest strengths are her creativity, drive and leadership. She thrives on challenges, particularly those that expand the brand's reach. She holds a bachelor's degree in Tourism from Moi University, a diploma in Marketing from the Chartered Institute of Marketing and is currently pursuing an MBA- Strategic Management at the University of Nairobi. She is an active member of the Chartered Institute of Marketing.

(Joined on 1st March 2018)



**Ms. Margaret Waihenya
Manager, Internal Audit**

Margaret holds a B.Com (Accounting) from Kenyatta University. She is a CPA (K) and a Certified Information Systems Auditor (CISA). She has 20 years' experience in audit, risk management and finance acquired while working in both public and private sector. She has worked at Brand Kenya Board since 2009. Prior to that, she was the Chief Internal Auditor for Kenya Seed Company, covering the East Africa Region.



**Ms. Maureen Mambo
Manager, Media & Publicity**

Maureen is a Strategic Communications and Media Relations expert with over 13 years of experience in the industry. She has a Master's degree in Development Communications and a Bachelor of Arts degree in Communications from Daystar University (Kenya).

She has managed client communications and engaged with high level media across international, Pan African and local outlets. She has supported clients from the private and public sector in various sectors including: Agriculture, Extractives, Infrastructure, Health, Banking, Oil and Gas among others. Prior to joining Brand Kenya, Maureen worked for africapractice EA Ltd, a Pan-African strategy and communications consultancy and the Kenya Broadcasting Corporation.

(Joined on 1st November 2017)



**Mr. Samwel Rutto
Manager, ICT**

Samwel Kamarkor Rutto is a vastly experienced and detail oriented ICT professional with over 10 years' experience of involvement in ICT project design, implementation and management, strategy building, implementation and control, personnel training and management, scalable network system management and provision of oversight in policy formulation, control and governance in the ICT industry. He holds a MBA in Information Systems Management from University of Nairobi, B.Sc. in Telecommunication and IT from Kenyatta University and widespread professional trainings in the expanse of ICT.

(Joined on 1st November 2017)



Domnick Ariro

Manager, Supply Chain Management

Domnick Ariro holds a Bachelor of purchasing and Supplies Management Degree from Jomo Kenyatta University of Agriculture and technology and a Diploma in Supplies management from Nairobi Technical Training Institute. He is a licensed Supplies Practitioner and registered member of the Kenya Institute of Supplies Management. He has over 12 years of experience in public procurement and is currently pursuing a Master of Science degree in Procurement and Logistics.

(Joined on 1st November 2017)

IV. CHAIRMAN'S STATEMENT

Kenya experienced an unsettling year in many respects, but, as we have come to expect from our nation, it weathered the storms that lashed it with determination and a belief that adversity serves only to build strength. We cannot forget the long electioneering period (longest in the history) that was characterized by divisive campaigns and retrogressive political rhetoric during the run up to the August 2017 General election. Supreme Court battles that seemed not to end, nullification of Presidential vote, repeat Presidential vote that led to another Supreme Court hearing.

All these events of course had adverse effect on businesses and the economy. The country was at a standstill for over 2 months. But I am glad to note that despite all this; the country's economy remained buoyant. The historic happenings brought out a resilient nation that was willing to rise above tribal and manipulative politics. As a nation, we cut the cost of doing business by modernizing and expanding our infrastructure, and improved the ease of doing business. According to World Bank's annual *Doing Business* report 2017, Kenya moved up 12 spots in the global rankings to position 80 out of 190 countries surveyed globally. This remains the country's best performance in the last 15 years. The same report cited Kenya as the 3rd country in Sub-Saharan Africa with the most number of implemented reforms. This came in as a clear demonstration that Government efforts to enhance the business sector in Kenya are productive and progressive.

The country has experienced a steady growth of 5.8% on its GDP, placing it as one of the fastest growing economies in Sub-Saharan Africa. World Bank projects Kenya's Medium-term GDP growth to rebound to 5.8% in 2018 and 6.1% in 2019 respectively, depending on the completion of ongoing infrastructure projects, the resolution of slow credit growth, and the strengthening of the global economy and tourism.

In addition, Kenya remains the preferred investment destination with many multi-nationals setting up businesses in different parts. Since 2013, Kenya has had over 1532 major companies from across the globe putting up businesses in Kenya; from the Volkswagen vehicle assembling plant in Thika to Wrigleys who have invested more than 6 Billion shillings in Machakos and GZI

who have invested over 12 Billion shillings in an aluminum can manufacturing plant at Sultan Hamud.

This demonstrates a strong country brand that can wither even the toughest storms. I am glad that political tempers were also quelled by the “handshake” between President Kenyatta and opposition leader Raila Odinga. This act has had a big impact in boosting the image of the country and impacted greatly to the country’s economic recovery.

The country’s export market has also remained stable. The Kenyan flower for instance continues to flourish dominantly on the European markets with flower export values growing from KES. 35.50 Billion in 2010 to KES. 70.80 Billion in 2016, thanks to rising international demands for the Kenyan flower as new markets continue to emerge.

To this end, Kenya remains the third largest exporter of cut flowers in the world and accounts for about 35% of all sales in the European Union markets including Holland, Germany, United Kingdom, Switzerland and France. Other emerging markets that flower exporters are making in roads are Russia, US, China, Middle East, Japan among others. Our tea and coffee continues to be the most consumed in the global markets as well our apparels which are donned in the streets and cat walks of the US, London, China and other markets.

The Tourism sector has also continued to proliferate in the year. According to the Economic Survey Report released by the Kenya National Bureau of Statistics, sectors like tourism, education, public administration, ICT, wholesale and retail trade, accommodation and food services posted accelerated growth in 2017, compared with 2016. Tourism numbers burgeoned by over twenty per cent as compared to 2016.

International Visitor Arrival rose by 8.1 per cent hitting 1448.8 thousands in 2017 from 1339.7 thousands in 2016. Accommodation and food service activities sector grew by 14.7 per cent last year while overall tourism earnings increased by 20.3 per cent to hit KES 119.9 billion in 2017 up from KES 99.7 in 2016. These are indicators that Kenya’s fortunes on the global arena are continually on the rise. It is also a pointer that the Kenyan Brand is gaining recognition in the global space.

As a Board, we have re-aligned our strategy to the national development blueprint “The Big Four” Agenda as well as Vision 2030. The “Big 4” sectors that the government will be focusing on in the next 5 years are key catalysts to economic development. They include manufacturing, food security, affordable healthcare for all as well as housing.

The Board will exploit opportunities presented by the Big 4 as follows:

1. **Enhancing Manufacturing:** The Board has developed and launched a “Made in Kenya” identity mark for Kenyan goods and services to create an easily recognizable and distinct mark to promote Kenyan goods and services locally and globally. This will make Kenyan export products and services to have immense impact on marketing Kenya and contributing positively to the country’s image and competitiveness. Supporting value addition initiatives and the continued use of the “Made in Kenya” brand mark is expected to spur demand for locally manufactured products. This will accelerate economic growth, create jobs and reduce poverty.
2. **Food Security and Nutrition:** Focus on initiatives that guarantee food and nutrition security to all Kenyans by 2022 through expansion of food production and supply, reduction of food prices to ensure affordability and support value addition in the food processing value chain. Brand Kenya will upscale re-branding Kenya as a modern and economically self-sustained nation in food nutrition and security.
3. **Universal Health Coverage:** Re-branding Kenya as a modern and economically self-sustained nation will capitalize on Kenya’s achievements in Universal Healthcare. This will involve positioning Kenya as the health tourism destination of choice in Sub-Saharan Africa among other regions.
4. **Affordable Houses:** Provide at least five hundred thousand (500,000) affordable new houses to Kenyans by 2022 and thereby improve the living conditions for Kenyans. The Board will be instrumental in boosting investor confidence in Kenya as an investment destination of choice by highlighting on the key investment potential areas that will contribute to the growth of this sector.

