

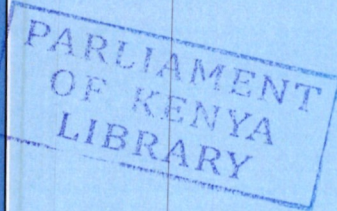
REPUBLIC OF KENYA



*Paper laid*  
*By Hon Aden Duale MP*  
*(Lom) on 12.10.2017/pm*

OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

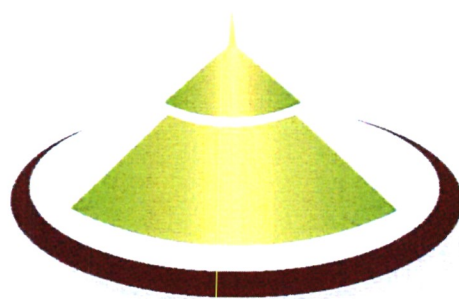
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
BOMAS OF KENYA LIMITED

FOR THE YEAR  
ENDED 30 JUNE 2016

# **BOMAS OF KENYA LIMITED**



**B O M A S**  
OF KENYA LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016**

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**BOMAS OF KENYA LIMITED**  
**ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016**

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## **KEY ENTITY INFORMATION**

### **Background information**

Bomas of Kenya is a body corporate established under the provision of Kenya Companies Acts Cap 486 of the laws of Kenya on 11th September, 1970 and it is domicile in Kenya. at cabinet level the entity is represented by the Cabinet Secretary for East African Affairs Commerce And Tourism who is responsible for the general policy and strategic direction of Bomas of Kenya Limited.

### **Principal Activities**

The principal activity of Bomas of Kenya Limited is to preserve, promote and maintain the diverse cultures of Kenya for tourism development.

### **Directors**

For the Financial year 2015/16, BOK had a board as shown on page (v).

### **Corporate Headquarters**

Bomas of Kenya Ltd  
Langata Highway / Forest Edge Road  
P.O. Box 40689 - 00100  
Nairobi, Kenya.

### **Corporate Contacts**

Telephone: (254)-20-8891801/2,8890793/5/8  
Fax: (254)-20-310223  
E-mail: [bomas@africaonline.co.ke](mailto:bomas@africaonline.co.ke).  
Website: [www.bomasofkenya.co.ke](http://www.bomasofkenya.co.ke)

### **Corporate Bankers**

Kenya Commercial Bank  
Moi Avenue Branch  
P.O. Box 30081-00100  
Nairobi, Kenya

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**Independent Auditors**





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

**Principal Legal Advisors**

Sharpley Barret & Company  
Prudential Assurance Building,  
2nd floor Wabera Street  
P.O. Box 40286-00100  
Nairobi, Kenya

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**THE BOARD OF DIRECTORS**

 <p><b>Josiah K. Magut (63)</b>  <b>OGW, EBS, Chairman</b></p>	<p>Appointed as the board Chairman in April 2015 for one year and subsequently re-appointed in May 2016. He has previously served as Board Chairman for Local Authorities Providence Fund and Association for Local Government Authorities of Kenya (ALGAK). Having served as Mayor for Eldoret Municipal council, Magut has vast knowledge in business planning and Management.</p>
 <p><b>Quresh H. Ahmed, (57)</b>  <b>General Manager</b></p>	<p>He has over 30 years of experience in cultural tourism. Joined Bomas of Kenya Limited in 1982 as an Accountant then rose to Finance Manager and General Manager. He hold Executive Masters in Business Administration from Jommo Kenyatta University of Science and Technology and is a Certified Public Accountant of Kenya and has attended various local and international courses. He served as the Vice Chairperson for International Federation of Arts Councils and Culture Agencies (IFACCA) from 1997 for six years.</p>
 <p><b>Mrs. Fatuma Hirsi Mohamed, Principal Secretary – Ministry of Tourism, Director</b></p>	<p>Prior to joining the Ministry of Tourism as the Principal Secretary, Mrs. Fatuma Hirsi was an international civil servant working for the United Nations. She has previous experience in Telecom, Media and Banking, enhancing corporate reputation and creating goodwill through CSR. Academically, she has an MBA in strategy and marketing, a BA (Hons) in languages and a postgraduate diploma in Public Relations. She is currently pursuing a PhD in Communications Studies. Mrs. Mohamed has been recognized for her leadership and honoured with a Fellow and lifetime achievement awards from the Public Relations Society of Kenya in which she served as chairman for 5 years.</p>
 <p><b>Molu Shambaro (62), Director</b></p>	<p>Joined BoK on 17th April, 2015 as a board member. He has vast knowledge and expertise in Agribusiness with over 25 years of experience both in public and private sector having served in several positions in the said sectors. He holds Bachelors of Science (Range Management) from the University of Nairobi, Diploma in Range management from Egerton University and has attended various local and international courses on management. He served as Member of Parliament for Garsen Constituency between 1997-2002.</p>

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 <p><b>Khadija M. Awale (55), Director</b></p>	<p>Joined BoK on 17th April, 2015 as a board member. She has vast knowledge and expertise in business management for over 25 years of experience both in public and private sector having served in several positions in the said sectors.</p>
 <p><b>Joseph Magua Karago (54), Director</b></p>	<p>Joined Bomas of Kenya Board on 17th April, 2015. He is an Architect and expertise in strategy &amp; policy formulation, programme &amp; project formulation, technical Audit project management, general management and team building. Joseph is a holder of Bachelors of Architecture degree from the University of Nairobi and is a Registered Architect with the Registration Board, BORAQs.</p>
 <p><b>Francis S. Nkoitoi (54), Director</b></p>	<p>A Conservationist and Administrator with of 30years experience in advocating for protecting and preservation of the environment and wildlife in Kenya. He has been a Principal for Secondary school for over 20 year prior joining Bomas of Kenya Board on 17<sup>th</sup> April, 2015. Francis holds Bachelors of Education Science from Kenyatta University.</p>
 <p><b>Saima Ondimu (51), Director</b></p>	<p>Ms Saima Ondimu was appointed as on on 17th April, 2015 as the appointee of the Principal Secretary Ministry of Sports, Culture &amp; Arts. She is currently the Deputy Secretary in the ministry and holds Masters of Science in international hospitality management and post graduate diploma in diplomacy and International relations from the University of Stratchlyde and University of Nairobi respectively. She has over 30 years in the public sector operations given the fact that she has been deployed in various ministries including the presidency and ministry of foreign affairs at different capacities.</p>

