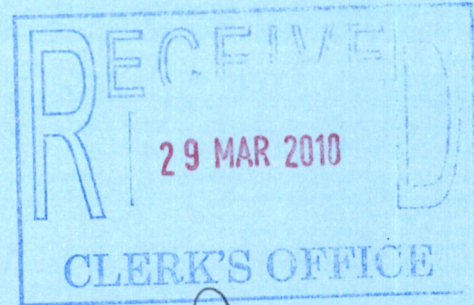


REPUBLIC OF KENYA

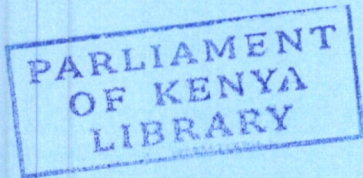


OFFICE OF THE AUDITOR-GENERAL



REPORT

OF



*Paper Laid by
the Leader of the
Majority Party on
10.04.2018
RBM*

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
BRAND KENYA BOARD**

**FOR THE YEAR ENDED
30 JUNE 2017**





ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2017**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) 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.

(b) 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.

(c) 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. Margaret Njuguna
3.	Internal Audit Manager	Ms. Margaret Waihenya
4.	Head of HR & Admin.	Mr. Philip Koskei
5.	Ag. Head of Finance	Mr. Benjamin Mutula
6.	Ag. Head of Res. Mobilization and Strategic Partnerships	Mr. Richard Krop
7.	Ag. Procurement Officer	Ms. Hildah Moahshem

(d) 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.

(e) Headquarters

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

(f) Contacts

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

(g) Bankers

Kenya Commercial Bank
Capital Hill Branch
NHIF Building
P.O. Box 46360 - 00100
Nairobi, Kenya

(h) Independent Auditors

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

(i) 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).



**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 Ag. Director of Administration in the State Department for Trade. 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.



**Mrs. Fatuma Mohamed, CBS
PS, Ministry of Tourism**

D.O.B. 17/08/1963

Prior to her appointment as PS, Ministry of Tourism, Mrs. Mohamed, worked for the United Nations. A Certified Professional Mediator, Mrs. Mohamed has a wide experience in telecommunications, media management, marketing, public relations & community and stakeholder relations.

She holds an MBA in strategy and marketing, a BA (Hons) in languages and post graduate diploma in Public Relations. She is currently pursuing a PhD in Communication Studies. Mrs. Mohamed has been honoured with a Fellow and Lifetime Achievement Award from the Public Relations Society of Kenya.



**Mr. Sammy Itemere
PS, Ministry of Information,
Communication and
Technology**

D.O.B.10/04/1960

Sammy is a seasoned banker with a career spanning over 20 years both local and regional. He holds a BA in Economics and an MBA (Marketing) both from the University of Pune.

Sammy has a wealth of diverse experience in retail & enterprise banking segments and has worked for Barclays Bank, KCB Kenya and South Sudan, Credit Bank and Imperial Bank.



**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. Chief Economist and Head of Central Planning and Project Management Unit, Ministry of Public Service, Youth and Gender Affairs. Expert in economic development planning and policy analysis; matters related to achievement of efficient and effective public services; Strategic planning; Performance management; Performance contracting; and monitoring, evaluation and reporting. Has wide experience in training and capacity building.



**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 great experience in negotiating, vetting and reviewing contracts on behalf of government ministries and agencies.



**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 over 15 years career 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.



**Mr. Philip Kilonzo
Independent Director**

D.O.B. 30/12/1961

Mr. Kilonzo holds a Bachelor of Education (Science) Degree in Mathematics and Chemistry from Kenyatta University and a diploma in sales and marketing. He is currently pursuing a Masters in Leadership Programme at the Pan African Christian University. He has in the past served in the civil service. *(left in May 2017)*



**Ms. Margaret M. Kositany
Independent Director**

D.O.B. 15/07/1968

Margaret Kositany is the Strategic Marketing Director for Ericsson Africa with 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 Unilever and Airtel, where she was responsible for driving revenue and growing market share.



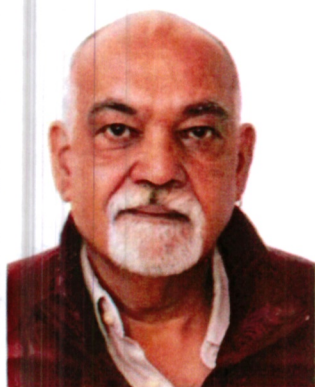
**Ms. Kathleen Kihanya
Independent Director**

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. During 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 was on the Board for 20 years. In 1998, Arvind started Creative Business that eventually became TBWA. From 2011 till now he is semi-retired but 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 Luseka is the CEO of Brand Kenya Board, with over thirteen years' experience in branding and marketing strategy at local, regional and international levels. Mary is an accomplished professional known by many to be self-driven and passionate, with distinguished performance in both Banking and Travel & Tourism industries. She has led the growth some of the country's leading institutions among them Kenya Tourism Board, KCB Group and Gulf African Bank through 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.



**Ms. Margaret Njuguna
Corporation Secretary**

D.O.B. 01/08/1963

Ms. Njuguna holds an LLB degree and a B. Ed from the University of Nairobi, a Diploma in Law from the Kenya School of Law, and Masters in Governance and Ethics from Mount Kenya University. She is a member of the Institute of Certified Public Secretaries of Kenya (ICPSK) and Law Society of Kenya (LSK).

III. MANAGEMENT TEAM



Ms. Mary Luseka
Chief Executive Officer

Mary Luseka is the CEO of Brand Kenya Board, with over thirteen years' experience in branding and marketing strategy at local, regional and international levels. Mary is an accomplished professional known by many to be self-driven and passionate, with distinguished performance in both Banking and Travel & Tourism industries. She has led the growth some of the country's leading institutions among them Kenya Tourism Board, KCB Group and Gulf African Bank through 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.