The Board has developed and launched several programs within the year to optimally position the country as the destination of choice for tourism, trade and investment. These include the County Branding Index that seeks to make counties competitive and attractive investment hubs,

Brand Kenya Board
Financial Statements
As at 30th June, 2018

the Made in Kenya Brand Mark to boost Kenya's local manufacturing sector, the +254 *Tukona Plus Kibao* campaign that rallied Kenyans to collectively safeguard gains made by the country and to participate in nation building, among others.

The Board has also leveraged on strategic partnerships to build the Kenyan brand further. The partnership with Kenya Rugby Union's Kenya National Shujaa was, for instance, a great move that gave the brand more international exposure.

Boards Operations

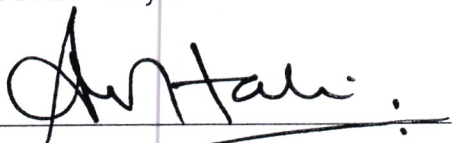
The Board's operations remain on course even with the exit of the Chief Executive Officer Ms. Mary Luseka towards the end of this financial year. The Board has put in place mechanisms to

ensure efficient and timely decision making to ensure that we continue to diligently perform its key functions which include the establishment of a national brand which will position the country optimally in terms of investment, creditworthiness, tourism and international relations; endeavor to unite Kenyans and provide them with positive information that promote patriotism and national pride; and establish an integrated approach within government and private sector towards international marketing of Kenya.

Acknowledgement

On behalf of Brand Kenya Board, I would like to express our sincere appreciation to H.E. Uhuru Kenyatta, for his support and being Kenya's number one Brand Ambassador. To our former CS Ministry of Trade, Industry and Cooperatives, Hon. Adan Mohammed, CS Ministry of Tourism and Wildlife Hon. Najib Balala for their wise counsel and guidance during the 2017/2018 financial year.

God Bless Kenya.



Mr. Linus Gitahi

CHAIRMAN

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Brand Kenya Board is the country's lead agency mandated to build a strong country brand that fosters national pride, patriotism and earns global recognition and preference. It was established to put in place an integrated coordinating mechanism for building and enhancing the Country's image and national identity and rallying its citizens behind it.

The Board performed exceptionally well this financial year ending June 2018 towards achieving its vision, mission and mandate. I am glad to have been part of a dedicated team that pushed the Board's agenda higher by putting in place several initiatives that foster national pride and position the country optimally as the preferred choice for tourism, trade and investment. The Board thus accomplished several projects and campaigns to this end.

+254 Tuko na Plus Kibao Campaign

The Board ran a successful nation branding story dubbed +254 to promote patriotism amongst Kenyans and rally them to be the country's brand ambassadors as a way of fostering unity. The campaign was launched at the height of the 2017 political campaigns that were largely characterized by hate speech and tribal spite. This drew many Kenyans into political camps that adversely withered the image of Kenya the brand both internally and externally. With slogans like *Tunajijua, Tunajitambua and Tuko na Plus Kibao*, the overall message was to encourage and rally Kenyans to believe in the brand and to collectively guard the gains that the country has made since independence. The campaign thus urged all Kenyans to have a shared purpose and vision for the country and speak or write positively about Kenya to ensure that all Kenyans safeguard a formidable nation brand.

The initiative was a 360 campaign showcasing Kenya's achievements in different sectors of the economy with a tagline *+254 Tukona Plus Kibao*. The sectors that were more focused on are health, trade, youth, as well as public service delivery. The most memorable bit about this campaign was a music jingle dubbed +254 with a video and lyrics that has so far hit over 1.8 million viewers on You Tube. Leveraging on the success of the first campaign, the Board is in the process of launching Kenya Achievements, Phase 2 campaign that will be dubbed *Kenya Ni Sasa* that is tied to the country's Big 4 development agenda. Phase 2 will mainly highlight opportunities for Kenyans as well as for investors under the Big 4 pillars, with a focus on the counties and the International market.

County Branding Initiative

The Board believes that prosperity of towns and cities across the country contributes greatly to the growth of the country, and branding plays a critical role in achieving these. County Branding

is thus a critical component of Kenya's branding for it accelerates the level of growth of both counties and national brands. To this end, the Board launched a County Branding Index in partnership with Infortrack Research Consulting, to positioning counties optimally for trade, investment and tourism. Through this initiative, we are also profiling unique projects in the counties that are aligned to the big 4 agenda.

The Board has put in place a tailor made program to harness the uniqueness of counties to become regional centres of excellence and be attractive and competitive for tourism, trade and investment. The Board has also been engaging the County heads to look for ways to transform the image of their counties. So far we have covered over 20 counties and the rest will be finalized before the end of the year.

I am happy to note that Kenya has fully embraced devolved governance system, after 5 years of implementation with a bigger county budget allocation of KES372.7 Billion in the current 2018/2019 financial year, from KES 210 Billion allocated in 2013/2014 financial year, almost 60 percent increase in five years. This growth in allocation is an indicator that there is potential in counties, which the Board believes, can be unlocked further through marketing and branding. County Branding is a journey that will increase prosperity for our counties and ultimately strengthen our nation brand. For us to have a stalwart National brand and also attract mega investments, it should first start at the grassroots level.

Boosting the Manufacturing Sector Through Fashion Fridays Initiative

In the spirit of uniting Kenyans and fostering national pride, the Board launched an initiative called Kenya Fashion Fridays to boost national pride and create demand for local brands in the fashion industry ultimately catapulting the growth of the leather and textile industries in Kenya and creating jobs, largely in the manufacturing sector. The initiative sought to rally Kenyans to embrace Kenyan brands in the fashion industry and calls upon all Kenyans to wear Kenyan brands, designed and produced by Kenyans, every Friday, as a break away from the official corporate attires and casuals worn on Friday.

Many organizations have come on board, public and private in support of the initiative, including Ministry of Foreign Affairs, National Hospital Insurance Fund (NHIF), Kenya Revenue Authority (KRA), Liquid Telcoms, Kenya Association of Manufacturers (KAM), among others. The Board has also signed a partnership with Fashion Agenda Africa (FAA), the umbrella body of fashion designers in Kenya to further increase profitability for the fashion industry.

Students for National Values: The Great Debaters Contest

The Board entered into a strategic partnership with Great Debaters Contest (GDC) to highlight and create awareness on Kenya National Values through the Debaters across all regions. This is in line with the Board's role of uniting Kenyans and providing them with positive information about the country in order to promote patriotism and national pride. GDC is a high school debate show that drives conversations about key political and socio-economic issues. The show has spread to cover over 700 high schools in 12 regions across the country and provides an opportunity to young people aged between 15-19 years to tackle national, continental and global issues, thus giving them a voice to contribute positively to matters governance and development. Board aims at playing a great role in inculcating Kenya national values amongst high school students, who are the bearers of Kenya's future vision.

Kenya National values are key beliefs of a nation guiding the actions and behaviour of its citizens. They are binding and are a composite from the Kenya Constitution 2010, which calls for each individual make national values part of their lives to enhance nationalism and promote social cohesion. The Board believes that values exert major influence on the behaviour of an individual and serve as broad guidelines in all situations for they inspire actions and attitudes, and provide a framework for living.

