



2019

ANNUAL REPORT &
FINANCIAL STATEMENT

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BACKGROUND INFORMATION

KTB is a state corporation established and regulated under the Tourism Act No.28 of 2011, sections 29-39. Prior to enactment of the Tourism Act, KTB (then known as Kenya Tourist Board) operated under Legal Notice No.14 of 1997.

PRINCIPAL ACTIVITIES



1. Develop, implement and co-ordinate a national tourism marketing strategy



2. Market Kenya at local, national, regional and international levels as a premier tourist destination



3. Identify tourism market needs and trends and advise tourism stakeholders accordingly



4. Perform any other functions that are ancillary to the object and purpose for which the Tourism Board is established

OUR CUSTOMERS

Local

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

International

- Kenyan Missions Abroad
- Market Development Representatives (MDRs)
- The Travel Trade in various Source Markets
- The International Media
- International Suppliers
- Foreign Tourists





OUR SERVICES

We strive to provide our customers with:

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

OUR STRATEGIC PARTNERS

Our key strategic partners include the following:

- Kenya Airways (KQ)
- Kenya Wildlife Services (KWS)
- Kenya Railways (SGR)
- Kenya Tourism Fund (KTF)
- Kenya Association of Tour Operators (KATO)
- Kenya Association of Hotelkeepers & Caterers (KAHC)
- Eco Tourism Kenya (EK)



KEY MANAGEMENT

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

Chief Executive Officer

Executive Management

BOARD HEADQUARTERS

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

KTB's CONTACTS

Telephone: (254) 202711262

E-mail: info@ktb.go.ke

Social Media:

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

Twitter: @MagicalKenya

Facebook: MagicalKenya

Instagram: MagicalKenya

SERVICE DELIVERY CENTRES

NAIROBI

Jomo Kenyatta International Airport,
Nairobi

Tel: 822111 – Ext. 5299 / 341728

MOMBASA

Mombasa International Airport,
Mombasa

Tel: 020 2047370

USA	INDIA
<p>Myriad International Marketing LLC 6033 West Century Boulevard, Suite 900 Los Angeles, CA 90045, USA Tel: +1 310 649 7718 Email: Al@myriadmarketing.com</p>	<p>Trac Representations (I) Pvt. Ltd. A-61, 6th Floor, Himalaya House 23, K.G. Marg, New Delhi – 110001 India Phone: 91 11 23352550 Fax: 91 11 23737348 Email: Kg@tracrep.com</p>
CHINA	UNITED KINGDOM
<p>Tam Wing Kun Holdings Ltd. Suite 1201A, 12F, Tower 1, Admiralty Centre 18 Hacourt Road Admiralty Hong Kong China Phone: (852) 2527 7000 Fax: (852) 2377 2131/2 Email: Henryyim@tam.com.uk</p>	<p>Hills Balfour Colechurch House 1 London Bridge Walk London, SE1 2SX Phone: +44 020 7367 0931 Fax: +44 020 7407 3810 Email: Kenya@hillsbalfour.com</p>

KTB's BANKERS

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

INDEPENDENT AUDITORS

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

PRINCIPAL LEGAL ADVISERS

Daly & Inamdar,
6th Floor, ABC Towers,
ABC Place,
P.O. BOX 40034-00100,
Nairobi, Kenya.



CHAIRMAN'S STATEMENT

On behalf of the Members of the Board, it is my pleasure to present the Annual Report and Financial Statements for the Kenya Tourism Board for the year ended 30th June 2018.

Overview

During the year under review, international arrivals by air and sea into Kenya recorded growth to reach 971,209 as at the close of the 2017/18 FY. Additionally, total arrivals including cross-border arrivals closed at 1,488,370 which was an increase of 6.8% over the previous year. Growth was also recorded in the number of domestic bed-nights as well as tourism revenue to the destination. The domestic market also demonstrated resilience to record growth during an election year and as a Board we will continue to lay emphasis on this market. Regional markets also continued to play a key role in our growth strategy and will complement our marketing efforts targeted at the traditional and emerging markets.

As a Board, we are gratified to see a continued uptick in the performance of the tourism sector year on year which can be attributed to the efforts by KTB and other players in the sector to position Kenya as a premier tourism destination.

Operating Environment

The financial year 2017/18 saw the country conduct the 2017 general elections that took place in August as well as the repeat presidential elections that were held in October 2017. Traditionally, election years have been marked by significant dips in the performance of the tourism sector. However, we are pleased to note that, for the first time, modest growth was recorded in an election year.

During the year, the Government announced its Big Four Agenda which outlines the country's key priorities for the next five years. The tourism sector continues to play a significant role in the achievement of these goals by generating forex revenues to the destination. To this end, our marketing efforts will contribute to the attainment of the Government's objectives in growing the manufacturing sector, providing affordable

*ON BEHALF OF THE
MEMBERS OF THE
BOARD, IT IS MY
PLEASURE TO
PRESENT THE
ANNUAL REPORT
AND FINANCIAL
STATEMENT FOR
THE KENYA TOURISM
BOARD FOR THE
YEAR ENDED
30TH JUNE 2018*

Jimi Kariuki
Chairman, KTB



healthcare, housing and food security. An increase in tourism numbers over the last several years has led to the development of new properties and has attracted well-known hotel chains into the destination which has in turn spurred the manufacturing sector in Kenya.

In addition, the security situation in Kenya during the year under review remained calm and peaceful with no major incidents reported that would be detrimental to the tourism sector. This is attributable to the Government's efforts to contain insecurity incidents, secure the country's borders and patrol Kenya's territorial waters to avert piracy incidents.

Strategy

During the FY 2017/18, KTB rolled out its new destination marketing strategy developed by an international tourism marketing consultancy firm, THR Asesores En Turismo, Hoteleria Y Recreacion from Spain. As a result, KTB's market focus was realigned to lay more focus on Priority A and B markets as well as the domestic and regional markets. Marketing funds were also allocated based on the identified market priorities. The year also saw the successful conclusion of the Charter Incentive Program (CIP) that brought in over US\$37 million into the destination.

Significant emphasis was laid on engagement with stakeholders and to this end, a National Stakeholders Forum was held during the year where KTB explained to its stakeholders the new strategic direction as well as the areas of collaboration and interface with the tourism trade and county governments. In the period under review, the Ministry of Tourism also launched the National Tourism Blueprint 2030 which will also complement the destination marketing strategies laid down by KTB.

As a Board, we are excited about the future of the sector in view of the new strategic direction and are confident that the implementation of these strategies will lead to significant growth in arrivals, bed-nights, revenues as well as the brand image of the destination. However, there is need to ensure that commensurate budgetary resources are deployed towards the implementation of these strategies to secure the realisation of the intended growth objectives.

Corporate Governance

KTB's successes are built on a foundation of strong and effective corporate governance with Board of Directors and KTB Management ensuring that this remained a key focus area during the year. Through the various KTB Board committees as well as the Full Board, we executed the Board's role

As a Board, we are excited about the future of the sector in view of the new strategic direction and are confident that the implementation of these strategies will lead to significant growth in arrivals, bed-nights, revenues as well as the brand image of the destination.

of providing policy, oversight and strategy to the corporation and, together with KTB Management, ensured that corporate governance served as the framework for achieving the organisation's objectives as well as providing the benchmark for measurement of performance and disclosures.

The Statement of Corporate Governance included in this report sets out in greater detail the various measures that the Board has put in place to ensure a robust corporate governance environment.

Risk Management

The Board recognises the responsibility placed on it to ensure that KTB has adequate systems and processes of accountability, risk management and internal controls. Accordingly, KTB ensured that risk management was done on a continuous basis within the organisation and that the Board received regular assurance from Management on the implementation of the risk management framework approved by the Board. In addition, KTB maintained an efficient system of internal controls and regularly reviewed its effectiveness.

Future Outlook 2017/18

Going forward and backed up by the clear strategic direction arising from the THR reports, KTB intends to put in place effective strategies and goals. The new year 2018/19 holds great promise for KTB, the tourism sector, as well as the destination. Against the backdrop of a stable and peaceful climate as well as a new strategic direction and renewed vigor, we are confident that great gains can be achieved in the performance of the sector. To further anchor this, KTB will in the coming year roll out its Corporate Strategic Plan 2018-2023 which will guide the organisation for the next five years. In 2018/19, KTB will also launch a revamped destination brand that will help to position Kenya in the source markets as a vibrant, exciting and attractive tourism destination.

During the coming year, the national carrier, Kenya Airways will commence its direct flights to and from the United States of America which is Kenya's top tourism source market. This development will herald a significant shift in air access for travelers from the North American market that will allow KTB to tap into this vast market that has traditionally been hindered by expensive air fares and long travel times.

In addition, infrastructural developments in the country, including road, rail and airport projects will greatly contribute to the ease of movement for local, regional and international tourists. New entrants into the aviation sector as well as opening up of new routes are expected to positively impact the sector. Accordingly, our outlook for the coming financial year is positive.



Acknowledgement

On behalf of KTB Board of Directors and staff, I wish to thank the Government of Kenya, our parent Ministry of Tourism & Wildlife, the various county governments, our sister parastatals, the tourism private sector as well as our various other stakeholders for their support and partnership during the year. It is through this collaboration that we have been able to execute our mandate effectively. Without them, the gains recorded during the year would not have been possible.

As Chairman of the Board, I also wish to express my gratitude to my fellow directors for their commitment to the organisation and their diligent service during the year. Additionally, my sincere thanks goes to the Management and staff of the organisation who put in great effort towards the realisation of KTB's goals and objectives. Together, we confidently look forward to great success in the new financial year 2018/19.

Thank you all.

Jimi Kariuki
Chairman, KTB

REPORT FROM THE CHIEF EXECUTIVE OFFICER

Tourism sector is one of the key pillars for inclusive growth and sustainable economic development in Kenya with a Gross Domestic Product (GDP) contribution of about 12%.

It is a critical anchor for economic growth and job creation in Kenya supporting close to 500,000 jobs and with a capacity to transform regional economic development and contribute to the vision 2030 economic blue print.

It is for this reason that the government and the private sector players continued to scale up levels of investment to support the sector.

I therefore take this opportunity to share the financial year 2017/18 report highlighting our performance as well as strategies to grow the tourism business in the country.

Within the review period, combined arrivals for July to June Financial Year 2017/18 closed at 1,488,370 compared to 1,393,568 in 2016/17, illustrating a growth of 6.8%.

The Jomo Kenyatta International Airport (JKIA) recorded arrivals for the same period of 848,521 up from 826,706 illustrating a growth of 2.6%.

Moi International Airport Mombasa (MIAM) recorded 119,910 arrivals up from 92,526 in Financial Year 2016/17 illustrating a growth of 29.6%

Cruise ship arrivals recorded in the period was 2,778 compared to 1,743 in Financial Year 2016/17, a growth of 59%.

The cross border arrivals closed at 517,159 up from 470,542 in Financial Year 2016/17, illustrating a growth of 9.9%.

Our domestic segment recorded a growth of 1.1% as indicated in the domestic bed nights' figure that closed at 3.67 million bed nights compared to 3.64 million in 2016/17.

Tourism receipts for the period under review posted a 9.9% growth at Kshs. 117.6 Billion, up from KShs107 Billion recorded in 2016/17.

TOGETHER TO CREATE THE MAGIC IN KENYA

Dr. Betty A. Radier,
Chief Executive Officer
Kenya Tourism Board





PURPOSES OF TRAVEL

Leisure

Holiday leisure remains the major reason for travel into Kenya during the period accounting for 73.6% of the total arrivals. In absolute numbers, holiday arrivals increased by 15.2% to record 714,617 visitors compared to 620,401 in 2016/17.

Meetings, Incentives, Conferences and Exhibitions (MICE) Segment

Business and Conferences contributed 12.1% of the total arrivals in the period. This segment however recorded a 17% decline with 117,971 arrivals compared to the same period in financial year 2016 / 17 that posted 142,211 visitors.

We are optimistic that this sector will recover considering a number of impending events to be hosted in the country in the next financial year. These include the SKAL World Congress to be held in Mombasa on October (17th – 21st), Blue Economy Summit which will be held in November (26th – 28th) and is expected to attract between 5000 - 6000 delegates.

Visiting Friends and Relatives (VFR) contributed 7.7% of the arrivals in the period, and other purposes i.e. sport, study, medical, transiting, volunteerism contributed 6.6% of the total arrivals.

Market Performance

US Market was the best performing with 110,510 arrivals contributing 11.4% of the total. This is a growth of 1.6% as compared to 108,780 arrivals in 2016 / 17

UK was the second market with 102,535 arrivals accounting for 10.6% of the total market share. This however was a reduction of 1.7% as compared to 104,276 arrivals in 2016 / 17.

Uganda was the third top source market with 82,331 arrivals, an equivalent of 8.5% market share. This was an impressive growth of 62.1% as compared to 50,789 in the 2016 / 17 financial period.