Mr. Philip Koskei
Head of HR & Administration

Mr. Koskei holds a Bachelor of Arts Degree in Government and Public Administration from Moi University, a Higher Diploma in Human Resource Management and a Certificate in Leadership Development from Pan African Christian University. He is a member of the Institute of Human Resource Management, Kenya. He has 20 years' experience in Hr and administration acquired from various management positions in both private and public sector. *(left in March 2017)*



**Ms. Margaret Njuguna
Corporation Secretary**

Ms. Njuguna holds an LLB degree and a B. Ed from the University of Nairobi, a Diploma in Law from the Kenya School of Law, and Masters in Governance and Ethics from Mount Kenya University. She is a member of the Institute of Certified Public Secretaries of Kenya (ICPSK) and Law Society of Kenya (LSK). **(left in July 2017)**



**Mr. Benjamin Mutula
Ag. Head of Finance**

Mr. Mutula holds a Bachelor of Arts (Economics & Business Studies) from Kenyatta University. He is a CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).
He has great experience in financial management from various positions held in both the corporate and public sectors.



**Ms. Margaret Waihenya
Internal Audit Manager**

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. Hildah Moahshem
Ag. Procurement Officer**

Ms. Hildah Khatiebi Moahshem is a Supply Chain Management Professional with 8 years' experience. She holds a Bachelor's Degree in Business Management, specializing in purchasing and supplies management from Moi University, Advanced Diploma in Purchasing and Supplies Management and a Supplies Practitioner's License. She is a member of the Kenya Institute of Supplies Management.

IV. REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

It is my pleasure to present to you the annual report and financial statements for the year ended 30th June 2017. In my second financial year as the Chairman of the Board, I am proud to see that the nation branding efforts collectively achieved by the many stakeholders we work with are bearing fruit. In particular, Kenya's economy remained resilient with notable increase in economic growth from 5.6 per cent in 2015 to 5.8 per cent in 2016. The Manufacturing Sector recorded a real growth of 3.5 per cent in 2016 as a result of reduced cost of production and increased volume output, while the Tourism Sector had a remarkable recovery because of improved security and successful conference tourism in 2016.

During the last five years, Kenya has surpassed global and regional economic growth rates to emerge into an economy that ranks favourably among its peers. This has definitely positioned Kenya as an attractive investment destination. Today, Kenya is ranked as the second most attractive Foreign Direct Investment (FDI) Destination on the Africa Attractiveness Index (2017), beating South Africa among 46 African Economies. FDI inflows to Kenya more than quadrupled from Sh26.7bn in 2012 to Sh148bn in 2015 and reached Sh195.7bn in 2016.

According to the World Bank's Doing Business Report, Kenya was among the economies that improved the most in 2014/2015 and has been the third most improved country in the world for two years in a row. Kenya has moved 37 places up in the Ease of Doing Business Ranking between 2013 and 2017. This is especially because of the major improvements the country has made in enforcement of contracts, protection of investors and resolving insolvency. Over 1,500 medium and large sized companies – which include major car makers such as Peugeot and Volkswagen, had set up shop in Kenya by December 2016 as a result.

And for the third year running, Kenya is still topping the charts in financial and digital inclusion. A report released by a respected global thinktank - The Brookings Institution, places Kenya at the top of its Financial and Digital Inclusion Program (FDIP) scorecard, driven

by its robust commitment to advancing financial inclusion, widespread adoption of mobile money services among traditionally underserved groups, an increasingly broad range of mobile money services (including insurance and loan products), and an enabling regulatory environment for digital financial services. The report is a particularly good illustration of the influence of mobile and digital technologies as drivers of Kenya's success story on the innovation front.

With 89 percent of Kenya's population - equivalent to 40.5 million users - now having access to the internet, Kenya has one of the highest rates of internet access in Africa making it ideal for investment in this knowledge age. Kenya boasts of globally renowned innovations such as M-PESA which have facilitated person-to-person transfers amounting to trillions of shillings through the mobile phone. Kenya also hosts the best technology incubation centres in the Eastern Africa Region such as IHub, I-lab and IBM Centre.

The brand is growing and as a Board, we embarked on a transformative approach geared towards optimally positioning the corporation as the de facto agency in matters country branding. In the year under review, we laid emphasis on the use of events as a strategy for branding Kenya. We leveraged on numerous strategic events that were held within and outside the country such as the Rio Olympics 2016, TICAD VI conference, UNCTAD 14 Conference, GPEDC - HLM2 conference and Sourcing at Magic show USA just to name a few. In our next financial year, we will focus on keeping Kenyans abreast of progress the country has made, while unifying them and energizing them towards safeguarding the gains and participating in nation building.

Acknowledgements

In summary, the year 2016/17 has been marked with key milestones in developing the country. I wish to express my appreciation to His Excellency the President Uhuru Kenyatta, the Cabinet, Kenyans, Development Partners, Media and the Private Sector for their combined

*Brand Kenya Board
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As at 30th June, 2017*

efforts and for the hard work that was undertaken during the year towards building a positive strong brand for Kenya.

I urge all directors, management and staff to rededicate their energies in creating a vibrant Board whose mandate resonates with Kenyans countrywide.

Lastly, let me wish all Kenyans a fruitful year and urge them to maintain peace even as we move into an election year.

God Bless Kenya.



Mr. Geoffrey Shimanyula

For CHAIRMAN

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

As the year comes to an end, Brand Kenya Board affirms the position that country branding is an important marketing tool and has a major role in drawing stakeholders together, providing a core set of values for the country whilst highlighting the need for market orientation. Branding helps change perceptions as we have seen throughout the year.

