

REPUBLIC OF KENYA



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*19/8/2014*

**KENYA NATIONAL AUDIT OFFICE**



**REPORT**

**THE FINANCIAL STATEMENTS OF  
SUNSET HOTEL LIMITED**

**FOR THE YEAR ENDED  
30 JUNE 2013**

KENYA NATIONAL AUDIT OFFICE  
P. O. Box 30084 - 00100, NAIROBI.  
21 MAR 2014  
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RECEIVED  
Date: 29/01/2014  
P. O. Box 30084 - 00100, NAIROBI.



**FOR THE**

**YEAR ENDED**

**30<sup>TH</sup> JUNE 2013**

**SUNSET HOTEL LIMITED**  
**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2013**

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# **SUNSET HOTEL LIMITED**

## **COMPANY INFORMATION**

### **REGISTERED OFFICE**

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SUNSET HOTEL LIMITED  
APUT LANE  
P.O. BOX 215 – 40100  
KISUMU

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### **LAWYERS/ADVOCATES**

P.OCHIENG OCHIENG & Co. ADVOCATES  
ALPHA HOUSE, 1<sup>st</sup> FLOOR  
WING A  
P.O.BOX 3552 -40100  
KISUMU

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### **BANKERS**

NATIONAL BANK OF KENYA LIMITED  
P.O. BOX 1152 – 40100  
KISUMU

CO-OPERATIVE BANK OF KENYA  
P.O. BOX 1151 – 40100  
KISUMU

KENYA COMMERCIAL BANK  
P O BOX 17 – 40100  
KISUMU

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### **INDEPENDENT AUDITORS**

AUDITOR – GENERAL  
KENYA NATIONAL AUDIT OFFICE  
P.O.BOX 30084 – 00100  
NAIROBI

**SUNSET HOTEL LIMITED**  
**DIRECTORS REPORT**

The Directors submit their report and statement of account for the Year ended 30<sup>th</sup> June 2013

**1. PRINCIPAL ACTIVITY**

The principal activity of the company is that of carrying out hotel business.

**2. RESULTS**

The results of the year are shown in details on pages 4 -16

**3 .DIVIDEND**

The directors do not recommend payment of a dividend.

**4. RESERVES**

The Directors propose to carry forward the balance of accumulated Losses amounting to Kshs. 68,674,263.00

**5. DIRECTORS**

Jackton Ranguma -	- H.E The Governor - Kisumu County
Dr. Rose Kisia	- Executive County Member – Tourism
Ms. Maryanne Jordan	- Managing Director KTDC from 1 <sup>st</sup> June 2010
Dr. Abdulahi Ibrahim Ali	- Chairman from 17 <sup>th</sup> April 2010 – up to 20 <sup>th</sup> July 2012
Mr. Sam Okello	- Mayor Kisumu City Council – up to 3 <sup>rd</sup> March 2013
Mr Christopher Russana	- Kisumu Town Clerk – up to 3 <sup>rd</sup> March 2013
Mr. Abdo Mohammed Bahaji	- Member from 17 <sup>th</sup> April 2010- up to 20 <sup>th</sup> July 2012
Ms. Hilda Mawanda	- Member from 17 <sup>th</sup> April 2010- up to 20 <sup>th</sup> July 2012

**6. AUDITORS**

The Auditor - General continues in office in accordance with Section14 of the Public Audit Act 2003

**BY ORDER OF THE BOARD**

Mr. Carrey Francis

  
**SECRETARY**

## **SUNSET HOTEL LIMITED**

### **STATEMENT OF DIRECTORS RESPONSIBILITIES**

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year, which gives a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company that year. It also requires the Directors to ensure that the company keeps proper accounting records, which also disclose with reasonable accuracy the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international financial reporting standards and in the manner required by the Kenya Companies Act. The directors are of the opinion that the financial statement gives a true and a fair view of the state of the financial affairs of the company and of its operating results.

The directors further accepts responsibility for the maintenance of the accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial controls.

