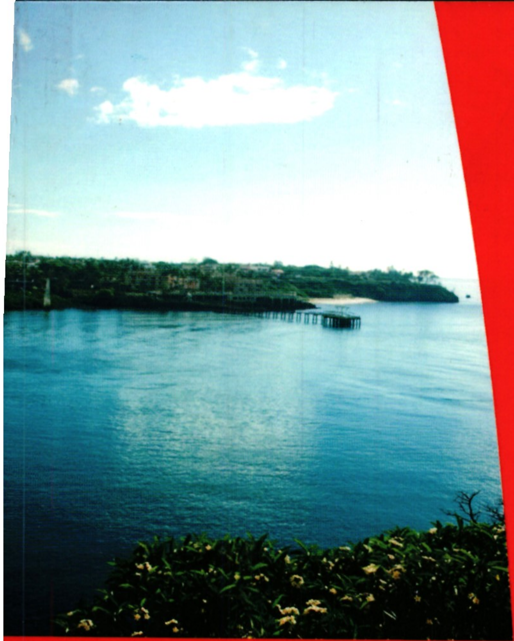
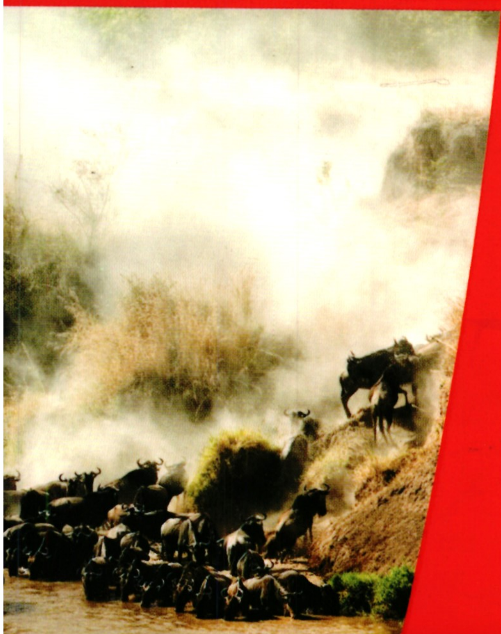




Brand Kenya Board

Annual Report & Financial Statements 2014-2015

Vision

To be the lead agency in transforming Kenya into a competitive global brand

Mission

To build a strong country brand that fosters national pride and patriotism and earns global recognition and preference

Core Values

Pursuant to its mandate and functions, Brand Kenya Board is guided by the following core values:-

Patriotism

The Country is bigger than each of us - we put it first in our words and actions

Passion

We approach our work guided by love for our great nation - we remain energetic and inspired as we move into the future

Integrity

We believe in truth, honesty and morality and strive to uphold them

Team spirit

We believe wonderful things happen when we work together

Innovation

We allow every individual to exploit their full potential for the greater good

Table of Contents

Statement of Corporate Social Responsibility

In executing its mandate, Brand Kenya Board (BKB) is committed to the national values and principles of governance as stipulated in the Constitution.

Additionally the Board strives to contribute to economic development while improving the quality of life of its employees and their families as well as the local community and the society at large.

Currently the Board has a draft CSR policy in place, which will be finalized and adopted in the next financial Year. Nevertheless, BKB Corporate Social Responsibility (CSR) activities and projects focus on engaging with Kenyans on integrating a value based lifestyle and environmental conservation.

The Board is respectful of the environment, which is our heritage, and determined to sustain it for the benefit of future generations. Some of our notable activities in the year under review include; tree planting in various schools and clean up initiatives.

The Board joined hands with the Kenya Girl Guides Association to plant trees during the National Cup Competition at the Muran'ga Teacher College, in Muran'ga County.

The Board also nurtures students to take care of the environment and has been keen to sensitize students on the value of the environment, and the benefits of planting trees.

In undertaking its activities, the Board shall continue to forge public private partnerships.

Chairman's Statement

It is with a deep sense of responsibility and national pride that I present to you the Brand Kenya Board's Annual Report for the year ended 30th June 2015.

During the year under review, Kenya's international standing continued to improve. Kenya was ranked as one of the seven top investment destinations to watch in emerging markets by Fortune magazine. The ranking took note of the massive efforts being made by the government in infrastructure development, the power sector and improving macro-economic stability.

Kenya also improved by one position in the World Bank Doing Business Report 2015, where it ranks at position 136 out of 189 nations globally. The reducing cost of doing business and stable macro-economic environment continue to make a clear signal that Kenya is ready to do business with the world and it is delightful that investors are showing increased confidence in Kenya. The country is also setting up a one-stop shop where investors can obtain business permits to prop up Kenya's position as a favorite regional investment destination.

Jomo Kenyatta International Airport (JKIA) was ranked among top five airports in Africa. JKIA also unveiled a new terminal and can now accommodate up to 7.5 million passengers from 6.2 million annually. The completion of the terminal is part of modernizing and expanding the airport to meet international standards.

These factors will strengthen the country's positioning as a destination for investment, trade and tourism, and will serve to greatly motivate the citizens to increasingly work hard towards growth and prosperity. The Board will continue to play a critical role in giving strategic direction for all initiatives that mobilize the energies of Kenyans towards the achievement of the national goals and in particular those that relate to the country's image and identity.

On the national front, the Board has continued to develop and implement initiatives that instill pride and patriotism in every Kenyan and foster national cohesion. The Board also continued to establish and foster relevant networks and partnerships with individuals and institutions for an

Position
136
in the 2015 Doing Business Report

7.5M
Passengers

Chairman's Statement

integrated and harmonized branding, in line with the National Brand Master Plan developed earlier by the Board. To promote the reputation and image of Kenya's Public service, the Board developed branding guidelines for the Public Service. Once complete, the document will be shared with stakeholders for implementation. The Board also continued to engage with the counties, advising them on how to improve the county brands as hubs of trade, investment and tourism.

As the country continues to shine in the global arena, the Board commits itself to remain focused in leading Kenya's journey towards becoming a competitive global brand. This journey requires the participation of every single citizen. It is my humble appeal to all citizens to play their rightful role at whatever station they are in life, to make Kenya a better place. I thank all Kenyans for their role in nation branding.

The achievements outlined in this report reflect the commitment, dynamism and dedication of the Board members in executing their oversight and advisory responsibility to the Chief Executive Officer and management. It is my humble duty to commend them for their excellent service.

I also extend my gratitude to the staff for their dedication.

God Bless Kenya.

Dr. Hanningtone Gaya, PhD., EBS.