Nation branding is a collective effort cutting across Government to Private sector, Citizens, to the Media, making the stakeholder pool quite wide. The role of the Board is to create this brand and co-ordinate stakeholders into the marketing of the brand and the actual delivery of the brand promise. During the Financial Year 2016/17, the Board's main strategy was to leverage on strategic events to brand the country. Below is a highlight of some of the key events that the Board undertook towards achieving this objective.

Rio Olympics 2016

Olympics is the biggest sporting event in the world and takes place every 4 years. The games featured 28 sports including Rugby Sevens and Golf, which were added by the International Olympic Committee in 2009. Kenya was represented in 6 disciplines namely; Athletics, Archery, Boxing, Judo, Rugby and Weight-lifting. For the 2016 Rio Olympics, Brand Kenya Board conducted a training program with the objective of equipping the athletes with media skills focused on three areas namely:

- Effective media interviews;
- Camera skills and;
- Public speaking.

The training program ran on 28th July, 2016 at the Kipchoge Keino training camp in Uasin Gishu County.

TICAD VI, UNCTAD and GPEDC - HLM2 conferences

The Board took part in the Global Partnership for Effective Development Cooperation – High Level Meeting Two (GPEDC - HLM2) held in Nairobi from 30th November to 1st December

2016 at the Kenyatta International Convention Centre. The Global Partnership for Effective Development Cooperation is an inclusive multi-stakeholder partnership bringing together the full range of development actors to ensure that finance, knowledge and policy have maximum impact on development results.

TICAD VI came to Africa for the first time and Kenya was chosen to host this event from the 26th-28th August 2016 with the theme “Advancing Africa’s Agenda Through TICAD”. The Board recognized the significance of this event and leveraged on it to promote the brand by putting up a “Kenya House”.

UNCTAD is the United Nations body responsible for dealing with development issues, particularly international trade which is the main driver of development. The fourteenth session of the United Nations Conference on Trade and Development (UNCTAD 14) was held in Kenya from the 17th to 22nd July 2016 at the Kenyatta International Convention Centre with the theme “From Decisions to Actions”.

The Board recognized the significance of these three strategic events and leveraged on them to promote the brand by putting up a Kenya House. The principal rationale for Kenya House was to create a single, cross-sector platform with sufficient scale and scope to effectively position and market Kenya to more than 20,000 delegates attending the three events. The Kenya House highlighted the following:

1. **Government – Led Investment Opportunities** showcased by Kenya Maritime Authority, Konza Techno City, Kenya Nuclear Electricity Board, Vision 2030, KenInvest and LAPSET. In particular, The Kenya Maritime Authority already had a collaboration with the Government of Japan in progressing the Kenyan Maritime Sector and the blue economy particularly in areas of Maritime Education and Training and the provision of On-Board Ship Sea training opportunities for Kenya Cadets to enable them acquire the required skills.
2. **Kenya’s Export Products showcased by Export Promotion Council**

3. **Kenya's Tourism showcased by Kenya Tourism Board**
4. **The National Carrier** – Kenya Airways as a trade facilitator.
5. **Innovation through ICT:** Showcase of Kenya's Innovation such as:
 - a. **Kytabu;** an Android and Windows application for phones and tablets that enables teachers and students to rent curriculum textbooks using mobile money.
 - b. **LipaPlus;** a software and hardware hybrid solution that seeks to empower and improve the operations and running of businesses specifically in the small and medium scale sector.
 - c. **Photo-Therapy Unit;** a low priced, high quality phototherapy machine designed and built through collaborative effort of engineers from UoN working closely with clinicians at Kenyatta National Hospital and;
 - d. **A 3D printer machine** that enables one to bring their ideas to life by converting two dimensional abstract ideas to three dimensional objects that one can touch.

Sourcing at Magic Show USA

Sourcing at Magic Show is the world's largest fashion marketplace comprising of thirteen unique communities showcasing the latest in apparel, footwear, accessories and manufacturing. The retail industry convenes for the event twice a year, in February and August, in Las Vegas forming one of the most influential fashion and sourcing events in the world with participation of up to 10,000 exhibitors, 5,000 buyers and over 60,000 visitors.

The Kenya Government in partnership with the East Africa Trade and Investment Hub participated in the Sourcing at Magic from the 20th -23rd February, 2017. The main objective for Kenya's participation was to position Kenya as a sourcing destination for textile apparels and leather products. The Board undertook this by determining the value proposition of Kenya-Made Leather and textile apparels, developing and implementing a digital communication campaign on the same. The Kenyan pavilion at the show was designed and branded in line with the "Make it Kenya" look and feel. Following the event, Kenya has commenced efforts to capitalize on the opportunity provided by the ready market to USA under AGOA to increase its share of sourcing in a market worth over \$100 billion.

Kenya Achievements Campaign

The Board developed a proposal for funding to run an integrated 360 degree communication drive dubbed “Kenya’s Achievements Communication” which is aimed at “Branding Kenya to Kenyans”. The proposal was approved and funding provided to a tune of Kshs 500 million. The funds were however received in May 2017 and therefore most of the execution will be reported under the next financial year. The campaign under the tagline +254, Tuko na plus Kibao, whose English version is +254, a country of many pluses has been developed and will go live in July 2017.

Development of the Policy on Nation Branding

Whereas Brand Kenya Board is required to take the lead in the building of a strong country brand that is globally recognized, such recognition can only be attained if branding is mainstreamed and prioritized by every stakeholder. The Policy on Nation Branding calls for existence of a defined framework for participation of all the stakeholders in determination and implementation of branding strategies, programmes and processes as well as in resource mobilization. The policy would also identify the appropriate institutional framework and the key institutions that are custodians of the nation sub-brands and would therefore singly or collectively work towards the marketing of the “mother brand” coupled with educating the citizens on their role in ensuring a positive image of the country.