#### **Approval of financial statement**

**The financial statements are set out on pages 5 to 8 approved at a special meeting of Board of Directors held on 16 / 9/ 2013 .**

 \_\_\_\_\_ ) Director Date 23/01/2014

 \_\_\_\_\_ ) Director Date 29/01/2014



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON SUNSET HOTEL LIMITED FOR THE YEAR ENDED 30 JUNE 2013

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Sunset Hotel Limited set out on pages 5 to 16, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 Financial Reporting Standards 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(2) 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 on Auditing. 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 Hotel'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**

#### **1. Going Concern**

During the year under review, the Hotel incurred a loss of Kshs.8,725,811 (2011/2012 – Kshs.19,307,378) which brought the accumulated losses to Kshs.68,674,263. Further, the current liabilities of Kshs.46,904,900 as at 30 June 2013 exceed the current assets of Kshs.10,918,122 resulting in a negative working capital of Kshs.35,986,778. In view of the foregoing, it would appear that the Hotel is technically insolvent and its continued existence as a going concern is dependent upon the assumption that it will continue to receive financial support from the shareholders and creditors.

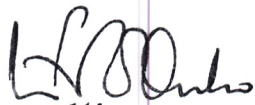
#### **2. Property, Plant and Equipment**

As pointed out in the previous years report, the Hotels financial statements included under non-current assets, additions of property, plant and equipment costing Kshs.8,277,189 procured by KTDC on behalf of the Hotel that were not supported with documentary evidence. In the year under review, additional items costing Kshs.500,000, were procured by KTDC on behalf of the Hotel, with no documents to support whether the procurement process was within the applicable laws. In the circumstance, the propriety of Kshs.8,777,189 expenditure in the two years could not be confirmed.

#### **3. Renovation and Refurbishment of the Hotel**

The work in progress balance of Kshs.26,911,576 as at 30 June 2013 represents costs on account of renovation, extension and refurbishment of the Hotel in

- i. 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,
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



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

**Nairobi**

**21 February 2014**

respect of a Kshs.18,474,512 contract entered with a construction firm in July 2004. The cost overrun of Kshs 8,437,064 (46% increase) has not been supported with necessary approvals and documentation. Further, the renovation and refurbishment works were completed in June 2011. However, no completion certificate was availed for audit verification and transfer to specific asset items did not conform to the International Financial Reporting Standards. Consequently, the carrying values of work in progress as at 30 June, 2013, could not be confirmed.

#### **4. Audit Fees**

As similarly reported in the previous year, the trade and other payables balances of Kshs.19,712,844 as at 30 June 2013 includes audit fees amounting to Kshs.2,648,000 part of which have remained outstanding for the last 10 years. The Hotel is therefore in breach of Section 19(1) of the Public Act, 2002 which requires all state corporations audited to meet the costs of the audit services.

#### **5. Withholding Tax Arrears for the Withholding VAT**

The trade and other payables balances of Kshs.19,712,844 as at 30 June 2013 includes withholding Value Added Tax and statutory Pay As You Earn (PAYE) of Kshs.1,456,346 and Kshs.503,793 respectively arrears due to Kenya Revenue Authority. The arrears and penalties continue to attract additional charges as per Section 15(1) and (2) of the V A T Act Cap. 476. Under the circumstances, it is not possible to confirm that the trade and other payables balance of Kshs.19,712,844 at 30 June 2013 is fairly stated.

Expenditure amounting to Kshs.192,500 on account of Directors Sitting Allowance could not be confirmed in absence of supporting documentary evidence.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Hotel as at 30 June, 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standard and comply with the Companies Act, Cap 486 of the Laws of Kenya.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Kenya Companies Act, I report on my audit, that;

## SUNSET HOTEL LIMITED

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2013

		2013	2012
	NOTES	Kshs	Kshs
Sales	11	65,283,815	58,020,797
Cost of Sales	12	<u>17,110,189</u>	<u>14,896,794</u>
<b>GROSS PROFIT</b>		<b><u>48,173,625</u></b>	<b><u>43,124,003</u></b>
<b><u>EXPENDITURE</u></b>			
Staff Costs	13	31,613,556	24,742,450
Operating Costs	14	13,293,814	16,706,605
Administration Costs	15	8,969,125	15,813,292
Directors Costs	16	192,500	2,648,880
Finance Costs	17	<u>2,830,442</u>	<u>2,520,155</u>
<b>Total Expenditure</b>		<b><u>56,899,436</u></b>	<b><u>62,431,381</u></b>
<b>Net Profit/(Loss) for the year</b>		<b><u>(8,725,811)</u></b>	<b><u>(19,307,378)</u></b>