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	<p>Mr. Orumoi was appointed in February, 2016 being the Managing Director for Tourism Finance Corporation. He previously worked as Head of Finance and Information technology department at Kenya Tourist Board (KTB), Finance &amp; Leasing Contracts manager at G4S Kenya, Acting Head of Procurement at G4S Kenya, Nairobi, and as a Senior Principal Finance Officer, Thurrock Council, UK. He holds a Master of Science degree in Finance and Investment from Queen Mary university of London and a BA (Accounting &amp; Finance) from East London University, UK.</p>
<p><b>Jonah T. Orumoi, (38), Director</b></p>	<p>Martha Wariithi has extensive Marketing, Strategy and Insights experience from working in Africa, Europe and Asia for over 20 years conducting market and social research for major Blue Chip companies Diageo, Unilever, MTN, Barclays Bank and Major NGOs like Red Cross, United Nations, DFID, among others. In recent years she has worked for The Coca-Cola Company where she is the Knowledge and Insights Director for the region looking after 84 countries leading Research Capabilities based in Kenya. She was previously based in India as Director Knowledge and Insights for India South West Asia and more recently Turkey as the Director for EurAsia Africa. She currently serves on various boards including The Flying Doctors Society of Africa and The Beth Mugo Cancer Foundation among others. She holds a BA Economics &amp; Sociology from University of Nairobi (Kenya) and a Masters in Local Economic Development from Middlesex University (UK)</p>
	<p>Mr. Karani was appointed as on 17<sup>th</sup> April, 2015 as the appointee of the Principal Secretary for the National Treasury. He replaced Mr. Stephen Karani who was appointed as Chief Finance Officers in the Ministry of Industrialization and who rendered exemplary services to BoK. He is a procurement specialist with over 15 years' experience at the managerial level in both the private and public sector. He holds Master's Degree in procurement and logistics and a Bachelors of Arts in economics &amp; business administration from the Jommo Kenyatta University of Science &amp; Technology (JKUAT) and Kenyatta University respectively.</p>
<p><b>Martha Wariithi (48), Director</b></p>	
<p><b>Kenneth Karani (41), Director</b></p>	

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**MANAGEMENT TEAM**

 <p><b>Quresh H. Ahmed, (57)</b>  <b>General Manager</b></p>	<p>He has over 30 years of experience in cultural tourism. Joined Bomas of Kenya Limited in 1982 as an Accountant then rose to Finance Manager and General Manager. He hold Executive Masters in Business Administration from Jommo Kenyatta University of Science and Technology and is a Certified Public Accountant of Kenya and has attended various local and international courses. He served as the Vice Chairperson for International Federation of Arts Councils and Culture Agencies (IFACCA) from 1997 for six years.</p>
 <p><b>David K. Rono (45)</b></p>	<p><b>Finance &amp; Administration Manager</b>          Has been with the institution for over 15 years and holds Executive Masters in Business Administration from Moi University (finance), International diploma in Financial Management from Illinois University and is a Certified Public Accountant (CPA-K). Previously he was the Senior Accountant. He is in charge of the finance and administration department.</p>
 <p><b>Jimmy Okindiang'i (35)</b></p>	<p><b>Human Resource Officer</b>          He has over 10 years of experience in human capital management. He holds Bachelors of Business administration in human resource and higher diploma in human resource management. He heads the Human resource department.</p>
 <p><b>Thedius Bwire Ojiambo, HSC (51)</b></p>	<p><b>Production Manager</b>          A career Choreographer with over 30 years' experience both at the National Schools and Colleges festivals and at Bomas of Kenya. An MA graduate of the University of Nairobi (2005) and a B.Ed graduate of Kenyatta University (1989). He is in charge of production and presentation of traditional dances, cultural practices and the arts.</p>
 <p><b>Joseph W. Njoroge Kamau (37)</b></p>	<p><b>Property Manager</b>          Has over 10year of experience in property management and Construction. He holds Diploma in building technology and Bachelors of Quantity Surveying from Technical University of Kenya. He in charge of the property department that institution ensure there is proper asset management and security.</p>



**John Swenson Ekahl**  
**(46)**

**Ag. Food and Beverage Manager**

He has over 20 years' experience in hotel, hospitality and events management. Previous served as the Restaurant Manager at All Africa Conference of Churches in Nairobi and Keekorok Lodge in Maasai Mara. He holds Diploma in Food and Beverage service and Sales. He is the in charge of the food and Beverage department



**Benard Onger** (43)

**Public Relations and Communications Officer**

Joined BoK in 1997 and is in charge of public relations and communication with over 15years experience in customer relationship management having served as Information officer. He holds Diploma in Public relations and Certificate in Purchasing & Supplies. He oversees management of public relations activities and media monitoring to enhance corporate image of the BoK.

## **CHAIRMAN'S STATEMENT**

I wish to thank the board members who participated in overseeing Bok activities in the financial year 2015/16 through various committees and board meetings. Despite the tourism shock that the country is undergoing due to decline in tourists, Bok has steadily matched its programs to fulfil the mandate of preserving Kenya's rich and diverse cultures. I am pleased to present to you a report on the performance of BOK for the financial year ended June, 2016.

Bok, continues to have activities in place so as to achieve the set goals as per the current 2013-2017 strategic plan that is currently being implemented.

## **FINANCIAL RESULTS**

BOK During the financial year, BoK was able to generate internally revenue of 64.4Million and a surplus of 10.23Million. Overall, there was decline of the surplus by 21% decline due to being a growth of 6.6%. However overall revenue declined from 336.7Million due to unstable tourism industry and increased competition locally.

## **CORPORATE GOVERNANCE**

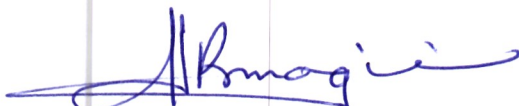
In the year under review 2015/16 there was a replacement of Ms. Marryann Jordan in the month of February, 2016 after her term as the managing director at TFC expired. Effectively Mr. Jonah T. Orumoi joined the board in the same capacity.

## **FUTURE OUTLOOK**

The corporation has adopted a feasibility study done for now Nairobi International Convention and Exhibition Centre (NAICEC) and it is expected that once completed the project will have adverse advantages to the corporation and the country large. Further, BOK has continually partnered with the county government for fulfilling its mandate and this has now been boosted through the current plan of having branches in all the counties by Mombasa county branch commencing.

## **APPRECIATION**

On behalf of the Board of the Directors of BOK and all our stakeholders. I wish to express my unreserved appreciation to our members for their resolute support during 2015/16. My special thanks go to my fellow board members for their stewardship and to the management and staff for their commitment and dedication to delivering on the milestones laid out in BOK's 2013 – 2017 Strategic Plan.



**JOSIAH K. MAGUT, OGW, EBS**  
**BOARD CHAIRMAN**

**BOMAS OF KENYA LIMITED**  
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**REPORT OF THE CHIEF EXECUTIVE OFFICER**

Through the tourism recovery initiative by the government of Kenya, the sector is expected to reap the results in the next three years. Though the sector is still under post effects of tourism shocks, BOK remains resilient in service delivery in fulfilling its mandate. During the financial year 2015/16 BOK continued service delivery through the set programs.