The process of developing the policy on Nation Branding started within the financial year where the Board developed a Concept note on the Policy. The actual development of the Policy will be undertaken in the next financial year.

Challenges

During the financial year, the Board faced capacity challenges arising from low budgetary allocation for most of the financial year and lack of staff in key roles stemming from the same budgetary constraints. The Board is however upbeat about the next financial year having

***Brand Kenya Board
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As at 30th June, 2017***

received funding for the Kenya Achievements Campaign as well as budget to facilitate filling of critical vacant positions at the Board.

Way forward

The management is committed to ensure Brand Kenya Board implements its mandate as envisioned. The Board will work closely with all the relevant stakeholders to ensure delivery of the Brand promise. Our success as an institution is success for our beautiful country Kenya. Make it Kenya!



**Ms. Mary Luseka
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. The 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 7 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 six (6) 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 seven (7) 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 six (6) 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 a surplus of Kshs.517,702,557 in the year under review. This was occasioned by the receipt of the Kenya's Achievement Grant of Kshs.500 million towards the end of the financial year. This money has been recognised as income but will be utilized in the Financial Year 2017/2018.

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

1. Kenya's Achievements Communication Campaign

The Kenya's achievements project aims at repositioning and showcasing the country as a working and developing nation, therefore shaping perception of the country in the minds of citizens and the foreign community. This will be done by highlighting the successes we have had as a country and sharing the development vision. Showcasing our successes to the public will portray Kenya as a nation that is moving forward and is a leader in development not just regionally but across the continent.

2. Public Service Branding

The Public Service is a critical element in country branding. The actions, attitudes and indeed the performance of public servants contribute to the country's rating as a destination. The Public Service Branding Guidelines aims to embed in the public servants a culture of results, good work ethics and positive attributes as well as uniformity in approach through effective communication. The document has been developed to set standards for the method applying the national emblems across Public Service Bodies applications. The guidelines are illustrative tools of the visual standards for preparation of all branded materials, the approved colour usage and the approved printing specifications. This is an important step towards maintaining an integrated and consistent public service image across all entities.

3. County Competitiveness Index

The CCI will measure the competitiveness of the counties across Economic, Social and Political Pillars. The aim of this is to enhance their competitiveness which will lead to economic

development in the counties. This will ultimately contribute to the improvement of Kenya's competitiveness regionally and internationally.

4. Mark of Identity

Increased competition from imports of goods and services is a real threat to locally produced ones. Without a unique and distinct differentiator, Kenyan Goods lose their originality and hence their preference in the local and global market. To address this, and equally enhance the competitiveness of the country's products and services, the Board in conjunction with other stakeholders developed a mark of identity which will distinguish our goods and services locally and internationally.

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 have been a major risk.

The Board was constituted through a legal notice and not an Act of Parliament hence making it easy to revoke.

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.

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'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 member of the Board and top management.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

“Social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour”

(Guidance Standard on Social Responsibility, ISO 26000).

Brand Kenya Board is committed to the national values and principles of governance as stipulated in the Constitution. Over the years, the board has sought to engage 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 communities through stakeholder engagement programmes.
- Empowerment of the Youth through arts and sports
- Supporting environment conservation initiatives

At Brand Kenya Board, 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. These pillars 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 30th June 2017 which show the state of the *Board's* affairs.

Principal Activity

The principal activity of the Board is 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 30th June 2017 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


for Corporation Secretary

Nairobi

Date: 05/03/18

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, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the 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, 2017, 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

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Brand Kenya Board
Financial Statements
As at 30th June, 2017

the Board's financial statements as well as the adequacy of the systems of internal financial control.

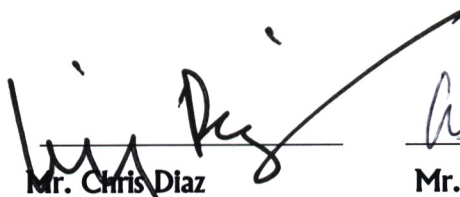
Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

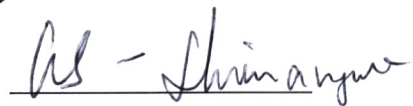
The Board's financial statements were approved by the Board of Directors on 5th September 2017 and signed on its behalf by:



Ms. Mary Luseka
Chief Executive Officer



Mr. Chris Diaz
Independent Director



Mr. Geoffrey Shimanyula
For Chairman

***Brand Kenya Board
Financial Statements
As at 30th June, 2017***

REPUBLIC OF KENYA

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Website: www.kenao.go.ke



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 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Brand Kenya Board set out on pages 1 to 36, which comprise the statement of financial position as at 30 June 2017 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, 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 flow 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.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Brand Kenya Board in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of Brand Kenya Board for the year ended 30 June 2017

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to have the Board cease operations.

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.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 and for the purpose of giving an assurance 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 Corporation's ability to continue to sustain its services. 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 consolidated/ 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

19 February 2018

**XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2016/2017 Kshs	2015/2016 Kshs
Revenue from Non-Exchange Transactions			
Government Grants	6	639,161,189	183,968,750
Revenue from Exchange Transactions			
Other Income	7	<u>7,484,920</u>	<u>2,039,080</u>
Total revenue		646,646,109	186,007,830
Expenses			
Staff Costs	8	43,680,515	52,834,220
Operating Expenses	9	69,037,492	85,931,402
Board Expenses	10	11,578,382	10,346,951
Depreciation & Amortization	11	4,253,413	6,176,355
Provision for Audit Fees	12	<u>348,000</u>	<u>348,000</u>
Total expenses		128,897,802	155,636,928
Other gains/(losses)			
Loss on Impairment of Assets	13	<u>(45,750)</u>	<u>(166,161)</u>
Surplus/(Deficit) for the period		<u>517,702,557</u>	<u>30,204,741</u>

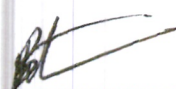
The notes set out on pages 7 to 34 form an integral part of the Financial Statements.

