

REPUBLIC OF KENYA

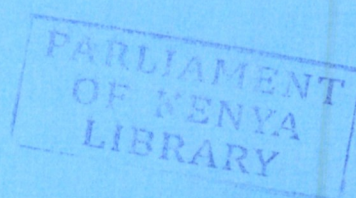


OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 11/7/2019 2019 Day: Wednesday

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
BOMAS OF KENYA LIMITED**

**FOR THE YEAR  
ENDED 30 JUNE 2018**



# **BOMAS OF KENYA LIMITED**



**B O M A S**  
O F K E N Y A L T D

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2018**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the  
International Financial Reporting Standards (IFRS).**

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**BOMAS OF KENYA LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

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**FOR THE YEAR ENDED 30 JUNE 2018**

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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 Ministry of 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 2017/18, 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 (65) OGW,<br/>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, (59)<br/>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 Jomo 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<br/>Mohamed, Principal<br/>Secretary – Ministry of<br/>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 chairperson for 5 years.</p> |
|  <p><b>Khadija M. Awale (57),<br/>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>  |

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**Joseph Magua Karago (56),  
Director**

Joined Bomas of Kenya Board on 17th April, 2015. He is an Architect and expertise in strategy & policy formulation, programme & 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.



**Francis S. Njoroge (56),  
Director**

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.



**Saima Ondimu (53), Director**

Ms Saima Ondimu was appointed as on on 17th April, 2015 as the appointee of the Principal Secretary Ministry of Sports, Culture & 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.



**Jonah T. Orumoi, (40),  
Director**

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 & 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 & Finance) from East London University, UK.

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**Martha Wariithi (50),  
 Director**

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 & Sociology from University of Nairobi (Kenya) and a Masters in Local Economic Development from Middlesex University (UK)








**Kenneth Karani (43),  
 Director**

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 & business administration from the Jommo Kenyatta University of Science & Technology (JKUAT) and Kenyatta University respectively.

**BOMAS OF KENYA LIMITED**  
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**MANAGEMENT TEAM**

|   |  |
|---|--|
|  <p><b>Quresh H. Ahmed, (59)</b><br/> <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 (47)</b></p>                                | <p><b>Finance &amp; Administration Manager</b><br/>         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 (37)</b></p>                           | <p><b>Human Resource Officer</b><br/>         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 (53)</b></p>                 | <p><b>Production Manager</b><br/>         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 (39)</b></p>                    | <p><b>Property Manager</b><br/>         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>  |

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|   |  |
|---|--|
|    | <p><b>Ag. Food and Beverage Manager</b><br/>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 and Bachelor's degree in Hospitality from Moi University. He is the in charge of the food and Beverage department</p>   |
|   | <p><b>Public Relations and Communications Officer</b><br/>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 &amp; Supplies and Bachelor's degree in Public relations from University of Nairobi. He oversees management of public relations activities and media monitoring to enhance corporate image of the BoK.</p>   |
|  | <p><b>Marketing and Corporate Communication Manager.</b><br/>Everlyne Lusweti is a devoted, skilled marketing &amp; corporate sales specialist with over 18 years of practical expertise working with leading Media houses in Kenya &amp; Tanzania. She has led marketing &amp; sales teams at Nation Media Group, Standard Media Group and her recent posting was at IPP Media Group in Tanzania. She provides efficient client relationship management, training on selling processes, industry focus and boosting financial growth of business organisation. She is highly driven by corporate customer service and possesses strong sense of urgency with regard to client satisfaction. She holds a Masters of Business Administration (MBA) Degree in Strategic Management from University of Nairobi and a Bachelor of Arts Degree in Communication &amp; Business Administration from Daystar University, and has various certification in marketing, management &amp; leadership.</p> |

**John Swenson Ekahl (48)**

**Benard Onger (45)**

**Everlyne Lusweti Sitawa (44)**

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**CHAIRMAN'S STATEMENT**

I wish to thank the board members who participated in overseeing Bok activities in the financial year 2017/18 through various committees and board meetings. The board successfully did hold the major event under which Bomas facility was used as the National tallying Centre by the Independent Electoral Boundaries Commission. The event did have positive publicity to BoK both locally and globally since it was followed closely by Kenya's global partners. I am pleased to present to you a report on the performance of BOK for the financial year ended June, 2018.