**BUSINESS PERFORMANCE**

Despite the challenges experienced in the tourism sector, BOK managed to raise Kenya shillings sixty-four million internally that led to drop in the surplus during the year to Kshs. 10.23 Million. However, overall revenue increased since the government through the national treasury approved a supplement Budget in order to facilitate programmes execution.

**EMPLOYEE RETENTION AND MOTIVATION**


The total staff establishment as at 30<sup>th</sup> June 2016 was 164 employees. This is below the target number of staff for proper execution of programs. It should be noted that 14 employees left the company either through redundancy, death or resignation. Further it's unfortunate we lost one of the employee in same year while seven new employees were recruited to various departments including finance & administration and production department.

BOK has embarked on a program to have the deficit staff number on board and train the existing with more skills in order to improve human capital further.

**CONCLUSION AND FUTURE OUTLOOK**

We are in the final phase of implementing the strategic plan for the cycle 2013-2017 and there is clear monitoring of the same so as to improve the next cycle yet further. Through the now adopted Nairobi International Convention and Exhibition Centre (NAICEC), BOK is evaluating through the Public Private Partnership (PPP) unit at the treasury and it's expected once concluded, the best partners shall be appointed for development of the project and the support facilities later in the financial year 2016/17 or earlier.

I wish to thank the Management and Staff of BOK for dedicating their time and efforts to ensuring that BoK achieved a very successful financial report for the period. On behalf of the Staff and Management of BoK, I would like to thank the Ministry of Tourism for its leadership. My special recognition goes to all strategic partners for their continued support.



**QURESHI H. AHMED**  
**GENERAL MANAGER**

## **CORPORATE GOVERNANCE STATEMENT**

Corporate Governance is the process by which Corporations are directed, controlled and held to account. The Board of Directors are responsible for the long term strategic goals of the Corporation while being accountable to the shareholders for legal compliance and maintenance of the highest Corporate Governance and business ethics.

An independent Board manages the business of the Corporation. The Board is keen on reviewing the overall framework of the internal controls and the assessment of Management process and the adoption of the appropriate codes of ethics. It is also responsible for ensuring that the Corporation complies with the law and highest standards of Corporate and business ethics. The Board currently comprises of members drawn from public and private sectors.

We realize that corruption is a vice that we must constantly fight. The Corporation is committed to fighting this and other social vices in the work place. The corporation has adopted the government's zero tolerance approach to corruption and it has put in place mechanisms to control corruption. In this regard a corruption prevention committee has already been put in place and integrity assurance officers trained.

### **Committees of the Board of Directors**

There are four committees of the Board that were formed after the financial year this includes:

1. Finance and Human Resource Committee
2. Audit Committee
3. Development and Investments Committee
4. Operational Committee

## **RISK MANAGEMENT**

The Corporation will continue to recognize risk Management as an integral part of the internal control systems. We will therefore continue to logically and systematically engage in the process of establishing, identifying, analyzing, evaluating and communicating risks associated with any activities, functions or processes in a way that enables the Corporation to minimize losses and maximize opportunities.

### **Operational Risk**

This is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation as well as lead to financial loss. The Corporation cannot expect to eliminate all operational risks, but can manage them through a control framework and by monitoring and responding to potential risks. The controls that the Corporation has put in place to minimize the potential risks include:

- a) Effective duty segregation,
- b) Staff education,
- c) Definition of authorization levels,
- d) Periodic risk assessment .
- e) Use of internal audit; and
- f) Implementation of access controls.

### **Credit Risk**

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This is the risk that arises from trade and other receivables where debtors are not able to meet their obligation as required. The organisation has no significant concentration for credit risk. The finance department assesses credit worthiness of each customer while taking into account its financial position, experience and other factors. The debtors are given 30 days credit period.

**Contract Risk**

This is Probability of loss arising from failure in contract performance by the vendor. Bok entered in a contract with Standard Investment Bank (SIB) to conduct a feasibility study for the BICEC project. However, the contract expired before SIB delivered all the milestones as per the contract. Hence Bok terminated the contract on non-delivery on time.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

It's explicit that good corporate governance practices have recently shown that weaknesses in good governance practices in public entities have had far reaching negative consequences to the entity and the public at large. Thus, Bok aims to ensure that best practices are adopted for the purpose of governance of the institution.

In the financial year under review,BoK strived to achieve high levels of corporate governance by focusing on the following areas:

- Executing strong audit procedures, ensuring audit independence and continuously enforcing accounting practices that conform to the international financial reporting standards and the generally accepted accounting principles.
- Ensuring that the Directors and the employees have clearly defined duties and responsibilities, exposed to relevant training in order for them to have required competence in executing their duties.
- BoK has continually ensured that it conforms to the various laws and legislation in the republic including submission of the relevant taxes and other statutory as required.
- BOK continued to support various charitable causes, in particular children's homes and also was main sponsors for Bomas football club.
- Upholding the highest levels of integrity in the organisation's culture and practices in day to day activities.
- Under the riparian principle, all landowners whose property adjoins a body of water have the right to make reasonable use of it as it flows through or over their property. If there is not enough water to satisfy all users, allotments are generally fixed in proportion to frontage on the water source. These rights cannot be sold or transferred other than with the adjoining land and only in reasonable quantities associated with that land. The water cannot be transferred out of the watershed without due consideration as to the rights of the downstream riparian landowners.BOK ensures that the above rule is observed so as to ensure sustainability of the environment. This has been practiced in the financial year by ensuring BOK remains actively in the activities of Ngong Forest Conservancy Sanctuary under which BOK is a member.

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**ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016**

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Further, BOK has ensured there is cohesion among societies in the country by conducting various cultural festivals including Tiriki and Terik festivals. This led to culmination of festivals conducted at Vihiga County.

Over the coming years we intend to commit more time and resources to support the needy in our society based on our business performance.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Corporation's affairs.

### **Principal activities**

The principal activity of Bomas of Kenya Limited is to preserve, promote and maintain the diverse cultures of Kenya for tourism development.

### **Results**

The results of the entity for the year ended June 30, 2016 are set out on page 1 to 2.

### **Dividends**

BOK does not pay dividend, all the surpluses are reinvested back into programmes undertaken in development of existing cultural products.

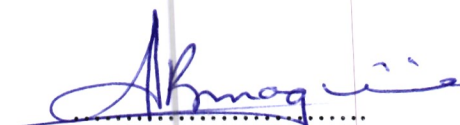
### **Directors**

During the year ended 30th June, 2016 Directors who served on the BOK Board are shown on page v-vii.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Corporation in accordance with the Section 94(d) of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

**By Order of the Board**



Date 13<sup>th</sup> June, 2017

**BOMAS OF KENYA LIMITED**  
**ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

According to the Public Finance Management Act, 2012, it requires the Directors to prepare financial statements in respect of that Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year/period. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the Corporation;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2016, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

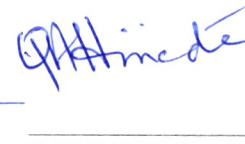
Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Corporation's financial statements were approved by the Board on 27<sup>th</sup> Sept, 2016 and signed on its behalf by:

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

# REPUBLIC OF KENYA

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Fax: +254-20-311482  
E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.oagkenya.go.ke](http://www.oagkenya.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON BOMAS OF KENYA LIMITED FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Bomas of Kenya Limited set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **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 47 of the Public Audit Act, 2015.