*Brand Kenya Board
Financial Statements
As at 30th June, 2017*

**XIII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	2016/2017 Kshs	2015 /2016 Kshs
Assets			
Current assets			
Cash and Cash Equivalents	14	583,697,657	60,851,628
Receivables from Exchange Transactions	15	4,126,271	3,491,775
Receivables from Non-Exchange Transactions	16	206,544	181,094
		588,030,472	64,524,497
Non-current assets			
Property, Plant and Equipment	17	9,253,203	12,452,629
Intangible Assets	18	120,333	240,667
		9,373,536	12,693,296
Total assets		597,404,008	77,217,793
Liabilities			
Current liabilities			
Trade Payables from Exchange Transactions	19	15,925,981	11,966,686
Payables from Non-Exchange Transactions	20	8,984	230,950
Current Provisions	21	3,576,020	5,553,622
Payroll liabilities		-	198,000
		19,510,985	17,949,258
Non-current liabilities			
Non-current provisions (Gratuity)	21	921,931	-
Total liabilities		20,432,916	17,949,258
Net assets		576,971,092	59,268,535
Reserves	32	576,971,092	59,268,535

The Financial Statements set out on pages 1 to 32 were signed on behalf of the Board of Directors by:


.....

Mr. Benjamin Mutula

Ag. Head of Finance

ICPAK Member No. 8913

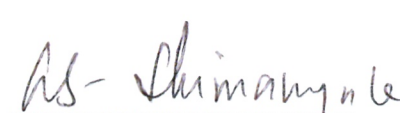
Date..... 05/03/2018


.....

Ms. Mary Luseka

Chief Executive Officer

Date..... 05/03/2018


.....

Mr. Geoffrey Shimanyula

For Chairman

Date..... 13/3/18

**XIV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2017**

	General Reserve	Reserves Revaluation Reserve	Total
	Kshs	Kshs	Kshs
Balance as at 30 June 2015	19,666,294	4,180,000	23,846,294
Surplus for the period	30,204,741	-	30,204,741
Revaluation gain in the period	-	5,217,500	5,217,500
Balance as at 30 June 2016	49,871,035	9,397,500	59,268,535
Surplus for the period	517,702,557	-	517,702,557
Balance as at 30 June 2017	<u>567,573,592</u>	<u>9,397,500</u>	<u>576,971,092</u>

The total reserves include capital replacement reserve (Sinking Fund) which was Kshs. 37,941,928 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.

**XV. STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2017**

	Note	2016/2017 Kshs	2015/2016 Kshs
Cash Flows from Operating Activities			
Operating Surplus		517,702,557	30,204,741
Adjustments for:			
Depreciation	17	4,133,079	4,233,549
Amortization	18	120,334	1,942,806
Loss on Disposal of Fixed Asset	13	45,750	166,161
Operating Surplus Before Working Capital Changes		522,001,720	36,547,257
Changes in Working Capital			
(Increase)/Decrease in Debtors and prepayments		(659,946)	(152,216)
Increase/(Decrease) in Creditors and Provisions		2,483,655	5,482,342
Net Cash Flows from Changes in Working Capital		1,823,711	5,330,126
Net Cash Flows from Operating Activities		523,825,429	41,877,383
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment	17	(979,400)	(3,834,339)
Purchase of Intangible Assets		-	(361,000)
Net Cash Flows used in Investing Activities		(979,400)	(4,195,339)
Net Increase/(Decrease) in Cash and Cash Equivalents		522,846,029	37,682,044
Cash and Cash Equivalents at 1 July	14	60,851,628	23,169,584
Cash and Cash Equivalents at 30 June	14	583,697,657	60,851,628

**XVI. STATEMENT OF COMPARATIVE OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017**

		Original Budget 2016-2017 Kshs	Adjustments 2016-2017 Kshs	Final Budget 2016-2017 Kshs	Actual on Comparable Basis 2016-2017 Kshs	Performance Difference 2016-2017 Kshs
Revenue						
Government Grants (a)		123,000,000	516,161,189	639,161,189	639,161,189	-
Other Income		2,000,000	-	2,000,000	7,484,920	5,484,920
Total Income		125,000,000	516,161,189	641,161,189	646,646,109	5,484,920
Expenses						
Compensation of Employees (b)		56,933,206	(7,778,000)	49,155,206	43,680,515	5,474,691
Operating Expenses (c)		57,758,794	517,739,189	575,497,983	69,037,492	506,460,491
Board Expenses (d)		5,460,000	6,200,000	11,660,000	11,578,382	81,618
Depreciation & Amortization		4,500,000	-	4,500,000	4,253,413	246,587
Provision for Audit Fees		348,000	-	348,000	348,000	-
Loss on Disposal of Property, Plant & Equipment		-	-	-	45,750	(45,750)
Total Expenditure		125,000,000	516,161,189	641,161,189	128,943,552	512,217,637
Surplus for the Period		-	-	-	517,702,557	517,702,557

Notes

- (a) The Government Grants budget adjustments include Kshs. 500,000,000.00 for Kenya's Achievements Communication Drive from 2016/17 supplementary budget II received in May 2017, Kshs. 26,161,189 received from the National Treasury for GPEDC and a development budget cut of Kshs. 10,000,000.00 in 2016/17 supplementary budget II.

(b) The adjustment on the compensation to employees is for reporting purposes and includes CEO's emoluments budget of Kshs. 6,200,000.00 reported under Board Expenses and Kshs.

1,578,000.00 telephone allowances budget reported under telephone expenses.