India was the fourth market with 54,812 arrivals which translates to 5.6%, a decline in growth by 10% as compared to 60,872 arrivals in 2016 / 17.

Germany closed the top five source markets with 52,144 arrivals which is 5.4% market share of the total arrivals in 2017/18, this is a growth of 16.2% as compared to 44,874 arrivals in 2016 / 17 financial period.

The performance of the top 20 source markets is summarised in the table below:

Source Market	July - June 17/18	July - June 16/17	2017/18 % Share	2017/18 vs 2016/17 % Change
US	110,510	108,780	11.4%	1.6
UK	102,535	104,276	10.6%	-1.7
Uganda	82,331	50,789	8.5%	62.1
India	54,812	60,872	5.6%	-10.0
Germany	52,144	44,874	5.4%	16.2
China	50,671	52,274	5.2%	-3.1
Italy	49,733	38,637	5.1%	28.7
South Africa	36,037	39,964	3.7%	-9.8
France	26,802	21,256	2.8%	26.1
Tanzania	21,597	21,470	2.2%	0.6
Canada	20,988	20,901	2.2%	0.4
Netherlands	18,847	17,744	1.9%	6.2
Ethiopia	18,557	16,554	1.9%	12.1
Australia	17,729	17,420	1.8%	1.8
Spain	14,926	11,925	1.5%	25.2
Nigeria	14,669	17,450	1.5%	-15.9
UAE	13,769	11,470	1.4%	20.0
Poland	12,961	10,125	1.3%	28.0
Rwanda	12,416	12,271	1.3%	1.2
Sweden	11,756	11,523	1.2%	2.0

The identification and collection of highly satisfying, diverse and authentic Kenyan experiences, tapping into Digital Marketing as well as ways to becoming a preferred partner with the industry were key deliverables under the strategy.

Marketing Strategies

During the period under review, we embarked on the implementation of our THR Marketing Strategy whose impact will be seen in the coming years.

The identification and collection of highly satisfying, diverse and authentic Kenyan experiences, tapping into Digital Marketing as well as ways to becoming a preferred partner with the industry were key deliverables under the strategy.

In line with market diversification, we doubled our efforts in the African and Regional markets that continued to record growth and show resilience in times of difficulties e.g. insecurity.

Strengthening the cooperation and participation of the Kenyan industry as well as improved marketing performance of the tourism management systems were some of our strategic objectives.

Stakeholder engagement is key towards the implementation of all these marketing endeavours geared towards tourism growth. Within the review period, we rolled out county engagement programs to share our strategic direction with the county governments who own the products.

KTB also undertook capacity building on marketing skills as well as products awareness among domestic travel trade through forums held across the tourism circuits in the country.

Consumer promotions and increased activities geared towards direct consumer activities such as mall activations, social media /online media campaigns in the source markets were some of our priorities.

Future Outlook

We are indeed prepared to reap more from the sector given the already conducive and reliable business environment.

The World Travel Tourism Council (WTTC) forecasts direct contribution of travel and tourism to the Kenyan GDP to rise by 5.2% in 2018 from 2017's contribution of KSh.294.6 billion.

WTTC estimates visitor export (international tourists spending within Kenya) to grow by 5.2% in 2018 from the amount generated in 2017.



We have aligned our projects to MTP III & sector performance standards as well as to Sustainable Development Goals to ensure that KTB implements initiatives, which will be keeping pace with the targets of the global SDGs, as derived from the MTP 2018 - 22.

We therefore target to achieve the following in the period 2018 /19:

- I. Increase tourism arrivals from 1.5 million in 2017 /18 to 1.8 million visitors in 2018 /19 (international and cross border);
- II. Increase tourism earnings from Kshs. 120 billion in 2017 /18 to Kshs. 144 billion in 2018 /19;
- III. Increase bed-nights by domestic tourists from 4.5 million in 2017 /18 to 5.4 million by 2018 /19.

Conclusion

As I conclude, let me take this opportunity to thank all our key partners and stakeholders for the support afforded to KTB during the period under review.

Let me thank the KTB Board and our line Ministry of Tourism and Wildlife for providing with us policy guidance towards achievements of our mandate. Let me also thank the staff for their tireless efforts towards growing tourism business.

Finally to the industry, thank you for your continued collaboration and partnership in ensuring that we continue to build a strong tourism sector towards realising its full potential for Kenya.

Dr. Betty Addero Radier
Chief Executive Officer

CORPORATE GOVERNANCE





CORPORATE GOVERNANCE

Board Composition

In accordance with the Tourism Act, KTB Board of Directors consists of ten (10) members made up of a Non-Executive and Independent Chairman, 1 Executive Managing Director & CEO, the Principal Secretary-National Treasury, Principal Secretary-Ministry of Tourism, CEO of Tourism Fund plus 5 Independent and Non-Executive Directors.

During the year Mr. Gabriel Gonzalez Penalver was appointed by the Cabinet Secretary, Ministry of Tourism with effect from 6th March, 2017 vide Gazette Notice No. 3808 of 13th April 2017. This followed the resignation of Ms. Judith Koskei on 7th February 2017.

The Members of the Board are as below:

Mr. Jimi Kariuki appointed 18 th March, 2016	Board Chairman
Dr. Betty Addero Radier (PhD) appointed 1 st December, 2016	Chief Executive Officer
Mr. Adam Jillo appointed 2 nd October, 2015	Director
Mr. Richard Kimenyi appointed 2 nd October, 2015	Director
Mr. Ken Waibochi appointed 2 nd October, 2015	Director
Dr. Mohanjeet Brar appointed 2 nd October, 2015	Director
Mr. Gabriel Gonzalez Penalver appointed 6 th March, 2017	Director
PS, Ministry of Tourism and Wildlife	Director
PS, National Treasury	Director
CEO, Tourism Fund	Director
Mr. Antony Muigai Muriu	Alternate to PS, National Treasury
Mr. Said Athman	Alternate to PS, Ministry of Tourism & Wildlife
Mr. Erick Kiplagat	Alternate to CEO, Tourism Fund
Mr. Allan Njoroge	Company Secretary

The Board Of Directors' Profiles



Mr. Jimi Kariuki

Chairman of the KTB Board of Directors, born in 1967, he holds a Master of Business Administration (MBA) Degree from the Graduate School of Business, University of Cape Town, South Africa and a Bachelor of Science (BSc) Degree in Marketing from Huron University USA, London Campus. He is the Managing Director of Sarova Hotels, Resorts & Game Lodges, Kenya's leading independent hospitality group and has vast experience in the tourism sector spanning over two decades. He is also a member of Sarova Hotel's Executive Management Committee and its Board of Directors. He is also a member of Sarova Hotel's Executive Management Committee and its Board of Directors. He has served on the Kenya Tourism Federation (KTF) Executive Committee (2003 - 2004), the Board of the Kenya Tourism Board representing KTF (2003 - 2004) and on the Board of the Kenyatta International Convention Centre (KICC) (2004 - 2006).



Dr. Betty Addero Radier

Chief Executive Officer of Kenya Tourism Board, born in 1968, she holds a Bachelor of Arts (BA) Degree, Master of Business Administration (MBA) in Strategy and Finance from the University of Nairobi, and a PhD in Entrepreneurship & Small Business Development from the Graduate School of Business, University of Cape Town, South Africa.

Dr. Betty Radier has over 18 years of senior management experience in marketing, strategy and operations.

She has held the position of Managing Director of Scanad Kenya, JWT and Scanad Advertising Tanzania, McCann Kenya Ltd. and Lowe Scanad Uganda Ltd. She has also held Regional Leadership positions with Microsoft West East and Central Africa as well as Samsung EA Ltd.

Dr. Radier is an Adjunct Faculty at the Strathmore Business School, Nairobi.

The Board Of Directors' Profiles continuation



Mr. Adam Jillo

Vice-Chairman of the KTB Board of Directors, born in 1958, holds a BSc in Tourism and Hospitality Management and Diploma in Strategic Management & Leadership. He is Chairman of KETICO Ltd. (Kenya Trade & Tourism Investment Company) and a partner at Nature Expeditions (dmc) Ltd. one of the leading indigenous tour operators in Kenya.

He has served as Chairman of KATO (Kenya Association of Tour Operators), Vice-Chairman of the Kenya Tourism Federation, Board Director at KEPISA (Kenya Private Sector Alliance) representing the tourism industry, Chairman of Ecotourism Kenya and Board member at Tourism Trust Fund. He was also a member of the Tourism Recovery Taskforce.



Dr. Mohanjeet Brar

Born in 1971, he holds a Doctor of Philosophy (PhD) in Plant Science.

He is the Managing Director of Gamewatchers Safaris & Porini Camps, a leading safari company and one of the pioneers of establishing and operating community conservancies in Kenya.

He is currently on the Board of the Maasai Mara Conservancies Association and the Wildlife Habitat Trust. And recently was the Chairman of Ecotourism Kenya as well as being Board member of the Kenya Tourism Federation, the East African Wildlife Society, the Kijabe Forest Trust and ATTA (Advancing Tourism to Africa).



Mr. Ken Waibochi

Born in 1966, he holds a Bachelor of Science Degree in Mechanical Engineering from Bath University, UK.

He has been the Managing Director of Aberdare Safari Hotels, a hotel group that has managed 2 properties in the Aberdare region for over 12 years. He has over 20 years of experience in the hospitality industry.

Prior to joining Aberdare Safari Hotels in an executive position, he was employed for 15 years in the corporate sector by multinational companies including Procter & Gamble (East Africa and Nigeria) for 11 years and Coca Cola Africa.



Mr. Gabriel Gonzalez

Born in 1961, he is a graduate of the Escuela Nacional De Magisterio in Valencia, Spain. He has wide experience in the tourism sector in Kenya and most South African Countries including Namibia, Zimbabwe, Zambia and South Africa. He is the founder of Kobo Safaris Ltd., (1993) a leading tour operator in Kenya and Southern Africa. He served as the Managing Director and is currently the Executive Chairman of Kobo Safaris.

Mr. Richard Kimenyi



Born in 1949, he holds an Advanced Diploma in Hotel Management from West Berlin, Germany. He also attended Executive Summer School in Hotel Management at University of Surrey in the United Kingdom. He has had further training in Israel with Dan Hotels at King David Hotel in Jerusalem, Dan Hotels in Tel Aviv and Trust House Forte in United Kingdom.

He is currently the General Manager of Hemingways Nairobi. He previously managed Fairmont The Norfolk and Fairmont Mt. Kenya Safari club and held senior managerial positions at Outspan Tree Tops, Keekorok Lodge, New Stanley Hotel, Nyali Beach Hotel and Block Hotels Lesotho.

Mrs. Fatuma Hirsi Mohamed



The Principal Secretary of the Ministry of Tourism born in 1963 has 30 years of integrated strategic management working experience in various sectors including telecom, media, banking and international civil service working for the United Nations. In her current role, she has been instrumental in the turnaround of the Tourism sector and facilitated strategic direction to enable growth and recovery of the sector.

She holds a Master of Business Administration (MBA) in Strategy and Marketing, a BA (Hons) in languages and Postgraduate Diploma in Public Relations. She is currently pursuing a PhD in Communications Studies. Mrs. Mohamed is a Fellow and Lifetime Achiever of the Public Relations Society of Kenya. She is multilingual and speaks English, French, Kiswahili, Somali and basic Arabic.



Dr. Kamau Thugge

The Principal Secretary at the National Treasury.

He has previously worked in the Ministry of Finance as Head of the Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before joining the Ministry of Finance, he worked with the International Monetary Fund (IMF) as an Economist, Senior Economist and Deputy Division Chief.

Dr. Thugge has played a major role in influencing the design of Kenya's current fiscal decentralisation system and has coordinated the formulation of legislation for implementing devolution, including the Public Finance Management Act, 2012; the Commission on Revenue Allocation Act, 2011; the Independent Officers (Appointment) Act, 2012; the County Government PFM Transition Act 2013; the County Allocation of Revenue Bill 2013; and the Division of Revenue Bill 2013 / 2014.

Dr. Thugge is widely published and holds a Bachelor of Arts (Economics) Degree from Colorado College, USA, a Master's Degree in Economics from John Hopkins University, USA, and a Doctor of Philosophy (PhD) Degree in Economics also from John Hopkins University.

Mr. Joseph R. Cherutoi



Born in 1967, he holds a Master of Business and Administration (MBA) and is currently undertaking his PhD. He is a Certified Public Accountant CPA(K).

He is the Chief Executive Officer of the Tourism Fund and sits on the KTB Board as an ex-officio member by virtue of S.32 (1)(d) of the Tourism Act.

Mr Antony Muigai Muriu



Born in 1966, he is the Alternate to the Principal Secretary, National Treasury. Mr. Muriu is the Chief Economist and Head of the Central Planning and Project Monitoring Unit of the National Treasury. He is a Career Civil Servant with over 20 years of experience having risen through the ranks to the current position.