CHAIRMAN


MONDO
6
KENYA
BTC
KIPROP
7
CHEBOI

Chief Executive Officer's Statement

With great pride, I present the 2014/15 Annual Report to the citizens of our great nation, Kenya. As in the past years, the Board continued the noble journey of making Kenya an attractive and preferred destination both internally and externally. We are proud of the progress our country made in the year in all sectors of the economy.

A well branded country promotes economic value and exports; attracts inbound investment, tourists and talent and builds competitive advantage using innovative ways to showcase itself, creating strong and groundbreaking environmental policies and approaches, electing powerful leaders who inspire global goodwill.

Brand Kenya Board is proud and humbled to have led this journey of ensuring that an integrated national brand is created, harnessed and sustained in the long term. Brand reputation is a crucial differentiator in the bid to attract opportunities in investment, tourism and trade. These are areas our country made great progress in the year.

During the year under review, the county's image remained resilient. We note with pride, that the country's regional standings continued to improve. Kenya was ranked among the 20 Fastest-Growing Economies of 2015. The country was ranked third in a global survey of economies projected to register the fastest growth this year, placing the country ahead of other emerging markets in Africa. In addition, the World Bank projected 6.6% economic growth for the county.

Nairobi was named the most intelligent city in Africa for a second year in a row. Nairobi is the only African city which made it to the world's top 21 hubs. Diani Beach in Kwale County put Kenya on the world map after being voted third among the top 25 beaches in the world.

The improved ratings were as a result of several factors. They include the performance of the banking, finance, real estate sectors, mobile telephony and the ICT sector in general and the sterling performance of our athlete in various races and championships across the world.

6.6%
Economic Growth

Diani
3rd Best
in the World

Chief Executive Officer's Statement

As Kenya stands tall as regional economic hub, the Board commits to remain steadfast in championing positive projections of our country and to continue to actively market Kenya as a preferred destination to live, work, visit and invest in. We humbly invite all Kenyans to walk with us on this awesome journey. Nation branding is a collective civic duty and each one of us has a role to play.

We note with pride that the Country is well positioned to surpass expectations in the political, social and economic aspects of the Kenyan brand. The Constitution and National values have laid a firm foundation for the Kenyan people to exploit their full potential and to achieve prosperity for themselves and the country.

In line with the Board's mandate, we partnered with several individuals and institutions in the year under review. It is as a result of these partnerships, that we were able to achieve the goals we set at the beginning of the year.

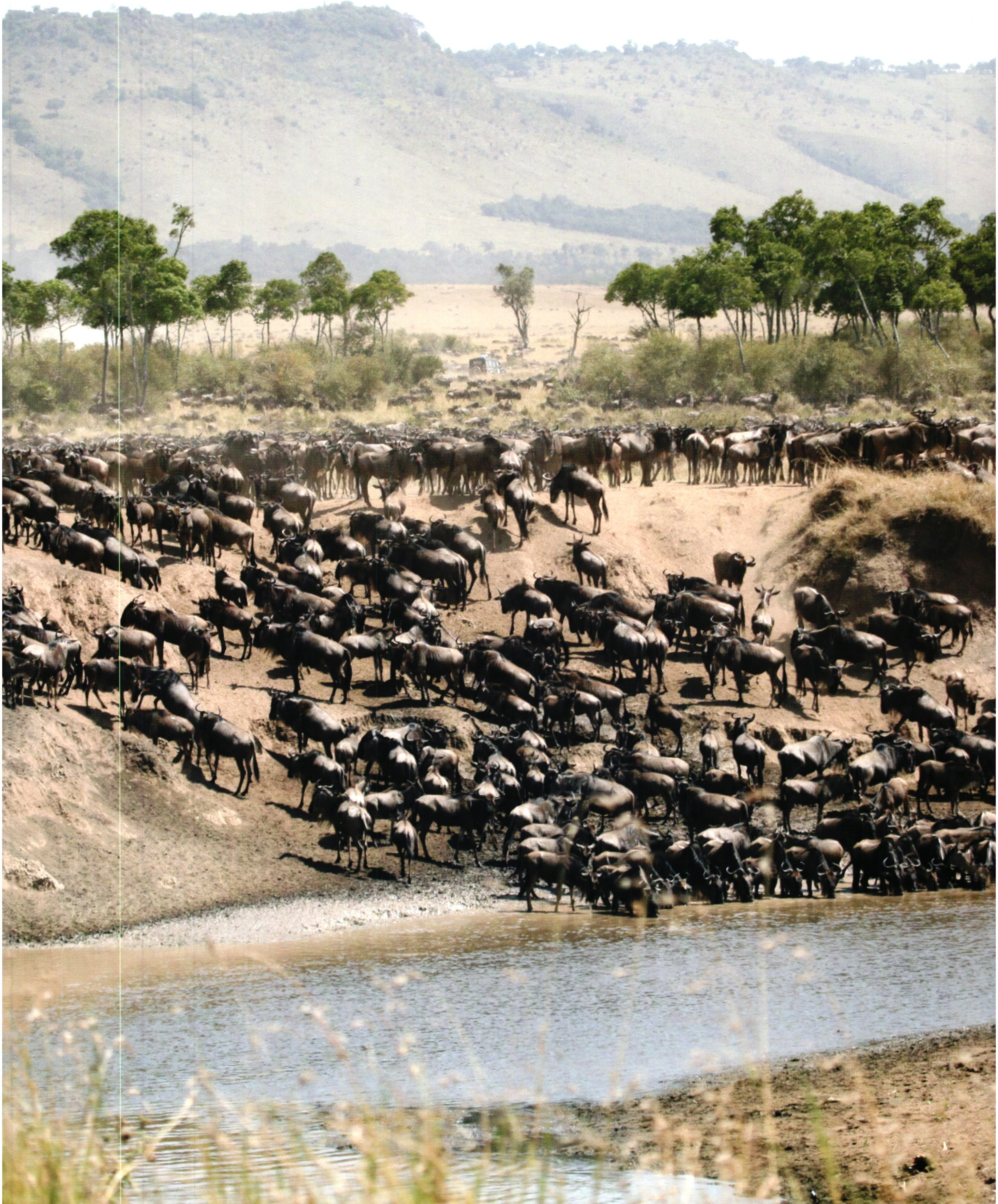
We thank the Ministry of East Africa Affairs, Commerce and Tourism for their direction and support, the Board of Directors for their facilitation and encouragement, our stakeholders for their partnership in our activities and our suppliers for their excellent service delivery over the year. I acknowledge the talent and commitment of our staff, who have improved the quality of our service delivery. Thank you very much. Let us all journey together, and build Kenya into a premium global brand.

To all we say, Asante Sana.

God Bless Kenya.