#### **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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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 Company'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.

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*Report of the Auditor-General on the Financial Statements of Bomas of Kenya Limited for the year ended 30 June 2016*

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. Trade and Other Receivables**

As reported in the previous years, trade and other receivables balance of Kshs.18,265,854 as at 30 June 2016 is net of Kshs.5,844,308 which has been outstanding for over 10 years and which is fully provided for. However, in spite of the Public Investments Committee recommendations to have the Board approval to regularize the bad and the doubtful debts, no efforts appear to have been made to have the matter resolved.

Consequently, it has not been possible to confirm that trade and other receivables balance of Kshs.18,265,854 as at 30 June 2016 is fairly stated.

#### **2. Valuation of Assets**

The statement of financial position reflects a balance Kshs.1,753,457,669 under property, plant and equipment as at 30 June 2016. However and as similarly reported in the previous year, the last valuation for the assets was conducted in 1996. Consequently, the Company has not valued its assets in the last twenty (20) years to take cognizance of the drastic change in value of its assets contrary to the International Accounting Standard No.16 which stipulates that property, plant and equipment should be revalued after every five years. Further, the company does not possess the ownership documents for the land on which it operates which are irregularly held by Tourism Finance Corporation despite having paid off a loan for which the title had been charged.

As a result, it has not been possible to ascertain the accuracy and ownership of the property, plant and equipment balance of Kshs.1,753,457,669 as at 30 June 2016.

#### **3. Unpaid Compensation for Compulsory Land Acquisition**

The Kenya Urban Roads Authority compulsorily acquired 0.8055 hectares (2 acres) on LR No.12066 vide gazette notice number 11155 of 8 August 2013 for the purpose of rehabilitation and upgrading of Langata Road (KWS gate to Bomas of Kenya section). The Company was to get Kshs.85 million as fair compensation based on valuation done by a local valuation company. However, a review of available records indicated that to date this compensation is yet to be paid.

Consequently, the awarded compensation crystallization remains in doubt given the time lapse.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bomas of Kenya Limited as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

## **Emphasis of Matter**

### **Delinking from Tourism Finance Corporation**

As previously reported in 2014/2015 and as indicated under Note 14 of the notes to the financial statements, the Company is a fully (100%) owned by Tourism Finance Corporation (formerly Kenya Tourist Development Corporation) through 254,000 shares of Kshs.20 each with a book value of Kshs.5,080,000. The monies were restructured as a shareholder's loan and which the Company paid off by 2014.

Available records indicate that, the process to delink the Company from Tourism Finance Corporation to become a separate organization was mooted since 1992 to enable the company to institute proper management and investment policies to make it self-sustaining in the wake of dismal performance. Following the request by the management of the Bomas of Kenya, the Board of the then Kenya Tourist Development Corporation in its meeting of 17 June 1992 resolved to delink the company from the Corporation. This was premised on the fact that the Company was being funded directly by the Exchequer and its Board of management was appointed directly by the Government.

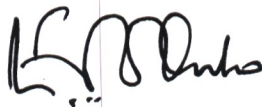
In 1994, the Public Investment Committee and the Public Accounts Committee, with Treasury's agreement recommended the commencement of the delinking process. In 2002, the Office of the Attorney General in their legal interpretation and in reference to the State Corporation Act, Cap 446, had also concluded that one Government parastatal cannot own another one. However, in spite of the above interventions, very minimal progress appear to have been achieved towards this and the Company continues to face operational and legal challenges in meeting its obligations through the Tourism Finance Corporation.

My opinion is not qualified in respect of this matter.

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

As required by the Companies Act, I report based on my audit, that:

- (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.



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

**Nairobi**

**24 July 2017**

**STATEMENT OF PROFIT /(LOSS) AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2016**

	<u>NOTE</u>	<b>2016</b> <b>KSHS</b>	<b>2015</b> <b>KSHS</b>
<b><u>Revenue</u></b>			
Sales	3	45,515,798	47,388,060
Grant from National Government	4	360,625,000	250,000,000
Other income	5	18,923,099	39,326,380
<b>Total Revenue</b>		<b>425,063,897</b>	<b>336,714,440</b>
<b><u>Operating Expenses</u></b>			
Staff Costs	6	149,925,672	106,338,581
Board Emoluments	7	9,140,650	773,900
Administration Costs	8	151,791,856	130,024,275
Selling and distribution costs	9	41,522,217	39,685,819
General expenses	10	308,927	563,225
Depreciation	11	<u>62,144,734</u>	<u>45,145,320</u>
		<b><u>414,834,056</u></b>	<b><u>322,531,120</u></b>
Finance Costs;			
Interest expense on KTDC loan	12	-	<u>472,038</u>
Net Surplus / (Deficit) before tax		<b>10,229,842</b>	<b>13,711,281</b>
<b>Profit /(Loss) After Tax</b>		<b><u>10,229,842</u></b>	<b><u>13,711,281</u></b>

The notes on pages 6-22 form an integral part of the financial statements.

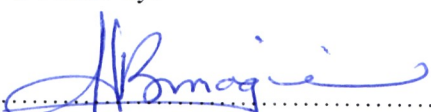
**BOMAS OF KENYA LIMITED**  
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**STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2016**

		2016		2015
ASSETS		KSHS		KSHS
<b>Non –current assets</b>				
Property Plant & Equipment	13	1,753,457,669		1,502,407,671
<b>Total Non-Current Asset</b>		<b><u>1,753,457,669</u></b>		<b><u>1,502,407,671</u></b>
<b>Current Assets</b>				
Inventories	14	2,238,226		932,892
Trade and other Receivables	15	18,265,854		17,177,668
Cash and cash equivalents	16	515,785,578		113,912,895
<b>Total Current Assets</b>		<b><u>536,289,656</u></b>		<b><u>132,023,455</u></b>
<b>Total Assets</b>		<b><u>2,289,747,328</u></b>		<b><u>1,634,431,126</u></b>
 <b><u>EQUITY AND LIABILITIES:</u></b>				
<b>Capital And Reserves</b>				
Share Capital	18	5,080,000		5,080,000
Retained Earnings	19	171,999,377		160,394,331
Revaluation Reserve	20	130,054,199		131,465,410
Deferred Capital Grant	21	1,963,001,445		1,323,001,445
<b>Total Capital And Reserves</b>		<b><u>2,270,135,021</u></b>		<b><u>1,619,941,186</u></b>
<b>Current Liabilities</b>				
Trade and other payables	17	19,612,307		14,489,939
<b>Total Equity &amp; Liabilities</b>		<b><u>2,289,747,328</u></b>		<b><u>1,634,431,126</u></b>

The notes on pages 6-22 form an integral part of the financial statements.