He holds a Bachelor of Arts in Economics Degree from the University of Nairobi and a Master's Degree in International Development Studies from the Graduate Institute of Policy Studies in Tokyo, Japan. He has also attended numerous short training courses both locally and abroad. Over the years, Mr. Muriu has worked in many Ministries and served in numerous Committees and Taskforces of the Government of Kenya.



Said Athman

As the Tourism Secretary in the Ministry of Tourism & Wildlife, State Department of Tourism, he is the Alternate to the Principal Secretary, Ministry of Tourism & Wildlife.

He holds a Master's in Regional and Urban Planning, from the University of Nairobi, a Honorary Building Economics Degree from University of Nairobi and studied at the Starehe Boys Centre. He is a Quantity Surveyor, Planner, and Associate Arbitrator with the Institute of Arbitrators of Kenya. He has a distinguished career in the private, public and development sectors leaving legacy footprints in his contribution.

He has previously served in various positions as Advisor to the Cabinet Secretary, Mining Secretary in the Ministry of Mining, Housing Secretary in the Ministry of Housing and Culture Secretary in the Ministry of National Heritage and Culture. He has also served as Chief Executive of the Consortium for the Empowerment and Development of Marginalised Communities (CEDMAC) and Director of Association of the St. John Ambulance in Kenya amongst other senior positions of several organisations.



Mr. Allan Njoroge

As the Company Secretary / Head of Legal & Corporate Affairs and born in 1976, he holds a Bachelor of Laws (LLB) from the University of Nairobi and a Postgraduate in Law from Kenya School of Law. He is a Certified Public Secretary, CPS (K) as well as an Advocate of the High Court of Kenya. He is a member of the ICPSK.

He is responsible for providing guidance and support to the Board and is in charge of establishing and enforcing corporate governance framework of the Board.



Management Team



Dr. Betty Addero Radier

Born in 1968, she holds a Bachelor of Arts (BA) Degree, Master of Business Administration (MBA) in Strategy and Finance from the University of Nairobi, and a PhD in Entrepreneurship & Small Business Development from the Graduate School of Business, University of Cape Town, South Africa.

Dr. Betty Radier has over 18 years of senior management experience in marketing, strategy and operations.

As the CEO of the Board, she is responsible for operational running of the Board to ensure that its mission and objectives and agreed performance targets are achieved. The CEO is accountable for the Board's actions, security of resources as well as ensuring execution of the Board strategy. In addition to representing the management position on the Board, the CEO chairs and supervises the Executive Committee (Exco).

Management Team continuation



Mr. Allan Njoroge

As the Company Secretary / Head of Legal & Corporate Affairs and born in 1976, he holds a Bachelor of Laws (LLB) from University of Nairobi and a postgraduate in Law from Kenya School of Law. He is a Certified Public Secretary, CPS (K), an Advocate of the High Court of Kenya and a member of the ICPSK.

He is responsible for providing guidance and support to the Board and is in charge of establishing and enforcing the corporate governance framework of the Board.

He is also responsible for legal matters pertaining to KTB, providing legal services to KTB to ensure that it is legally protected and that it adheres to all legal requirements.

He has held similar positions in Bata Shoe Co. Ltd. and Bidco Oil Refineries Ltd.



Mrs. Jacinta Nzioka

Born in 1974, she is the Director of Market Development (DOM) at the Kenya Tourism Board (KTB). She has over 15 years of experience in Tourism Marketing and has led several initiatives and projects to turn around the sector, working closely with other government agencies and strategic partners both locally and abroad.

She holds an MBA in Strategic Management and a Bachelor's Degree in Tourism Management from Moi University and a Post Graduate Diploma in Marketing of Services from Maastricht School of Management in the Netherlands besides other project management and transformational leadership courses.

At KTB, she is responsible for providing strategic direction and leadership in the management of KTB's marketing function and entrenching Kenya as the preferred tourist destination both locally and internationally; with a view to optimise the contribution of the tourism sector to the national economy. She oversees the execution of the approved marketing strategy and work plans.



Mrs. Mary Maina

Born in 1975, she holds an Executive MBA from Kenyatta University, Bachelor of Commerce (Accounting major) 1st Class Degree from the Catholic University of Eastern Africa. She is a Certified Public Accountant (CPA), a certified Information Systems Auditor (CISA) and a Certified Internal Auditor (CIA).

Mary has 19 years of experience with 6 in external audit, 10 in internal audit and 3 years in financial and accounting experience gained at KTB while on an acting capacity in 2010 / 11 and currently.

She is responsible for effectively and efficiently managing all financial resources of KTB in order to achieve its goals and objectives. The position is also as a proactive advisor of KTB on all financial management matters.



Dr. Maundu Muli

Born in 1976, he holds a PhD, MBA (Strategy Management), a BA (Economics) and HND – IHRM. Dr. Muli has 16 years of experience in Human Resources Management and Administration and is a member of Institute of Human Resources Management & KIM.

He is responsible for human capital i.e. planning, recruitment, development and performance management, harmonious employee relations, management of the Board’s logistic and administration.

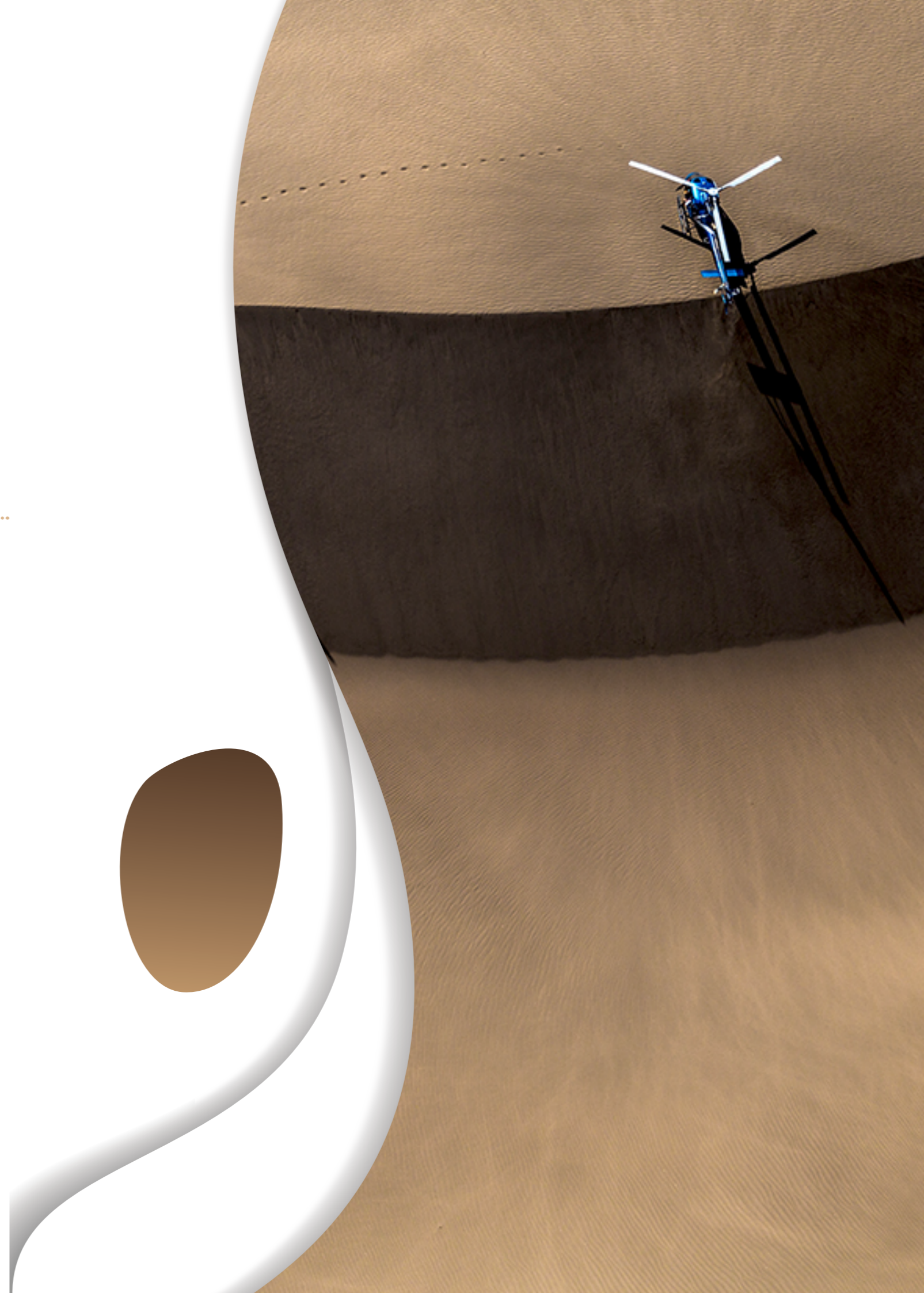


Mr. Onesmus Karanja

Born in 1980, he holds a Master’s of Commerce Postgraduate Degree (Forensic Accounting) from Strathmore University and a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi. He is a Certified Public Accountant (CPA), a Certified Information Systems Auditor (CISA) and a Certified Fraud Examiner (CFE).

Onesmus has 13 years of experience in the areas of audit assurance, risk management and investigations.

He is responsible for the quality and performance of internal auditing within KTB. He provides independent and objective assurance and consulting activity of KTB’s operations to the Audit Committee and the CEO on the overall adequacy and effectiveness of KTB’s arrangements for governance, risk management, and internal controls and their impact on the operations of the organisation.



BUSINESS REVIEW



MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A - Board's Operational and Financial Performance

Overview

Total Arrivals

- The total international arrival by air and sea for the FY 2017 / 18 closed at 971,209 up from 923,026 in FY 2016 / 17, indicating a growth of 5.2%.
 1. JKIA recorded arrivals for the period closing at 848,521 up from 826,706 illustrating a growth of 2.6%
 2. MIAM recorded arrivals for the period closing at 119,910 up from 92,526 in FY 2016 / 17 illustrating a growth of 29.6%
 3. Cruise ship arrivals recorded in the period were 2,778 compared to 1,743 in FY 2016 / 17, a growth of 59%
- The cross border figures for FY 2017 / 18 closed at 517,59 up from 470,542, indicating a growth of 9.9%.
- From the above statements the total arrivals for July to June FY 2017 / 18 closed at 1,488,370 compared to 1,393,568 in 2016 / 17, illustrating a growth of 6.8%

Tourism Revenue

- Tourism receipts for the FY 2017/18 are estimated to have closed at KShs .117.6 billion, this is a growth of 9.9% compared to KShs. 107 billion recorded in FY 2016/17

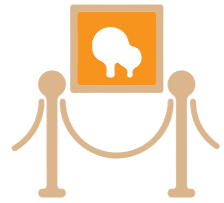
What Is Being Done to Attract More Tourists to Visit Kenya?

- A global/international above the line (ATL) Online consumer campaign
- Digital consumer advertising campaigns on Expedia and Trip advisor
- Joint trade marketing campaigns with the travel trade in Priority A markets

Tourism receipts for the FY 2017/18 are estimated to have closed at KShs. 117.6 billion, this is a growth of 9.9% compared to KShs. 107 billion recorded in FY 2016 / 17

GROWTH





- Implement two (2) key strategic partnerships with premium brands in the markets and locally
- Travel trade road show – destination rebranding and product relaunch driven in select Priority A markets
- Global travel trade exhibitions including MKTE (ITB / ITB Asia) and OTM (India)
- Promotion (both trade and consumer) niche products alongside the core safari & beach products. These are Sports, MICE, Culture, Adventure, Luxury and Special Interest



- Online global media campaign focusing on Digital platforms
- Implement a 360 degrees Communication strategy in order to generate visibility
- At least two (2) trade and media educational / familiarisation programmes from all regions two per market region – that have funding
- Digital driven consumer campaign targeted to the local market
- Joint consumer promotions with premium brands in the destination



- Develop a global PR campaign to leverage on positives around the destination and global events that profile the destination
- Refreshing the destination brand and launching it in the market
- Deeper media engagements to increase positive coverage
- Digital PR aimed at managing destination reputation and enhanced user generated content interactions



- Implementing the top tourist experiences of Kenya through consultations with key stakeholders such as counties and hotels and product owners among others. 3 top experiences and 5 signature experiences
- Putting in place a system of product sub-brands
- Implementing the Safari Innovation & Development Program
- Implementing Magical Kenya's brand initiative
- Deploying a holistic 360 degrees' communication plan



- Implementing a global digital marketing program
- Implementing a customer relationship management initiative
- Joint travel trade campaigns focusing on the new product experiences in Priority A markets
- Trade educational programmes including launch of a global travel agents training programme
- Development of the industry portal to share knowledge and tools to support the trade in their sales



- Implementing the Kenyan Industry Engagement Program
- Setting up a Marketing Education Initiative
- Setting up of the Safari Innovation Development Programme
- Set up strategic partnerships and alliances aimed at leveraging on premium brands for enhanced brand health



Management Discussion and Analysis continuation

Strategy

KTB remains steadfast in the implementation of its Five-Year Strategic Plan of 2013 - 2018 which was aimed at achieving the targets set out for the tourism sector in the Vision 2030 master plan and the Medium Term Plan III.

