

## **REPORT OF THE MANAGER**

On behalf of management of Kabarnet Hotel Limited, I am pleased to present to you the annual report and financial statements of the company for the year ended 30<sup>th</sup> June 2015.

During the year 2015, the hotel achieved a loss of Kshs 2,834,000 as compared to Kshs 965,000 in 2014. This is mainly attributed to the payroll support received from Tourist Finance Corporation treated in the book as income, hence reducing the losses.

The management is however hopeful that the ongoing renovation of the burnt wing of facility will yield positive impact and that more efforts will be directed towards increasing operational efficiency and implementing strategies such as advertising and promotion that are directed towards securing more business, within and outside the county.

The running of the facility will mostly depend on the support from the Tourism Finance Corporation to renovate and rehabilitate the remaining parts (rooms) of the facility. The County Government can also assist the hotel by giving business which will boost sales through seminars and workshops.

Finally, on behalf of management and staff of Kabarnet Hotel Ltd, may I express our sincere appreciation to the Board of Directors for their full support, timely guidance and encouragement during the year ended 30<sup>th</sup> June 2015

  
**Benson Kandie**  
**Manager**

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors recognizes the importance of good corporate governance in the company's performance, capital formation and maximization of shareholders value. Accordingly, the Board is committed to maintaining a high standard of corporate governance.

### Board of Directors

The Board consists of Directors who represent the respective shareholders and other stakeholders. The Directors possess broad range of expertise and experience required to direct Kabarnet Hotel. The board holds meetings on a regular basis and a calendar of meetings is prepared annually, while special meetings are called when circumstances require. The Board held regular meetings during the year.

The roles of the Board and management are separate and their responsibilities clearly defined.

The Board defines the Company's Strategic intent, objectives, and values ensure that procedures and practices are in place, to protect the company's assets and reputation. It is responsible for the stewardship of the Company and assumes responsibility for retaining full and effective control over the Company. The Board also controls, supervises and administers the assets of Kabarnet Hotel, determines the provisions to be made for capital and recurrent expenditure of Kabarnet Hotel; enters into association with other bodies or organizations within or outside Kenya as the Board may consider desirable or appropriate; authorise the opening of banking accounts and acts responsibly towards the company's stakeholders.

The conduct of the Board members is consistent with their duties and responsibilities to the company and they must always act within the limitations imposed by the Board.

In order to ensure that the Board is able to discharge its responsibilities, the management is required to provide adequate and timely information on the Company's policies. It also considers an operational report from the Manager, Management accounts for each quarter; reports from specific capital proposals; and major issues and strategic opportunities for the Company.

The Company secretary advises the Board on all corporate governance matters and statutory requirements as well as attends all Board meetings.

## REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2015 which show the state of the hotel's affairs.

### Principal activities

The principal activity of the Company is to manage and operate a hotel by providing accommodation and conference facility services to customers.

### Results

The results of the company for the year ended June 30, 2015 are set out on page 12-29

### Dividends

The directors do not recommend payment of dividends.


### Directors

The members of the Board of Directors who served during the year are shown on page 4 in accordance with Regulation of the company's Articles of Association.

### Auditors

The Auditor General is responsible for the statutory audit of Kabarnet Hotel in accordance with the article 229(4) (5) (6) and (7) of the Constitution and the provisions of the Public Audit Act (2003) which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

  
Mr. Carrey Francis  
Corporate Secretary  
Nairobi  
Date: 29<sup>th</sup> September 2015

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2015. 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 company; (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 company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

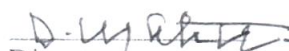
The Directors accept responsibility for the hotel's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2015, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company'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 *company* 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 company's financial statements were approved by the Board on 15<sup>th</sup> September 2015 and signed on its behalf by:

  
Director

  
Director

The trade and other payables also include statutory creditors totaling Kshs.8,109,144 and provisions of Kshs.471,500. The statutory creditors in addition includes amounts totaling Kshs.5,548,238 relating to 2010/2011 and earlier years. No reason has been provided for non-remittance of these statutory dues which may attract penalties and other charges. In addition, the provision balance of Kshs.471,500 includes accumulated audit fees of Kshs.288,000 payable to Auditor-General which has been outstanding for five (5) years.