Mrs. Mary Kimonye, MBS

Chief Executive Officer



About the Board

2008

Year Established

1. Introduction

The Brand Kenya Board was established in March 2008 through a legal notice known as the Brand Kenya Board Order, No.38 of 2008. The Board's mandate as spelt out in the legal notice is to ensure that an integrated national brand is created, harnessed and sustained in the long term

The mandate of the Board has two critical aspects:

i. National Branding: this involves the development and implementation of a National Identity that spurs the levels of pride, patriotism and social cohesion among the citizens.

ii. International Branding: this involves managing Kenya's image and reputation in order to enhance the levels of confidence in Kenya as a viable destinations for:
   - FDI inflows
   - Corporate/institutional Headquarters
   - Tourists and Visitors
   - Trade
   - Inward flow of talents

2. Functions of the board

The functions of BKB, as stipulated in the Brand Kenya Board legal notice are to:

i. Establish a brand for Kenya which positions the country optimally in terms of investment, creditworthiness, tourism and international relations;

ii. Unite Kenyans and provide them with positive information about the country in order to promote patriotism and national pride;

iii. Establish an integrated approach within government and private sector towards international marketing of Kenya;

iv. Build national support for the brand within Kenya with the cooperation of the Government, non-governmental organizations and the private sector;

v. Promote local products and services to encourage economic transformation;

vi. Encourage commitment to quality and innovation among businesses and people;

vii. Assist different towns and cities in the country to improve their image; and

viii. Undertake measures aimed at improving the international image of Kenya.

Emanating from its mandate and functions, BKB will play the role of:

i. A coordinating entity for country branding initiatives;
ii. An advisory entity for the management of the country's image and reputation as well as the marketing initiatives;
iii. Spearheading creation of concept and policy guidelines on country branding and communicating to the stakeholders;
iv. Monitoring performance of the country brand;
v. Monitoring sub-brands for consistency with the national brand; and
vi. Enhancing, supporting and supplementing the initiatives carried out by various sub-brands.

3. The role of Brand Kenya Board in Kenya's development agenda

Brand Kenya Board's play's a leading role in Kenya's development agenda by undertaking initiatives geared towards creation of a unique country identity and image that make it stand out in the global arena as a wonderful place to visit, invest, work and live. In this regard, BKB has put in place a holistic brand management programme recognizing that anybody or anything that impacts on the country's perception and reputation matters.

In addition, the Board seeks to establish meaningful networks and partnerships with individuals and organizations for an integrated and harmonized branding initiative. The activities undertaken by the Board will seek to ensure: -

i. That Kenyans gain and exude confidence and a positive attitude about their country's future prospects;
ii. That the country improves on its international image and gains the confidence of foreign investors and visitors;
iii. Development of a national image and identity that will serve as a focal point in harnessing the energy, warmth and entrepreneurial spirit of the people and to steer them to greater levels of productivity;
iv. An acceptable set of national values is built to enhance social harmony and cohesiveness as well as increase the self pride of every Kenyan and the national pride;
v. That the resourcefulness of the Kenyans in the Diaspora is tapped and to instill pride and confidence in their motherland and inspire them to support and market Kenya abroad;
vi. That the attractiveness of our towns, cities and places is enhanced to attract investment, trade and commerce and to also nurture and retain local talent;
vii. That where and when necessary relevant policy and legal interventions are undertaken on areas that touch on the country's image and reputation;
viii. That on a continual basis, the country's key attractions are packaged and communicated to the rest of the world.

4. The Board's strategic areas of focus

The Board's programs are anchored on four pillars which have an impact on the Kenya Brand. These are; Tourism, Foreign Direct Investment, Exports and the Citizens. The strategic areas of focus have thus been influenced by these four pillars. They include:-

i. National Identity and Values (Citizens Engagement)

This program focuses on inspiring and encouraging citizens to embrace a positive attitude in order to contribute positively to the development of the country. Under this program - the Board deals with:

- Stakeholders engagement
- Youth Attitude Change and empowerment
- Citizens attitude change project

ii. Attractiveness of Kenya's Counties, Cities and Towns

Kenyan towns and cities have huge economic prospects. In this regard, the board works in conjunction with local authorities to harness their potential of becoming regional centers of excellence.

iii. Re-branding of the Public Service

This program focuses on embedding the concepts of branding and customer care into the management of

About the Board

Public Service. The objective is to ensure that the public service, which is the face government, projects the right image.

iv. **Value proposition for Kenyan Goods and Services.** Kenya is renowned for the export of quality products among them tea, coffee, cut flowers, nuts vegetables, fruits, meat and leather products.

It is critical that as these products enter the world markets, they are branded as Kenya Products. This program is implemented in partnership with stakeholders from these sectors.

v. **Diaspora Engagement Project.** The objective of this program is to enhance the role of Kenyans in the Diaspora in three critical aspects.

a. For knowledge and skills transfer
b. For country marketing as ambassadors
c. Diaspora as investors

This program is executed in close collaborations with Kenya missions abroad.

vi. **Leadership and Media** This project recognizes the role of both the media and the political leadership in Country image building. The project emphasizes the distribution of positive content in order to direct country perceptions more positively.

5. Challenges faced by the board

i. **Budgetary constraints:** country branding requires enormous funds. The funding level for the Board remains relatively low this often comprises implementation of the Board activities.

ii. **Integration :** there are so many agencies all involved in marketing Kenya thus bringing in disjointed voices

iii. **Slow pace of adoption:** country branding is a new concept, naturally buy-in and adoption by other agencies has been slow.

iv. **Perception / Negative Content:** It is not possible for the Board and indeed the government to control content in all types of media. Other individuals and institutions disseminate content.

v. **Nation and Regional Dynamics:** Often events beyond the Board's control happen and this makes it hard to market the country

- Issues of insecurity
- Conflicts
- Political differences
- Industrial strikes
- Terrorism
- Resource mismanagement

All these generate negative information about the country which is difficult to counter.

Review of the year's performance

6.0 Introduction

Country branding is about creating a positive image, reputation and identity for a country. Countries engage in country branding in order to create a competitive identity which evokes a desirable image and enhances the country's competitiveness. This is based on the fact that countries, like products, can be packaged and marketed to distinctive target audiences among them investors, visitors, tourists, business, corporations and citizens.

Brand Kenya Board developed a Brand Master Plan to help manage Kenya's identity and image. The Brand Master Plan informs not only the activities carried out by the Board but also the way in which the activities are implemented. It also spells out an internal and external communication framework for the Kenya Brand.

In executing its mandate and implementing the Brand Master Plan, the Board has taken a two pronged approach to country branding i.e. national and international branding.

6.1 National Branding

This function focuses on managing the country's image locally. In the year under review, the Board undertook the following national branding initiatives

6.1.1 County Branding Programme

Kenya adopted a devolved system of government in 2010 which created 47 counties. Each county is looking for ways to get an economic edge thus create jobs for its residents. Therefore one of the ways to get ahead in the ever competitive environment is to create a perception that the region is business friendly, innovative and ripe for investment.