**FINANCIAL RESULTS**

During the financial year, BoK was able to generate internally revenue mainly from holding that National General Election and Repeat Presidential Election. The increase in revenue is mainly attributed to successful election event since aggressive bidding was done to ensure business to the institution. It should be noted that as government grants reduces BoK is working on marketing strategies to ensure cash flow is adequate to support running the institution including the now enhanced rates of BoK products pricing that took effect January 2018.

**CORPORATE GOVERNANCE**

In the year under review 2017/18, three directors i.e Mrs. Khadija Awale, Mr. Joseph Karago and Mr. Francis Nkoitoi successfully completed three year contract term which ended on 16<sup>th</sup> April, 2018. I take this opportunity to sincerely thank all the Directors for the support they accorded the board during their tenure at Bomas of Kenya Limited.

**FUTURE OUTLOOK**

The corporation performance is directly affected by tourists' arrivals and stability of the economy. BoK is closely working Kenyatta International Convention and Exhibition Centre (KICC) in ensuring that the Meeting Incentive Conference Exhibition (MICE) is the main product in driving revenue of the institution. Further, the board has now recruited head of marketing department and is spearheading the products brand and rigorous marketing.

**APPRECIATION**

I hasten to add that we would not have existed without our various stakeholders and I am thankful to them. I am extremely thankful to Management and staff, Ministry of Tourism and Wildlife, The National Treasury, Government of Kenya and other stakeholders for their support during the financial year 2017/18.



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

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

BoK was able to secure holding of both the National General Election and Repeat Presidential Election in the Months of August and October 2018, these functions gave the institution publicity both locally and globally. The event demonstrated the preparedness that the board has put in place for the institution to hold high end event since the institution was closed for five months to the public. The completion of the perimeter wall has ensured the security within BoK can easily be monitored. The event led to reduced school parties during this period hence reduction in the number of schools that visited the institution.

**BUSINESS PERFORMANCE**

BoK overall performance was positive with a surplus of 25 Million being 16 Million increase from the prior year 2016/17. The Government grant increased by 9 Million during the supplementary budget hence the staff medical insurance was well enhanced. However, the development budget was reduced by 140 Million.

**EMPLOYEE RETENTION AND MOTIVATION**

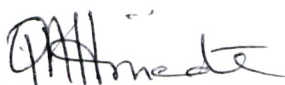
The total staff establishment as at 30<sup>th</sup> June 2018 was 187 employees from the prior year which was 165 due to recruiting the artists and key personnel in other department including the head of marketing department.

**CONCLUSION AND FUTURE OUTLOOK**

The development of strategic plan 2018 -2022 is in progress as the previous one ended December 2017. The new strategic plan will be launched soon. The board will develop Nairobi International Convention and Exhibition Centre (NAICEC), which is a vision 2030 flagship project. The Feasibility Study Report has been presented to the Ministry of Tourism & Wildlife for onward transmission to the Public Private Partnership (PPP) Unit of the National Treasury for implementation.

**APPRECIATION**

I wish to thank the Board, Management and Staff of BoK for dedicating their time and efforts to ensuring that BoK achieved a very successful financial year.



**QURESH H. AHMED, OGW**  
**GENERAL MANAGER**

**BOMAS OF KENYA LIMITED**  
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## **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 operated during the financial year included: Finance and human resource committee; Audit Committee; Development and Investments; and Operational Committee.. However, new committees were not in place as at 30<sup>th</sup> June, 2018 since the board is awaiting replacement of the board members that left BoK during the financial year under report.