# SUNSET HOTEL LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

<u>ASSETS</u>	Notes	RESTATED	
		2013 Kshs	2012 Kshs
<u>Non Current assets</u>			
Property, Plant and Equipment	2	109,759,684	112,868,040
<u>Current Assets</u>			
Inventories	3	2,332,776	2,508,924
Trade & Other Receivables	4	7,684,863	7,014,737
Cash and Bank Balances	5	900,483	1,132,429
<b>Total current assets</b>		<b>10,918,122</b>	<b>10,656,090</b>
<b>Total Assets</b>		<b>120,677,807</b>	<b>123,524,130</b>
<u>OWNER'S EQUITY AND LIABILITIES</u>			
<u>Owner's Equity</u>			
Share Capital	6	12,000,000	12,000,000
Revaluation reserves	7	79,262,476	79,262,476
Accumulated Losses	8	(68,674,263)	(59,948,452)
<b>Total owner's equity</b>		<b>22,588,213</b>	<b>31,314,024</b>
<u>Non Current Liabilities</u>			
Shareholders Loan	9	1,431,286	1,431,286
KTDC principal balance Account	9	49,753,407	51,866,369
<b>Total Non Current Liabilities</b>		<b>51,184,693</b>	<b>53,297,655</b>
<u>Current Liabilities</u>			
Trade & Other Payables	10	19,712,844	16,479,790
KTDC Principal Arrears		18,218,441	15,659,408
KTDC Loan Interest		8,973,615	6,773,253
<b>Total Current Liabilities</b>		<b>46,904,900</b>	<b>38,912,451</b>
<b>Total Liabilities</b>		<b>98,089,594</b>	<b>92,210,106</b>
<b>Total Equity and Liabilities</b>		<b>120,677,807</b>	<b>123,524,130</b>

DIRECTOR'S (Name)

Dr. Rose Kisia Omondi  
Mr. Dominic Ndewa

SIGNATURE

DATE

R. Omondi 23/01/2014  
D. Ndewa 29/01/2014

# SUNSET HOTEL LIMITED

## STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2013

	<b>2013</b>	<b>2012</b>
	<b><u>Kshs.</u></b>	<b><u>Kshs.</u></b>
<b><u>Cashflow from operating activities</u></b>		
Net Profit/(Loss) before tax	(8,725,811)	(19,307,378)
<b><u>Adjustments for:</u></b>		
Add: Depreciation	4,113,629	4,002,620
Interest Expensed	2,624,433	1,401,263
<b>Adjusted profit before working capital adjustments</b>	<b><u>(1,987,748)</u></b>	<b><u>(13,903,495)</u></b>
<b><u>Changes in working capital</u></b>		
(Increase )/Decrease in Debtors	(670,126)	6,494,114
(Increase )/Decrease in Stocks	176,148	(445,433)
Increase/(Decrease) in Creditors	3,233,053	(5,435,811)
	<b><u>2,739,075</u></b>	<b><u>612,871</u></b>
<b>Net cashflow from operating activities</b>	<b><u>751,327</u></b>	<b><u>(13,290,624)</u></b>
<b><u>Cashflow from Investing activities</u></b>		
Purchase of Fixed Assets	(1,005,274)	(10,128,538)
<b>Net cashflow from investing activities</b>	<b><u>(1,005,274)</u></b>	<b><u>(10,128,538)</u></b>
<b><u>Cashflow from Financing activities</u></b>		
Advance from KTDC	772,000	25,437,892
KTDC Loan Repayment	(750,000)	(1,650,000)
<b>Net cashflow from financing activities</b>	<b><u>22,000</u></b>	<b><u>23,787,892</u></b>
Net Increase / (Decrease) Cash and Cash Equivalent	(231,947)	368,730
Opening balance of Cash & Cash equivalent	1,132,429	763,699
<b>Closing balance of Cash &amp; Cash equivalent</b>	<b><u>900,483</u></b>	<b><u>1,132,429</u></b>
<b><u>Cash Balances</u></b>		
Cash and Bank Balances	900,483	1,132,429
As at 30th June 2013	<b><u>900,483</u></b>	<b><u>1,132,429</u></b>