Marketing Strategies

- i. To offer a collection of highly satisfying, diverse and genuine Kenyan experiences.
- ii. To excel in Digital Marketing.
- iii. To improve the participation, collaboration and marketing performance of the Kenyan industry.

Financial Performance

KTB received KShs. 873.2 million from GoK grants; KShs 264 million from Tourism Fund and earned KShs. 137.2 million from Appropriation in Aid and Strategic partnership of KShs. 18.6 million in FY 2017 / 18.

SECTION B - KTB's Compliance with Statutory Requirements

KTB is committed to comply with all statutory requirements. During the year, there was no major non-compliance that may expose the Board to any liabilities.

Below is a list of ongoing or potential court cases, the claimed amounts and status of the cases.

	CASE	CASE NO.	PLACE	CLAIM FOR	AMOUNT	STATUS
1	Godfrey Musaina –vs- KTB and others	Petition No. 495 of 2016	High Court of Kenya – Constitutional and Human Rights Division	Challenge to the legality of the appointment of board members of the various state corporations	N/A	The Matter is set for mention on 12th September 2018
2	Council of Governors –vs- KTB & Others	Petition No. 278 of 2017	Constitutional & Human Rights Division – NBI	Court to declare certain matters relating to tourism as devolved	N/A	The matter came up on 7th March 2018. Court directed that the petition be stayed pending the outcome of an appeal filed on a similar case



SECTION C - Key Projects and Investment Decisions the Entity is Planning / Implementing

Key Projects

In FY 2018 / 19, KTB will be implementing various marketing programs in order to increase arrivals from the various markets and thereby grow tourism revenues. These programs include:

- a. Advertising Campaigns
- b. Integrated Consumer Campaign
- c. Joint Marketing Campaigns with Travel Trade
- d. Strategic Partnerships with Premium Brands
- e. Travel Trade Exhibitions
- f. Implementation of the recommendations of the Destination Marketing Strategy Review

These programs are funded from grants from the Government, transfers from Tourism Fund and appropriation in aid.

The Board continues to play its part towards promoting and implementing best practice in conservation and sustainable tourism through different initiatives.

Investment Decisions

Where the Board finds itself with funds in its bank accounts not required for immediate operating needs, the surplus funds shall be placed / invested in line with National Treasury Circular No. 4 /2017. No investment were done during the year.

The Board continues to play its part towards promoting and implementing best practice in conservation and sustainable tourism through different initiatives.

SECTION D - Major Risks Facing the Entity

The Board has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. The Board reviews and monitors the development and implementation of systems of internal controls. The Board ensures that it has gained an understanding of these risks and mitigates them by implementing sound internal controls and risk management practices.

Consequently, the Board has developed a Risk Management Framework which identifies the risks and prescribes measures for the management of the identified risks. The Board recognises that information technology forms an integral part of the risk management process and has developed a business continuity plan and disaster preparedness plan among other ICT policies.

During the year, the Board reviewed the internal controls, policies and procedures and was satisfied that appropriate controls and procedures were in place. The Board has delegated the day to day management of risks to management through systems and processes carried out on a day to day basis

SECTION E - Material Arrears in Statutory / Financial Obligations

During the FY 2016 / 17, KRA carried out an assessment and in August 2017, gave a demand notice of KShs. 187,014,569. Of this amount, KShs 182,568,010 related to Withholding Tax on the Marketing Development Representatives appointed to represent KTB in the various markets. KTB has made an appeal on the tax assessment. This amount was not provided in the FY 2017 / 18 and will be reviewed through the appeal process in 2018 / 19.

SECTION F - KTB's Financial Probity & Serious Governance Issues

Strong and effective corporate governance is integral to the Board's long-term success and is essential in delivering KTB's overall strategy. The various board committees continue to serve a vital tool for the discharge of the Board's functions. KTB Board and Management ensure financial probity and there have been no serious governance issues during the period.



Board Committees

During the period under review, the following Committees were in place.

Board Marketing Committee

The Board Marketing Committee is chaired by a Non-Executive Director (Dr. Mohanjeet Brar) and meets on quarterly basis. Other Members are Mr. Gabriel Gonzalez Penalver, Mr. Richard Kimenyi, Permanent Secretary - Ministry of Tourism and KTB Chief Executive Officer. The committee's responsibilities are to provide marketing strategies to the Board and approve marketing plans, activities and budgets. The committee also constitutes the technical team on behalf of the Board in the event of extraordinary circumstances such as crisis.



Board Finance and Establishment Committee

The Board Finance and Establishment Committee is chaired by Non - Executive Director (Mr. Ken Waibochi) and meets on a quarterly basis. The other members are Mr Richard Kimenyi, the Chief Executive Officer Tourism Fund, PS - The National Treasury, PS - Ministry of Tourism & Wildlife and KTB Chief Executive Officer. The committee's responsibilities including ensuring overall sound financial reporting, internal system of controls, review of business plans and budgets, human resources and staff affairs.



Board Audit & Risk Committee

The Board Audit Committee is chaired by a Non-Executive Director (Mr. Adam Jillo) and meets on quarterly basis. Other members are Mr. Gabriel Gonzalez Penalver, Dr. Mohanjeet Brar, PS - The National Treasury and an independent Ag. Internal Audit Manager (Mr. Onesmus Karanja). The Committee provides oversight of financial reporting, risk management, internal control, compliance and governance processes.



Special / Ad Hoc Committees

The BOD may appoint ad hoc committees to carry out specific exercises. The ad hoc committees report to the Full Board. In 2017 / 18, an ad hoc on Recruitment Committee was constituted to carry out recruitments on behalf of the BOD. The committee is chaired by a Non - Executive Director (Mr. Adam Jillo). Other members who are Non-Executive Directors are Mr. Ken Waibochi, Dr. Mohanjeet Brar, PS - Ministry of Tourism & Wildlife and KTB Chief Executive Officer.



Management ensures that adequate internal financial control systems are developed to provide reasonable certainty in respect of: -

- The completeness and accuracy of accounting records;
- The integrity and reliability of the Board's annual financial statements: and
- The safeguarding of the Board's assets.

The responsibility for the integrity, reliability and objectivity of the Board's financial statement lies with the Board of Directors.

The external auditors are responsible for independently examining and expressing an opinion on the reasonableness of the financial statements based on their audit. The auditors' report is set out on pages XLVII to XLVIII.

CORPORATE GOVERNANCE STATEMENT

Introduction

The KTB Board of Directors holds corporate governance as an essential framework for the achievement of KTB's objectives as well as measurement of corporate performance and as a critical means of ensuring that KTB is effectively directed, controlled and held accountable.

The Board recognises that for governance to be effective, it must be realised through leadership and collaboration, with the Board at the helm leading by example and complementing the senior management. This enables effective and efficient decision making and gives a structural aid for the Directors to discharge their duty to promote the success of KTB while taking into account the interest of stakeholders.

This Corporate Governance Statement provides the necessary information to enable all stakeholders to evaluate the application of KTB's governance and ethical obligations and to satisfy themselves that KTB has satisfied its obligations there under.

The Board of Directors

The Board of Directors has a formal schedule of matters reserved for it. The Directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance matters.

The Board has delegated the authority for day-to-day management of KTB to the Chief Executive Officer. However, it retains overall responsibility for KTB's financial performance, compliance with laws and regulations and monitoring of its operations.

Delegation of Responsibilities

The preparation of KTB's financial statements is a role that has been delegated to management. These financial statements have been prepared in accordance with internationally accepted accounting practice based on appropriate accounting policies which have been consistently applied and supported by reasonable judgment and estimates.

Ultimately, the Board of Directors determines KTB's strategic objectives, values, key policies and procedures in accordance with best practice. It is responsible for establishing and maintaining the overall internal controls of financial, operational and compliance functions as well as monitoring performance of the executive management.

The Board has delegated the authority for day-to-day management of KTB to the Chief Executive Officer. However, it retains overall responsibility for KTB's financial performance, compliance with laws and regulations and monitoring of its operations.

Under the leadership of the Chief Executive Officer, the role of management is to conduct the day-to-day operations of KTB in a way that is consistent with the strategic plans, business plans and budgets approved by the Board. In this context, the Chief Executive Officer makes recommendations to the Board with respect to matters of corporate strategy and policy.

The Board then makes the decisions which it deems appropriate and supervises the execution of such decisions and reviews.

In line with its role to set and oversee the overall strategy of the organization, during the year the Board rolled out the implementation of a new destination marketing strategy developed by an international strategy consultant, THR Asesores En Turismo, Hoteleria Y Recreacion SA. Consequently, all budgets, workplans and human resources were realigned to this new strategy that will guide the marketing of Kenya going forward.

Board Size, Composition and Appointment

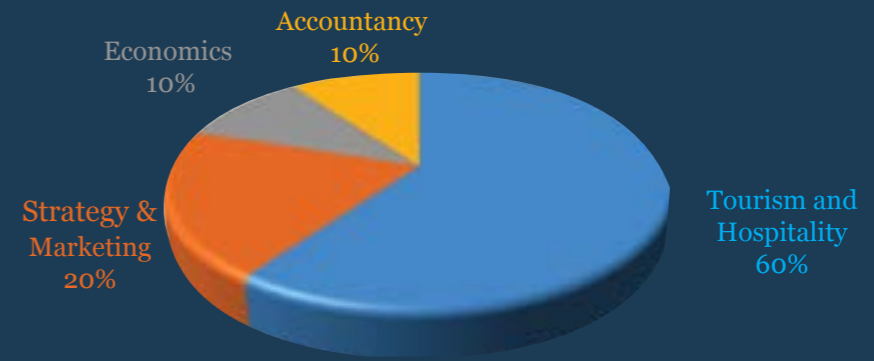
The Board comprises of six (6) Independent Non - Executive Directors including the Board Chairperson as well as three (3) other ex-officio members drawn from the central government and a sister parastatal in addition to the Chief Executive Officer.

The public sector representatives are the principal secretaries or their designated alternates from the National Treasury and also the parent ministry. The Chief Executive Officer of the Tourism Fund is also a member

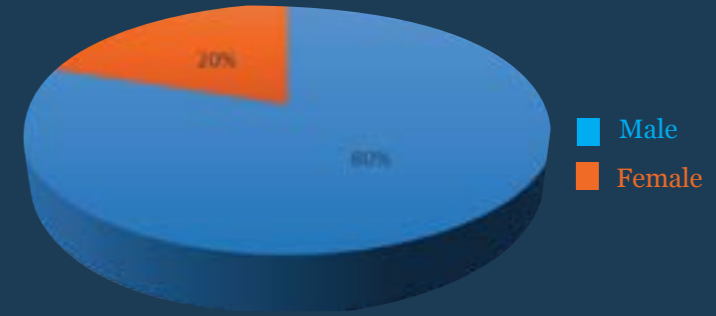


of the Board by virtue of the fact that KTB is partly funded by the tourism levy collected by the Tourism Fund. As required by MWONGOZO, the Board brings together members from different professional backgrounds with diverse skills and competencies as shown in Pie Chart 1. The representation of the respective genders on the Board is shown in Pie Chart 2.

Pie Chart 1: Board Competencies



Pie Chart 2: Board Gender Representation



The position of the Chief Executive Officer is filled through public advertisement and competitive recruitment. The appointment is done by the Cabinet Secretary, Ministry of Tourism in consultation with the Board. The Chief Executive Officer is an ex-officio member of the Board but has no voting right at any meeting of the Board.

The Independent Directors who are representatives from the private sector are appointed by the Cabinet Secretary in the Ministry of Tourism. These comprise of five members, not being public servants, appointed by the Minister taking into account regional balance and gender parity, of whom two are nominated by the registered national tourism associations and three are persons with knowledge or experience in matters relating to international tourism, finance, business administration, law, marketing or a related discipline.

The Board Chairperson is appointed by the President.

The Directors' abridged biographies appear on pages XVI to XXI of this Annual Report.

The Board membership is shown on page XV.

Independence, Separation of Roles and Responsibilities

All Directors except the Chief Executive Officer are Non-Executive. The Non-Executive Directors are independent of Management, they appoint the Chief Executive Officer and establish a framework for the delegation of authority and ensure succession planning for the Chief Executive Officer and senior management is in place.

Their role is to advise, constructively challenge and monitor the implementation of the agreed corporate strategy within the risk appetite and control framework that is set out by the Board.

The roles and responsibilities of the Chairman of the Board, the Chief Executive Officer and Non-Executive Directors remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no one individual has unfettered powers of decision making. Their roles have been documented and are expected to be independent and free from conflict upon appointment.

The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective Board and sets the Board agendas in consultation with the Chief Executive Officer and ensures effective communication to stakeholders.

On the other hand, the Chief Executive Officer is responsible to the Board and takes the overall responsibility for the management of organisation and takes responsibility for the effective and efficient day-to-day running of the affairs of the organisation. The Chief Executive Officer recommends the strategy to the Board and implements it and makes operational decisions. The Chief Executive Officer also ensures appropriate and timely information flows within the Board, its committees and management.