The Board leveraged on the platform to create awareness on national values through;

1. Brief presentations on national values
2. Setting debate motions that are aligned to national values
3. On ground activations and on digital media
4. Cultural experience corner in all debate venues across the country
5. Branding opportunities at all debate venues across
6. Fun t-shirts and wristbands with simplified messaging on national values
7. Distribution of Kenya National Values booklets to all students in debate venues.

Made in Kenya Brand Mark to Identify and Authenticate all Kenyan Products

To further boost profits in the manufacturing sector, the Board developed and launched an identity mark for all Kenyan products to identify and authenticate all Kenyan goods and services both on local and global markets. The Mark will enhance competitiveness of Kenyan products on both local and global markets. It combines both excellence and quality to consistently communicate quality on Kenyan products more so in the face of increasing competition on all fronts. Kenya is globally known for agricultural exports including tea, coffee, flowers and pyrethrum on a larger scale as well as textiles, tobacco, iron and steel products, petroleum products and cement.

The campaign is aimed at positioning Kenya's goods and services as superior and the preferred on the African Continent and beyond. The campaign will entail the following:

- Profiling of Goods and Services made in Kenya on integrated platforms with digital being the key driver. The Made in Kenya micro-site will be created and hosted on the country branding website.
- Profiling successful Kenyan Brands
- Hosting the made in Kenya expo where products and services would be showcased to the world.
- Consumer sensitization campaign on Kenyan made goods to further the "Buy Kenya Build Kenya" agenda.

The Mark will;

- Enable consumers locally and abroad to identify a product as Kenyan and associate it with quality and authenticity.
- Create a strong brand proposition for Kenyan-made products and services centred on quality and authenticity.
- Enhance competitiveness of Kenyan products locally, regionally and internationally.
- Strengthen Kenya's position as a Made-in country in a bid to position the country as an Industrial hub for Africa.

The Board is therefore "auditing" local manufacturers, in partnership with KEBS, in order to brand products that are authentically Kenyan. This is in addition to profiling the made in Kenya products in international markets in order to increase market share on the export market and bring more value for local manufacturers.

Strategic Partnerships

Nation branding is a collective responsibility. The Board has thus been leveraging on strategic partnerships to further its core mandate.

Partnership with Kenya Rugby Union's Shujaa Team

It is no secret that Kenya's position as a home of sporting talent is unrivalled globally. Kenyans have excelled in different sports including track events, cricket, football, rugby, among others.

It is in light of this success that the Board signed a partnership with Kenya Rugby Union to use the renowned Shujaa team players as brand ambassadors for Kenya. This platform presented an opportunity to the Board to disseminate key messages about Kenya both locally and internationally through out the rugby circuit.

Brand Kenya Board
Financial Statements
As at 30th June, 2018

I am happy to report that this has not only given us the necessary visibility, but has also enhanced a positive narrative about Kenya.

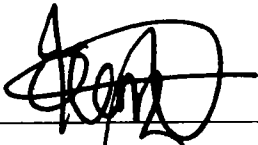
Challenges Faced

During the year, the Board faced a horde of challenges. The greatest one was inadequate human resource especially when numerous key positions fell vacant, including those of Heads of Departments. But I am glad that this issue has already been dealt with and the Board will continue filling other key positions in due course as per the State Corporations Advisory Committee (SCAC)'s approval.

Inadequate funding has also hindered implementation of some key projects that the Board would wish to roll out. We are focusing on securing more funding from the exchequer to be able to finalize on projects by the Board.

I would like to assure our stakeholders that the management and staff of Brand Kenya Board will continue working around the clock to ensure that Kenya's brand promise remains on course both to Kenyans and to investors.

Thank you.



Ms. Floice Mukabana
Ag. Chief Executive Officer

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance is the process by which organizations are directed and controlled. Brand Kenya Board recognizes the need to conduct its business and operations with integrity and in accordance with the principles of good corporate governance. The Board of Directors is committed to continued adherence to the highest standards of good governance and business ethics in Brand Kenya Board's operations.

The Board of Directors

The members of the Board of Directors are shown on pages vi to xi. The Board is chaired by a Non-Executive Chairman and all the Directors have extensive business and professional experience in private and public sectors that is applied for the benefit of Brand Kenya Board.

The principal responsibility of the Board of Directors is to set the strategic direction of Brand Kenya Board. The Board also ensures that effective plans are developed and implemented. These responsibilities, as per "mwongozo", entail:

- Providing the vision, mission, strategic direction and upholding the core values;
- Putting in place management structures (organization, systems and human capital) to achieve these goals;
- Ensuring targets are set, and monitoring their performance;
- Guiding the management on the implementation of strategic decisions and actions;
- Approving annual budgets;
- Ensuring management of risk, overseeing the implementation of adequate internal control systems, compliance with relevant laws and regulations, and compliance with accounting and auditing standards.
- Ensuring timely preparation of annual financial statements and reports.

The Board of Directors met eight (8) times during the year under review. The allowances, honoraria and other expenses related to the Board of Directors are disclosed in Note 9 to these

financial statements. The Board of Directors has established four Committees which have specific terms of reference to guide their operations. The Committees which meet on a quarterly basis are as follows:

Marketing and Communication Committee

The Marketing and Communications Committee's responsibility is to provide strategic direction in implementation of the mandate of Brand Kenya Board. This covers country branding, marketing and strategic communication. The Committee held twelve (12) meetings during the year under review.

Human Resources and Administration Committee

The Human Resources and Administration Committee has an oversight responsibility over all human resource matters including recruitment of right calibre of staff as well as administrative issues. During the year under review the Committee held eight (8) meetings.

Finance and Tender Oversight Committee

The Finance and Tender Oversight Committee undertakes an oversight role over finance and procurement matters in the Board. The Committee held four (4) meetings during the year under review.

Audit Committee

The Audit Committee assists the Board of Directors in furtherance of its oversight role in:

- Ensuring the integrity of the Board's financial statements, including the review of accounting policies and practices adopted in preparation of financial information;
- Strengthening risk management and the internal control environment;
- Fostering compliance with legal and statutory requirements, ethical guidelines and good Corporate Governance;
- Strengthening the Internal Audit function.

The committee met five (5) times during the year under review.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The Board's Operational and Financial Performance

The Board made an operating deficit of Kshs.120,997,124 in the year under review. This is attributable to the Kenya's Achievements Campaign expenditure incurred in the year under review while the revenue in form of a grant of Kshs.500 million had been received and recognized in May 2017.

The Board's Compliance with Statutory Requirements

The Board is in compliance with various laws and regulations. Management is not aware of any non-compliance that may expose the entity to potential contingent liabilities.

Key Projects the Board is Implementing

Made in Kenya Initiative

This is a branding initiative that defines the value proposition of locally produced goods and services, communicates the brand promise and work with producers and manufacturers to commit towards exceeding the promise by delivering with excellence. The Board has developed a "Made in Kenya" Brand Mark which is a unique identifier of the goods and services originating from Kenya.

The Brand Mark is awarded to products that are wholly or partially made in Kenya, have been certified by Kenya Bureau of Standards (KEBS) or any relevant certification body and each significant ingredient or component has originated from Kenya. The initiative strengthens Kenya's position as a "Made in" country brand in light of the "Big Four Strategy" where the country seeks to position itself as the industrial hub of Africa.