(c) The Kshs. 517,739,189.00 adjustment on operating expenses relate to note (a) above and consequently the Kshs. 506,460,491.00 variance between the budget and actual is mainly due to the Kenya's Achievements Grant of Kshs. 500,000,000.00 which the Board received in May 2017 and included in the budget but a great percentage of the expenses will be incurred in the 2017/2018 financial year. The balance is other commitments not accrued as at 30th June 2017.

(d) The adjustment on Board Expenses budget of Kshs. 6,200,000.00 million is the CEO's emoluments budget reported under Board expenses.

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 Brand Kenya 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 Brand Kenya 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 (CONT.)

3. Adoption of New and Revised Standards

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017.

Standard	Impact
<p>IPSAS 33: First Time Adoption of Accrual Basis IPSAS.</p>	<p><i>(Effective for annual periods beginning on or January 1, 2017)</i></p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>The Board adopted IPSAS in the year ended 30th June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Board.</i></p>
<p>IPSAS 34: Separate Financial statements.</p>	<p><i>(Effective for annual periods beginning on or January 1, 2017)</i></p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p><i>The Board does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>

Standard	Impact
<p>IPSAS 35: Consolidated Financial Statements</p>	<p><i>(Effective for annual periods beginning on or January 1, 2017)</i></p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following;</p> <ul style="list-style-type: none"> - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of PSAS 35.</p> <p><i>The Board does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<p>IPSAS 36: Investments in Associates and Joint Ventures</p>	<p><i>(Effective for annual periods beginning on or January 1, 2017)</i></p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. IPSAS 36 prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>The Board does not have investments in associates or joint ventures and</i></p>

Standard	Impact
	<i>therefore the standard does not apply.</i>
IPSAS 37: Joint Arrangements	<p><i>(Effective for annual periods beginning on or January 1, 2017)</i></p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>The Board does not have an interest in a joint arrangement and therefore the standard does not apply.</i></p>
IPSAS 38: Disclosure of Interests in Other Entities	<p><i>(Effective for annual periods beginning on or January 1, 2017)</i></p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>The Board does not have an interest in other entities and therefore the standard does not apply.</i></p>

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective Date and Impact
IPSAS 39: Employee Benefits.	<p><i>Applicable 1st January 2018</i></p> <p>The objective to issue IPSAS 39 was to create convergence to change in IAS 19, Employee Benefits. IPSASB needed to create convergence of IPSAS 25</p>

Standard	Effective Date and Impact
	to the amendments done to IAS19. 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.
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 2017.

4. Summary of Significant Accounting Policies

a) Revenue Recognition

1) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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

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 March 2016. 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 (CONT.)

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 (CONT.)

(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 (CONT.)

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 (CONT.)

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 Entity 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 (CONT.)

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 (CONT.)

i) 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.

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 (CONT.)

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 (CONT.)

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. 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.

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,

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 (CONT.)

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 21. 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.

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, 2017.

6. Government Grants

	2016/2017	2015/2016
	Kshs	Kshs
Recurrent Grants Received in the Year	603,000,000	105,008,750
Development Grants Received in the year	10,000,000	18,960,000
2014/15 Sup. allocation received in the year	-	52,000,000
Grants from other Govt' Institutions	26,161,189	8,000,000
Total	<u>639,161,189</u>	<u>183,968,750</u>

Refer to appendix 2 and 3 on page 35 and 36 respectively.

The increase in government grants is as a result of a grant of Kshs. 500 million from the Government of Kenya for the Kenya's Achievements Campaign.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

7. Other Income

	2016/2017	2015/2016
	Kshs	Kshs
Income from Sale of Tenders	-	34,000
Income from sale of old newspapers	660	387
Interest Income	3,937,216	2,004,693
Income from provision of service	2,692,044	-
Salary in lieu of notice	855,000	-
Total	7,484,920	2,039,080

8. Staff Costs

	2016/2017	2015/2016
	Kshs	Kshs
Salaries & Wages	39,297,857	47,003,656
Provision for/(write Back of) Accrued Leave	527,198	482,043
Pension & NSSF Contributions	3,855,460	4,209,581
Provision for Gratuity	-	1,138,940
Total	43,680,515	52,834,220

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

9. Operating Expenses

	2016/2017	2015/2016
	Kshs	Kshs
Bank Charges	45,711	88,763
Internet Connectivity	693,600	446,600
Cleaning and Sanitation Services	528,960	520,300
Staff Recruitment and Training	1,652,047	3,876,970
Staff Uniforms	-	87,358
R & M – Motor Vehicles	1,289,298	1,574,041
R & M – F&F, Office Equipment & ERP	598,679	1,453,444
Office Rent & Deco'	12,255,488	12,232,356
Telephone & Postage	1,910,042	2,317,627
Stationery, Publishing & Printing	695,214	1,097,716
Entertainment	148,490	153,444
Travelling & Accommodation	3,588,294	9,503,477
Hospitality(Catering) Expenses	1,361,997	2,050,477
Advertising, Marketing & Communication	34,790,366	42,115,371
Subscriptions	673,323	457,332
Insurance	7,893,606	7,096,666
Contracted Prof. Services & TC	912,377	859,460
Total	69,037,492	85,931,402

10. Board Expenses

	2016/2017	2015/2016
	Kshs	Kshs
Sitting Allowances	4,566,000	4,444,000
Chairman's Honoraria	960,000	300,290
Training, Travel & Other Expenses	162,640	1,325,003
CEO's Emoluments	4,885,342	3,942,858
CEO's Gratuity	1,004,400	334,800
Total	11,578,382	10,346,951

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

11. Depreciation and Amortization Expenses

	2016/2017 Kshs	2015/2016 Kshs
Property, Plant & Equipment	4,133,079	4,233,549
Intangible Assets	120,334	1,942,806
Total	4,253,413	6,176,355

12. Provision for Audit Fees

This is the fees expected to be paid to the Auditor General for audit services for the 2016/2017 Financial Year.