The Corporation's financial statements were approved by the Board on 27<sup>th</sup> Sept, 2016 and signed on its behalf by:

  
 .....  
 Chairman  
 Date: 18<sup>th</sup> June, 2017

  
 .....  
 Chief Executive.  
 Date: 18<sup>th</sup> June, 2017

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**STATEMENT OF CHANGES IN EQUITY**

	ORDINARY SHARE CAPITAL <u>KSHS</u>	RETAINED EARNINGS <u>KSHS</u>	REVALUATION RESERVE <u>KSHS</u>	DEFERRED CAPITAL GRANT <u>KSHS</u>	TOTAL <u>KSHS</u>
<b>As at 30th June 2014</b>	5,080,000	145,271,839	132,876,621	1,168,001,445	1,451,229,905
<b>As at July 2014</b>	5,080,000	145,320,513	132,876,621	1,168,001,445	1,451,229,905
Net surplus/(Deficit) for the year 30th June, 2015		13,711,281			13,711,281
Revaluation reserve		1,411,211	-1,411,211		
Capital Grant				155,000,000	155,000,000
<b>As at June 2015</b>	5,080,000	160,394,331	131,465,410	1,323,001,445	1,619,941,186
<b>As at July 1, 2015</b>					
Net Profit/(Loss) for the year 30th June 2016	5,080,000	160,394,331	131,465,410	1,323,001,445	1,619,941,186
Revaluation Reserve		10,229,842			10,229,842
Capital Grant		1,375,204	-1,375,204		
Capital Grant				640,000,000	640,000,000
<b>As at 30<sup>th</sup> June 2016</b>	5,080,000	171,999,377	130,090,206	1,963,001,445	2,270,171,028

The notes on pages 6-22 form an integral part of the financial statements.

**BOMAS OF KENYA LIMITED**  
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**STATEMENT OF CASH FLOWS**

	Notes	2016 KSHS	2015 KSHS
Net Surplus/(Deficit) for the year		<u>10,229,842</u>	<u>13,711,281</u>
<b><u>Add: Items not involving Movement of Cash:</u></b>			
Provision for Depreciation	11	62,144,734	45,145,320
Provision for audit fee	10	232,000	232,000
Interest on KTDC loan		-	472,038
Gain on provision for bad debt		<u>76,927</u>	<u>331,225</u>
		<u>62,453,661</u>	<u>46,180,583</u>
<b><u>Add: Changes in Working Capital:</u></b>			
(Increase)/ Decrease in Inventories	14	(1,305,332)	(547,299)
(Increase)/ Decrease in Receivables	15	(1,088,187)	(2,039,997)
Increase/ (Decrease) in Payables	17	<u>5,122,368</u>	<u>(6,227,680)</u>
		<u>2,728,849</u>	<u>(8,814,976)</u>
<b>Cash Generated From Operations</b>		<b>75,412,351</b>	<b>51,076,888</b>
KTDC loan payment	12	-	(8,566,356)
Provisions for leave paid	6	(308,928)	-
<b>Net Cash from Operations</b>		<b><u>75,103,423</u></b>	<b><u>42,510,532</u></b>
<b><u>INVESTING ACTIVITIES.</u></b>			
Purchase of Fixed Assets/Work in10(a)progress		(313,230,740)	(335,034,984)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Development Grants	4	<u>640,000,000</u>	<u>155,000,000</u>
Net Increase/(Decrease) in Cash and Cash equivalents		<u>401,872,683</u>	<u>(137,524,452)</u>
<b><u>Add: Beginning Balance of Cash and Cash Equivalents</u></b>		<u>113,912,895</u>	<u>251,437,347</u>
<b>ENDING BALANCE OF CASH &amp; CASH EQUIVALENTS</b>	16	<b><u>515,785,578</u></b>	<b><u>113,912,895</u></b>

The notes on pages 6-22 form an integral part of the financial statements.

**BOMAS OF KENYA LIMITED**  
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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL**

Revenue	A	B	C=B-A	D=C/B	Remark	Explanations
ITEM	2015/2016 Final Approved Budget KSHS.	Current Year 2015/2016 Actual KSHS	Variance Budget to Actual Year KSHS.	Variance In Percentage (%)	U/F	
Bar & Restaurant Sales	49,999,313	45,515,798	-4,483,515	-0.098	U	Less purchases due to low business.
Grant from National Government	250,000,000	360,625,000	110,625,000	0.30	F	More grants from supplementary.
Other	33,528,225	18,923,099	-14,605,126	-0.77	U	Lower than budget Due to low business season
<b>Total Revenue</b>	<b>333,527,538</b>	<b>425,063,897</b>	<b>91,536,359</b>	<b>22</b>		
<b>Operating Expenses</b>						
Administration Costs	287,526,170	301,717,525	14,191,355	4.7	U	Running cost were higher due to inflation
Board Emoluments	13,832,200	9,140,650	4,691,550	-0.51	F	Was within budget and made savings.
Selling and distribution costs	31,718,473	41,522,222	9,803,749	0.23	U	Cost of goods was higher due to increased food price.
Audit fee	232,000	232,000	0	0	F	was within the budget
Provision for bad debts	80,000	76,927	-3,073	-0.03	F	was within the budget
Depreciation	70,000,000	62,144,734	7,855,266	-0.13	F	Was within the budget
<b>Total</b>		<b>414,834,056</b>	<b>368,340,288</b>			
NET Surplus before tax		10,790,938			F	Profit was realised
<b>Income Tax</b>		-				
<b>Profit After Tax</b>		<b>10,229,842</b>			F	Profit was realised

U=Unfavourable variance

F=Favourable variance

NB: For more details, see relevant notes to the financial statements.

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**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS**

**1. Accounting policies**

**a. Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

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

The preparation of financial statements is in conformity with International Reporting Standards (IFRS) allows the use of estimates and assumptions. The accounting policies adopted have been consistently applied to all the years presented.

**b. Adoption of new and revised International Financial Reporting Standards (IFRSs)**

**Relevant new standards and amendments to published standards effective for the year ended 30<sup>th</sup> June 2016**

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

**i) Amendments to IAS 32; *Offsetting Financial Assets and Financial Liabilities***

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Bok does not have any financial assets and financial liabilities that qualify for offset, therefore the application of the amendments had no impact on the disclosures or on the amounts in the financial statements.

**ii) Amendments to IAS 36; *Recoverable Amount Disclosures for Non-Financial Assets***

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

Bok does not have any cash-generating units to which goodwill or other intangible assets with indefinite useful lives had been allocated, therefore the application of the amendments has had no impact on the disclosures or on the amounts in financial statements.