Oversight Role of the Board

The Board provides strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance throughout the organisation.

The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective board and sets the board agenda in consultation with the Chief Executive Officer and ensures effective communication to stakeholders.

.....

The responsibilities of the Board are clearly spelt out in the Tourism Act No. 28 of 2011, MWONGOZO Code of Governance and the Board Charter. The Board defines the purpose of the organisation, its strategic intent, objectives and its values. It ensures that procedures and practices are in place to protect KTB's assets and reputation.

The Board retains full and effective control over KTB and monitors Management's implementation of the plans and strategies set by the Board; it ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics. It strives to act above and beyond the minimum requirements and benchmark performance against best international practices.

The Directors' Code of Conduct and Ethics defines the governance parameters within which the Board exists and operates. In accordance with the principles of good corporate governance, each Director undertakes to always act in the best interest of KTB and exercise his / her power in the execution of duties in good faith and acts with care and prudence.

Board Meetings

The Board of Directors normally meets at least once every quarter and is chaired by a Non-Executive Chairman. The Board, including the Board Committees, holds regular scheduled meetings throughout the year and special meetings are held as and when necessary. In case of non-attendance due to other commitments, such information is communicated to the Board / Committee chair, through the Corporation Secretary, prior to the date of the scheduled meeting.

Board Committees and Responsibilities

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities. The Board has developed a committee structure that assists in the execution of its duties, powers and authorities.

The Committees are appropriately constituted drawing membership from amongst the Board members with appropriate skills and experience.

Each Committee is guided by the individual Committee Charter / Terms of Reference, which outlines its responsibilities as mandated by the Board and which are reviewed on a yearly basis.

The Committees are expected to operate transparently, ensure full disclosure to the Board and conduct themselves within the rules and procedures set out by the Board. Matters deliberated by the Committees are presented to the Board by the respective chairmen during the next Board meeting.

Board Marketing Committee

The Board of Directors has delegated to the Board Marketing Committee the authority to undertake the following functions:

1. To provide input from the private sector to KTB's marketing strategies and plans.
2. To undertake proactive crisis management on behalf of the Board and constitute the technical team in the event of a crisis.
3. To provide strategic direction for KTB's marketing policies.
4. To deliberate on cross-cutting issues that impact on tourism development and growth in co-operation with Government and other institutions.
5. To provide input in the selection and recruitment of senior staff within the marketing department by reviewing job specifications and providing representation during the interview process.
6. To engage with strategic partners such as KWS, KQ, KTF among others.
7. Any other matters assigned to the Committee by the Full Board.

Board Finance & Establishment Committee

The Board of Directors has delegated to the Board Finance & Establishment Committee the authority to undertake the following functions

1. To deliberate on all financial matters presented by management and make recommendations to the Full Board, including reviewing of the KTB budgets and annual financial statements, among others.
2. To deliberate on all matters relating to human resources including staff emoluments and benefits, organisational structure, recruitment, appraisals and termination, among others.
3. To deliberate on legal matters affecting the organisation and to receive updates on legal issues that the organisation may be party to.
4. To be responsible for governance and compliance and to receive reports on the level of adherence to the code of conduct and ethics by members of the organisation.

5. To deliberate on procurement matters including receiving of procurement plans and reports.
6. To deliberate on Performance Contracting matters including reviewing of the draft annual performance contract and receiving quarterly PC reports.
7. To deliberate on any other matters that may be delegated to the Committee by the Full Board.

Board Audit & Risk Committee

The Board of Directors has delegated to the Board Audit & Risk Committee the authority to undertake the following functions:

1. To assist the Chief Executive Officer in enhancing internal controls in order to improve efficiency, transparency and accountability.
2. To review audit issues raised by both internal and external auditors.
3. To resolve unsettled and unimplemented PAC/PIC recommendations.
4. To enhance communication between management, internal and external auditors and foster an effective internal audit function.
5. To establish and maintain an effective Board risk management process and framework.

Remuneration of the Board

The Non-Executive Directors are paid a taxable sitting allowance as approved by the State Corporations Advisory Committee. The Chairman is paid a monthly honorarium at a rate approved by the Government. Transport expenses incurred by Directors in respect of travel for Board business are reimbursed at the prevailing AA rates. The Independent Directors are also entitled to outpatient and inpatient medical cover and a personal accident cover as approved by the Government.

Directors Induction and Training

The Board develops an induction program designed to introduce new directors to the operations of the Board and also organises corporate governance trainings at different times during the year. The programs are aimed at deepening the Boards' understanding of the changes in risks, laws and business and political environment in which the Board operates.



During the year, the Board Committee Chairmen attended a course on “Leading the Board” conducted by the Strathmore Business School. In addition, the Board of Directors attended “The Effective Director” course at the Strathmore Business School. Key learnings from the training included an appreciation of how boards have evolved in recent years, the responsibility board membership carries, an understanding of Board best practice as well as the structure and nature of modern progressive boards. In addition, members were taken through a critical assessment of how individual directors add real value to Boards as well as the range of challenges Directors have to address and how to manage them.

Board Effectiveness and Evaluation

In order to assess and improve the capacity, functionality and effectiveness of the Board and its Committees, an annual evaluation is normally scheduled in accordance with the widely accepted principles of corporate governance. The self-evaluation is intended to review the capacity, functionality and effectiveness of its performance in the achievement of its goals and objectives. It assesses the performance and independence of the Board and its Committees jointly and individual members of the Board, including the Chief Executive Officer.

Immediately after the close of the year, the Board undertook a self-evaluation exercise in respect of the FY 2017 /18 that was facilitated by the State Corporations Advisory Committee. Meetings of the Board continued to be managed effectively and efficiently through the use of a fully paperless electronic board management solution.

Code of Conduct and Ethics

The Directors and employees of the Board have a fiduciary duty to act honestly and in the best interest of the Board. Business transactions with all parties must be carried out at arm’s length and with integrity. The Board provides effective leadership based on an ethical foundation and ensures all deliberations, decisions and actions are based on the Boards’ core values underpinning good governance.

The Board has developed a Code of Conduct and Ethics whose aim is to define the Board’s commitment to the highest standards of behaviour and to build respect, confidence and credibility with its stakeholders. The Code provides guidance to its members regarding ethical and behavioural considerations as they address their duties and obligations during their appointment and their term in KTB. The Board has also put in place a corruption prevention framework to ensure the highest standards of ethical behaviour are maintained.

Accountability & Audit

The Board is required to present an objective and understandable assessment of the organisations' operational position and prospects. To this end, the Board ensured that accounts were presented in accordance with the International Public Sector Accounting Standards (IPSAS).

(i) External Auditors

Kenya Tourism Board accounts are audited by the Office of the Auditor-General. The Office of the Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya.

(ii) Internal Auditors

The Board in furtherance of its duties to ensure that the process, structure and internal controls are maintained and adhered to has recruited qualified and experienced in-house internal audit staff to carry out such functions and present reports on compliance.

Internal Controls and Risk Management

The Board has the responsibility of identifying internal risk exposures and developing measures to mitigate against the identified risks. The Board reviews and monitors the development and implementation of systems of internal controls. The Board ensures that it has gained an understanding of these risks and mitigates them by implementing sound internal controls and risk management practices.

Consequently, the Board has in place a Risk Management Framework which identifies the risks and prescribes measures for the management of the identified risks. The Board recognises that information technology forms an integral part of the risk management process and has developed a business continuity plan and disaster preparedness plan among other ICT policies.

During the year, the Board reviewed the internal controls, policies and procedures and was satisfied that appropriate controls and procedures were in place. The Board has delegated the day-to-day management of risks to management through systems and processes carried out on a day-to-day basis.

Relationship with Stakeholders

The Board appreciates that stakeholder perception affects the organization's reputation. Therefore, the Board strives to achieve an appropriate balance between its various stakeholders in the best interest of the organisation by taking into account their legitimate interests and expectations in decision making.

The Board values the importance of complete, timely, transparent and effective communication with its stakeholders for building and maintaining their trust and confidence by providing regular information on its performance, activities and addressing their concerns whilst having regard to legal and strategic considerations.

The main avenues through which the Board communicates with stakeholders are through press statements, stakeholder forums, courtesy calls and annual reports and financial statements. During the year, the Board held a National Stakeholders Forum at the Radisson Blu Hotel in Nairobi as well as several other regional stakeholder forums in Eldoret, Naivasha, Nanyuki among others. A courtesy call by the KTB Board on the Board of the Kenya Civil Aviation Authority was also held during the year where matters of mutual interest was discussed.

The Board has continued to encourage electronic communication through publishing documents on the corporate website www.ktb.go.ke and on the destination website www.magicalkenya.com and has endeavoured to ensure that the two websites are highly interactive and contain all the relevant information that stakeholders may require.

CORPORATE SUSTAINABILITY STATEMENT

Sustainable Marketing Key in Tourism Agenda

The concept of Sustainability: meeting today's needs without jeopardizing the ability of future generations to cater for their needs, has been around for over three decades and is a key word in global trends.

The triple bottom line therefore has to address three areas namely: people, planet and profits. The tourism sector in Kenya has not been left behind in embracing the triple bottom line principles for its survival.

KTB, within the review period joined hands with players in private sector in a number of campaigns and initiatives towards sustainable tourism business.

Conflict and competition for scarce resources for livestock and wildlife has been a major issue reported over the years in some of the conservancies and National Reserves in the country. The skirmishes between communities and land owners as well as conservancy management in Laikipia witnessed in 2017 for example, threatened the tourism gem abundant in the region.

KTB was part of a crisis team that participated in creation of awareness on the importance of peaceful co-existence between the communities and conservancies in the region for the survival of the tourism business.

Series of meetings with stakeholders, constant communication dispatches for global consumptions were some of the activities KTB initiated to reassure visitors on the continuity of tourism business in the region.

Overcrowding of visitors in a destination does more harm than good; resources get depleted and comfort for wildlife is generally infringed upon. KTB made and continues to make a deliberate effort on a 'visitor dispersal model'. This is a sustained awareness creation to encourage visitors to explore other attractions away from the overcrowded places.

Maasai Mara, for example has continued to receive a lot of visitors especially during the wildebeest migration season. KTB in line with its strategy to diversify product offerings and experiences has continued to market the less-known destinations and parks away from Mara. The collection of plastic bags along the beaches in the Kenyan coast in line with plastic ban has not only enhanced cleanliness but also improved the beach product and water sport activities. The plastic ban has reported a major success on protection of marine life.

KTB partnered with NEMA and other private players in collection of plastic bags and sensitisation on having a clean shoreline to sustain the beach and water sport activities.



REPORT OF THE DIRECTORS

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

Principal Activities

The principal activity of the Tourism Board is marketing Kenya as a tourist destination.

Quality Policy

Kenya Tourism Board is committed to supporting and serving the tourist industry through marketing Kenya's unique physical and non-physical attractions with diligence, dedication and professionalism for the benefit of all stakeholders.

In pursuit of this commitment, quality objectives that have been established and communicated to all employees are being implemented and monitored. KTB is in the transition stage from ISO 9001:2008 to ISO 9001:2015.

KTB Employees

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

Customer Focus

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

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

Communication

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

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

Service

We optimise the use of relevant technology to deliver attractive customer solutions, increase efficiency and minimise our cost base.

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

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

Results

The results of the Tourism Board for the year ended June 30, 2018 are set out on pages 1-22.

Directors

The present members of the Board of Directors are shown on page XV.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with the provisions of Public Audit Act, 2015.

The Office of the Auditor-General carried out the audit of the Kenya Tourism Board for the year ended 30th June 2018.

By Order of the Board,



Allan Njoroge

Company Secretary

Date: 21st September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 section 81 and State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Tourism Act No.28 of 2011 Section 32(4) requires that The Board of Directors shall ensure the proper and effective performance of the functions of the Tourism Board.

The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017 and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the entity will not remain a going concern for at least the next 12 months from the date of this statement.

Approval of the Financial Statements

The entity's financial statements were approved on 28th September, 2017 and signed by:



Dr. Betty Addero Radier
Chief Executive Officer



Jimi Kariuki
Chairman

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Tourism Board set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts, accounting policy and notes to the financial statements for the year then ended, and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Tourism Board as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tourism Act No.28 of 2011.

Basis for Qualified Opinion

1. Long Outstanding Receivables

The receivables from exchange transaction balance of KShs. 198,986,425 as at 30th June 2018 includes an amount of KShs. 6,427,700, which has been outstanding for a period of more than one year, of which KShs. 1,765,895 is from former staff. In addition, a review of evidence of follow up on the debts and the effort taken to recover the debts were noted not to be fruitful since only one debtor has paid despite the entity engaging the services of a debt collector.

In the circumstances, it has not been possible to confirm the receivable from exchange transactions balance of Kshs. 6,427,700 as at 30th June 2018.