## **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.

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**Credit Risk**

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 NAICEC project. However, the contract expired before SIB delivered all the milestone as per the contract through Price Waterhouse Coopers (PWC).

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

**BOMAS OF KENYA LIMITED**  
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**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 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, 2018 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.

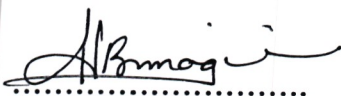
**Directors**

During the year ended 30th June, 2018 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 Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

**By Order of the Board**

  
.....

Date 26<sup>th</sup> Sept, 2018

**BOMAS OF KENYA LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 14 of the state Corporations Act, it require 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 ended on June 30, 2018. 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.

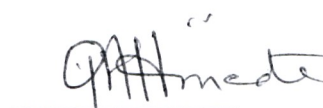
The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required 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, 2018, 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 26<sup>th</sup> Sept, 2018 and signed on its behalf by:

  
CHAIRMAN

  
DIRECTOR

# REPUBLIC OF KENYA

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E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.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 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Bomas of Kenya Limited set out on pages 1 to 25, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and 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.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bomas of Kenya Limited as at 30 June 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Kenya Companies Act, 2015.

#### Basis for Qualified Opinion

##### 1. Trade and Other Receivables

Note 15 (a) to the financial statements reflects trade and other receivables balance of Kshs.57,201,472 which includes Kshs.39,974,796 disclosed as Little Theatre and Ushanga Kenya receivable. However, verification of records maintained at the Company revealed the following matters:

##### a) Little Theatre Club

Little Theatre Club, situated on a land referenced LR. No. MSA/BLOCKXL/VII/24 along Mbaraki Road in Mombasa Municipality, was declared a national monument through a Gazette Notice dated 24 October 2001.

The Ministry of Tourism, in a letter referenced MOT/3/17 dated 23 November 2016, requested Bomas of Kenya Limited to undertake funding for infrastructure improvement

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*Report of the Auditor-General on the Financial Statements of Bomas of Kenya Limited for the year ended 30 June 2018*

of Little Theatre Club at a cost not exceeding Kshs.50 million with the Ministry pledging to reimburse Bomas of Kenya Limited the same amount from Tourism Recovery Funds.

Subsequently, Bomas of Kenya Limited procured Xtreme Engineering Ltd vide Tender No. Bok/LTC/08/2017 to carry out the works at a contract sum of Kshs.48,739,204. The following anomalies were however noted;

- i. No reimbursement has been made to Bomas of Kenya Limited from the Ministry despite numerous requests and commitment of Kshs.36,208,770.
- ii. The Memorandum of Understanding between Little Theatre Club and Bomas of Kenya Limited had not been signed.
- iii. The contract had been extended twice; 1st by 12 weeks and later by 3 weeks but no letter of request for extension from contractor was availed for audit review.
- iv. The latest status report of the project dated 22 October 2018 includes a proposed variation of works amounting to Kshs.18,163,134 which equates to 37% of the original contract contrary to the provisions of the Public Procurement and Asset Disposal Act.
- v. Contracted works were not completed as at the date of the audit.

#### **b) Ushanga Initiative**

The Ministry of Tourism through a letter referenced MOT/CONF.1/61/01 Vol (1) B), requested Bomas of Kenya Limited to allocate space for Ushanga Kenya Centre following Presidential directive and Bomas of Kenya assented to the request. Records maintained at Company indicate that the management in a letter dated 25 May 2018 requested the Ministry of Tourism to re-imburse Kshs.3,766,026 incurred in respect of operationalization of Ushanga Kenya Initiative. The amount had not been reimbursed as at the close of the year and now disclosed under Note 15 (a) as Little Theatre and Ushanga Kenya receivable.

Consequently, failure by the Ministry to re-imburse Bomas of Kenya Limited the amounts incurred may have impacted negatively on its financial affairs.