In line with the devolved system of governance, the county branding program seeks to promote counties as centers of trade and investment. A County's brand is developed progressively through a mix of its policies, amenities and a marketing plan. A well thought out county branding strategy therefore serves as a conceptual framework to guide formulation of wealth creation strategies for counties.

In the year under review, , the Board collaborated with several county governments and sensitized them on the need to brand themselves as centers of trade and investment.

The engagements were mainly focused on policy advisory on investment matters and related development issues.

Through the various forums held across the country it is worthwhile to note that Counties are embracing the county branding concept with many seeking to differentiate themselves.

Several counties now have an official logo used consistently across various communication platforms. Many have since sought technical guidance from Integrated Marketing and Communication agencies, on promoting exports, packaging investment opportunities and tourism circuits. They include, the County Governments of Bomet, Kisumu, Taita Taveta, Marsabit, Kajiado and Mombasa. Brand Kenya Board will continue to offer support to all counties in order to align their branding initiatives with the mother brand Kenya.

6.1.2 Re Branding of the Public Service

The public service is a critical pillar of the Kenya brand and it is a strong catalyst in endorsing the brand to the citizenry. To ensure an efficient and effective service to the country and inspire pride and patriotism among citizens, the Board proposed the re-branding of the public service.

During the period under review, the Board concluded the development of Visual Identity (VI) Guidelines for Kenya's Public Service as well as State Corporations and County Governments.

The new visual identity draws inspiration from Kenya's Coat of Arms and the shield in the National flag, icons which citizens identify with. It is aligned to the guidelines contained in the Brand Master Plan, i.e. promoting 'a one look one feel' within the public service.

The main purpose of the public service branding guidelines is to promote a uniform visual identity within the public service. The specific objectives of the guidelines are to:

Review of the year's performance

i. Ensure uniformity in branding across the public service
ii. Improve image and perception of the public service
iii. Renew citizens' confidence and trust in public service institutions
iv. Create a public service brand that enhances national pride and patriotism
v. Ensure cost effectiveness by eliminating duplication of branding programmes in the public service.

The Board further with the help of key stakeholders developed a Cabinet memo on the proposed public service branding guidelines and submitted the final VI guide for Ministries to the Public Service Commission (PSC). The cabinet memo sought for more funding so as to implement the adoption of new guidelines and accelerate the pace of state sector reform.

The Cabinet memo was forwarded to the Cabinet Secretary, Ministry of East Africa Affairs, Commerce and Tourism for tabling before Cabinet. The board awaits the approval of the Cabinet Memo to begin implementation in conjunction with the Ministry. The implementation of the branding guidelines will lead to the following benefits;

i. Improved public service image
ii. Increased trust, confidence and pride in public service institutions by the citizenry
iii. Improved perception of the Kenya Brand locally and internationally
iv. Preference for Kenya as a destination for Investment, Trade and Tourism.

6.1.3 A Mark of Identity for Kenyan Goods and Services

Kenya has earned a reputation for producing high quality tea and coffee, beverages widely enjoyed by many across the globe. These products have put Kenya on the world map, as much as they have boosted the country's foreign exchange earnings.

The Brand Master Plan lists export products as a key pillar for Kenya's country branding journey. The Board therefore developed a mark of identity with the buy line "A Touch of Kenya" to enhance the competitiveness of Kenya's goods and services at the local and international market.

The Board intensified efforts to create awareness on the mark among the general public and specifically manufactures. Billboards were erected in strategic areas within the city of Nairobi featuring popular Kenyan products and attractions, for example Tea, Coffee, Game Drive and Maasai culture.

In addition to this, the Board also participated in expos like Nairobi International Trade Fair and the Food Processing and Packaging Expo 2014 to popularize the mark. This led to an uptake on the number of manufactures adopting the mark.

By the end of the financial year, a total of 40 companies had been granted rights to apply the mark on their selected products including Herbal Garden, United Millers, Mabati Rolling Mills, and Robs Magic Limited Local producers and manufactures are encouraged to adopt the mark.

Applications forms for the Mark of Identity can be downloaded from **www.brandkenya.go.ke .**

6.1.4 Dissemination of National Values

The Board's programs also target the youth in order to inspire them to be change agents and take the responsibility of shaping the nation into their own hands.

During the year under review, the Board partnered with the Kenya Girl Guides Association in an effort to disseminate national values through the Girl Guides National Cup Competition. This is an annual event organized by the association to promote cohesiveness and provide an opportunity for the young girls to develop their potential as responsible citizens.

Over 300 girl guides, rovers and rover leaders congregated in Murang'a. The girls were drawn from all parts of the country including Murang'a, Taita Taveta, Nyamira, Migori, Nairobi and Mombasa among others. The competition strives to ensure that the girls learn and share the various guiding principles like the guides values, law, environment conservation and hiking.

6.2 International Branding

The International Branding function of the Board focuses on managing the country's image and reputation internationally in order to give it a competitive edge in the global marketplace.

6.2.1 Events

Kenya leverages on euphoric events and festivals to market herself. In this respect, the Board takes part and offers technical support on managing various aspects of such events. The following is a highlight of the activities carried out by the Board to shape Kenya's image at the international level during the financial year 2014/2015.

1. China International Fair for Investment and Trade (CIFIT) 2014

The China International Fair for Investment and Trade (CIFIT) takes place in September every year and is sponsored by China's Ministry of Commerce, UNCTAD, UNIDO, WTO, OECD, IFC and WIPA.

The 18th CIFIT explored: emerging trends in international capital flow, the latest development in global industries through professional business matchmaking and networking integrated with exhibitions and meetings. The forum received more than 16,000 overseas visitors from over 120 countries.

In the year under review, the Board was part of the planning committee of the 18th China International Fair for Investment and Trade (CIFIT) that took place between 6th and 11th of September 2014 in Xiamen, Fujian province, China.

Brand Kenya played a vital role in developing the communication strategy whose aim was to create awareness and position Kenya as a preferred investment and tourist destination. The Board also offered the branding guidelines for Kenyan merchandize and the exhibition booth.

2. Milan Expo 2015

Kenya participated at the World Expo 2015 in Milan from 1 May to 31 October under the theme "**Feeding the Planet, Energy for Life**". It highlighted one of the most pressing challenges of our time – how to feed and sustain an expected rise in the world's population to 9 billion by 2050.

The Board played a key role in to offering branding advisory in the planning and execution of the Milan Expo, in collaboration with the Export Promotion Council (EPC).