**iii) Amendments to IAS 39; Novation of Derivatives and Continuation of Hedge Accounting**

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

The application of the new standard had no impact on the disclosures or the amounts in these financial statements as Bok does not have any derivatives.

**iv) IAS 19 Defined Benefit Plans: Employee Contributions**

Amendments to IAS 19 require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These changes provide a practical expedient for simplifying the accounting for contributions from employees or third parties in certain situations.

The application of this amendment had no impact on the disclosures or on the amounts in Bok's financial statements.

**v) IFRIC 21 Levies**

IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts in Bok's financial statements.

**vi) Amendments to IFRS 10, IFRS 12 and IAS 27; Investment Entities**

The investment entities amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity.

The amendments require an investment entity to account for its investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries that provide services that relate to the investment entity's investment activities, which must be consolidated. It also requires an investment entity to measure its investment in another controlled investment entity at fair value and that a non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees.

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The amendments had no impact on the disclosures or the amounts recognized in these financial statements since Bok is neither an investment entity nor controls an investment entity.

**vii) Annual Improvements 2010-2012 Cycle**

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2010 – 2012 annual improvements cycle.

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IFRS 2 Share-based Payment Definitions of vesting conditions	<p>The amendment defines 'performance condition' and 'service condition' to clarify various issues, including the following:</p> <ul style="list-style-type: none"><li>• A performance condition must contain a service condition</li><li>• A performance target must be met while the counterparty is rendering service</li><li>• A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group</li><li>• A performance condition may be a market or non-market condition</li><li>• If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied</li></ul>
IFRS 3 Business Combinations	<p>Accounting for contingent consideration in a business combination</p> <ul style="list-style-type: none"><li>• The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination must be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).</li></ul> <p>The application of this amendment did not result in any impact on the financial statements.</p>
IFRS 8 Operating Segments	<p>Aggregation of operating segments</p> <ul style="list-style-type: none"><li>• The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8.12, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are similar.</li></ul> <hr/> <p>Reconciliation of the total of the reportable segments' assets to the entity's assets</p> <ul style="list-style-type: none"><li>• The amendment clarifies that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.</li></ul> <p>The application of this amendment did not result in any impact on the financial statements.</p>

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IAS 16  
Property, Plant and  
Equipment and IAS 38  
Intangible Assets

Revaluation method – proportionate restatement of accumulated depreciation/amortization  
 The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed, as follows:

- Adjust the gross carrying amount of the asset to market value OR
- Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value

The amendments also clarify that accumulated depreciation/ amortization is the difference between the gross and carrying amounts of the asset.  
 The application of this amendment does not result in any impact on the financial statements.

IAS 24  
Related Party  
Disclosures

Key management personnel  
 The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.  
 Key management compensation have been disclosed in these financial statements

**viii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2016.**

Bok has not applied the following new and revised IFRSs and IFRICs that have been issued:

New and Amendments to standards	Effective for annual periods beginning on or after
Amendments to IFRS 11; <i>Accounting for Acquisitions of interest in Joint Operations</i>	1 January 2016
Amendments to IAS 16 and IAS 38; <i>Clarification of acceptable methods of Depreciation and amortisation</i>	1 January 2016
2012-2014 cycle (issued in September 2014)	1 January 2016
IFRS 14; Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 1; <i>Disclosure initiative</i>	1 January 2016
Amendments to IAS 16 and IAS 41; <i>Agriculture – Bearer Plants</i>	1 January 2016
Amendments to IAS 27; <i>Equity method in Separate Financial Statements</i>	1 January 2016
IAS 34; <i>Interim Financial Reporting</i>	1 January 2016
IFRS 15; <i>Revenue from contract with customers</i>	1 January 2017
IFRS 9; <i>Financial Instruments</i>	1 January 2018

**Impact of new and amended standards and interpretations on the financial statements for the year ended 30<sup>th</sup> June 2016 and future annual periods**

ix) Amendments to IAS 16 and IAS 38; *Clarifications of Acceptable Methods of Depreciation and Amortization*

**BOMAS OF KENYA LIMITED**  
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The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The directors do not anticipate that the application of the amendment to the standard will have a significant impact on the Bok's financial statements.

x) **IFRS 15; Revenue from Contracts with Customers,**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 - Revenue, IAS 11- Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition

Under IFRS 15, an entity recognizes revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

It is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

xi) **IFRS 9; Financial Instruments**

IFRS 9 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition.

The directors do not anticipate that the application of IFRS 9 in the future will have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities.

xii) **Amendments to IFRS 11; Joint Arrangements**

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations.

The directors of BoK do not anticipate that the application of IFRS 11 in the future will have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities.

**Early adoption of standards**

The corporation did not early-adopt any new or amended standards in the period.

## **2. Summary of Significant Accounting Policies**

### **a. Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Corporation's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Corporation's activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *entity* delivers services to the customer, the customer has accepted the services and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the Corporation actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in Fixed Deposit Reserves (FDRs), and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- v) **Other income** is recognised as it accrues.

### **b. Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

### **c. Depreciation and impairment of property, plant and equipment**

Property, plant & equipment are stated at cost as modified by revaluation. Depreciation is calculated on the reducing balance method except for buildings which is depreciated at cost.

**BOMAS OF KENYA LIMITED**  
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Land	Nil
Motor Vehicles	25.00%
Furniture, Fittings & Equipment	12.50%
Loose Tools	50.00%
Pumps & Pipes	20.00%
Buildings	2.50% (cost)
Computers	30.00%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

**d. Depreciation and impairment of property, plant and equipment**

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**e. Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**f. Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g. Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation. Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**h. Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**i. Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**j. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**k. Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the corporation or not, less any payments made to the suppliers.

**l. Retirement benefit obligations**

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at tier I and tier II depending on contribution of staff for various scales.

**m. Subsequent events**

During the financial year 2015/16 it was anticipated that feasibility study for NAICEC could have been adopted, however the contract was cancelled due to expiry of contract period after the financial period. An entity is required to take into account risks and uncertainties that surround underlying events (IAS 37.42).