## **2. Prior year Issues**

### **a) Trade and Other Receivables**

As similarly reported in previous years, trade and other receivables balance of Kshs.57,201,472 as at 30 June 2018 is net of Kshs.5,844,308 which has been outstanding for over 12 years which is fully provided for. In spite of the Public Investments Committee having recommended to the Board to regulate the debts, the matter is yet to be resolved.

As a result, it has not been possible to confirm that trade and other receivables balance of Kshs.57,201,472 in the financial statements is fairly stated.

## **b) Valuation of Assets**

The statement of financial position reflects a balance of Kshs.2,310,728,998 under property, plant and equipment as at 30 June 2018. However, and as similarly reported in the previous year, the last revaluation for the assets was conducted in 1996. Consequently, the Company has not revalued its assets in the last 22 (twenty two) years to take cognizance of the drastic change in value of its assets contrary to the International Accounting Standard No.16 which stipulates the property, plant and equipment should be revalued after every five years.

Further, the Company does not possess ownership documents for the land on which it operates. Although the original title, L.R. No.12066 (L.R. No.26510) was released by Tourism Finance Corporation to the Ministry of Tourism on 28 September 2017, the Ministry has not yet forwarded the title to Bomas of Kenya Limited. This has hindered execution of planned activities such as boundary re-alignment and valuation of land. Consequently, it has not been possible to ascertain the accuracy and ownership of the property, plant and equipment balance of Kshs.2,310,728,998 as at 30 June 2018.

## **c) Unpaid Compensation for Compulsory Land Acquisition**

Kenya Urban Roads Authority compulsorily acquired 0.8055 hectares (2 acres) on L.R.No.12066 vide gazette notice No.11155 of 8 August 2013 for the purpose of rehabilitating and upgrading the section of Langata road lying between the Kenya Wildlife Service (KWS) head office and Bomas of Kenya Limited. The Company was to be paid Kshs.85 million as compensation for the acquisition based on valuation done by a local valuation company. However, available records indicate that the compensation has not been paid yet.

No plausible explanation has been provided for the failure to compensate the Company for the land it surrendered for public use several years ago.

## **Emphasis of Matter**

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

As previously reported in 2016/2017 and as indicated under note 18 to the financial statements, the Company is fully (100%) owned by Tourism Finance Corporation (formerly Kenya Tourist Development Corporation) through some 254,000 shares of Kshs.20 each with a book value of Kshs.5,080,000.

Available records indicate that, the process to delink the Company from Tourism Finance Corporation so that it may become an independent parastatal was mooted in 1992 to enable the Company institute proper management and investment policies that would turn it to a self-sustaining organization. Following the request by the management, the Board of the then Kenya Tourist Development Corporation in its meeting of 17 June 1992 resolved to delink the Company from the Corporation.

In 1994, the Public Investment Committee and the Parliamentary Accounts Committee, with Treasury's agreement, recommended the commencement of the delinking process. In 2002, the Office of the Attorney-General had in their legal interpretation and in reference to the State Corporation Act Cap 446, also concluded that one

Government parastatal cannot own another. However, in spite of these interventions, very minimal progress appears to have been made on the delinking process. As a result, the Company continues to face operational and legal challenges in meeting its obligations through the Tourism Finance Corporation.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Bomas of Kenya Limited in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Conclusion on Compliance and Effectiveness section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, Except for matters discussed on Report on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance, were not effective.

## **Basis for Conclusion**

### **Lack of Risk Management Framework**

Risk Management Framework initiative is informed by good corporate governance practice and need to be proactive as opposed to reactive in managing risks. Apparently, as at the time of audit the Company had not developed and implemented a risk management framework. This is contrary to the Section 165 (1) of Public Finance Management Regulations 2015 which requires that an accounting officer of a National Government entity shall see to it that the entity develops a risk management strategy which include fraud prevention mechanism. In the circumstances, the risks pertinent to the Company may not be appropriately addressed unless risk management processes for identifying and responding to the risks are properly documented.