3. The Global Entrepreneurship Summit (GES) 2015

The Government of Kenya co-hosted the 2015 Global Entrepreneurship Summit (GES) with the Government of the United State of America in June at Gigiri. Organized annually since 2009, the GES has emerged as a global platform connecting emerging entrepreneurs with leaders from business, international organizations, and governments looking to support them. This was the first time the GES was taking place in sub-Saharan Africa.

The event was graced by the US President Barack Obama. This presented a great opportunity for Kenya to showcase the immense opportunities in investment, tourism and information technology available to the many investors and entrepreneurs who attended the event.

The Board was involved in planning at various stages and served in a number of committees i.e. Secretariat, Technical, Hospitality and Communications & PR. The Board also played a leading role in mounting up "Kenya House" at the summit venue, Gigiri.

To ensure that the visitor experience was top notch, the Board in partnership with Kenya Tourism Board and the Kenya Utalii College conducted a training on personal branding to the ushers who handled the visitors.

Kenya entered into various agreements with the US government which was a further boost to the country's image as a suitable investment destination.

6.3 Tourism Recovery Programme

The year 2013- 2014, was a difficult year for the tourism sector which suffered a huge setback due to the various terrorism attacks faced in the country. The implications like travel advisories leveled against the country by source countries meant that the visitor numbers reduced drastically.

Since tourism is the second largest foreign exchange earner for Kenya, the Board had to derive measures of improve the situation. Through the Ministry of East African Affairs Tourism and Commerce, the Board took part in the development of a marketing strategy towards tourism recovery.

Other agencies involved in this initiative included KTB, Tourism Fund, KICC, EPC and several private sector firms. The focus of this initiative was on four (4) key markets i.e. USA, China, Nigeria and the Democratic Republic of Congo (DRC).

The strategy's main aim was to increase tourism numbers in these markets. The Board made submissions on the subject of tourism recovery as well as participated in various committees. The strategy was forwarded to the Presidency for adoption and implementation.

6.4 Make it Kenya Campaign

The Brand Master Plan, the Country's marketing strategy, envisions a citizenry that has a collective sense of belonging and works towards making a difference.

With this is mind, the Board in collaboration with the Ministry of East African Affairs Commerce and Tourism developed a campaign that embodies Kenya's character and demonstrates its potential under the tagline 'Make it Kenya'.

The tagline Make it Kenya! has a double edged meaning i.e.

i. Take your next action in Kenya i.e. do it in Kenya e.g. Need a place to visit? Make it Kenya.

ii. To mean reach your potential Kenya. Do it!

The campaign was launched by President Uhuru Kenyatta during the Expo Milan 2015.

The campaign aims at improving economic prosperity by rallying Kenyans and the international community to take advantage of the opportunities the country has to offer.

7. Stakeholder Engagement

In undertaking its programmes, the Board heavily relies on the support of both public and private institutions. This is because country branding is an all-inclusive concept that cuts across government, private companies, Non-Governmental Organizations (NGO's), civil society, and community organizations among others.

Brand Kenya Board held a consultative forum with Brand South Africa in Nairobi on 31st July, 2014. The forum focused on strategies and ways in which competitive African brands can engage in order to unlock Africa's Potential and match global competitiveness.

The event theme **'Perceptions versus the reality of intra – African relations'** addressed pertinent issues including contribution of African country's brands to the continental African brand and how the latter can scale up their country's competitiveness in today's global world.

The positive conversation shared played a bigger role in shaping the discourse on perceptions around Africa and the role that competitive nation brands play in building Africa's reputation.

Brand Kenya Board Information

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Nairobi, Kenya

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Website: www.brandkenya.go.ke

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

(d) Independent Auditors
Auditor - General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 - 00100
Nairobi, Kenya

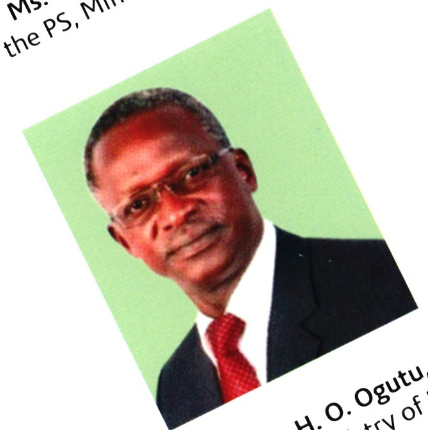
(e) Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 - 00200
City Square
Nairobi, Kenya

Board of Directors

Dr. Hanningtone Gaya, PhD., EBS.,
Chairman, Brand Kenya Board

Ms. Anne Musau
Alt. to the PS, Ministry of Tourism.

Ms. Mary Njoki Ngugi
Alt. to the PS, Ministry of Information, Communication & Technology



Amb. Benson H. O. Ogutu, MBS.
Alt. to the PS, Ministry of Foreign Affairs

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

Ms. Lucy Kagwanja
Alt. to the Solicitor General

Board of Directors

Ms. Judith Kibaki, CBS.
Member

Mr. Chris Diaz
Member

Ms. Angela Ng'ang'a Mumo
Member

Eng. David Mutinda Mutuku
Member

Ms. Margaret M. Kositany
Member

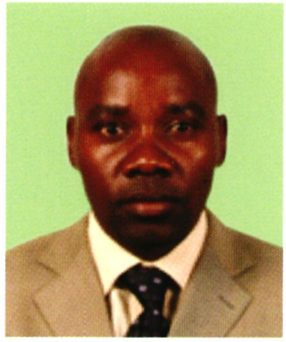
Mrs. Mary Kimonye, MBS.
CEO & Secretary to the Board

Ms. Margaret Njuguna
Corporation Secretary

(The Board of Directors is committed to continued adherence to the highest standards of good corporate governance and business ethics in Brand Kenya Board's operations.)

Management Team

Mrs. Mary Kimonye, MBS.
Chief Executive Officer



Dr. Nzilu Musyoki
Director Marketing

Ms. Wanjiru Kangara
Director, Strategic Communication

Mr. Benjamin Mutula
Ag. Finance Manager

Mr. Philip Koskei
HR & Administration Manager

Ms. Margaret Waihenya
Internal Audit Manager

Mrs. Rose Asiimwe
National Brand Manager

Ms. Margaret Njuguna
Corporation Secretary

Corporate Governance Statement

Introduction

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

The Board of Directors

The members of the Board of Directors are shown on pages 24-25. The Board is chaired by a Non-Executive Chairman and all the Directors have extensive business and administrative experience in private and public sectors that is applied for the benefit of Brand Kenya Board.