Consequently, the accuracy of trade and other payables balance of Kshs.10,824,000 as at 30 June 2015 could not be confirmed.

#### **4. Property Plant and Equipment**

The net book value of the tangible assets stood at Kshs.61,335,287 according to the register, while financial statements reported a figure of Kshs.61,289,000, resulting in unexplained and unreconciled difference of Kshs.46,287 as at 30 June 2015.

As reported in the previous years, part of the hotel that got burnt in a fire incident in 2002 has not been repaired and continues to deteriorate. It has also not been clarified whether the Hotel property were insured then and whether any claim has been made as a result to that accident.

In addition, as reported in 2013/2014, excluded from the property, plant and equipment balance of Kshs.61,289,000 is a hotel motor vehicle registration number KTR 625 Volkswagen (Kombi) valued at Kshs.430,074 whose location could not be ascertained and therefore was not physically verified. Further, the revalued amount also includes a fully depreciated motor vehicle KYU 313 which was registered on 30 December 1987 costing Kshs.120,000 with net book value of Kshs.28,000 as at 30 June 2015. The vehicle appears unserviceable and has been grounded for more than nine (9) years. It is not clear why it has not been fully depreciated and disposed off.

In the circumstances, it has not been possible to ascertain the existence, completeness and accuracy of the balance of Kshs.61,289,000 and that the property, plant and equipment balance is fairly stated as at 30 June 2015.

#### **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 Kabarnet Hotel Limited as at 30 June 2015, 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 Public Finance Management Act, 2012.

## **Emphasis of Matter**

### **Going Concern**

During the year under review, the Hotel made a loss of Kshs.2,832,000 compared to a loss of Kshs.965,000 during the year 2013/2014 resulting in accumulated losses of Kshs.73,636,000 as at 30 June 2015. In addition, the current liabilities of Kshs.52,668,000 exceeded current assets of Kshs.8,095,000 resulting in a negative working capital of Kshs.28,282,000 as at 30 June 2015.

Further, the Hotel has been unable to settle long outstanding liabilities including long term loans amounting to Kshs.18,559,000 and advances of Kshs.41,844,000 due to Kenya Tourism Finance Corporation (TFC), statutory liabilities of Kshs.2,243,000 and Other Trade Payables amounting to Kshs.8,581,000.

Consequently, the Hotel is technically insolvent and may not be able to meet its obligations as and when they fall due and its continued operation as a going concern is dependent on the support of the parent corporation, creditors and bankers.

My opinion is not qualified in respect of this matter.



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

**Nairobi**

**21 September 2016**

**STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 KShs '000'	2014 KShs '000'
Sales	1	7,619	6,019
Other Income	3	691	561
Grants From TFC - Payroll support	2	4,716	4,790
<b>TOTAL REVENUES</b>		<b>13,026</b>	<b>11,370</b>
<b>REVENUES</b>			
<b>OPERATING EXPENSES</b>			
Administration Costs	4(a)	13,817	10,229
Selling and Distribution Costs	5	137	157
Depreciation of property, plant and equipment	7	1,904	1,949
<b>TOTAL OPERATING EXPENSES</b>		<b>15,858</b>	<b>12,335</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>(2,832)</b>	<b>(965)</b>
Finance Income		-	-
Finance Costs		-	-
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>		<b>(2,832)</b>	<b>(965)</b>
<b>PROFIT/ (LOSS)</b>		<b>(2,832)</b>	<b>(965)</b>

KABARNET HOTEL LIMITED  
 Reports and Financial Statements  
 For the year ended June 30, 2015

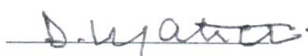
STATEMENT OF FINANCIAL POSITION  
 AS AT JUNE 30, 2015