## SUNSET HOTEL LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2013

	Share Capital	Revaluation Reserves	Retained Earnings/ Losses	Total Ksh
As at 30th June 2009	12,000,000	79,262,476	(15,767,907)	75,494,569
Prior year adjustment			(7,259,794)	(7,259,794)
As at 1st July 2009	12,000,000	79,262,476	(23,027,701)	68,234,775
Profit/( Loss) for the year	-	-	(10,408,197)	(10,408,197)
Prior year adjustment			(2,088,784)	(2,088,784)
As at 30th June 2010	12,000,000	79,262,476	(35,524,682)	55,737,794
Profit/( Loss) for the year	-	-	(3,745,470)	(3,745,470)
Restated trade & other payables			(1,370,922)	(1,370,922)
As at 30th June 2011	12,000,000	79,262,476	(40,641,074)	50,621,402
Profit/( Loss) for the year	-	-	(19,307,378)	(19,307,378)
As at 30th June 2012	12,000,000	79,262,476	(59,948,452)	31,314,024
Profit/( Loss) for the year	-	-	(8,725,811)	(8,725,811)
As at 30th June 2013	12,000,000	79,262,476	(68,674,263)	22,588,213

# **SUNSET HOTEL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2013**

### **1) Accounting Policies**

The principal policies adopted in the preparation of the Financial statement are set out below:-

a) **Basis of Preparation**

The Financial statements are prepared under the historical cost conventions as modified by the revaluation of certain property, plant and equipment.

b) **Revenue Recognition**

Sales are recognized upon performance of services and stated Net of VAT and discounts.

c) **Translation of Foreign Currencies**

Foreign currency translation during the Year has been converted at the approximate rate of exchange ruling at the time of transaction. Any gains or losses resulting from have been taken direct to the Profit and Loss account.

d) **Property Plant and Equipment**

Property Plant and Equipment are initially recorded at cost. Land and Buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent Depreciation for Buildings. Land and Building were revalued in the year 2004 to Kshs. 90,000,000. All other property Plant and Equipment is stated at historical cost less Depreciation.

Depreciation is calculated on the straight-line basis to write down the cost of each asset or valued amount to their residual values over the expected useful life as follows:-

- No depreciation is charged on the Leasehold land
- Building - 2.5%
- Property, Plant & Machinery - 12.5%
- Furniture, Fittings and Equipment - 12.5%
- Motor Vehicle - 25.0%
- Computers - 33 %

## **SUNSET HOTEL LIMITED**

e) **STOCK**

Stocks are valued at the lower of cost and net realizable value. The cost is determined by the first in, first out (FIFO) method. Stocks are held for sale and as raw materials for kitchen production supplies.

f) **TURNOVER**

Turnover represents amounts received and receivable for services provided net of government taxes and levies.

g) **COMPARATIVES**

Where necessary comparative figures have been adjusted to conform to the changes in the presentation in the current year.

# SUNSET HOTEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

### 2A. PROPERTY PLANT & EQUIPMENT SCHEDULE

	LAND	BUILDING	WORK IN PROGRESS	PROPERTY PLANT & EQUIPMENT	FURNITURE & FITTING	MOTOR VEHICLE	TOTAL
	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs
<b>COST OR VALUATION</b>							
As at 1.7.2012	15,000,000	75,000,000	26,911,576	11,292,806	14,666,676	528,700	143,399,758
Additions				500,000	505,274		1,005,274
As at 30-06-2013	15,000,000	75,000,000	26,911,576	11,792,806	15,171,950	528,700	144,405,032
<b>DEPRECIATION</b>							
As at 1.7.2012	NIL	15,000,000	Nil	7,864,073	7,138,945	528,700	30,531,718
Charge for the year		1,875,000		917,019	1,321,610		4,113,629
As at 30-06-13	NIL	16,875,000	Nil	8,781,092	8,460,555	528,700	34,645,347
<b>NET BOOK VALUE</b>							
As at 30-6-2012	15,000,000	60,000,000	26,911,576	2,511,714	6,206,121	-	112,868,040
As at 30-6-2013	15,000,000	58,125,000	26,911,576	3,011,714	6,711,395	-	109,759,684