County Branding Initiative

This is an initiative aimed at assisting different counties in the country to improve their image so as to attract new business (domestic and foreign), grow industrial base, develop the tourist and business visitors and create wealth as counties focusing on their specific strength areas. The Board undertook a study to assess the strengths and weaknesses of each of the 47 counties. The findings of the study (County Branding Index) were disseminated to the counties and a County Branding Framework developed.

Public Service Branding Initiative

This is an initiative aimed at building and sustaining a desirable image of the public service. It proposes application of a uniform visual identity across the public service communication touch points which include signage (bill boards, door signs, sign posts), websites, stationary, office layout, collateral (IEC materials), exhibition stands and advertisements. The implementation of the branding guidelines will help build and sustain a desirable image of the Public Service.

Kenya Achievements Campaign Phase 1

Brand Kenya Board implemented phase I of a 360 degree communications campaign dubbed **+254 Tuko Na Plus Kibao** to showcase Kenya's achievement in different sectors of the economy as part of the Board's mandate. The primary goal of the drive was to keep Kenyans abreast of the progress the country had made, increasing their belief in the fact that 'Kenya is moving forward' while unifying and energizing them towards safeguarding the gains and participating in nation branding. The campaign ran for three months from July- September 2017 on mainstream and online media platforms.

The campaign was implemented during an election period to rally Kenyans to not only participate in nation building but also protect the gains Kenya has realized over a period of time. Despite the petitions and annulment of the first election at the Supreme Court and the subsequent repeat election Kenya remained resilient and the economy remained stable. To date, Kenya has a

legitimate government that has developed “the Big four agenda” to move the country to the next level. The second phase of the campaign will focus on a refined narrative leveraging on the “Big Four Agenda”.

Rugby Brand Ambassadorship Program

Brand Kenya entered into a paid partnership for 8 months with the Kenya Rugby Union where the Kenya National Seven’s men’s team (Shujaa) were appointed as brand ambassadors for Kenya in exchange for brand Kenya visibility in the Kenya Rugby Union (KRU) and the Kenya National Men’s seven’s team (Shujaa) assets. Brand Kenya is pushing the ‘Make it Kenya’ campaign through this partnership. This is a rallying call to potential local and international investors, buyers and tourists to choose Kenya when thinking of a country to invest in, trade with or tour.

Major Risks Facing the Board

The Board has a very wide mandate that is only attainable with a lot of resources and with the cooperation of a lot of stakeholders. Insufficient funding and inadequate human resources may affect the achievement of the Board’s objectives.

The Board was established through a legal notice as opposed to an Act of Parliament hence making it easy to revoke. The Board is in the process of developing a nation branding policy as per MTP III.

Being a public entity and a branding agency, the Board is prone to reputation risk arising from matters that are prone to public scrutiny eg. procurement and employment. The Board is committed to ensuring there is strict adherence to policy, laws and regulations.

Material Arrears in Statutory/Financial Obligations

The Board does not have any arrears in statutory and financial obligations. The Board’s outstanding trade payables and provisions are within the budgetary provision and the Board is in

position to settle them. The Board ensures that available resources are utilized to achieve maximum results.

The Board's Financial Probity and Serious Governance Issues

The Board has financial probity and there is no any major financial improbity that has been reported by internal audit/Board audit committee, external auditors or any other Government Agencies providing oversight. There are no governance issues and conflict of interest among the Board or members of the Board and top management.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

“The emphasis placed by more and more companies on corporate social responsibility, symbolizes the recognition that prosperity is best achieved in an inclusive society” (Tony Blair - Former UK Prime Minister).

Corporate social responsibility is vitally important to who we are as an institution. Our policies ensure that we rigorously adhere to the highest standards in ethical behaviour, adherence to the National values, environmental sustainability and more. The Board has continuously engaged communities in Kenya mostly through the citizen engagement programme under the concept of national values. As a Board, we always endeavour to have a positive impact on society by improving the lives of individuals, groups and communities while at the same time enhancing our corporate image and brand.

The Board’s key responsibility is to identify and refine Kenya’s key attributes that contribute positively to the image and reputation of the Nation; as well as build a strong country brand that fosters national pride, patriotism and earns global recognition and preference. We have committed ourselves to ensuring that our key stakeholders, “mwananchi” are informed and empowered through various initiatives and projects.

We have undertaken positive steps towards CSR by:

- Investing in educating the youth on the importance of our national values as enshrined in our constitution.
- Supporting environment conservation by leading in tree planting initiatives that target the youth in schools to encourage them to cultivate the love to conserve the environment. Targeting over 1,000 seedlings each quarter.

As the lead Kenya Branding agency, we understand that we have a responsibility to our society and we have made Corporate Social Responsibility (CSR) an integral part of our business culture. To underline our deep commitment to build and enhance the Country’s image and national identity, the board is guided by four key pillars, namely; Tourism, Foreign Direct Investment, Exports and the Citizens. We are also guided by the presidents Big 4 agenda, which is committed to building transformations in Manufacturing, Health, Food security and Housing. These focus areas have been an integral part in addressing issues that affect the brand and forging solutions that will enhance the country’s visibility.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Board's affairs.

Principal Activity

The principal activities of the Board are to ensure an integrated national brand is created, harnessed and sustained in the long-term.

Results

The results of the Board for the year ended June 30, 2018 are set out on page 1.

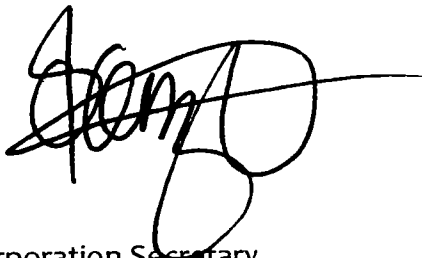
Directors

The members of the Board of Directors who served during the year are shown on page vi to xi.

Auditors

The Auditor-General is responsible for the statutory audit of the Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Corporation Secretary

Nairobi

Date: ... 10/07/15 ...

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required 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 are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2018. 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 Board; (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 Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

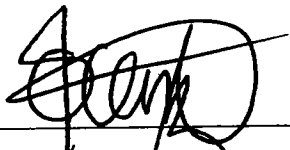
The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of the Board's transactions during the financial year ended June 30, 2018, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

Brand Kenya Board
Financial Statements
As at 30th June, 2018

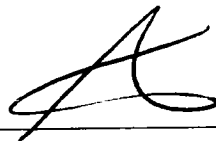
The Directors are informed of the Government's intention under the parastatal reforms to Merge the functions of Brand Kenya Board and those of the Export Promotion Council under a new entity to be referred to as Kenya Export Promotion and Branding Agency. The merger process is underway. This indicates that the Board may not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

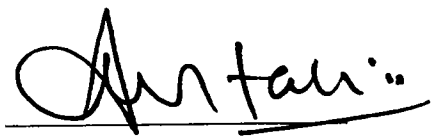
The Board's financial statements were approved by the Board of Directors on 24th September 2018 and signed on its behalf by:



Ms. Floice Mukabana
Ag. Chief Executive Officer



Mr. Muia Mulei
Director



Mr. Linus Gitahi
Chairman

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON BRAND KENYA BOARD FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Brand Kenya Board set out on pages 1 to 37, which comprise the statement of financial position as at 30 June 2018 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of the report, the financial statements present fairly, in all material respects, the financial position of Brand Kenya Board as at 30 June 2018, and 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 Brand Kenya Board Order, Legal Notice No.38 of 2008.