	Note	2015 Kshs '000'	2014 Kshs '000'
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	7	61,289	63,091
<b>Total Non-Current Assets</b>		<b>61,289</b>	<b>63,091</b>
<b>Current Assets</b>			
Inventories	9	146	98
Trade and other receivables	10	5,276	5,640
Bank and cash balances	11	2,673	2,751
<b>Total Non-Current Assets</b>		<b>69,384</b>	<b>71,580</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	12	5,000	5,000
Revaluation reserve	13	66,793	66,793
Fair value adjustment reserve	14	-	-
Accumulated losses		(73,636)	(66,088)
Proposed dividends		-	-
<b>Capital and Reserves</b>		<b>(1,843)</b>	<b>5,705</b>
<b>Non-Current Liabilities</b>			
Borrowings	15	18,559	18,559
Deferred tax liability		-	-
<b>Total Non-Current Liabilities</b>		<b>18,559</b>	<b>18,559</b>
<b>Current Liabilities</b>			
Borrowings	17(b)	41,844	37,128
Trade and other payables	16	10,824	10,189
Retirement benefit obligations		-	-
Provision for leave pay		-	-
Dividends payable		-	-
<b>Total Current Liabilities</b>		<b>52,668</b>	<b>47,317</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>69,384</b>	<b>71,580</b>

The financial statements were approved by the Board on \_\_\_\_\_ 2015 and signed on its behalf by:



Chairman



Member

**STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED JUNE 30, 2015**

	Ordinary share capital ksh'000'	Revenue Reserve ksh'.000'	Revaluation Reserve ksh'000'	Shareholders Equity Ksh. '000'
At July 1, 2013	5,000	(60,333)	66,793	11,460
Total comprehensive income		(4,405)	-	(4,405)
At June 30, 2014	5,000	(66,088)	66,793	5,705
At July 1, 2014	5,000	(66,088)	66,793	5,705
Total comprehensive income		(2,832)		(2,832)
Grants from TFC		(4,716)		(4,716)
At June 30, 2014	5,000	(73,636)	66,793	<u>(1,843)</u>

STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Kshs '000'	2014 Kshs '000'
<b>OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations		23	882
<b>Net cash generated from/(used in) operating activities</b>	<b>17(a)</b>	<u>23</u>	<u>882</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of intangible assets			
Purchase of investment property		(102)	(226)
Purchase of quoted investments			
<b>Net cash generated from/(used in) investing activities</b>		<u>(79)</u>	<u>656</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash generated from/(used in) financing activities</b>		<u>(79)</u>	<u>656</u>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>(79)</u>	<u>656</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>2,752</u>	<u>2,096</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u><u>2,673</u></u>	<u><u>2,752</u></u>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED JUNE 30, 2015

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### 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 company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company and all values are rounded to the nearest thousand (Kshs'000).

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

### b. Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company 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 company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### c. In-kind contributions

In-kind contributions are donations that are made to the *company* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *company* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

### d. 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.

### e. Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	25 years or the unexpired lease period (2.5% p.a)
Plant and machinery	(12.5% p.a)
Motor vehicles, including motor cycles	25%
Computers and related equipment	33.3%
Office equipment, furniture and fittings	12.5%

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Depreciation and impairment of property, plant and equipment (Continued)

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.

### f. 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.

### g. 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.

### h. 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, and which are not occupied by the *company*, are classified as investment property under non-current assets.

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.

### i. Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the *company* are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **j. Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

### **k. Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

### **l. Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

### **m. Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

### **n. 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.

### **o. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. 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.

q. Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

r. 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 *company* or not, less any payments made to the suppliers.

s. 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 Kshs.200 per employee per month.

t. Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### u. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the *company* operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### v. Comparative figures

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

### w. Subsequent events

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

### X. Disclosures of the interrelates Parties

The National government manages the facility through the Tourism Finance Corporation.



**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	2015 Kshs '000'	2014 Kshs '000'
<b>1. SALES</b>		
Gross sales of goods	11,812	9,452
Gross sales of services	-	-
Less: Cost of Sales	(4,193)	(3,433)
	<u>7,619</u>	<u>6,019</u>

*{Gross Sales comprises of revenue from accommodation, Food, Beverages & tobacco}*

**2. OTHER INCOME**

Cash donations		-	-
Other Income	691	561	
		<u>691</u>	<u>561</u>
		=====	=====

*(Mainly, revenue from ,hire of conference facilities,swimming pool,and laundry)*

**3.GRANTS FROM NATIONAL GOVERNMENT**

TFC- payroll support		4,716	4,790
Capital grants received		-	-
		<u>4,716</u>	<u>4,790</u>
		=====	=====

*{Advance from TFC made monthly to assist in payment of salaries}*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. (a) ADMINISTRATION COSTS