### 2B. PROPERTY PLANT & EQUIPMENT SCHEDULE

	LAND	BUILDING	WORK IN PROGRESS	PLANT & MACHINERY	FURNITURE & FITTING	MOTOR VEHICLE	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>COST OR VALUATION</b>							
As at 1.7.2011	15,000,000	75,000,000	26,911,576	7,984,199	7,846,745	528,700	133,271,220
Additions				3,308,607	6,819,931		10,128,538
As at 30-06-2012	15,000,000	75,000,000	26,911,576	11,292,806	14,666,676	528,700	143,399,758
<b>DEPRECIATION</b>							
As at 1.7.2011	NIL	13,125,000	Nil	7,009,554	5,865,844	528,700	26,529,098
Charge for the year	-	1,875,000		854,519	1,273,101		4,002,620
As at 30-06-12	NIL	15,000,000	Nil	7,864,073	7,138,945	528,700	30,531,718
<b>NET BOOK VALUE</b>							
As at 30-6-2011	15,000,000	61,875,000	26,911,576	974,645	1,980,901	-	106,742,122
As at 30-6-2012	15,000,000	60,000,000	26,911,576	3,428,733	7,527,731	-	112,868,040

<b>SUNSET HOTEL LIMITED</b>		
<b>NOTES TO THE FINANCIAL STATEMENTS</b>		
<b>FOR THE YEAR ENDED 30TH JUNE 2013</b>		
	<b>2013</b>	<b>2012</b>
<b>3. INVENTORIES</b>	<b>Kshs.</b>	<b>Kshs.</b>
Food Stores	289,587	324,924
Cellar Stores	159,540	204,827
Bar Stocks	189,654	187,815
Tobacco Store	21,206	22,680
Empties Stock	93,768	95,552
Operating Equipment Store	723,364	830,404
Consumable Stores	170,621	119,924
Stationary Stock	501,766	674,783
Fuel & Gas	372,601	292,959
Misc. Electrical Tools Store	102,038	46,424
Less: Provision for Obsolete stock	(291,369)	(291,369)
	<b>2,332,776</b>	<b>2,508,924</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Trade Debtors	6,788,608	11,309,472
Staff Advances	202,559	92,699
Prepayments	549,710	456,510
Deposits Receivable	391,855	391,855
Staff Imprest	17,600	
Less: bad and doubtful debt	(265,469)	(5,235,799)
	<b>7,684,863</b>	<b>7,014,737</b>
<b>5. CASH &amp; BANK BALANCES</b>		
Co - Operative Bank	256,312	163,057
KCB	3,397	3,650
National Bank	398,134	858,362
Cash Control	159,640	24,360
Petty Cash Control	50,000	50,000
Cash Float	33,000	33,000
	<b>900,483</b>	<b>1,132,429</b>
<b>6. SHARE CAPITAL</b>		
Authorised, issued and fully paid		
572,500 Ordinary Shares @ Kshs.20/=	11,450,000	11,450,000
(KTDC)		
27500 Ordinary Shares @ Kshs 20/=	550,000	550,000
(Municipal Council of Kisumu)		
	<b>12,000,000</b>	<b>12,000,000</b>
<b>7. REVALUATION RESERVES</b>		
Revaluation reserve	79,262,476	79,262,476
	<b>79,262,476</b>	<b>79,262,476</b>