Basis for Qualified Opinion

1. Contract Management

The Board signed a contract on 18 June 2018 with a local company for provision of integrated marketing communication agency at a contract sum of Kshs.84,849,128. The contract states that the service provider shall provide the services during the period commencing 22 June 2018 and continuing through 21 December 2018 or any other period as may be subsequently agreed by the parties in writing.

Although the management sought and obtained legal advice from the Attorney-General after the award of the contract, concurrence by the Ministry of Tourism as directed by the Attorney-General is yet to be received.

2. Delay in Project Implementation

The Board's Kenya Achievements Campaign Project objective is to ensure dissemination of specific information concerning the progress of Government initiated projects and their achievement. The initiative was to oversee the dissemination of

Report of the Auditor-General on the Financial Statements of Brand Kenya Board for the year ended 30 June 2018

information at the national level down to the grass root on projects affecting specific localities in the country.

Available records indicate that the project budget timeline of nine (9) months includes monitoring and evaluation period of two months. During 2016/2017 financial year, the Treasury vide letter Ref. No.RES 1174/16/01/ (44) dated 8 March 2017 and 2016/2017 supplementary estimates voted by parliament, approved an allocation of additional Kshs.500 million for the implementation of Kenya Achievement Campaign project activities. The funds were disbursed to the Board in May 2017. This is a clear indication the project was late in its implementation during the financial year 2016/2017.

However, even after the funds were made available, the management only managed to utilize Kshs.1,493,420 representing 0.3% of the total amount of Kshs.500,000,000 an indication that the project's set performance targets were not met casting doubt whether the project will meet all its objectives.

The management has attributed the delays in project completion to lack of approval from the Cabinet Secretary, Ministry of Tourism and Natural Resources among other issues.

In the circumstances, stakeholders may not realize value for their money if this project is not completed.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current year. There were no Key Audit Matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intend to have the Board cease operations or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

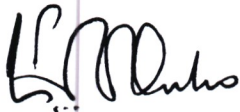
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

22 August 2019

**XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2017/2018 Kshs	2016/2017 Kshs
Revenue from Non-Exchange Transactions			
Transfer from Government Institutions – Recurrent Grants	6	175,100,000	639,161,189
Revenue from Exchange Transactions			
Other Income	7	14,030,819	7,484,920
Total Revenue		189,130,819	646,646,109
Expenses			
Employee Costs	8	53,522,493	45,155,049
Board Expenses	9	15,480,259	11,669,630
Depreciation & Amortization Expenses	10	6,443,136	4,253,413
Repairs and Maintenance	11	2,526,240	1,940,777
General Operating Expenses	12	232,185,815	65,878,933
Total Expenses		310,157,943	128,897,802
Other Gains/(Losses)			
Gain/(Loss) on Disposal/Impairment of Assets	13	30,000	(45,750)
(Deficit)/Surplus for the Period		(120,997,124)	517,702,557

The notes set out on pages 7 to 36 form an integral part of the Financial Statements.

*Brand Kenya Board
Financial Statements
As at 30th June, 2018*

**XIII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2017/2018 Kshs	2016/2017 Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	14	468,257,303	583,697,657
Receivables from Exchange Transactions	15	10,210,834	4,126,271
Receivables from Non-Exchange Transactions	16	118,774	206,544
		<u>478,586,911</u>	<u>588,030,472</u>
Non-Current Assets			
Property, Plant and Equipment	17	14,836,172	9,253,203
Intangible Assets	18	-	120,333
		<u>14,836,172</u>	<u>9,373,536</u>
Total Assets		<u>493,423,083</u>	<u>597,404,008</u>
Liabilities			
Current Liabilities			
Trade Payables from Exchange Transactions	19	32,904,299	15,925,981
Payables from Non-Exchange Transactions	20	13,586	8,984
Current Provisions	21	4,531,232	3,576,020
		<u>37,449,117</u>	<u>19,510,985</u>
Non-Current Liabilities			
Non-current provisions (Gratuity)		-	921,931
Total Liabilities		<u>37,449,117</u>	<u>20,432,916</u>
Net Assets		<u>455,973,966</u>	<u>576,971,092</u>
Reserves	22(iv)	<u>455,973,966</u>	<u>576,971,092</u>

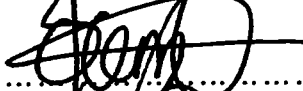
The Financial Statements set out on pages 1 to 35 were signed on behalf of the Board of Directors by:


.....

CPA Benjamin Mutula
Principal Accountant

ICPAK Member No. 8913

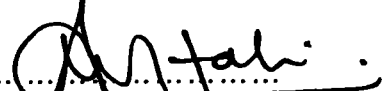
Date.....10/07/2019.....


.....

CPA Floice Mukabana
Ag. Chief Executive Officer

ICPAK Member No. 6058

Date.....10/07/19.....


.....

Mr. Linus Gitahi
Chairman

Date.....10/07/2019.....

XIV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

	Reserves		Total
	General Reserve	Revaluation Reserve	
	Kshs	Kshs	Kshs
Balance as at 30 June 2016	49,871,035	9,397,500	59,268,53
Surplus for the Period	517,702,557	-	517,702,55
Balance as at 30 June 2017	567,573,592	9,397,500	576,971,09
Deficit for the Period	(120,997,124))	-	(120,997,124
Balance as at 30 June 2018	446,576,468	9,397,500	455,973,96

The total reserves include Capital Replacement Reserve (Sinking Fund) which was Kshs. 33,725,428 at the end of the financial year.

Revaluation reserve represents an increase in carrying value after revaluation of motor vehicles done on 10th August 2016.

Brand Kenya Board
Financial Statements
As at 30th June, 2018

XV. STATEMENT OF CASHFLOWS
AS AT 30 JUNE 2018

	Note	2017/2018 Kshs	2016/2017 Kshs
Cash Flows from Operating Activities			
Operating Surplus		(120,997,124)	517,702,557
Adjustments for:			
Depreciation	10/17	6,322,804	4,133,079
Amortization	10/18	120,333	120,334
Loss on Disposal of Fixed Asset		-	45,750
Operating Surplus Before Working Capital Changes		(114,553,987)	522,001,720
Changes in Working Capital			
(Increase)/Decrease in Debtors and Prepayments	15/16	(5,996,793)	(659,946)
Increase/(Decrease) in Creditors and Provisions	19,20,21	17,016,201	2,483,655
Net Cash Flows from Changes in Working Capital		11,019,408	1,823,711
Net Cash Flows from Operating Activities		(103,534,579)	523,825,429
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment	17	(11,905,775)	(979,400)
Purchase of Intangible Assets		-	-
Net Cash Flows used in Investing Activities		(11,905,775)	(979,400)
Net Increase/(Decrease) in Cash and Cash Equivalents		(115,440,354)	522,846,029
Cash and Cash Equivalents at 1 July	14	583,697,657	60,851,628
Cash and Cash Equivalents at 30 June	14	468,257,303	583,697,657