2. Office Partitioning Consultancy

The notification to Scope Design Systems to provide consultancy services for the design, documentation and supervision of partitioning works and associated works for the KTB offices at Tourism Fund Building - along Valley Road - Nairobi dated 31 March 2017 and acceptance letter from the company did not indicate the contract sum as should be the case with most contracts.



A memo dated 15 May 2017 shows that KTB had been allocated 1st and 2nd floors instead of the initial 7th and 8th floors. However, the consultant went ahead with the preparation of the concept design proposals without signing any valid contract on which they presented a fee note of Kshs. 16,409,528 vide letter reference SDD/KTB/05/17 dated 16 June 2017. The consultancy fee which was then treated as expense by the Board in the financial year 2016/2017 despite the fact that the services were not rendered as anticipated.

Emphasis of Matter

Staff on Acting Appointment

As previously reported, as per section C.14 (1) of Human Resource Policies and Procedures Manual of May 2016, when an office is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months. However, it was observed that twelve (12) members of staff have been in their current positions with some of them having acted for more than a year contrary to section C.14(1) of Human Resource Policies and Procedures Manual of May 2016.

In addition, some of the officers were acting in posts that were more than one grade ahead from their present grades thus contravening the Human Resource Policy.

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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

Other Matters

1. Advancement within the Career

The Career Guidelines sets out the minimum qualifications and / or experience required for advancement from one grade to another.

However, it was observed that some job cadres did not have room for advancement since there were some grades not included as illustrated below:

Cadre	In Service Grades		Missing Grades
Communication Technology Officers	ICT Officer	KTB 6	KTB 4
	Senior ICT Officer	KTB 5	
	Senior Manager	KTB 3	
Finance Officers and Accounts	Accountant	KTB 6	KTB 3
	Senior Accountant	KTB 5	
	Assistant Manager Accounts Assistant	KTB 4	
	Manager Finance		
	Director Finance & Administration	KTB 2	
Legal Officers	Legal Assistance / Senior Manager Legal	KTB 7 / 6	KTB 5
		KTB 3	KTB 4
	Company Secretary	KTB 2	
Quality Management Officers	Quality Manager Officer	KTB 6	
	Senior Quality Management Officer	KTB 5	KTB 3
	Assistant Manager Quality Management	KTB 4	

From the foregoing, there is no grade 4 in ICT, no grade 4 and 5 in legal department and no grade 3 in both finance and qualitative management.

In the absence of the career progression manual showing the advancement of the aforesaid cadres, the progression of some staff may be hindered and staff morale is likely to be affected .

2. Organisation Structure

The Human resource policy of the Board gave provision for the Director of Human and Administration. However, it was noted that the organisation's grading structure dated June 2017 did not have the rank of Director Human Resource and Administration, thereby contravening the Human resource policy.

3. Incomplete Contracts

The Board contravened the requirement of Public Procurement and Assets Disposal Act, 2015 section 135(3) which provides contracts being entered into within the period specified in the notification but not before 14 days have elapsed. This requirement was contravened in various engagements as shown below:



3.1. Qualitative Research International

An agreement between Kenya Tourism Board and Qualitative Research International (QRi) Consulting of 40 Chanctonbury Way London N12 7JD-United Kingdom for Magical Kenya Research at a price of Great Britain Pounds (GBP) 46,000 (KShs. 6,460,497.60) inclusive of all taxes. The Contract was entered into on 28th February 2018 whereas the commencement date was shown as 17th February 2018. The first invoice no. 1523 was dated 9th February 2018 which was before the contract date as indicated in the agreement thus presenting contradiction on the exact dates of the contract.

3.2. Kenya Airways

An agreement between Kenya Tourism Board and Kenya Airways PLC at a contract price of KShs. 29,278,400 for advertisement and media opportunities on Kenya Airways (KQ) platforms (Phase II). The agreement was not dated by both parties. While the commencement for the contract as per the agreement was indicated as 1st September 2017. Out of a total amount paid of Kshs. 27,764,000, Kshs. 17,678,400 was invoiced on 21st June 2017, three months before the contract commencement date.

3.3 Human Capital Synergies (HCS) Africa Ltd

An agreement was signed between Kenya Tourism Board and Human Capital Synergies (HCS) Africa Ltd. was to provide management services for KTB Tourist Information Centers vide award letter Ref: KTB/9/1Vol1 (195) datedAward notification was 3rd April 2018 whereas contract commencement date was on 1st April 2018 to run for a year. This implies that the services were provided before the Company was notified of the award.

3.4 Advance Payment-Exhibition Wise Ltd

An agreement was signed between Kenya Tourism Board and Uganda Tourism Board and Rwanda Development Board and C. Liasides Exhibition Wise Ltd. – Pissouri Cyprus to design construction, storage and disposal of an exhibition stand. This was in regard to the International Tourism Bourse (ITB) 2018 and the World Travel Market (WTM), London at a cost of € 73,000 (Kshs. 9,282,599.70) and € 89,000 (Kshs. 11,317,142.10) respectively. The contract term stipulated payment to contractor shall be made on receipt of an invoice by the project manager and to be made upon the complete removal of the stand at the end of the ITB and WTM and no later than 10 days after ITB and WTM. The Board went ahead and paid the amounts in full vide an invoice dated 15 February 2018 before the event dates between 7 and 11 March 2018 thus contravening Section 146 of the Public Procurement and Assets Disposals Act, 2015 which states as well as the agreement requirements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards

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

(Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit 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. 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 and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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
- 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 ability to continue as a going concern or 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 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 entity to cease to continue as a going concern or 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 and business activities of the Board 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

26th August 2019

FINANCIAL STATEMENTS



STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2018

		2018 KShs	Restated 2017 KShs	2017 KShs
Revenue from non-exchange transactions	Notes			
Industry contributions and donations	3	115,096,281	82,410,539	82,410,539
Transfer from Government Grants & other Agencies	4	977,647,152	1,840,323,598	1,882,139,741
		1,092,743,433	1,922,734,137	1,964,550,280
Revenue from exchange transactions				
Finance income - external investments	5	-	11,954,914	11,954,914
Other income	6	56,651,365	9,538,900	9,538,900
		56,651,365	21,493,814	21,493,814
Total revenue		1,149,394,798	1,944,227,951	1,986,044,094
Expenses				
Marketing costs	7	823,278,682	1,488,934,053	1,513,750,764
Employee costs	8	269,484,538	261,325,552	261,325,552
Remuneration of Board	9	6,409,965	14,064,054	14,064,054
Depreciation and amortization expense	10	13,809,826	9,974,411	9,974,411
Repairs and maintenance	11	4,493,626	5,614,298	5,614,298
General expenses	12	82,030,300	134,240,386	134,240,386
Finance costs	13	1,313,451	1,543,204	1,543,204
Total expenses		1,200,820,387	1,915,695,957	1,940,512,668
Other gains / (losses)				
Gain on sale of assets	14	166,652	-	-
(Loss)Gain on foreign exchange transactions	15	1,579,188	(22,444,318)	(22,444,318)
Surplus / (Deficit)for the Period		(49,679,749)	6,087,676	23,087,108



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 KShs	Restated 2017 KShs	2017 KShs
Assets				
Current assets				
Cash and cash equivalents	16	404,381,914	1,302,531,109	1,302,531,109
Receivables from non-exchange transactions	17	198,986,425	31,255,560	31,255,560
Inventories	18	7,393,266	8,551,265	8,551,265
		610,761,604	1,342,337,934	1,342,337,934
Non-current assets				
Property, plant and equipment	19	43,679,780	29,716,235	29,716,235
Intangible assets	20	304,855	770,114	770,114
		43,984,635	30,486,349	30,486,349
Total assets		654,746,239	1,372,824,283	1,372,824,283
Liabilities				
Current liabilities				
Trade and other payables from exchange transactions	21	426,666,513	866,916,889	891,733,600
Deferred income	22	156,716,764	412,600,771	387,784,060
Provisions	23	18,780,376	18,781,142	18,781,142
		602,163,654	1,298,298,802	1,298,298,802
Total liabilities		602,163,654	1,298,298,802	1,298,298,802
Accumulated surplus		19,630,536	57,500,460	64,525,481
Capital fund		20,952,049	7,025,021	-
Sinking fund	24	12,000,000	10,000,000	10,000,000
Net assets		52,582,585	74,525,481	74,525,481
Total Net Assets and Liabilities		654,746,240	1,372,824,283	1,372,824,283

The notes set out on pages 22 to 40 forms part of the Financial statements.

The Financial Statements set out on pages 1 to 40 were signed on behalf of the Board of Directors by:

Dr. Betty Addero Radier
Chief Executive Officer

Jimi Kariuki
Chairman

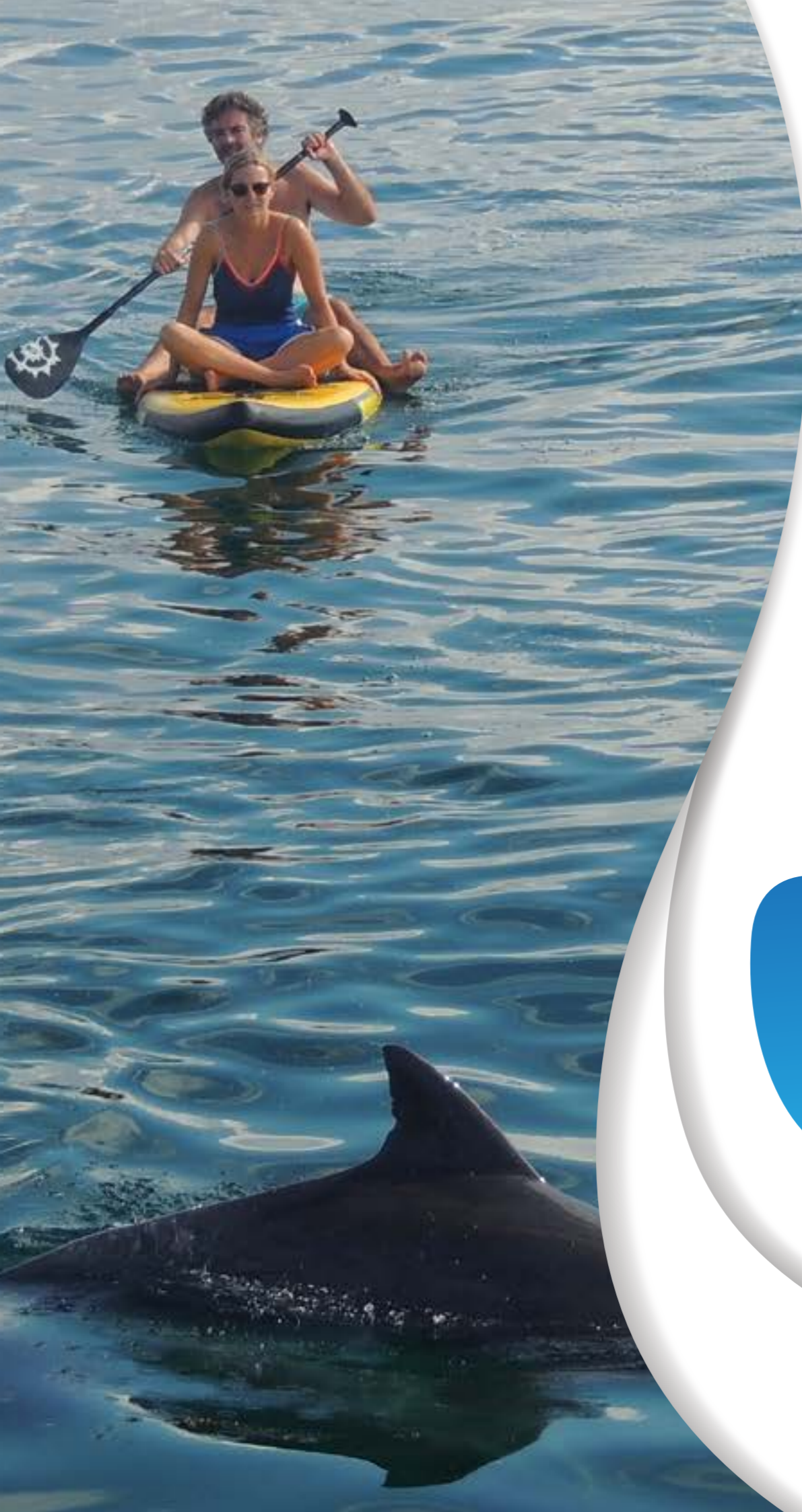
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Sinking Reserves KShs	Accumulated Reserves KShs	Capital Fund KShs	Total KShs
Balance as at 30 June 2015	6,000,000	96,721,721	-	102,721,721
Surplus/(Deficit) for the period	-	(51,283,348)	-	(51,283,348)
Transfers to/from accumulated surplus/(Deficit)	2,000,000	(2,000,000)	-	-
Balance as at 30 June 2016	8,000,000	43,438,373	-	51,438,373
As at 1st July 2016	8,000,000	43,438,373	-	51,438,373
Surplus / Deficit for the period	-	6,087,676	-	6,087,676
Capital / Development grants received during the year	-	-	16,999,432	16,999,432
Transfer of depreciation / amortisation from capital fund to retained earnings	-	9,974,411	(9,974,411)	-
Transfers to / from accumulated surplus / (Deficit)	2,000,000	(2,000,000)	-	-
Balance as at 30 June 2017	10,000,000	57,500,460	7,025,021	74,525,481
As at 1st July 2017	10,000,000	57,500,460	7,025,021	74,525,481
Surplus / (Deficit) for the period	-	(49,679,749)	-	(49,679,749)
Capital / Development grants received during the year	-	-	27,736,855	27,736,855
Transfer of depreciation / amortisation from capital fund to retained earnings	-	13,809,826	(13,809,826)	-
Transfers to/from accumulated surplus / (Deficit)	2,000,000	(2,000,000)	-	-
Balance as at 30 June 2018	12,000,000	19,630,537	20,952,050	52,582,587