<b>SUNSET HOTEL LIMITED</b>		
<b>NOTES TO THE FINANCIAL STATEMENTS</b>		
<b>FOR THE YEAR ENDED 30TH JUNE 2013</b>		
<b>8. ACCUMULATED LOSSES</b>		
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>FOR THE YEAR ENDED 30TH JUNE 2013</b>	<b>2013</b>	<b>2012</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Turnover</b>	65,283,815	58,020,797
Profit/(Loss) before Taxation	(8,725,811)	(19,307,378)
<b>After charging</b>		
Depreciation	4,113,629	4,002,620
Auditors Fees	343,103	300,000
Interest on Loan	2,624,433	1,401,263
Directors Emoluments	192,500	2,648,880
Land Rent & Rates	36,000	258,686
<b>Taxation</b>		
Profit /Loss after taxation	(8,725,811)	(19,307,378)
Restated trade & other payables		
<b>Retain profit/ (loss) for the year</b>	(8,725,811)	(19,307,378)
Accumulated Losses b/f	(59,948,452)	(40,641,074)
Accumulated Loss c/f	<b>(68,674,263)</b>	<b>(59,948,452)</b>
<b>9.Non Current Liabilities</b>		
Shareholders Loan	1,431,286	1,431,286
KTDC principal balance Account	49,753,407	51,866,369
	<b>51,184,693</b>	<b>53,297,655</b>
<b>10. Trade and other payables</b>		
Trade Creditors	11,719,759	9,176,282
Value Added Tax	867,844	566,903
Service Charge	255,597	366,356
Catering Levy Training Trustee	84,551	126,624
Deposits Payable	997,233	517,623
Payroll Control	1,367,389	1,295,084
P.A.Y.E	826,500	748,804
N.S.S.F	54,900	45,600
N.H.IF.	50,120	23,400
COTU	35,760	19,270
Other Payroll Deductions	13,001	15,925
Staff Insurance Deductions	40,067	44,366
Sunset sacco	774,159	205,722
Accrued Expenses	1,169,618	1,871,484
Withholding Tax	1,456,346	1,456,346
	<b>19,712,844</b>	<b>16,479,790</b>
KTDC Principal Arrears	18,218,441	15,659,408
KTDC Loan Interest	8,973,615	6,773,253
	<b>46,904,900</b>	<b>38,912,451</b>

<b>SUNSET HOTEL LIMITED</b>		
<b>NOTES TO THE FINANCIAL STATEMENTS</b>		
<b>FOR THE YEAR ENDED 30TH JUNE 2013</b>		
	<b>2013</b>	<b>2012</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>11. SALES &amp; OTHER INCOME</b>		
Accommodation	21,072,261	23,359,192
Food-Resident	12,755,449	13,452,932
Food-Casual	18,520,761	10,000,730
Drinks	8,248,953	7,336,457
Tobacco	116,300	120,590
Laundry	115,659	171,691
Telephone	-	556
Shop	-	132,000
Miscellaneous income	3,396,012	2,389,983
Swimming pool	1,058,420	928,116
Sales proceeds		128550
	<b>65,283,815</b>	<b>58,020,797</b>
<b>12. COST OF SALES</b>		
Food	13,025,745	11,125,184
Drinks	4,002,322	3,682,495
Tobacco	82,122	89,114
Telephone		-
	<b>17,110,189</b>	<b>14,896,794</b>
<b>13. STAFF COSTS</b>		
Salary & Wages	20,480,863	15,823,493
Staff Expenses	9,407,278	7,444,041
Staff Travel	1,725,415	1,474,916
	<b>31,613,556</b>	<b>24,742,450</b>
<b>14. OPERATING COSTS</b>		
Property Upkeep & Expenses	1,127,049	2,200,094
Repairs & Renewals	1,833,704	3,147,054
Operating Costs	10,333,060	11,359,456
	<b>13,293,814</b>	<b>16,706,605</b>
<b>15. ADMINISTRATION COSTS</b>		
Office Expenses	1,214,115	1,257,283
Administration Expenses	975,183	8,366,212
Advertising & Promotion	1,558,483	1,055,176
General Charges	1,107,715	1,132,001
Depreciation	4,113,629	4,002,620
	<b>8,969,125</b>	<b>15,813,292</b>
<b>16. DIRECTORS COSTS</b>		
Directors' Allowances	80,000	1,000,000
Directors' Expenses	25,500	604,880
Directors ' Honorarium	87,000	1,044,000
	<b>192,500</b>	<b>2,648,880</b>
<b>17. FINANCE COSTS</b>		
Short Term Loan interest	2,624,433	1,401,263
Terminal Dues	206,009	1,118,892
	<b>2,830,442</b>	<b>2,520,155</b>

**SUNSET HOTEL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**18. TAXATION**

No provision has been made for Corporation Tax in the current year due to loss brought forward.

**19. SUBSEQUENT EVENTS**

Since the end of the year 2012/2013, no events have become known or have occurred that may lead to significant changes to these financial statements. These would be like court judgments or regulatory decisions that may affect reported assets/liabilities or adversely reflect upon the integrity of decision – makers.