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference
		2017/2018	2017/2018	2017/2018	2017/2018	2017/2018
		Kshs	Kshs	Kshs	Kshs	Kshs
Revenue						
Government Recurrent Grant	(a)	175,100,000	-	175,100,000	175,100,000	-
Interest Earned from Bank Balance	(b)	2,000,000	10,000,000	12,000,000	14,026,599	2,026,599
Revenue from surcharge for lost asset	(c)		30,000	30,000	30,000	-
Revenue from sale of tenders	(c)		4,000	4,000	4,000	-
Revenue from sale of old newspapers	(c)		220	220	220	-
Total Revenue		177,100,000	10,034,220	187,134,220	189,160,819	2,026,599
Expenses						
Compensation to Employees	(d)	75,760,013	(6,550,000)	69,210,013	53,522,493	15,687,520
Board Expenses	(d)	8,960,000	6,550,000	15,510,000	15,480,259	29,741
Depreciation & Amortization	(e)	-	6,500,000	6,500,000	6,443,136	56,864
Repairs and Maintenance	(f)	6,660,000	1,200,000	7,860,000	2,526,240	5,333,760
General Expenses	(g)	85,719,987	2,334,220	88,054,207	232,185,815	(144,131,608)
Total Expenses		177,100,000	10,034,220	187,134,220	310,157,943	(123,023,723)
Surplus for the Period		-	-	-	(120,997,124)	(120,997,124)

NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

- (a) The entire approved recurrent government grants budget for FY 2017/2018 of Kshs 175,100,000 was received during the year.
- (b) The Treasury approved budget factored A- in –A of Kshs.2,000,000 which was to be raised internally through bank interest. Mid- year analysis forecast put the figure to and adjusted the budget by Kshs. 10,000,000 but the actual realized as at the end the financial year was Kshs. 14,026,599. This growth was occasioned by the high bank balance as a result of under-absorption of budgets.
- (c) Other Miscellaneous income of Kshs. 34,220 was raised during the year and recognized as income in the statement of financial performance and an adjustment made in the operational budget.
- (d) The adjustment of Kshs.6,550,00 on the compensation to employees budget and Board expenses budget is the figure for CEO's emoluments reported under Board expenses but originally budgeted under staff emoluments. Compensation to employees and Board expenses had budget absorption of 77.3 % and 99 % respectively.
- (e) Depreciation and amortization expense which is a non-cash item had not been factored in the original budget hence the adjustment of Kshs.6,500,000. This budget had 99 % absorption at the end of the year.
- (f) Repairs and maintenance budget absorption of 32% was generally low mainly because an upgrade of the ERP system which had been budgeted under this budget line did not take place.
- (g) There is budget over-absorption under general expenses budget mainly as result of revenue recognized in and carried forward from FY 2016/2017 for the Kenya's Achievements Campaign. Kshs 500,000,000 was received and recognized as revenue in May 2017 but the expenditure relating to phase I of this project was incurred during the FY 2017/2018.Phase II of this project which was scheduled to be implemented during the FY did not happen.

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Brand Kenya Board was established through a legal notice known as the Brand Kenya Board Order no. 38 of 2008 and derives its authority and accountability from the State Corporations Act (CAP 446). The Board is wholly owned by the Government of Kenya and is domiciled in Kenya. The Board's principal activity is to ensure an integrated national brand is created, harnessed and sustained in the long-term.

2. Statement of Compliance and Basis of Preparation

The Board's financial statements have been prepared on a historical cost basis except for the measurement at revalued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the Board.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Brand Kenya Board Order No. 38 of 2008 and International Public Sector Accounting Standards. The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED.)

3. Adoption of New and Revised Standards

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018.

Standard	Impact
IPSAS 39 : Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee Benefits. The IPSASB needed to create convergence of IPSAS 25 to amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. This has no effect to the Boards statements.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective Date and Impact
IPSAS 40: Public Sector Combinations.	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector Combinations as amalgamations.

- iii. The Board did not early-adopt any new or amended standards in year 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Summary of Significant Accounting Policies

14) 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 Board and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Board and the fair value of the asset can be measured reliably.

ii) Revenue from Exchange Transactions

Rendering of Services

The Board recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 original budget for FY 2016/2017 was approved by the National assembly in April 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget upon receiving the respective approvals in order to conclude the final budget.

The annual budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts prepared on a comparable basis to the approved budget is then presented in the statement of comparison of budget and actual amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In addition to the basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual as per the statement of financial performance has been presented under section xv of these financial statements.

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. Likewise, when a major replacement is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Revaluation will be done every five years and assets stated at valuation less accumulated depreciation and impairment losses. Any accumulated depreciation will be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Decreases that offset previous increases of same assets will be charged against the revaluation reserve. Increase in carrying amount on revaluation will be credited to a revaluation reserve in the accumulated fund. The carrying amount of replaced asset will be derecognized.

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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(a) Motor Vehicles	25%
(b) Office Equipment	12.5%
(c) Furniture & Fittings	12.5%
(d) Computers	33.33%

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.

The useful life of the intangible assets is assessed as finite. Amortization is calculated on a straight line basis at 33.33% per annum.

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

f) Financial Instruments

Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Board determines the classification of its financial assets at initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to Maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Board has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Impairment of Financial Assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a part of financial assets is impaired. A financial asset or a part of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a part of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Board determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Loans and Borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

g) Provisions

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

Where the Board expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

h) Contingent Liabilities

The Board does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14) Contingent Assets

The Board does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and Purpose of Reserves

The Board creates and maintains reserves in terms of specific requirements.

Retained Earnings

This is the portion of net income of the Board that is retained by the corporation. If the Board incurs a loss, then that loss reduces the corporations retained earnings balance.

Revaluation Reserve

This represents surplus on revaluation of Property, plant and equipment. Three motor vehicles that had been fully depreciated were revalued in a previous financial year to reflect their current market value.

Capital Reserve (Sinking Fund)

The Board makes provision for the renewal of depreciating assets by maintaining a sinking fund equal to the accumulated depreciation and amortization at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

k) Changes in Accounting Policies and Estimates

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

l) Employee Benefits

Retirement Benefit Plans

The Board provides retirement benefits for its employees. 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 in the year in which they become payable.

The Board currently contributes to a defined contribution pension scheme at the rate of 15% of basic pay and to the National Social Security Fund (NSSF) as provided in the relevant statute.

Employee Entitlements

The estimated monetary liability for accrued employee annual leave entitlement at the statement of financial position reporting date is recognized as an expense in the statement of financial performance and accrued in the statement of financial position. Employee's entitlement to gratuity are recognized when they accrue and a provision for the liability is made in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

m) 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.

n) Related Parties

The Board regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa. Members of key management are regarded as related parties and comprise the directors, CEO and senior managers.

o) 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 Kenya Commercial Bank at the end of the financial year.

p) Comparative Figures

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

q) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June, 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Board based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Board. Such changes are reflected in the assumptions when they occur.