The principal responsibility of the Board of Directors is to establish the long term goals of Brand Kenya Board. The Board also ensures that effective plans are developed and implemented. The responsibilities entail:

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

The Board of Directors met four times in the year under review. The allowances, honoraria and other expenses related to the Board of Directors are disclosed in Note 7 to these financial statements. The Board of Directors has established four Committees which have specific terms of reference to guide their operations. The Committees which meet on a quarterly basis are as follows:

Technical Committee

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

Human Resources and Administration Committee

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

Finance and Tender Oversight Committee

The Finance and Procurement Oversight Committee undertakes an oversight role over finance and procurement matters in the Board. The Committee held three meetings during the year under review.

Audit Committee

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

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

Statement of Directors' Responsibilities

Section 82 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Board's, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board.

The Directors are also responsible for safeguarding the assets of the Board. The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material mis statements, 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 Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of the Board's transactions during the financial year ended June 30, 2015, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Board's financial statements were approved by the Board on 27th November 2015 and signed on its behalf by:

Dr. Nzilu Musyoki	Eng. David Mutinda Mutuku
Ag. Chief Executive Officer	For Chairman of the Board

Report of the Independent Auditors

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REPUBLIC OF KENYA

HARAMBEE

P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON BRAND KENYA BOARD FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Brand Kenya Board set out on page 1 to 27, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, statement of comparison of budget and actual amounts and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Receivables Write-off

The Board wrote off from its books debt owed by the former parent Ministry of Information and Communications of Kshs.43,019,019 vide the 14th full Board meeting held on 31 October 2012 which granted the approval of the write off. However, as at the time of the audit, approval by the National Treasury for the write off had not been granted.

Consequently, the validity of the write-off could not be confirmed in the absence of the approval.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Brand Kenya Board as at 30 June 2015, 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 Brand Kenya Board Order, 2008.

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

Nairobi

15 December 2015

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2015

	Note	2015 Kshs	2014 Kshs
Revenue from Non-Exchange Transactions			
Government Grants	3	79,100,000	136,743,000
Revenue from Exchange Transactions			
Other Income	4	1,415,840	2,902,979
Total revenue		**80,515,840**	**139,645,979**
Expenses			
Staff Costs	5	53,897,956	56,136,162
Operating Expenses	6	55,884,105	61,535917
Board Expenses	7	12,297,179	14,727,702
Depreciation & Amortization	8	6,023,579	10,422,278
Provision for Audit Fees	9	348,000	348,000
Total expenses		**128,450,819**	**143,170,058**
Other gains/(losses)			
(Loss)/Gain on disposal of assets	10	(76,250)	41,625
Deficit for the period		**(48,011,229)**	**(3,482,454)**

The notes set out on pages 39 to 54 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	2015 Kshs	2014 Kshs
Assets			
Current assets			
Cash and Cash Equivalents	11	23,169,584	70,481,289
Receivables from Exchange Transactions	12	3,520,653	3,780'213
Receivables from Non-Exchange Transactions	13	-	1,794,062
		26,690,237	**76,055,564**
Non-current assets			
Property, Plant and Equipment	14	7,800,500	11,875,208
Intangible Assets	15	1,822,473	3,662,347
		9,622,973	**15,537,555**
Total assets		**36,313,210**	**91,593,119**
Liabilities			
Current liabilities			
Trade & Other Payables from Exchange Transactions	16	8,868,993	11,319,887
Current Provisions	17	2,295,839	7,833,920
Payroll liabilities	18	84	23,789
		11,164,916	**19,177,596**
Non-current liabilities			
Non-current provisions (Gratuity)	17	1,302,000	558,000
Total liabilities		**12,466,916**	**19,735,596**
Net assets		**23,846,294**	**71,857,523**
Reserves	**28**	**23,846,294**	**71,857,523**

The Financial Statements set out on pages 34 to 54 were signed on behalf of the Board of Directors by:

Dr. Nzilu Musyoki	Eng. David Mutinda Mutuku
Ag. Chief Executive Officer	For Chairman of the Board
27th November 2015	27th November 2015

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2015

		Reserves	
	General Reserve Kshs	Revaluation Reserve Kshs	Total Kshs
Balance as at 30 JUNE 2013	**71,159,977**	**4,180,000**	**75,339,977**
Deficit for the period	(3,482,454)	-	(3,482,454)
Balance as at 30 JUNE 2014	**67,677,523**	**4,180,000**	**71,857,523**
Deficit for the period	(48,011,229)	-	(48,011,229)
Balance as at 30 JUNE 2015	**19,666,294**	**4,180,000**	**23,846,294**

The total reserves include capital replacement reserve (Sinking Fund) which is equal to the accumulated depreciation and amortization as at the end of the financial year.

STATEMENT OF CASH FLOWS

As at 30 June 2015

	Note	2015 Kshs	2014 Kshs
Cash Flows from Operating Activities			
Operating Deficit		**(48,011,229)**	**(3,482,454)**
Adjustments for:			
Depreciation	14	4,183,707	8,582,404
Amortization	15	1,839,875	1,839,874
Loss/(Gain) on Disposal of Fixed Asset	10	76,250	(41,625)
Operating (Deficit)/Surplus Before Working Capital Changes		**(41,911,397)**	**6,898,199**
Changes in Working Capital			
Decrease in Debtors and prepayments		2,053,621	17,761,161
Decrease in Creditors and Provisions		(7,268,679)	(16,256,829)
Net Cash Flows from Changes in Working Capital		**(5,215,058)**	**1,504,332**
Net Cash Flows from Operating Activities		**(47,126,455)**	**8,402,530**
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment	14	(185,250)	(6,460,277)
Purchase of Intangible Assets	15	-	(3,164,453)
Proceeds from Disposal of Equipment	10	-	41,625
Net Cash Flows used in Investing Activities		**(185,250)**	**(9,583,105)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(47,311,705)**	**(1,180,575)**
Cash and Cash Equivalents at 1 July	11	70,481,289	71,661,864
Cash and Cash Equivalents at 30 June	**11**	**23,169,584**	**70,481,289**

STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Original Budget 2014-2015 Kshs	Adjustments 2014-2015 Kshs	Final Budget Basis 2014-2015 Kshs	Actual on Comparable 2014-2015 Kshs	Performance Difference 2014-2015 Kshs
Revenue					
Government Grants	79,100,000	-	79,100,000	79,100,000	-
Other Income	-	1,415,840	1,415,840	1,415,840	-
Total Income	**79,100,000**	**1,415,840**	**80,515,840**	**80,515,840**	**-**
Expenses					
Compensation of Employees	62,941,976	(8,121,656)	54,820,320	53,897,956	922,364
Operating Expenses	8,174,880	48,278,469	56,453,349	55,884,105	569,244
Board Expenses	7,983,144	4,325,756	12,308,900	12,297,179	11,721
Depreciation & Amortization	-	-	-	6,023,579	(6,023,579)
Provision for Audit Fees	-	348,000	348,000	348,000	-
Loss on Disposal of Property, Plant & Equipment	-	-	-	76,250	(76,250)
Total Expenditure	**79,100,000**	**(44,830,569)**	**123,930,569**	**128,527,069**	**(4,596,500)**
Deficit for the Period	**-**	**(43,414,729)**	**(43,414,729)**	**(48,011,229)**	**4,596,500**

The budget adjustments include Kshs. 1,415,840.00 interest earned from the bank, Kshs. 24,214,729.00 carried forward from the previous year and Kshs. 19,200,000.00 from the sinking fund.