Staff costs (note 4b)	7,365	4,483
Directors' emoluments	80	25
Electricity and water	983	943
Transportation, travelling and subsistence	204	209
Advertising, printing, stationery and photocopying	316	188
Rent expenses	-	-
Staff training expenses	48	105
Hospitality supplies and services	18	61
Insurance costs	-	-
Bank charges and commission	53	26
Office and general supplies and services	-	-
Auditors' remuneration	48	48
Legal fees	-	-
Consultancy fees	-	-
Repairs and maintenance	2,432	695
Provision for bad and doubtful debts	-	-
Other operating expenses	2,270	3,445
	<u>13,817</u>	<u>10,229</u>
	=====	=====

4 b) STAFF COSTS

Salaries and allowances of permanent employees	5,443	3,466
Wages of temporary employees	1,560	927
Compulsory national social security schemes	46	47
Leave pay and gratuity provisions	252	5
Staff welfare	64	44
	<u>7,365</u>	<u>4,483</u>
	=====	=====

The average number of employees at the end of the year was:

Permanent employees – Management	1	1
Permanent employees – Unionisable	18	18
Temporary and contract employees	14	12
	<u>33</u>	<u>31</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SELLING AND DISTRIBUTION COSTS	2015	2014
	Ksh	Kshs
	000	000
Salaries and wages of sales personnel	-	-
Marketing and promotional expenses	18	157
Sales commissions	119	-
Sales discounts and rebates	-	-
Other selling and distribution costs	-	-
	<u>137</u>	<u>157</u>
	=====	=====
<b>6. OPERATING PROFIT/(LOSS)</b>		
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 4)	7,365	4,489
Depreciation of property, plant and equipment-Note 7	1,904	1,949
	<u>          </u>	<u>          </u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 KShs '000'	2014 KShs '000'
<b>10. BANK AND CASH BALANCES</b>		
Cash at bank	2,629	2,714
Cash in hand	44	36
	2,673	2,750

(Cash at bank and petty cash balance at June 2014)

**11. ORDINARY SHARE CAPITAL**

**Authorised:**

250,000 ordinary shares of Kshs.20 par value each

5,000	5,000
5,000	5,000

**Issued and fully paid:**

250,000 ordinary shares of Kshs. 20 par value each

5,000	5,000
5,000	5,000

*[The share capacity as at June 2014 is the same as it was on June 30<sup>th</sup>, 2013]*

**12. REVALUATION RESERVE**

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

This is the revaluation of property, plant and equipment done in the year 2010.

	2015 Ksh. '000'	2014 Ksh. '000'
Revaluation at beginning of the year	66,793	66,793

There were no revaluation during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. FAIR VALUE ADJUSTMENT RESERVE

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

14. BORROWINGS	2015 KSh. '000'	2014 Ksh. '000'
<b>Domestic Borrowing</b>		
Balance at the beginning of the year	18,559	18,559
Domestic borrowings during the year	-	-
	-----	-----
Balance at end of the year	<u>18,559</u>	<u>18,559</u>
 (Loan to the hotel from TFC)		

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. TRADE AND OTHER PAYABLES**

Trade Payables	2,243	2,353
Accrued expenses	-	-
Other payables	<u>8,581</u>	<u>7,218</u>
	<u>10,824</u>	<u>9,571</u>

(Statutory deduction, VAT, CLT, and suppliers)

**16. NOTES TO THE STATEMENT OF CASH FLOWS**

	ksh. ' 000'	Ksh. ' 000'
	2015	2014
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	(2,832)	(965)
Depreciation	1,904	1,949
Amortisation	-	-
Operating profit/(loss) before working capital changes	<u>(928)</u>	<u>984</u>
(Increase)/decrease in inventories	(48)	10
(Increase)/decrease in trade and other receivables	364	(730)
Increase/(decrease) in trade and other payables	635	618
Increase (decrease) in TFC	-	-
Cash generated from/ (used in) operations	<u>23</u>	<u>882</u>

**17.( b) Analysis of changes in loans**

Balance at the beginning of the year	37,128	32,338
Receipts during the year	4,716	4,790
Repayments during the year	-	-
Balance at end of the year	<u>41,844</u>	<u>37,128</u>

(Advance for payroll support from TFC)

**17. INCORPORATION**

The company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.