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n. **Financial risks review**

<b>Financial risks</b>	<b>Key controls and mitigating factors</b>
<p><b>Funding and liquidity risk</b>                      The risk of being unable to continue to fund our operations on an ongoing basis. Weak performance could put pressure on cash flow and credit metrics and affect our credit rating</p>	<ul style="list-style-type: none"> <li>• The corporation finances its operations by a combination of retained profits, disposals of properties, bank borrowings and leases</li> <li>• We have placed greater focus on balancing growth with returns and being more focused on both cash and margins.</li> <li>• Liquidity risk is managed by continuously monitoring cash forecasts and actual cash flows.</li> </ul>
<p><b>Interest rate risk</b>                      The risk to our profit and loss account resulting from rising interest rates</p>	<ul style="list-style-type: none"> <li>• The corporation enters into fixed rate agreements for borrowings rather than fluctuating rates</li> <li>• Negotiations for interest rate reviews in times of favourable rates.</li> </ul>
<p><b>Credit risk</b>                      The risk of loss arising from default by parties to financial transactions</p>	<ul style="list-style-type: none"> <li>• Credit risk is managed through the corporation's credit policy framework with standards and limits defined, including new account sanctioning, collections and recovery activity.</li> </ul>
<p><b>Market risk</b>                      The risk of loss that arising from changes in market prices for products or changes in other market factors.</p>	<ul style="list-style-type: none"> <li>• The corporation employs Just-In-Time inventory strategies. The depots retain very low inventory levels, relying on the supply chain to deliver the stocks within the shortest time when they are needed.</li> </ul>

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**Notes to the financial statements**

	2016 Kshs	2015 Kshs
<b>3. SALES</b>		
Bar sales	4,462,191	3,220,024
Restaurant sales	7,248,758	7,497,155
Staff meals	7,403,961	4,650,000
Parties & receptions	26,400,888	32,020,881
<b>Total sales</b>	<u>45,515,798</u>	<u>47,388,060</u>
<b>4. GRANTS FROM NATIONAL GOVERNMENT</b>		
Recurrent grants received	360,625,000	250,000,000
Capital grants received	640,000,000	155,000,000
	<u>1,000,625,000</u>	<u>405,000,000</u>
<b>5. OTHER INCOME</b>		
This is revenue received from the various sources of income		
a) Gate collection& playground	4,816,356	3,972,138
b) Hire of Dancers/halls	8,496,813	22,293,662
c) Rent Income	4,113,548	10,445,360
e) Sundry Income	<u>1,496,382</u>	<u>2,615,220</u>
	<u>18,923,099</u>	<u>39,326,380</u>

**a) Gate Collections & Playground, Video & Filming**

This is revenue from gate charges for entertainment i.e viewing traditional dance and tour of the villages .

**b) Hire Of Dancers, Hall/ Auditorium**

This is revenue received /receivable from the public for hire of dancers and auditorium hall

**c) Rent Income**

This is revenue received /receivable from tenants who occupy part of the company facilities.

**d) Sundry Income**

This comprises items which are not regularly received. This comprises of items not included in the vote heads e.g. consultancy, adverts.

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Notes to the financial statements (cont'd)

**6. Staff costs**

	2016	2015
	Kshs	Kshs
Salaries and allowances for permanent employees		
Wages of temporary employees(casuals)	123,657,489	85,390,076
General Managers salary	15,519,613	12,351,509
Compulsory national health insurance schemes	3,600,000	3,600,000
Compulsory national social security schemes	2,127,680	841,660
Provision for leave paid	4,711,962	4,155,336
	<u>308,928</u>	-
	<u>149,925,672</u>	<u>106,338,581</u>
Number of employees	164	171

**7. Directors emoluments**

Chairman Honorarium	780,000	773,900
Sitting Allowance	7,000,486	-
Travel and Subsistence	<u>1,360,164</u>	-
	<u>9,140,650</u>	<u>773,900</u>

**8. Administration costs**

Motor Vehicle Running& transport	6,310,505	6,767,991
Traveling & Entertainment	14,127,303	10,696,840
Medical Expenses	9,519,067	3,884,675
Dancers Expenses	8,693,900	5,471,264
Food & Accommodation	13,000,890	7,684,698
Guest Dancers	5,399,320	3,256,000
Uniforms for Staff	4,569,483	1,951,684
Publicity & Promotion	10,943,690	11,692,405
Printing & Stationery	4,858,926	5,061,562
Telephone & Postage	2,782,698	2,519,056
Cleaning & laundry	4,087,959	2,872,553
Security Charges	3,607,780	2,014,184
Hiring Charges	11,830,321	9,598,234
Staff Training	4,331,888	2,868,391
Sundry Expenses	2,953,640	2,710,636
Subscriptions & Donations	382,533	1,052,842
Diverse cultural promotion	10,694,328	17,434,819
Computer services	806,398	978,490
Interest & Bank Charges	666,575	809,956
Insurance & Licenses	1,920,861	1,643,553
Legal & professional	6,656,256	3,462,941
Land Rates	403,240	403,240
Electricity & Water charges	8,155,421	9,871,111
Repairs & Maintenance	<u>15,088,871</u>	<u>15,317,150</u>
	<u>151,791,85</u>	<u>130,024,275</u>

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**Notes to the financial statements (cont'd)**

**9. Selling and Distribution Costs**

	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
Purchase – Nyama Choma Bar	10,029,638	8,768,526
Purchases- Parties/ Reception	18,570,788	17,242,351
Purchase – Nyama Choma Restaurant	12,921,796	13,674,942
	<b>41,522,222</b>	<b>39,685,819</b>

**10. General expenses**

Audit fees	232,000	232,000
Provision for Bad debts	<u>76,927</u>	<u>331,225</u>
	<b>308,927</b>	<b>563,225</b>

**11. Depreciation and amortization Expense**

Property, plant and Equipment	<b>62,144,734</b>	<b>45,145,320</b>
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<b>12. Finance Costs (Interest on KTDC Loan)</b>	-	<b>472,038</b>
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**ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016**

Notes to the financial statements (cont'd)

**13. (a) PROPERTY, PLANT AND EQUIPMENT**

2015/16 COST OR VALUATION	Land	Work In Progress	Buildings & Civil Works	Motor Vehicles	Furniture Fittings & Equipment	Computers	Loose Tools	Pumps & Pipes	Totals
At July 1, 2015	76,950,000	444,485,954	1,024,196,821	12,716,938	191,401,662	3,559,263	23,180,318	41,587,076	1,818,078,032
Additions	-	281,067,405	11,839,425	-	15,632,701	3,894,121	482,128	314,960	313,230,740
Transfers	-	(682,730,079)	682,730,079	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2016	76,950,000	42,823,280	1,718,766,325	12,716,938	207,034,363	7,453,384	23,662,446	41,902,036	2,131,308,772
<b>DEPRECIATION</b>									
At July 1, 2015	-	-	151,061,021	10,682,226	104,992,517	3,892,289	20,767,354	27,212,350	317,081,572
Charge for the year On Revaluation surplus	-	-	1,372,722	2,282	-	-	-	200	1,375,204
Charge for year on profit & loss	-	-	42,969,158	508,678	12,755,231	1,526,184	1,447,546	2,937,937	62,144,734
At June 30, 2016	-	-	152,468,940	10,685,268	104,992,517	3,892,289	20,767,354	27,212,600	379,226,307
<b>NET BOOK VALUE</b>	76,950,000	42,823,280	1,523,363,424	1,523,752	89,286,615	3,561,095	1,447,546	11,751,549	1,753,457,669
At June 30, 2014	76,950,000	159,659,917	868,538,567	2,712,950	85,558,952	1,509,511	2,336,275	13,840,625	1,211,106,796
At June 30, 2015	76,950,000	444,485,954	1,024,196,821	12,716,938	191,401,662	3,559,263	23,180,318	41,587,076	1,818,078,032

NOTE: The revaluation of the assets was done in August 1996 By Gatheru Iruungu Mugo Co Ltd. The total value of the assets was Kshs 194,020,600:- (while the value of Fixed assets was Kshs 29,191,433 as at 30/6/1996) as below:-

1. Land - 76,950,000.00
2. Buildings and site works - 109,185,000.00
3. Furniture and equipments - 5,085,600.00
4. Motor Vehicles - 2,800,000.00

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**Notes to the financial statements (cont'd)**

**13 (b) WORK IN PROGRESS**

This refers to the amount spent in putting up the Utamaduni bomas restaurant and the cultural / conference centre within the organization.