**20. RELATED PARTY TRANSACTIONS**

During the year the following transactions were executed with related parties:

- 1) KTDC which owns 95.4% of Sunset Hotel Ltd had loaned Kshs. 67,971,848 as principal and Kshs. 9,201,622 as outstanding loan interest as at 30th June 2013.
- 2) Municipal Council of Kisumu which owns 4.6% of Sunset Hotel Ltd has leased land to the hotel for 99 years.

All the above transaction were done at arms length and no other transactions were done with related parties or their agents.

**21. CURRENT YEAR DEFICIT**

There was a loss of Ksh.8.9 Million compared to a loss of kshs. 19 Million in the previous year due to the following:-

- a) The income was low in the year due to low occupancy and low seminars brought about by poor facility. In addition in the 3rd quarter of the year the political environment was not favourable for business and the hotel lost revenue from cancellations and uncertainty due to elections.

**b) Staff costs**

There is a very high margin of staff costs as a result of new CBA being adopted which authorised Kisumu County to be in area A from area B with new salary scales which is higher than last financial year.

**c) Finance Costs**

This went up compared to last year due to increase of KTDC loan interest which continues to accrue and the hotel is unable to service.

**22. CORPORATE GOVERNANCE**

Sunset Hotel Ltd is committed to realizing profits and growth while complying with all legal requirements and maintaining business ethics. The above are realized through:

**1. Board**

The Board is responsible for policy direction of the company while providing oversight functions so as to ensure that corporate objectives are effectively and efficiently achieved.