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

	2017 Restated KShs	2017 Reported KShs
Accumulated Reserves		
Balance as at 30 June 2015	96,721,721	96,721,721
Surplus / (Deficit) for the period	(51,283,348)	(51,283,348)
Transfers to /from accumulated surplus / (Deficit)	(2,000,000)	(2,000,000)
Balance as at 30 June 2016	43,438,373	43,438,373
As at 1 st July 2016	43,438,373	43,438,373
Surplus / Deficit for the period	6,087,676	23,087,108
Capital / Development grants received during the year	-	-
Transfer of depreciation / amortisation from capital fund to retained earnings	9,974,411	-
Transfers to/from accumulated surplus/(Deficit)	(2,000,000)	(2,000,000)
Balance as at 30 June 2017	57,500,460	64,525,481



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 KShs	Reinstated 2017 KShs	2017 KShs
Net cash flows from operating activities	24	(880,207,359)	606,760,114	606,760,114
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets	19 / 20	(18,537,231)	(16,999,432)	(16,999,432)
Proceeds from sale of property, plant and equipments		595,394	-	-
Decrease in non-current receivables		-	-	-
Increase in investments		-	-	-
Net cash flows used in investing activities		(17,941,837)	(16,999,432)	(16,999,432)
Net increase / (decrease) in cash and cash equivalents		-	589,760,682	589,760,682
Cash and cash equivalents at 1 July 2017				
		1,302,531,109	712,770,426	712,770,426
Cash and cash equivalents at 30 June 2018	16	404,381,914	1,302,531,109	1,302,531,109



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget 2017 / 18	Adjustments 2017 / 18	Final Budget 2017 / 18	Actual on Comparable basis	Performance Difference Under/(Over)
	KShs	KShs	KShs	KShs	KShs
Revenue					
GOK - Recurrent	430,000,000	-	430,000,000	498,998,020	(68,998,020.00)
GOK - Defferd income	-	387,784,060	387,784,060		387,784,060.00
2016/17					
GOK - Development	1,000,000,000	(750,000,000)	250,000,000	214,649,132	35,350,867.84
Tourism Fund Grant	280,000,000	-	280,000,000	264,000,000	16,000,000.00
Industry contribution / Strategic partnership / Web Income	85,500,000	-	85,500,000	115,096,281	(29,596,281.09)
Finance Income	10,000,000	-	10,000,000	35,536,345	(25,536,344.80)
Other Income	7,500,000	-	7,500,000	21,115,020	(13,615,020.01)
Total Income	1,813,000,000	(362,215,940)	1,450,784,060	1,149,394,798	301,389,262
Expenses					
Marketing Expenditure	1,354,939,116	(397,001,009)	957,938,107	823,278,682	134,659,425
Personnel Emolument	236,186,184	55,000,000	291,186,184	269,484,538	21,701,646
Rent Paid	28,084,799	-	28,084,799	27,183,266	901,533
Other Operational	193,789,901	(20,214,931)	173,574,970	79,128,061	94,446,909
Expenses					
Total Expenditure	1,813,000,000	(362,215,940)	1,450,784,060	1,199,074,547	251,709,513
(Deficit) / Surplus for the Period	-	-	-	(49,679,748)	49,679,748

Budget Variances (Performance Difference)

The annual budget is prepared on accrual basis. The material variances are explained as follows:

I. Revenue- GOK Recurrent

GOK recurrent revenue received was Kshs. 350.5 million against budgeted Kshs. 430 million leaving a shortfall of Kshs. 69.5 million. The amount is also net of deferred amounts from 2016 / 17.

II. Revenue - GoK Development

The GOK development revenue during the year was Kshs. 125 million against the budgeted amount of Kshs. 250 million, a 50% under funding. The amount is net of deferred amounts from 2016 / 17 and amounts deferred to 2018 / 19.

III. Tourism Fund Grant

Tourism Fund's actual disbursements was Kshs. 264 million against the budgeted amount of KShs. 280 Million, therefore under disbursement of KShs. 16 million.

IV. Marketing Expenditure

The savings of KShs. 134 million was as a result of cancelled planned marketing activities due to non-disbursement of GOK and TF funds. Some planned and committed activities were put off and are to be prioritized in 2018 / 19 budget allocations.

V. Personnel Emolument

There was a saving of KShs. 21 million due to budgeted vacant positions that were not filled during the financial year.

VI. Other Operational Expenses

The operational expenses for the year amounted to KShs. 80.4 million against a budget of KShs. 174 million. This is because most of the activities under this vote were put on hold due to lack of realisation of the full amount of budget from exchequer.

ACCOUNTING POLICY AND NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of Preparation

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Tourism Board. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of Significant Accounting Policies

Significant judgments and sources of estimation uncertainty

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

a. Revenue Recognition

i. Revenue from non-exchange transactions

Transfers from other Government Entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Sale of Goods

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

iii. Interest Income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b. Budget Information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c. Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight line basis at annual rates to write-off the cost of assets over their estimated useful lives by equal annual instalments at the following rates:

(I) Motor vehicles	25%
(II) Office equipment	12.5%
(III) Furniture	12.5 %
(IV) Computers	33.3 %

The depreciation charge is prorated in the year of purchase and year of disposal as follows:

- The delivery date is considered as the date of acquisition and depreciation in full in the month of acquisition
- No depreciation is charged in the month the asset is boarded for disposal
- No depreciation is charged on work-in-progress



d. Intangible Assets

The Board's intangible assets comprise of software that are in use including the SAP accounting system.

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.

Amortisation is calculated on the straight line basis at annual rates to write-off the cost of assets over their estimated useful lives by equal annual instalments at the following rates:

Intangible Assets 33.3%

The amortisation charge is prorated in the year of purchase and year of disposal as follows:

- The delivery date is considered as the date of acquisition and amortization in full in the month of acquisition.
- No amortisation is charged in the month the asset is boarded for disposal.
- No amortisation is charged on work-in-progress.

e. Inventories

The Board maintains inventories mainly promotional materials for its marketing activities. Other inventories include printing and stationery materials, office utilities, etc.

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

The inventories are recognized as expenses in the period they are issued out from the stores for use in the marketing activities in the case of promotional materials or other operational use in the case of stationeries and office utilities.

f. Receivables from Non-Exchange Transactions

Where an item of revenue from non-exchange transactions is not received at year end, the same is recognised as a receivable from non-exchange transactions.

g. Trade and Other Payables from Exchange Transactions

In the course of its operations, the Board enters into exchange transactions and events through purchase of goods, works or services. Trade and other payables for the Board arising from exchange transactions include: trade and other payables and customer deposits.

Recognition of Expense and/or Payable:

From the purchase of goods:

When significant risks and rewards have been transferred to the Board, amount of expense can be reliably measured and it is likely that the economic benefits or service potential associated with the transaction will flow to the Board, and the costs incurred or to be incurred in respect of the transaction can be measured reliably; then an expense is recognized

From the purchase of services:

This is recognized in reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be estimated reliably.

The expense is measured at the fair value of the consideration paid or payable. Where the expense from exchange transaction is not paid for at the reporting date, it is recognised as a payable from exchange transaction.

h. Work in Progress on Assets

The Board purchases property plant and equipment (PPE) and intangible assets for use in its operations. An asset that is not ready for use (still being developed and/ or not delivered) at the reporting date is considered as work in progress (WIP). The assets are shown in PPE & Software movement schedules but are only capitalized on delivery. The WIP assets are recognized at cost; they are not depreciated or amortized. The depreciation and amortization start on the capitalization date.

i. Sinking Fund and General Reserve

KTB maintains a sinking reserve and Surplus Reserves.

The Sinking fund reserve is a fund set aside for future replacement of assets. KTB provides for Kshs. 2M annually for this fund. The amount is provided from the surplus reserves. The current balance as at June 2018 is Kshs 12Million.

KTB also maintains general fund reserves where all surpluses net of deficits from previous year are accumulated.

j. Changes in Accounting Policies and Estimates

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

k. Retirement Benefit Plans

The Board provides retirement benefits for its employees at the rate of 15% of basic pay and to the National Social Security Fund, (NSSF). Contributions are determined by local statute and are currently limited to Kshs. 200.00 per employee per month. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income and Expenditure in the year in which they become payable.

Employee Entitlement

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual/reversal. Employee entitlements to gratuity are recognised when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

l. 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.



m. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the commercial banks at the end of the financial year.

n. Comparative Figures

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

o. Subsequent Events

There are no materials adjusting events after the reporting 30th June 2018.

p. Related Parties

The Board related parties are the Tourism Fund and the GoK. Balances and transactions between Kenya Tourism Board and its related parties have been disclosed as per IPSAS 20 in note 25 in the accounts.

q. Financial Risk Management

The Board has entrenched risk management as a key tenet of good corporate governance and has continued to ensure that the organization has adequate systems and processes for accountability, risk management and internal controls. To this end, the Board established a Board Audit and Risk Committee to oversee the implementation of sound risk management within the organization. A risk management policy was approved by the Board as well as a comprehensive risk management framework.

Risk management analysis is done for all major projects at the onset of the projects.

The current risks that the board is exposed to in the normal course of operations are: operational risks, liquidity risk, forex risk, credit risks and market risk.

Credit risk is the risk of financial loss to the Board if customers fail to meet their contractual obligations and it arises principally from the investments, receivables and cash and cash equivalents.

- Investments were previously done with reputable banks listed in the Nairobi Stocks Exchange in line with the approved investment policy thereby reducing the credit risk. Going forward, investments will be done directly with Central Bank. Consequently, the Board does not consider there to be any significant exposure to credit risk
- Receivables - KTB requires that customers pay for their participation costs before the events thereby minimizing any risk of non-payment of industry contributions. The Board review customer balances regularly with regular follow up of outstanding amounts. The Board also makes provisions for all

receivables outstanding over 365 days where recovery is doubtful. To avoid further loss, KTB does not allow subsequent engagement with a debtor until the previous outstanding amount is fully received.

Liquidity risk is the risk of the Board not being able to meet its obligations as they fall due. The Board's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Board's reputation.

The Board ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, which may affect the Board's performance. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk.

The Board mainly invests in treasury bills and bonds directly with the Central Bank of Kenya as directed by National Treasury. Consequently, The Board does not consider there to be any significant exposure to interest rate risk.

Currency risk - The Board is exposed to foreign-currency risk through the importation of goods and services, either directly or indirectly, through the award of contracts to local importers and non-resident companies. The Board manages any material direct exposure to foreign-currency risk by entering into forward exchange contracts. The Board manages its indirect exposure by requiring the local importer to take out a forward exchange contract at the time of procurement, in order to pre-determine the forex value of the contracted goods or services.

The contracted amounts are settled when the contract is delivered to satisfaction at the contracted forex amount. The Board also negotiates for the best exchange rates with its bank.

r. Financial Liabilities – Payables

The board's accounting policy provides for a 30 days policy to pay all suppliers invoice. The policy allows for proper cash flow projections in order to ensure timely payments of all suppliers and other financial obligation..

s. 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.

t. Contingent Liabilities

During the FY 2016/17, KRA carried out an assessment and in August 2017, gave a demand notice of Kshs 187,014,569. Of this amount, Kshs 182,568,010 related to withholding tax on the Marketing development agencies appointed to represent KTB in the various markets. KTB have made an appeal on the tax assessment. This amount was not fully provided in the FY 2017/18 and will be reviewed through the appeal process in 2018/19

NOTES TO FINANCIAL STATEMENTS

3. Industry Contributions and Donations

	2018 KShs	Restated 2017 KShs	2017 KShs
Industry Contribution	96,478,548	68,199,289	68,199,289
Partnership and Donations	18,617,733	14,211,250	14,211,250
Total transfers and sponsorships	115,096,281	82,410,539	82,410,539

4. Transfer from Government & other agencies**

Unconditional grants

Recurrent Grant	498,998,020	421,501,980	421,501,980
Tourism Fund	264,000,000	328,000,000	328,000,000
	762,998,020	749,501,980	749,501,980

Conditional Grants

Development Grant	214,649,132	1,090,821,618	1,132,637,761
	214,649,132	1,090,821,618	1,132,637,761
Total	977,647,152	1,840,323,598	1,882,139,741

5. Finance Income - External Investments

	2018 KShs	2017 KShs
Income from call and fixed deposits	-	11,954,914
Total finance income – external investments	-	11,954,914



6. Other Income

Website	216,000	122,611
Miscellaneous Income-interest	35,536,345	1,477,552
Miscellaneous Income-other	20,899,020	7,938,736
Total other income	56,651,365	9,538,900

Miscellaneous income consists of website advertising fees, tender fees and write back of creditors balances.