Useful Lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Board
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Provisions

Provisions were made based on a determination of present obligation and the ability of management to estimate based on the information available. Details of these estimates of provisions are included in Note 19. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. Revenue

Transfer from Ministries, Departments and Agencies

Name of Entity Sending the Grant	Amount recognized to the Statement of Comprehensive Income	Amount deferred under deferred Income	Amount recognized in capital fund	Total grant income during the FY 2017/2018	FY 2016/2017
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Industry, Trade and Cooperatives / State Department for Trade	175,100,000	-	-	175,100,000	613,000,000
The National Treasury	-	-	-	-	26,161,189
Total	175,100,000	-	-	175,100,000	639,161,189

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Other Revenue

Description	2017/2018	2016/2017
	Kshs	Kshs
Revenue from sale of tenders	4,000	-
Revenue from sale of old newspapers	220	660
Interest income	14,026,599	3,937,216
Revenue from provision of service	-	2,692,044
Revenue from payment in lieu of notice	-	855,000
Total	14,030,819	7,484,920

8. Employee Costs

Description	2017/2018	2016/2017
	Kshs	Kshs
Basic salaries	35,571,066	29,229,476
Remunerative Allowances	11,040,611	9,219,340
Telephone Airtime Allowance	1,685,194	1,474,534
Leave Allowances	412,333	594,435
Provision for Accrued Leave	(186,479)	527,198
Employer Contribution to Pension and NSSF	4,552,925	3,855,460
Casual wages & Internship Allowances	446,843	254,606
Total	53,522,493	45,155,049

9. Remuneration of Directors and other Board Expenses

Description	2017/2018	2016/2017
	Kshs	Kshs
Chairman's Honoraria	400,000	960,000
Chairman's Telephone Allowance	35,000	91,248
Directors' Sitting allowances	5,860,000	4,566,000
Travel & Subsistence Expenses	1,297,035	162,640
Training Expenses	1,368,200	-
CEO's Emoluments	5,260,264	4,885,342
CEO's Gratuity	1,259,760	1,004,400
Total	15,480,259	11,669,630

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Depreciation and Amortization Expense

Description	2017/2018	2016/2017
	Kshs	Kshs
Property, Plant and Equipment	6,322,803	4,133,079
Intangible Assets	120,333	120,334
Total	6,443,136	4,253,413

11. Repairs and Maintenance

Description	2017/2018	2016/2017
	Kshs	Kshs
Motor Vehicles	1,077,263	1,289,298
Partitions and Branding (Décor')	5,500	52,800
Furniture and Fittings	58,720	85,509
Computers and Office Equipment	419,720	15,352
Software Maintenance and Licences	965,037	497,818
Total	2,526,240	1,940,777

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. General Operating Expenses

Description	2017/2018	2016/2017
	Kshs	Kshs
Bank Charges	83,745	45,711
Internet Charges	1,076,070	693,600
Cleaning Services	371,200	528,960
Recruitment Services	1,911,367	-
Training, Seminars & Workshops	4,775,639	1,652,047
Rent	12,666,385	12,202,688
Telephone and Airtime Allowances	92,887	93,850
Postal & Courier Services*	-18,390	250,410
Printing, Stationery and Computer Accessories	1,427,641	695,214
Catering	1,729,494	1,361,997
Entertainment	-	148,490
Travelling & Subsistence	9,076,481	3,588,294
Newspaper Subscriptions	180,095	93,813
Subscriptions to Professional Bodies & Club Membership	4,004,697	579,510
Provision for Audit Fees	348,000	348,000
Insurance	11,241,212	7,893,606
Performance Contract Surveys & Expenses	1,078,006	912,377
Legal Services	358,000	-
Advertising, Marketing & Communication	181,783,286	34,790,366
Total	232,185,815	65,878,933

*The Postal and Courier Services ledger has a credit balance of Kshs. 18,390 because even though the Board incurred expenditure of Kshs. 71,910, a credit note of Kshs. 90,300 was also received from a supplier to reverse earlier invoices erroneously billed to the Board and recognized in the financial statements but for which the Board did not have any contractual obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Gain on Disposal of Asset

Description	2017/2018	2016/2017
	Kshs	Kshs
Compensation Received on Disposal	30,000	-
Cost	93,000	122,000
Accumulated Depreciation	93,000	(76,250)
Net Book Value	-	45,750
Gain / (Loss) on Disposal	30,000	(45,750)

A former employee paid Kshs. 30,000 for an Ipad which had been allocated to her but did not surrender on separation from employment of the Board.

14. Cash and Cash Equivalents

Description	2017/2018	2016/2017
	Kshs	Kshs
Current Account (KCB)	468,224,883	583,694,700
Cash in Hand (Petty Cash)	32,420	2,957
Total	468,257,303	583,697,657

14 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account Number	2017/2018	2016/2017
		Kshs	Kshs
(a) Kenya Commercial Bank	1110627041	468,224,883	583,694,700
(b) Cash in Hand (Petty Cash)	-	32,420	2,957
Total		468,257,303	583,697,657

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The cash is held in Kenya Commercial Bank, Capital Hill Branch, A/C No. 1110627041 and includes Kshs. 33,725,428 being the balance of the capital replacement reserve (sinking fund).

15. Receivables from Exchange Transactions

Description	2017/2018	2016/2017
	Kshs	Kshs
Rent Deposit (NHIF)	1,743,850	1,743,850
Prepaid Insurance	3,918,114	2,382,421
State Department of Trade	4,548,870	-
Total	10,210,834	4,126,271

Prepaid insurance comprises of the portion of insurance premiums paid during the year under review but relating to the period 1st July 2018 to 31st October 2018.

16. Receivables from Non-Exchange Transactions

Description	2017/2018	2016/2017
	Kshs	Kshs
Staff Debtors	118,774	206,544
Total	118,774	206,544

These are staff imprest accounts with debit balances meaning the imprests of Kshs. 118,774 held by staff had not been surrendered or accounted for as at 30th June 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Property, Plant & Equipment

	Equipment	Computers	Furniture & Fittings	Motor Vehicles	Total
Cost/Valuation	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2016	3,471,693	9,562,589	12,449,309	23,158,357	48,641,948
Additions	979,400	-	-	-	979,400
Disposals	(122,000)	-	-	-	(122,000)
At 30 June 2017	4,329,093	9,562,589	12,449,309	23,158,357	49,499,348
Additions	3,347,315	4,536,960	-	4,021,500	11,905,775
At 30 June 2018	7,676,408	14,099,549	12,449,309	27,179,857	61,405,123
Depreciation					
At 1 July 2016	1,944,013	8,309,764	9,247,185	16,688,357	36,189,319
Depreciation	662,436	645,972	1,207,171	1,617,500	4,133,079
Disposals	(76,250)	-	-	-	(76,250)
At 30 June 2017	2,530,199	8,955,736	10,454,356	18,305,857	40,246,148
Depreciation	1,094,416	2,078,922	526,590	2,622,875	6,322,803
At 30 June 2018	3,624,615	11,034,658	10,980,946	20,928,732	46,568,951
Net Book Values					
At 30 June 2018	4,051,793	3,064,891	1,468,363	6,251,125	14,836,172
At 30 June 2017	1,798,894	606,853	1,994,953	4,852,500	9,253,200

The Board has office equipment, computers and furniture & fittings which cost Kshs.1,439,908.00, Kshs.9,562,589.00 and Kshs.8,481,665.00 respectively that are fully depreciated but still in use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. IntangibleAssets - Software

	2017/2018
Cost	Kshs
At1July2016	5,932,821
Additions	-
Disposals	-
At30 June2017	<u>5,932,821</u>
Additions	-
Disposals	-
At30 June2018	<u>5,932,821</u>
Amortization	
At1July2016	5,692,154
Amortization in Period	120,334
At30 June2017	<u>5,812,488</u>
Amortization in Period	120,333
At30 June2018	<u>5,932,821</u>
NetBookValues	
As at30 June2018	<u>-</u>
As at30 June 2017	<u>120,333</u>

The Board has software that cost Kshs.5,932,821.00 which is fully amortized but still in use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Trade and Other Payables from Exchange Transactions

Description	2017/2018	2016/2017
	Kshs	Kshs
Trade Payables	32,520,497	15,446,201
Tax Liabilities	383,802	479,780
Total	32,904,299	15,925,981

The tax liabilities comprise of withholding VAT and withholding tax outstanding as at 30th June 2018.

20. Payables from Non-Exchange Transactions

Description	2017/2018	2016/2017
	Kshs	Kshs
Staff Imprests	13,586	8,984
Total	13,586	8,984

These are staff imprest accounts with credit balances.