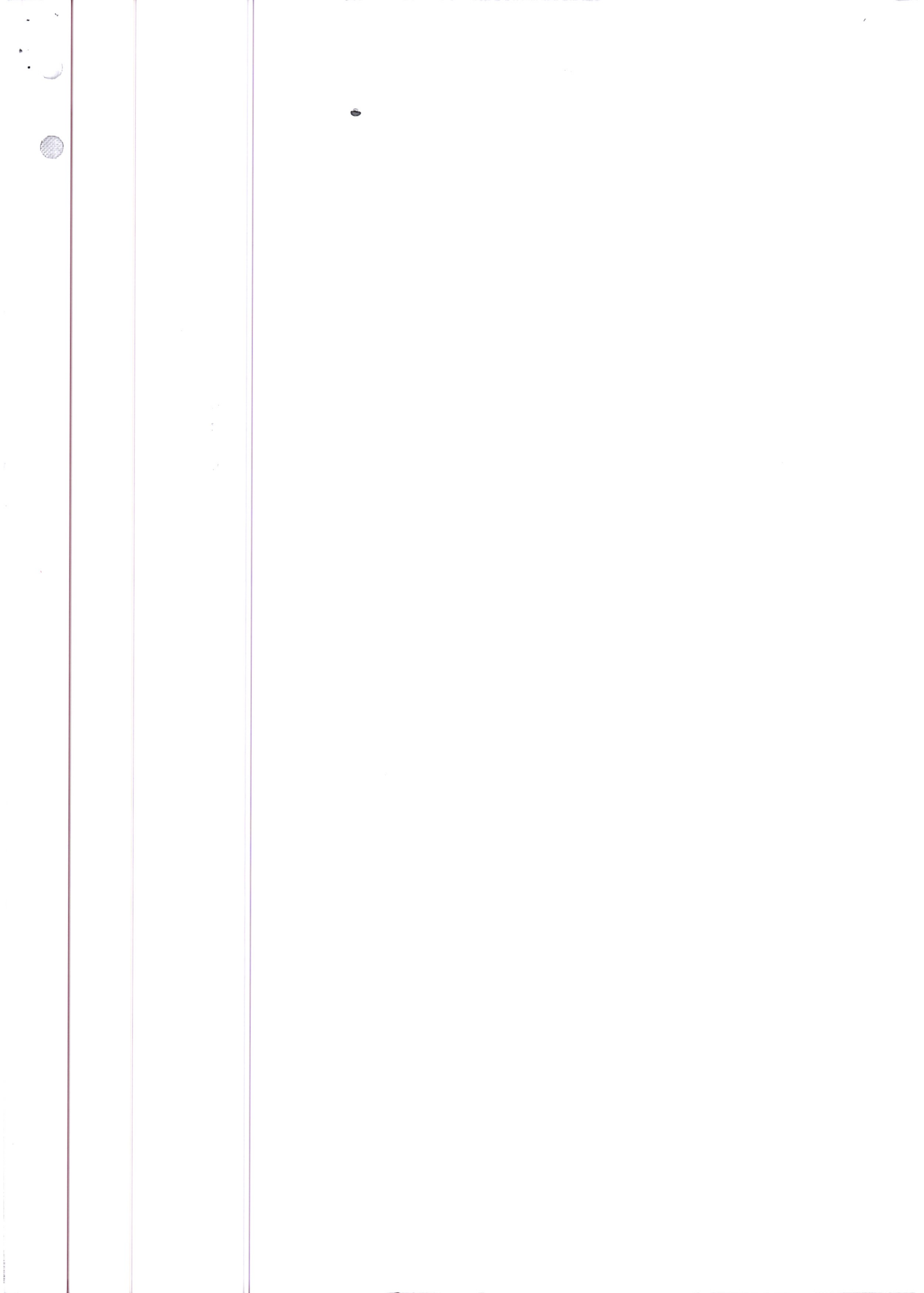
**2. Management**

The day to day running of the business of Sunset hotel Ltd is delegated by the Board to the hotel manager who implements Board decisions in a manner that adds value to the hotel.

**3. Tender and procurement committees**

These committees are in place in accordance with the Public Procurement and Disposal Act, 2005 besides the Public Procurement and Disposal Regulations, 2006.

The committees adjudicate on all matters concerning procurement of goods and services and disposal of assets.



## APPENDIX

**SUNSET HOTEL LIMITED****ANALYSIS**

The effect of the adjustment is being an increase in trade and other payables and an increase in accumulated loss as shown in the balance sheet below.

	Notes	2013	2012	2011	2,010
<b>ASSETS</b>			Kshs	Kshs	Kshs
<b>Non Current assets</b>					
Property, Plant and Equipment	2	109,759,684	112,868,040	106,742,121	101,641,512
<b>Current Assets</b>					
Inventories	3	2,332,776	2,508,924	2,063,491	1,278,523
Trade & Other Receivables	4	7,684,863	7,014,737	13,508,768	13,108,300
Cash and Bank Balances	5	900,483	1,132,429	763,699	844,049
<b>Total current assets</b>		<b>10,918,122</b>	<b>10,656,090</b>	<b>16,335,958</b>	<b>15,230,872</b>
<b>Total Assets</b>		<b>120,677,807</b>	<b>123,524,130</b>	<b>123,078,079</b>	<b>116,872,385</b>
<b>OWNER'S EQUITY AND LIABILITIES</b>					
<b>Owner's Equity</b>					
Share Capital	6	12,000,000	12,000,000	12,000,000	12,000,000
Revaluation reserves	7	79,262,476	79,262,476	79,262,476	79,262,476
Accumulated Losses	8	(68,674,263)	(59,948,452)	(40,641,074)	(35,524,682)
<b>Total owner's equity</b>		<b>22,588,213</b>	<b>31,314,024</b>	<b>50,621,402</b>	<b>55,737,794</b>
<b>Non Current Liabilities</b>					
Shareholders Loan	9	1,431,286	1,431,286	1,431,286	1,431,286
KTDC principal balance Account	9	49,753,407	51,866,369	28,067,901	16,912,760
<b>Total Non Current Liabilities</b>		<b>51,184,693</b>	<b>53,297,655</b>	<b>29,499,187</b>	<b>18,344,046</b>
<b>Current Liabilities</b>					
Trade & Other Payables	10	19,712,844	16,479,790	16,479,790	27,157,470
KTDC Principal Arrears		18,218,441	15,659,408	14,915,084	11,280,000
KTDC Loan Interest		8,973,615	6,773,253	6,126,806	4,353,074
<b>Total Current Liabilities</b>		<b>46,904,900</b>	<b>38,912,451</b>	<b>37,521,680</b>	<b>42,790,544</b>
<b>Total Liabilities</b>		<b>98,089,593</b>	<b>92,210,106</b>	<b>67,020,867</b>	<b>61,134,590</b>
<b>Total Equity and Liabilities</b>		<b>120,677,806</b>	<b>123,524,130</b>	<b>117,642,269</b>	<b>116,872,384</b>