The Kshs. 4.5 million difference between the budget and actual is mainly due to the non-cash expenses of depreciation & amortization and loss on disposal of asset.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of Preparation

The Board'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 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.

The Public Finance Management (PFM) Act 2012 section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary, National Treasury gazetted members of the Board through Gazette Notice No. 1199 of 28th February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the Board has adopted the pronouncements made by the IPSAS Board in preparation of its current year financial statements.

2. Summary of Significant Accounting Policies

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 Board and can be measured reliably.

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

ii) Revenue from Exchange Transactions

Rendering of Services

The Board recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest Income

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

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

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

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

e) Leases

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

f) Financial Instruments

Financial Assets

Initial Recognition and Measurement

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

Loans and Receivables

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

Impairment of Financial Assets

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

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

Financial Liabilities

Initial Recognition and Measurement

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

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

Loans and Borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

g) Provisions

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

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

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

h) Contingent Liabilities

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

i) Contingent Assets

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

j) Nature and Purpose of Reserves

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

k) Changes in Accounting Policies and Estimates

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

l) Employee Benefits

Retirement Benefit Plans

The Board provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

Employee Entitlements

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

m) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Related Parties

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

o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Kenya Commercial Bank at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

p) Comparative Figures

There has been no need for amendment or reconfiguration of comparative figures for the previous financial year to conform to the required changes in presentation.

q) Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and Assumptions

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

Useful Lives and Residual Values

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

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

Provisions

Provisions were made based on a determination of present obligation and the ability of management to estimate based on the information available. Details of these estimates of provisions are included in Note 17.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

r) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June, 2015.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. Government Grants

	2015 Kshs	2014 Kshs
Grants Received in the Year	79,100,000	136,743,000
Total	**79,100,000**	**136,743,000**

4. Other Income

	2015 Kshs	2014 Kshs
Income from Sale of Tenders	-	60,000
Interest Income	1,415,840	1,951,979
Invoice to Ministry of Environment (Production of promotional video for IPBES secretariat bidding)	-	891,000
Total	**1,415,840**	**2,902,979**

The decline in interest income is due to a decline in government grants received in the year. (See note 3).

5. Staff Costs

	2015 Kshs	2014 Kshs
Salaries & Wages	48,331,936	50,160,791
(Write Back)/Provision for Accrued Leave	(564,648)	85,172
Pension & NSSF Contributions	4,620,348	4,565,879
Provision for Gratuity	1,510,320	1,324,320
Total	**53,897,956**	**56,136,162**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. Operating Expenses

	2015 Kshs	2014 Kshs
Bank Charges	59,620	85,180
Internet Connectivity	615,860	730,600
Cleaning and Sanitation Services	396,720	401,520
Staff Recruitment and Training	700,150	3,926,949
Staff Uniforms	18,000	366,299
R & M – Motor Vehicles	1,443,891	1,753,313
R & M – Office Equipment	865,053	873,283
Office Rent & Deco'	11,621,144	10,779,994
Telephone & Postage	2,494,947	2,619,310
Stationery, Publishing & Printing	526,804	1,083,939
Entertainment	152,338	288,724
Travelling & Accommodation	4,986,729	5,491,861
General Office Expenses	1,253,038	1,620,617
Publicity, Advertising & Communication	19,818,332	20,604,683
Subscriptions	715,850	1,137,734
Insurance	7,614,053	7,655,338
Contracted Professional Services	2,601,576	2,116,574
Total	**55,884,105**	**61,535,917**

7. Board Expenses

	2015 Kshs	2014 Kshs
Sitting Allowances	3,036,000	5,799,000
Chairman's Honoraria	754,667	960,000
Training, Travel & Other Expenses	877,312	339,502
CEO's Emoluments	6,290,000	6,290,000
CEO's Gratuity	1,339,200	1,339,200
Total	**12,297,179**	**14,727,702**

8. Depreciation and Amortization Expenses

	2015 Kshs	2014 Kshs
Property, Plant & Equipment	4,183,705	8,582,404
Intangible Assets	1,839,874	1,839,874
Total	**6,023,579**	**10,422,278**

9. Provision for Audit Fees

This is the fees expected to be paid to the Auditor General for audit services for the year under review.

10. Gain /(Loss) on Disposal of Property, Plant & Equipment

	2015 Kshs	2014 Kshs
Cost	122,000	77,000
Accumulated Depreciation	(45,750)	(77,000)
Net Book Value	**76,250**	**-**
Compensation Received	-	41,625
Less: Net Book Value	(76,250)	-
(Loss)/Gain on disposal	**(76,250)**	**41,625**

The loss on disposal arose from total impairment of an air conditioner written off.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

11. Cash and Cash Equivalents

	2015 Kshs	2014 Kshs
Bank (Kenya Commercial Bank)	23,166,377	70,448,162
Cash-in-Hand	3,207	33,127
Total cash and cash equivalents	**23,169,584**	**70,481,289**

The cash held in the bank includes Kshs. 11,315,408.00 from the sinking fund.

12. Receivables from Exchange Transactions

	2015 Kshs	2014 Kshs
Trade Receivables	-	44,156
Rent Deposit (NHIF)	1,743,850	1,743,850
Prepaid Insurance	1,776,802	1,992,207
Total	**3,520,652**	**3,780,213**

13. Receivables from Non-Exchange Transactions

	2015 Kshs	2014 Kshs
Staff Debtors	-	1,794,062
Total	**-**	**1,794,062**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