21. Current Provisions

Description	Audit Fees Provision	Leave Provision	Gratuity Provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance at 1 st July 2017	348,000	2,223,620	1,004,400	3,576,020
Additional Provisions Raised	348,000	-	1,259,760	1,607,760
Provision Utilized	(348,000)	(186,479)	(1,040,000)	(1,574,479)
Transfer from Non-Current	-	-	921,931	921,931
Balance as at 30th June 2018	348,000	2,037,141	2,146,091	4,531,232

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Financial Risk Management

The Board's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Board's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effects of such risks on its performance by setting acceptable levels of risk. The Board does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Board's financial risk management objectives and policies are detailed below;

i) Credit Risk

The Board has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net allowances for doubtful receivables, estimated by the Board's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Board's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Total Amount	Fully Performing	Past Due	Impaired
At 30 June 2018	Kshs	Kshs	Kshs	Kshs
Receivables from Exchange Transactions	5,661,964	5,661,964	-	-
Receivables from Non-Exchange Transactions	118,774	118,774	-	-
Bank Balances	468,257,303	468,257,303	-	-
Total	474,038,041	474,038,041	-	-
At 30 June 2017				
Receivables from Exchange Transactions	4,126,271	4,126,271	-	-
Receivables from Non-Exchange Transactions	206,544	206,544	-	-
Bank Balances	583,697,657	583,697,657	-	-
Total	588,030,472	588,030,472	-	-

ii) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board's directors who have built an appropriate liquidity risk management framework for the management of the Board's short, medium and long-term funding and liquidity management requirements. The Board manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Board under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Less than 1 Month	Between 1 – 3 Months	Over 3 Months	Total
At 30 June 2018	Kshs	Kshs	Kshs	Kshs
Trade Payables	28,355,429	-	-	28,355,429
Provisions	-	-	348,000	348,000
Employee Benefit Obligations	4,183,232	-	-	4,183,232
Total	32,538,661	-	348,000	32,886,661
At 30 June 2017				
Trade Payables	15,925,981	-	-	15,925,981
Provisions	-	-	348,000	348,000
Employee Benefit Obligations	3,228,020	-	921,931	4,149,951
Total	19,154,001	-	1,269,931	20,423,932

iii) Market Risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Board's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rest with the Audit and risk Management Committee.

The Board's Finance department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Board's exposure to market risks or the manner in which it manages and measures risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

a) Foreign Currency Risk

The Board does not have transactional currency exposures.

b) Interest rate Risk

Interest rate risk is the risk that the Board's financial condition may be adversely affected as a result of changes in interest rate levels. The Board's interest rate risk arises from the bank deposits. This exposes the Board to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Fair Value of Financial Assets and Liabilities

Financial Instruments Measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Board's market assumptions.

The Board does not hold any financial instruments hence no disclosure of fair values of financial instruments not measured at fair value has been made.

iv) Capital Risk Management

The objective of the Board's capital risk management is to safeguard the Board's ability to continue as a going concern. The Board's capital structure comprises of general fund and revaluation reserve as follows;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Description	2017/2018	2016/2017
	Kshs	Kshs
General Fund	446,576,468	567,573,592
Revaluation Reserve	9,397,500	9,397,500
Total Funds	455,973,968	576,971,092
Total Borrowings	-	-
Less: Cash and Bank Balances	(468,257,303)	(583,904,201)
Net Debt (Excess Cash and Cash Equivalents)	(468,257,303)	(583,904,201)
Gearing	-	-

23. Events after the Reporting Period

There were no material non-adjusting events after the reporting date. However, the Government is in the process of merging the functions of Brand Kenya Board and those of Export Promotion Council to form a new entity to be referred to as Kenya Export Promotion and Branding Agency. The merger process is underway. This indicates that the Board may not remain a going concern for at least the next twelve months from the date of this statement.

24. Currency

The financial statements are presented in Kenya Shillings (Kshs).

25. Contingent Liabilities

The Board has two ongoing litigations by former employees. One case is by a former employee (Industrial case no. 1441 of 2014) for work injury and other claims for a total of Kshs. 7,455,496. The other case is by former Chief Executive Officer for wrongful dismissal. The outcome of the cases cannot be

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

accurately determined as at the end of the financial year.

26. Capital Commitments

The Board did not have any capital commitments at the end of the financial year.

27. Taxation

The Board is established under the State Corporations Act and is fully funded by the exchequer and hence does not pay taxes.

28. Operating Lease Commitments

The Board has a 6 year lease with the National Hospital Insurance Fund (Lessor) which started on 1st July 2015. The total future minimum lease payments under the operating lease:

- Rental payments in year 1(July 2018 to June 2019) is Kshs.12,202,688.
- Rental payments in year 2(July 2019 to June 2020) is Kshs.12,202,688.
- Rental payments in year 3(July 2020 to June 2021) is Kshs.12,202,688.
- Rental payments in year 4(July 2021 to June 2022) is Nil.
- Rental payment beyond 4 years (from July 2022 onwards) is Nil.

29. Related Party Balances

Nature of Related Party Relations

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Government of Kenya

Brand Kenya Board is a state corporation fully owned by the Government of Kenya under the Ministry of Industry, Trade and Cooperatives, State department for Trade. In the Executive Order No.1 of 2018 signed on 5th June 2018, the Board was moved to the Ministry of Tourism and Wildlife. The Board received recurrent grants of Kshs.175,100,000 from the National Treasury.

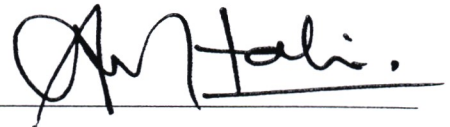
	2017/2018	2016/2017
Transactions with related parties	Kshs	Kshs
(a) Grants from the Government		
Grants from National Government	175,100,000	639,161,189
(b) Key Management Compensation		
Directors Emoluments	6,295,000	5,526,000
CEO's Emoluments	5,260,264	4,885,342
CEO's Gratuity	1,259,760	1,004,400
Compensation to Key Management	16,276,400	14,446,791
Total	29,091,424	25,862,533

XVIII: APPENDIX I: PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS

There were no issues raised by the external auditor in the Board's FY 2016/2017 financial statements.



Ms. Floice Mukabana
Ag. Chief Executive Officer
Date: 10/07/2019.



Mr. Linus Gitahi
Chairman, Board of Directors
Date: 10/07/2019

XIX: APPENDIX II: PROJECTS IMPLEMENTED BY THE BOARD

There were no projects implemented by the Board which were funded by development Partners.

XX: APPENDIX III: INTER-ENTITY TRANSFERS

Brand Kenya Board

Break Down of Transfers from the State Department for Trade

FY 2017/2018

(a) Recurrent Grants	Bank Statement Date	Amount (Kshs)	FY to which Amounts Relate
	05/09/2017	43,775,000.00	2017/2018
	22/12/2017	43,775,000.00	2017/2018
	16/03/2018	43,775,000.00	2017/2018
	28/05/2018	43,775,000.00	2017/2018
	Total	175,100,000.00	

The above amounts have been communicated to and reconciled with the parent ministry.

XXI: APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of MDA / Donor Transferring the Funds	Date Received as per Bank Statement	Nature: Recurrent / Development / Others	Total Amount (Kshs)	Where Recorded	Total Transfers During the Year
				Statement of Financial Performance	

There were no transfers from other government entities in the FY 2017/2018.