	2016/2017 Kshs	2015/2016 Kshs
Provision for audit fees	348,000	348,000

13. Loss on Impairment of Property, Plant & Equipment

	2016/2017 Kshs	2015/2016 Kshs
Cost	122,000	954,280
Accumulated Depreciation	(76,250)	(788,119)
Net Book Value	45,750	166,161
Compensation Received	-	-
Less: Net Book Value	(45,750)	(166,161)
Loss on disposal	(45,750)	(166,161)

The loss on impairment of assets arose from the impairment of an air conditioner which had cost Kshs.122,000 and had an accumulated depreciation of Kshs.76,250 was fully impaired in the period.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

14. Cash and Cash Equivalents

	2016/2017	2015/2016
	Kshs	Kshs
Bank (Kenya Commercial Bank)	583,694,700	60,836,930
Cash-in-Hand	2,957	14,698
Total cash and cash equivalents	583,697,657	60,851,628

The cash is held in Kenya Commercial Bank, Capital Hill Branch, A/C No. 1110627041 and includes Kshs. 37,941,928 being the balance of the sinking fund.

15. Receivables from Exchange Transactions

	2016/2017	2015/2016
	Kshs	Kshs
Trade Receivables	-	-
Rent Deposit (NHIF)	1,743,850	1,743,850
Prepaid Insurance	2,382,421	1,747,925
Total	4,126,271	3,491,775

16. Receivables from Non-Exchange Transactions

	2016/2017	2015/2016
	Kshs	Kshs
Staff Debtors	206,544	181,094
Total	206,544	181,094

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

17. Property, Plant & Equipment

Cost/Valuation	Equipment	Computers	Furniture & Fittings	Motor Vehicles	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2015	3,079,693	7,742,030	11,781,809	17,940,857	40,544,389
Additions	392,000	1,820,559	1,621,780	-	3,834,339
Revaluations	-	-	-	5,217,500	5,217,500
Disposals	-	-	(954,280)	-	(954,280)
At 30 June 2016	3,471,693	9,562,589	12,449,309	23,158,357	48,641,948
Additions	979,400	-	-	-	979,400
Revaluations	-	-	-	-	-
Disposals	(122,000)	-	-	-	(122,000)
At 30 June 2017	4,329,093	9,562,589	12,449,309	23,158,357	49,499,348
Depreciation					
At 1 July 2015	1,510,051	7,319,126	8,478,855	15,435,857	32,743,889
Depreciation	433,962	990,638	1,556,449	1,252,500	4,233,549
Disposals	-	-	(788,119)	-	(788,119)
At 30 June 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
Net Book Values					
At 30 June 2017	1,798,894	606,853	1,994,953	4,852,500	9,253,200
At 30 June 2016	1,527,680	1,252,825	3,202,124	6,470,000	12,452,629

The Board has office equipment, computers and furniture & fittings which cost Kshs.214,500.00, Kshs.7,742,030.00 and Kshs.8,238,319 respectively that are fully depreciated but still in use.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

18. Intangible Assets

	Software
Cost	Kshs
At 1 July 2015	5,571,821
Additions	361,000
Disposals	-
At 30 June 2016	<u>5,932,821</u>
Additions	-
Disposals	-
At 30 June 2017	<u>5,932,821</u>
 Amortization	
At 1 July 2015	3,749,348
Amortization in Period	1,942,806
At 30 June 2016	<u>5,692,154</u>
Amortization in Period	120,334
At 30 June 2017	<u>5,812,488</u>
 Net Book Values	
As at 30 June 2017	<u>120,333</u>
As at 30 June 2016	<u>240,667</u>

The Board has software that cost Kshs.5,467,421.00 which is fully amortized but still in use.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

19. Trade and Other Payables from Exchange Transactions

	2016/2017	2015/2016
	Kshs	Kshs
Trade Payables	15,446,201	11,468,306
Tax Liabilities	479,780	498,380
Total	15,925,981	11,966,686

The tax liabilities relate to withholding VAT and withholding tax outstanding as at 30 June 2017.

20. Payables from Non-Exchange Transactions

	2016/2017	2015/2016
	Kshs	Kshs
	8,984	230,950

These are staff imprest accounts with credit balances.

21. Provisions

Current Provisions

	Audit Fees Kshs	Leave Benefits Kshs	Gratuity Kshs	Total Kshs
Balance at 1st July 2016	348,000	1,696,422	3,509,200	5,553,622
Additional provisions raised	348,000	527,198	-	875,198
Provision utilized	(348,000)	-	(2,504,800)	(2,852,800)
Balance as at 30 June 2017	348,000	2,223,620	1,004,400	3,576,020
Non-current Provisions	-	-	921,931	921,931
Total as at 30 June 2017	348,000	2,223,620	1,926,331	4,497,951

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

22. Payroll Liabilities

	2016/2017	2015/2016
	Kshs	Kshs
PAYE on BoD sitting allowances	-	198,000
Total	-	198,000

23. Financial Risk Management

The Board's risk management strategy recognises the various risks the Board is exposed to including credit risk and liquidity risk. This is based on a clear understanding of the risks and continuous risk assessment, measurement and monitoring. The Board's overall risk management programme focuses on the unpredictable changes in the business environment and seeks to minimize the potential adverse effects of such risks on its performance. The Board does not hedge any risks but has in place policies that ensure that any credit advanced is at minimum risk.