	2016 Kshs	2015 Kshs
<b>Work in progress analysis</b>		
Balance brought forward	444,485,954	159,659,917
Additions for the year	<u>281,067,405</u>	<u>284,826,037</u>
Totals –balance carried down	<u><b>725,553,359</b></u>	<u><b>444,485,954</b></u>
Capitalization	<b>(682,730,079)</b>	-
<b>NAICECproject -Balance carried forward</b>	<u><b>42,823,280</b></u>	-

**14. INVENTORIES**

Drinks	253,934	307,703
Cigarettes	8,100	1,500
Provisions(General food stuffs)	<u>1,976,190</u>	<u>623,689</u>
	<u><b>2,238,224</b></u>	<u><b>932,892</b></u>

**15. TRADE AND OTHER RECEIVABLES (LOSS)**

Debtors- long outstanding	5,844,308	5,844,308
Trade Debtors	19,131,545	18,362,272
Staff Debtors	976,098	580,257
Deposits Paid	<u>183,500</u>	<u>183,500</u>
	<u><b>26,135,451</b></u>	<u><b>24,970,337</b></u>
Provision for bad & Doubtful Debts-		
-(10% of trade debtors)	(1,913,154)	(1,836,227)
-(100% of long outstanding debtors over 10 years)	(5,844,308)	(5,844,308)
Provision for ex- staff debtors	<u>(112,135)</u>	<u>(112,135)</u>
	<u><b>18,265,854</b></u>	<u><b>17,177,670</b></u>

**16 CASH AND CASH EQUIVALENTS**

Cash at bank Current A/c – 1108986668	27,875,571	29,381,516
Cash in Bank Current A/c - 1108985580	487,293,432	84,114,462
M-Pesa A/C -880703	436,035	350,427
Cash at Hand	<u>180,540</u>	<u>66,490</u>
	<u><b>515,785,578</b></u>	<u><b>113,912,895</b></u>

The company operates two current accounts with Kenya Commercial Bank Moi Avenue branch

**Notes to the financial statements (cont'd)**

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**17. TRADE AND OTHER PAYABLES**

	<u>2016</u>	<u>2015</u>
	Kshs	Kshs
(a) <b>Trade Creditors</b>	16,462,855	10,316,967
(b) <b>Other Payables</b>		
- Auditor General	660,000	428,000
- Jaribu Credit Traders	6,550	6,550
- Deposit received from tenants	452,175	452,175
- Withholding VAT	712,954	712,954
- COTU	11,300	11,200
- KUDHEIA	33,300	110,719
- NHIF	-	66,710
- NSSF	-	369,604
- Co-operative Bank	-	705,626
- Paymaster General	<u>1,273,173</u>	<u>1,209,434</u>
	<b><u>3,149,452</u></b>	<b><u>4,172,972</u></b>
 TOTALS	 <b><u>19,612,307</u></b>	 <b><u>14,489,939</u></b>

**18. ORDINARY SHARE CAPITAL**

Authorized & Issued 254,000 ordinary shares of Ksh.20/= each

5,080,000      5,080,000

All the issued Share Capital is held by Kenya Tourist Development Company

**19. RETAINED EARNINGS PROFITS/ (LOSSES)**

Balance brought forward	160,394,331	145,271,839
Net Surplus for the year	<u>10,229,842</u>	<u>13,711,281</u>
Total	<b><u>170,624,173</u></b>	<b><u>158,983,120</u></b>
Revaluation Reserve(amortization)	<u>1,375,204</u>	<u>1,411,211</u>
<b>Balance carried forward</b>	<b><u>171,999,377</u></b>	<b><u>160,394,331</u></b>

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**Notes to the financial statements (cont'd)**

**20. REVALUATION RESERVES**

	Kshs	Kshs
Balance brought forward	131,465,410	132,876,621
Less:-depreciation surplus for the year	<u>(1,375,204)</u>	<u>(1,411,211)</u>
Balance carried forward	<u><b>130,090,206</b></u>	<u><b>131,465,410</b></u>

**21. DEFERRED CAPITAL GRANTS**

In 1987 a hall was constructed by the government of Kenya on the Bomas of Kenya limited grounds at a cost of **KSh. 20, 201,445**. The building has since been handed over to the company. The value of the hall has been treated as capital grant in the accounts.

The balance for F/Y 2014/15 brought forward	1,323,001,445.00	1,168,001,445
Deferred Grants for the year 2015/16	<u>640,000,000.00</u>	<u>155,000,000</u>
Balance carried forward	<u><b>1,963,001,445.00</b></u>	<u><b>1,323,001,445</b></u>

**22. TAXATION.**

The company has been making losses over the years realized a surplus and therefore did not provide for tax in the financial statements. However during the year the company realized a surplus of Kshs 10,229,842.00 of which a substantial amount of income was from the Government Grants and therefore no provision for tax made.

**23. RELATED PARTY TRANSACTION**

- a. The Government of Kenya is the principal Shareholder of the company holding 100% of the Company equity.
- b. Tourism Finance Company (TFC) issued a loan to the company; however the Company has settled the outstanding loan and consequently we are in the process of delinking its operations from TFC.

**24. CURRENCY**

The annual report and financial statements are presented in Kenya shillings (Kshs)

**25. PROGRESS ON PRIOR FOLLOW UP OF AUDITORS RECOMMENDATIONS**

**a) Delinking from Tourism Finance Corporation**

The Ministry of Tourism has directed TFC to fastrack the delinking process hence it is expected to be completed in the current financial year (2016/17).

**b) Trade and Other Receivables**

The management has requested the Board of Directors to get approval from the National Treasury to write off the long outstanding debts.

**c) Valuation of Assets**

This has been factored in the current financial year budget. Further, the Ministry of Tourism is working on a model to carry out valuation of State Corporation under it.

**d) Weak Internal Control System**

Bok is in process of recruiting more staffs in the Internal Audit unit so as to have a enough human resource for the Unit. Currently, we have seconded staff from the internal controls of Food and beverage department.

**e) Lack of Profiles for Company Directors**

Profiles for Directors has been incorporated in the financial statement on page v