7. Marketing Related Costs

MARKETING PROGRAMMES EXPENDITURE	2018 KShs	Restated 2017 KShs	2017 KShs
Uk & Ireland Markets	49,911,388	117,963,865	117,963,865
Germanic & Austria markets	26,871,708	60,911,574	60,911,574
Americas (America & Canada)	32,789,768	77,361,233	77,361,233
Emerging Markets (India, China, Australia, Japan)	52,888,836	142,025,667	142,025,667
Kenya & East Africa	38,170,596	82,881,238	82,881,238
Regional Markets (Africa & UAE)	18,327,934	109,438,376	109,438,376
Agency Costs (Advertising & Media)	21,005,280	23,894,064	23,894,064
Public Relations Programmes	39,814,008	58,686,667	58,686,667
Market Support	164,495,629	162,138,886	162,138,886
Market Representation	19,514,916	122,823,190	122,823,190
Tactical Marketing Programmes & Cross Marketing Activities	359,488,619	530,809,292	555,626,004
Total Marketing Expenditure	823,278,682	1,488,934,052	1,513,750,764

KTB's core activity is to market Kenya as the preferred destination of choice. Various marketing activities are implemented in both local, regional and international markets to market the destination to potential tourists with the objective of increasing tourist arrivals and therefore tourism revenue to the economy.



8. Employee Costs

	2018 KShs	2017 KShs
Employee related costs - salaries and wages	173,762,168	151,896,999
Housing benefits and allowances	48,570,455	59,961,196
Employee related costs - contributions to Pensions and NSSF	21,188,837	20,904,258
Provision for Gratuity	4,031,855	3,019,512
Staff Group Life Policy	1,921,669	1,712,486
Staff Medical Insurance (In & Out Patient)	19,246,571	23,154,402
Group Personal Accident	762,983	676,699
Employee costs	269,484,538	261,325,552

9. Remuneration of Board Members

	2018 KShs	2017 KShs
Honorarium	960,000	960,000
Sitting Allowances	4,070,000	8,876,650
Travel and Accommodation	918,313	3,835,855
Medical and other Insurances	461,652	391,548
Total	6,409,965	14,064,054

10. Depreciation and Amortisation Expense

	2018 KShs	2017 KShs
Property, plant and equipment	13,344,567	9,535,382
Intangible assets	465,259	439,029
Total Depreciation and Amortization	13,809,826	9,974,411

11. Repairs and Maintenance

Motor Vehicle	1,249,192	1,108,513
Office Furniture and Equipment	559,417	397,871
Computers	2,685,016	4,107,914
Total repairs and maintenance	4,493,626	5,614,298



12. General Expenses

	2018 KShs	2017 KShs
Audit fees	700,000	700,000
Bad debts Expense- Industry Debtors	-	3,161,150
Bad debt Provison -TF	-	4,000,000
Staff welfare	1,349,562	2,467,576
Team Building	929,967	1,833,710
Hiv aids/Positive living	-	243,520
Subscription and Memberships	1,440,199	1,111,733
Staff Training	6,781,209	13,296,543
Recruitment	7,603,105	8,448,069
Staff Uniform & laundry	-	414,261
Insurance for Motor Vehicle, Computers & Office Equip.	753,058	952,353
Rent	27,183,266	27,449,820
Telephone, postal & Directories	4,090,429	4,577,767
Printing & Stationery	2,292,051	5,871,551
Entertainment	1,215,934	1,366,545
Local Traveling &Product fam trips	2,979,175	6,019,372
Parking	457,120	-
Legal & Consultancies	4,737,824	7,390,464
ICT Software licences/ Support fees & ERP Programmes	7,223,135	9,854,091
Corporate Governance	3,798,624	5,256,845
Procurement Management	3,027,070	3,028,046
Motorvehicle fuel	543,180	1,274,294
Tax and statutory charges	-	4,446,559
Consultancy -relocation expenses	-	16,409,529
Office general expenses	4,925,394	4,666,589
Total General Expenses	82,030,300	134,240,386



13. Finance Cost

	2018 KShs	2017 KShs
Bank charges	1,313,451	1,543,204
	1,313,451	1,543,204

14. Gain on Sale of Assets

Property, plant and equipment	166,652	-
Total gain on sale of assets	166,652	-

15. Loss on Foreign Exchange Transactions

	KShs	KShs
Forex(Loses)Gain	1,579,188	(22,444,318)
	1,579,188	(22,444,318)

16. Cash and Cash Equivalents

	2017 KShs	
Bank	404,333,695	1,302,459,771
Cash-on-hand and in transit	48,219	71,338
Total cash and cash equivalents	404,381,914	1,302,531,109

Bank and Account Number	KSh Equivalent	KShs Equivalent
KCB Moi Av. EURO A/C 1101689846	21,692,231	31,972,592
KCB Moi Av . USD A/C 1101660066	14,809,878	36,178,270
KCB Moi Av .GB P A/C 1101636912	31,826,036	123,140,713
KCB Moi Av. KES A/c 1108980457	336,005,550	1,111,168,196
	404,333,695	1,302,459,771





Notes to financial statements continuation

17. Receivables from Non-Exchange Transactions

	2018 KShs	2017 KShs
Current Receivables		
Exhibition debtors	7,104,999	11,265,818
MKTE organiser Receivable	12,029,002	-
Prepaid Media Buying	120,707,895	-
GoK & Tourism Fund	42,000,000	4,000,000
Staff Advances and Perdiem	4,365,576	3,931,056
Prepayment	7,496,885	8,248,040
Imprest	2,140,253	1,761,222
Interest and other deposits/receivables	14,297,841	13,205,450
	210,142,451	42,411,586
Less Provisions:		
Bad Debt- Industry	5,390,131	5,390,130
Provision TF	4,000,000	4,000,000
Bad Debt- Staff	1,765,896	1,765,896
Sub Total	11,156,027	11,156,026
Total current receivables	198,986,425	31,255,560

18. Inventories

Consumable stores	7,393,266	8,551,265
Total Inventories	7,393,266	8,551,265

19. Property, Plant and Equipment

	Office Equipment KShs	Computer Hardware KShs	Furniture & Fittings KShs	Motor Vehicle KShs	Total KShs
As 1st July 2016	15,801,241	30,767,327	26,019,830	25,872,969	98,461,367
Additions	1,344,624	14,796,008	163,000	-	16,303,632
Disposals	-	-	-	-	-
As 30th June 2017	17,145,865	45,563,335	26,182,830	25,872,969	114,764,999
Additions	603,275	4,248,978	5,700,060	8,674,282.80	19,226,595
WIP	-	8,510,261	-	-	8,510,261
Disposals	(971,160)	(1,428,750)	(1,596,695)	(1,602,075)	(5,598,680)
As 30th June 2018	16,777,979	56,893,823	30,286,195	32,945,177	136,903,174
Depreciation and impairment					
As at 1st July 2016	10,400,994	29,242,644	22,184,863	13,684,881	75,513,382
Depreciation	1,052,175	3,665,229	661,321	4,156,657	9,535,382
Disposals	-	-	-	-	-
At 30 June 2017	11,453,169	32,907,873	22,846,184	17,841,538	85,048,764
Depreciation	1,055,277	6,118,749	1,174,156	4,996,386	13,344,567
Disposals	(940,945)	(1,428,750)	(1,198,168)	(1,602,075)	(5,169,938)
As At 30 June 2018	11,567,501	37,597,872	22,822,172	21,235,849	93,223,393
Net book values					
At 30 June 2018	5,210,478	19,295,952	7,464,023	11,709,328	43,679,781
At 30 June 2017	5,692,696	12,655,462	3,336,646	8,031,431	29,716,235



20. Intangible Assets - Software

	KShs
Cost	
At 1st July 2016	33,390,684
Additions – internal development	695,800
At 30 June 2017	34,086,484
Additions – internal development	-
WIP	-
At 30 June 2018	34,086,484
Amortization and impairment	
At 1st July 2016	32,877,341
Amortization	439,029
Impairment loss	-
At 30 June 2017	33,316,370
	465,259
Amortization	
Impairment loss	-
At 30 June 2018	33,781,629
Net book values	
At 30 June 2018	304,855
At 30 June 2017	770,114

21. Trade and Other Payables from Exchange Transactions

	2018 KShs	Restated 2017 KShs	2017 KShs
Trade payables	380,326,829	610,868,918	635,685,628
Payments received in advance- Exhibitions	748,034	2,439,212	2,439,212
Accruals	30,714,015	247,548,077	247,548,077
Other payables	14,877,637	6,060,683	6,060,683
Total Trade and Other Payables	426,666,515	866,916,890	891,733,600



22.	2018	Restated 2017	2017
I) Deferred Income	156,716,764	412,600,771	387,784,060
II) Deferred Income	2018 KShs	2018 KShs	2017 KShs
	Recurrent	Development	Total
Balance brought forward	138,498,020	249,286,040	387,784,060
Additions/Deferred to 2018/19	-	156,716,764	156,716,764
Transfer to income statement	(138,498,020)	(92,569,276)	(231,067,296)
Transfer to Capital Grants	-	(6,863,100)	(6,863,100)
Balance Carried Forward	-	156,716,764	156,716,764

23. Current Provisions

	Leave Balances KShs	Staff Gratuity KShs	Audit Fees KShs	Total KShs
Balance as at 30 June 2017	13,980,720	3,400,422	1,400,000	18,781,142
Additional provisions raised	-	4,031,855	700,000	4,731,855
Over provision reversed	(3,332,621)	-	-	(3,332,621)
Provision utilized	-	-	(1,400,000)	(1,400,000)
Balance as at 30 June 2018	10,648,099	7,432,277	700,000	18,780,376

24. Cash Generated from Operations

	Notes	2018	Restated 2017	2017
Surplus for the year before tax	24	(49,679,749)	6,087,676	23,087,108
Adjusted for:				
Depreciation		13,344,567	9,535,382	9,535,382
Amortisation	10	465,259	439,029	439,029
Gains and losses on disposal of assets		(166,652)	-	-
Additional provisions		-	2,414,514	2,414,514
Working Capital Adjustments:				
(Increase)Decrease in inventory		1,158,000	(3,981,157)	(3,981,157)
(Increase)/Decrease in receivables		(167,730,865)	285,290,636	285,290,636
(Increase)/Decrease in deferred income		(231,067,296)	31,676,970	6,860,259
(Increase)/Decrease in capital grants		13,927,029	16,999,432	-
Increase(Decrease) in payables		(460,457,652)	258,297,633	283,114,344
Net cash flows from operating activities		(880,207,359)	606,760,114	606,760,114



25. Sinking Reserves

	2018 KShs	2017 KShs
Opening Balance	10,000,000	8,000,000
Sinking Fund Provision	2,000,000	2,000,000
Balance as at 30 June 2018	12,000,000	10,000,000

26. Related Parties

The Board's related parties are the Tourism Fund and the GOK. In 2017/18, the two Parties contributed 77% and 23% respectively to the marketing fund for the Board. Details of transactions between Kenya Tourism Board and the related parties are disclosed below:

	Actual Receipts in 2017/18 KShs	Actual Receipts in 2016/17 KShs	Accrued Amounts as at 30th June 2017 KShs
(i) Related Parties - Government of Kenya & Tourism Fund			
GOK - Recurrent	498,998,020	360,500,000	-
GOK- Development	214,649,132	125,000,000	-
Tourism Fund	264,000,000	328,000,000	4,000,000
	977,647,152	813,500,000	4,000,000
(ii) Related Parties - Management Compensation			
Non - executive Director (Chairman)	960,000	960,000	960,000
Executive Director (CEO) and key management	54,686,506	52,252,093	47,192,247
TOTAL	55,646,506	53,212,093	48,152,247
(iii) Related Parties- Staff Advances	3,995,064	3,734,656	5,782,983

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS / OTHER MATTER

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Emphasis of the matter	As per section C.14(1) of Human Resource policies and procedure manuals of May 2016, when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months. However, it was observed that twelve(12) members of staff have been acting in their current positions with some of them having acted for more than a year contrary to section.14(1) of the Human Resource policies and procedure manual of May 2016.	Officers on acting Appointments after six months are reappointed as management advertises for substantive filling of the posts. The advertisement ran on 14th September 2018.	CEO /Board	Not resolved	

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