Credit Risk

Credit risk is the risk that a borrower is unable to meet his financial obligations to the lender. The Board's credit risk is attributable to its cash and cash equivalents and trade receivables. The amounts presented in the financial statements are net of allowances for doubtful receivables, estimated by the Board's management based on their assessment of the economic environment. Both bank balances and trade receivables are fully performing and no debt has been impaired. The amount that best represents the Board's maximum exposure to credit risk is made up as follows;

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Total Amount (Kshs)	Fully Performing (Kshs)	Past Due (Kshs)	Impaired (Kshs)
At 30 June 2017				
Bank Balances	583,697,657	583,697,657	-	-
Receivables from Exchange Transactions	4,126,271	4,126,271	-	-
Receivables from Non-Exchange Transactions	206,544	206,544	-	-
At 30 June 2016				
Bank Balances	60,851,628	60,851,628	-	-
Receivables from Exchange Transactions	3,491,775	3,491,775	-	-
Receivables from Non-Exchange Transactions	181,094	181,094	-	-

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for management of the Board's short, medium and long term funding requirements. The Board manages liquidity risk by maintaining adequate cash reserves to ensure liabilities are paid as they fall due and to cushion against any liquidity risk.

The table below shows the Board's financial liabilities that will be settled on a net basis. The amounts disclosed 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 (CONT.)

	Less than 1 month (Kshs)	Between 1 and 3 months (Kshs)	Over 3 months (Kshs)
At 30 June 2017			
Trade Payables	15,925,981	-	-
At 30 June 2016			
Trade Payables	11,966,686	-	-

Capital Risk

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;

	2016/2017 (Kshs)	2015/2016 (Kshs)
General Fund	567,573,592	49,895,244
Revaluation Reserve	9,397,500	9,397,500
Total	576,971,092	59,292,744

24. Events after the Reporting Period

There are no material non-adjusting events after the reporting date.

25. Currency

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

26. Contingent Liabilities

The Board has an ongoing litigation 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 outcome of the case cannot be accurately determined as at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

27. Capital Commitments

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

28. Taxation

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

29. Ultimate and Holding Entity

The Board is a state corporation under the State Department for Trade in the Ministry of Industry, Trade and Cooperatives. Its ultimate parent is the Government of Kenya.

30. 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 2017 to June 2018) is Kshs.12,202,688.
- Rental payments in year 2 (July 2018 to June 2019) is Kshs.12,202,688.
- Rental payments in year 3 (July 2019 to June 2020) is Kshs.12,202,688.
- Rental payments in year 4 (July 2020 to June 2021) is Kshs.12,202,688.
- Rental payments in year 5 (July 2021 to June 2022) is Nil.
- Rental payment beyond 5 years (from July 2022 onwards) is Nil.

31. Related Party Disclosures

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. The Board received recurrent grants of Kshs.603,000,000 and development grants of Kshs. 10,000,000 from the National Treasury. The Board received a further Kshs.32,745,950 as AIE from the National treasury for branding and publicity of the Global Partnership for Effective Development Co-operation High Level Meeting 2 held in Nairobi in November/December 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

The Board had the following annual expenses payable to related parties.

	2016/2017	2015/2016
	Kshs	Kshs
Management Personnel Compensation	19,332,133	21,297,394
Staff Annual Gratuity	1,004,400	1,473,740
Board Allowances & Honoraria	<u>5,526,000</u>	<u>4,744,290</u>
Total	<u>25,862,533</u>	<u>27,515,424</u>

32. Reserves

	2016/2017	2015/2016
	Kshs	Kshs
Balance as at 1st July	59,268,535	23,846,294
Surplus for the period	517,702,557	30,204,741
Revaluation in the period	<u>-</u>	<u>5,217,500</u>
Balance as at 30 th June	<u>576,971,092</u>	<u>59,268,535</u>

XVIII. PROGRESS ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS

There were no issues raised by the external auditor in the Board's FY 2015/2016 financial statements.

ML

Ms. Mary Luseka

Chief Executive Officer

Date... *05/03/2018*

AS - Shimanyula

Mr. Geoffrey Shimanyula

For Chairman of the Board

Date... *13/3/2018*

XIX. APPENDIX 1: PROJECTS IMPLEMENTED BY THE BOARD

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

XX. APPENDIX 2: INTER-ENTITY TRANSFERS

Brand Kenya Board			
Break Down of Transfers from the State Department for Trade			
(a) Recurrent Grants	Bank Statement Date	Amount (Kshs)	FY to which Amounts Relate
	20/09/2016	25,750,000.00	2016/2017
	08/12/2016	25,750,000.00	2016/2017
	23/02/2017	25,750,000.00	2016/2017
	04/05/2017	25,750,000.00	2016/2017
	04/05/2017	500,000,000.00	2016/2017
	Total	603,000,000.00	
(b) Development Grants	10/10/2016	4,000,000.00	2016/2017
	12/01/2017	3,000,000.00	2016/2017
	06/03/2017	1,500,000.00	2016/2017
	03/04/2017	1,500,000.00	2016/2017
	Total	10,000,000.00	

(Refer to note 6 to the financial statements).

XXI. APPENDIX 3: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of MDA	Date Received as per Bank Statement	Nature	Amount (Kshs)	Where Recorded	Total Transfers During the Year
				<i>Statement of Financial Performance</i>	
The National Treasury	02/12/2016	Recurrent	32,745,950.00	32,745,950.00	32,745,950.00
Total			32,745,950.00	32,745,950.00	32,745,950.00

The Government through The National Treasury was hosting the Second High Level Meeting (HLM2) of the Global Partnership for Effective Development Cooperation (GPEDC) in November/December, 2016.

The National Treasury issued the CEO, Brand Kenya Board with an AIE and transferred Kshs.32,745,950 to Brand Kenya Board to finance the activities of the Exhibition Committee in which she was a member.

After the event, Brand Kenya Board reimbursed Kshs.6,584,76.00 to The National Treasury being the balance from the AIE hence only Kshs.26,161,189 was recognized as income in the financial statements.

(Refer to note 6 to the financial statements).