14. Property, Plant & Equipment

	Equipment Kshs	Computers Kshs	Furniture & Fittings Kshs	Motor Vehicles Kshs	Total Kshs
Cost/Valuation					
At 1 July 2013	**2,736,448**	**6,649,570**	**11,781,809**	**12,930,857**	**34,098,684**
Additions	359,495	1,090,782	-	5,010,000	6,460,277
Disposals	-	(77,822)	-	-	(77,822)
At 30 June 2014	**3,095,943**	**7,662,530**	**11,781,809**	**17,940,857**	**40,481,139**
Additions	105,750	79,500	-		185,250
Disposals	(122,000)	-	-	-	(122,000)
At 30 June 2015	**3,079,693**	**7,742,030**	**11,781,809**	**17,940,857**	**40,544,389**
Depreciation					
At 1 July 2013	**783,846**	**5,033,823**	**5,532,826**	**8,750,857**	**20,101,352**
Depreciation	386,993	1,289,883	1,473,028	5,432,500	8,582,404
Disposals	-	(77,822)	-	-	(77,822)
At 30 June 2014	**1,170,839**	**6,245,884**	**7,005,854**	**14,183,357**	**28,605,934**
Depreciation	384,962	1,073,242	1,473,001	1,252,500	4,183,705
Disposals	(45,750)	-	-	-	(45,750)
At 30 June 2015	1,510,051	7,319,126	8,478,855	15,435,857	32,743,889
Net Book Values					
At 30 June 2015	1,569,642	422,904	3,302,954	2,505,000	7,800,500
At 30 June 2014	1,925,104	1,416,646	4,775,955	3,757,501	11,875,208

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

15. Intangible Assets

	Software Kshs	Work in Progress Kshs	Total Kshs
Cost			
At 1 July 2013	**104,400**	**2,302,968**	**2,407,368**
Transfer from Prepayments	-	3,454,453	3,454,453
Additions/Transfer from WIP	5,467,421	(5,757,421)	(290,000)
At 30 June 2014	**5,571,821**	**-**	**5,571,821**
Additions	-	-	-
Disposals	-	-	-
At 30 June 2015	**5,571,821**	**-**	**5,571,821**
Amortization			
At 1 July 2013	**69,600**	**-**	**69,600**
Amortization in Period	1,839,874	-	1,839,874
At 30 June 2014	**1,909,474**	**-**	**1,909,474**
Amortization in Period	1,839,874	-	1,839,874
At 30 June 2015	**3,749,348**	**-**	**3,749,348**
Net Book Values			
As at 30 June 2015	**1,822,473**	**-**	**1,822,473**
As at 30 June 2014	**3,662,347**	**-**	**3,662,347**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

16. Trade and Other Payables from Exchange Transactions

	2015 Kshs	2014 Kshs
Trade Payables	8,677,263	11,319,887
Tax Liabilities	191,730	-
Total	**8,868,993**	**11,319,887**

The tax liabilities relate to withholding VAT and withholding tax for the month of June 2015.

17. Provisions

Current Provisions	Audit Fees Kshs	Leave Benefits Kshs	Gratuity Kshs	Total Kshs
Balance at the beginning of the year	348,000	1,779,027	5,706,893	7,833,920
Additional provisions raised	348,000	-	2,105,520	2,453,520
Provision utilized	(348,000)	(564,648)	(7,078,953)	(7,991,601)
Balance as at 30 June 2015	**348,000**	**1,214,379**	**733,460**	**2,295,839**
Non-current Provisions	**-**	**-**	**1,302,000**	**1,302,000**
Total	**348,000**	**1,214,379**	**2,035,460**	**3,597,839**

18. Payroll Liabilities

	2015 Kshs	2014 Kshs
Payroll Liabilities	84	23,789
Total	**84**	**23,789**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

19. Financial Risk Management

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

Credit Risk

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

	Total Amount Kshs	Fully Performing Kshs	Past Due Kshs	Impaired Kshs
At 30 June 2015				
Bank Balances	23,169,584	23,169,584	-	-
Receivables from Exchange Transactions	3,520,653	3,520,653	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
At 30 June 2014				
Bank Balances	70,481,289	70,481,289	-	-
Receivables from Exchange Transactions	3,780,213	3,780,213	-	-
Receivables from Non-Exchange Transactions	1,794,062	1,794,062	-	-

Liquidity Risk

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

The table below shows the Board's financial liabilities that will be settled on a net basis. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 month Kshs	Between 1 and 3 months Kshs	Over 3 months Kshs
At 30 June 2015			
Trade Payables	8,868,993	-	-
At 30 June 2014			
Trade Payables	11,319,887	-	-

Capital Risk

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

	2015 Kshs	2014 Kshs
General Fund	19,666,294	67,677,523
Revaluation Reserve	4,180,000	4,180,000
Total	**23,846,294**	**71,857,523**

20. Events after the Reporting Period

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

21. Currency

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

22. Contingent Liabilities

The Board has been sued by one of its employees (Industrial case no. 1441 of 2014) for work injury and other claims for a total of Kshs. 7,455,496. The case is ongoing and the outcome cannot be accurately determined as at the end of the financial year.

23. Capital Commitments

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

24. Taxation

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

25. Ultimate and Holding Entity

The Board is a state corporation under the Ministry of East African Affairs, Commerce and Tourism. Its ultimate parent is the Government of Kenya.

26. Operating Lease Commitments

The Board's lease with the National Hospital Insurance Fund (Lessor) expired on 30th June 2015. The Board is negotiating for a renewal of this lease for a further six years.

27. Related Party Disclosures

The Board received recurrent grants of Kshs. 79,100,000.00 from the Government of Kenya.

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

	2015 Kshs	2014 Kshs
Management Personnel Compensation	28,146,696	28,829,100
Staff Annual Gratuity	2,849,520	2,849,520
Board Allowances & Honoraria	3,790,667	6,759,000
Total	**34,786,883**	**38,437,620**

28. Reserves

	2015 Kshs	2014 Kshs
Balance as at 1st July	71,857,523	75,339,977
Deficit for the period	(48,011,229)	(3,482,454)
Balance as at 30th June	**23,846,294**	**71,857,523**

Wimbo wa Taifa (Kiswahili)

Ee Mungu nguvu yetu
Ilete baraka kwetu
Haki iwe ngao na mlinzi
Natukae na undugu
Amani na uhuru
Raha tupate na ustawi

Amkeni ndugu zetu
Tufanye sote bidii
Nasi tujitoe kwa nguvu
Nchi yetu ya Kenya
Tunayoipenda
Tuwe tayari kuilinda

Natujenge taifa letu
Ee, ndio wajibu wetu
Kenya istahili heshima
Tuungane mikono
Pamoja kazini
Kila siku tuwe na shukrani

National Anthem (English)

O God of all creation
Bless this our land and nation
Justice be our shield and defender
May we dwell in unity
Peace and liberty
Plenty be found within our borders

Let one and all arise
With hearts both strong and true
Service be our earnest endeavour
And our homeland of Kenya
Heritage of splendour
Firm may we stand to defend

Let all with one accord
In common bond united
Build this our nation together
And the glory of Kenya
The fruit of our labour
Fill every heart with thanksgiving

Brand Kenya Board

Kenya

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