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

### **REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015**

As required by the Companies Act, 2015 I report based on the 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, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- (iii) The financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal

control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

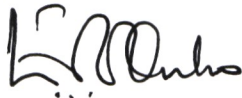
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**24 April 2019**

**STATEMENT OF PROFIT /(LOSS) AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018**

|                                    | <u>NOTE</u> | <b>2018</b><br><b>KSHS</b> | <b>2017</b><br><b>KSHS</b> |
|------------------------------------|-------------|----------------------------|----------------------------|
| <b><u>Revenue</u></b>              |             |                            |                            |
| Sales                              | 3           | 22,721,538                 | 101,663,304                |
| Revenue from IEBC Event            | 3(a)        | 283,051,698                | -                          |
| Grant from National Government     | 4           | 249,768,517                | 240,000,000                |
| Other income                       | 5           | 15,258,680                 | 20,973,219                 |
| <b>Total Revenue</b>               |             | <b><u>570,800,433</u></b>  | <b><u>362,636,523</u></b>  |
| <b><u>Operating Expenses</u></b>   |             |                            |                            |
| Staff Costs                        | 6           | 138,396,719                | 131,976,589                |
| Board Emoluments                   | 7           | 8,906,416                  | 9,482,701                  |
| Administration Costs               | 8           | 117,059,298                | 97,275,831                 |
| Selling and distribution costs     | 9           | 15,030,264                 | 45,529,796                 |
| Other Costs – IEBC                 | 3(a)        | 196,616,313                | -                          |
| Audit Fee                          | 10          | 232,000                    | 464,000                    |
| Depreciation                       | 11          | <u>69,523,840</u>          | <u>69,258,389</u>          |
|                                    |             | <b><u>545,764,849</u></b>  | <b><u>353,987,306</u></b>  |
| Finance Costs;                     |             |                            |                            |
| Interest expense                   | 12          | =                          | =                          |
| Net Surplus / (Deficit) before tax |             | <b>25,035,583</b>          | <b>8,649,217</b>           |
| <b>Profit /(Loss) After Tax</b>    |             | <b><u>25,035,583</u></b>   | <b><u>8,649,217</u></b>    |

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


**BOMAS OF KENYA LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2018**

|   |    | 2018                        | 2017                        |
|---|----|-----------------------------|-----------------------------|
| <u>ASSETS</u>                             |    | KSHS                        | KSHS                        |
| <b>Non –current assets</b>                |    |                             |                             |
| Property Plant & Equipment                | 13 | 2,310,728,998               | 2,148,869,544               |
| <b>Total Non-Current Asset</b>            |    | <b><u>2,310,728,998</u></b> | <b><u>2,148,869,544</u></b> |
| <b>Current Assets</b>                     |    |                             |                             |
| Inventories                               | 14 | -                           | 3,745,424                   |
| Trade and other Receivables               | 15 | 57,201,473                  | 19,280,200                  |
| Cash and cash equivalents                 | 16 | 174,221,877                 | 286,763,086                 |
| <b>Total Current Assets</b>               |    | <b><u>231,423,350</u></b>   | <b><u>309,788,710</u></b>   |
| <b>Total Assets</b>                       |    | <b><u>2,542,152,348</u></b> | <b><u>2,458,658,254</u></b> |
| <br><b><u>EQUITY AND LIABILITIES:</u></b> |    |                             |                             |
| <b>Capital And Reserves</b>               |    |                             |                             |
| Share Capital                             | 18 | 5,080,000                   | 5,080,000                   |
| Retained Earnings                         | 19 | 208,329,404                 | 181,988,868                 |
| Revaluation Reserve                       | 20 | 127,408,965                 | 128,713,918                 |
| Deferred Capital Grant                    | 21 | 2,143,001,445               | 2,123,001,445               |
| <b>Total Capital And Reserves</b>         |    | <b><u>2,483,819,814</u></b> | <b><u>2,438,784,231</u></b> |
| <b>Current Liabilities</b>                |    |                             |                             |
| Trade and other payables                  | 17 | 58,068,814                  | 19,874,023                  |
| <b>Total Equity &amp; Liabilities</b>     |    | <b><u>2,542,152,348</u></b> | <b><u>2,458,658,254</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 26<sup>th</sup> Sep, 2018 and signed on its behalf by:

  
 .....  
 Chairman

Date 26/09/2018

  
 .....  
 Chief Executive Officer

Date 26/09/2018

**BOMAS OF KENYA LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF CHANGES IN EQUITY**

|  | ORDINARY<br>SHARE<br>CAPITAL | RETAINED<br>EARNINGS | REVALUATION<br>RESERVE | DEFERRED<br>CAPITAL<br>GRANT | TOTAL         |
|--|------------------------------|----------------------|------------------------|------------------------------|---------------|
|  | <u>KSHS</u>                  | <u>KSHS</u>          | <u>KSHS</u>            | <u>KSHS</u>                  | <u>KSHS</u>   |
| As at 30 <sup>th</sup> June 2016                               | 5,080,000                    | 171,999,377          | 130,054,193            | 1,963,001,445                | 2,270,135,015 |
| As at 1 <sup>st</sup> July 2016                                | 5,080,000                    | 171,999,377          | 130,054,193            | 1,963,001,445                | 2,270,135,015 |
| Net surplus/(Deficit) for the year 30 <sup>th</sup> June, 2017 |                              | 8,649,217            |                        |                              | 10,229,842    |
| Revaluation reserve  |                              | 1,340,275            | -1,340,275             |                              |               |
| Capital Grant  |                              |                      |                        | 640,000,000                  | 640,000,000   |
| As at June 2017  | 5,080,000                    | 181,988,868          | 128,713,918            | 2,123,001,445                | 2,438,784,232 |
| As at July 1, 2017   | 5,080,000                    | 181,988,868          | 128,713,918            | 2,123,001,445                | 2,438,784,343 |
| Net Profit/(Loss) for the year 30 <sup>th</sup> June 2018      |                              | 25,035,583           |                        |                              | 25,035,583    |
| Revaluation Reserve  |                              | 1,304,953            | -1,304,953             |                              |               |
| Capital Grant  |                              |                      |                        | 20,000,000                   | 20,000,000    |
| As at 30 <sup>th</sup> June 2018                               | 5,080,000                    | 208,829,404          | 127,408,965            | 2,143,001,445                | 2,483,819,814 |

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

**BOMAS OF KENYA LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF CASH FLOWS**

|   | Notes | 2018<br>KSHS                | 2017<br>KSHS                |
|---|-------|-----------------------------|-----------------------------|
| Net Surplus/(Deficit) for the year                                |       | <u>25,035,583</u>           | <u>8,649,217</u>            |
| <b><u>Add: Items not involving Movement of Cash:</u></b>          |       |                             |                             |
| Provision for Depreciation  | 11    | 69,523,840                  | 69,258,389                  |
| Provision for audit fee   | 10    | 232,000                     | 464,000                     |
| Gain on provision for bad debt                                    | 1     | <u>152,018</u>              | <u>31,578</u>               |
|   |       | <b><u>69,907,858</u></b>    | <b><u>69,753,967</u></b>    |
| <b><u>Add: Changes in Working Capital:</u></b>                    |       |                             |                             |
| (Increase)/ Decrease in Inventories                               | 14    | 3,745,272                   | (1,507,198)                 |
| (Increase)/ Decrease in Receivables                               | 15    | (37,921,271)                | (1,014,346)                 |
| Increase/ (Decrease) in Payables                                  | 17    | <u>37,810,773</u>           | <u>261,716</u>              |
|   |       | <b><u>(3,634,925)</u></b>   | <b><u>(2,259,830)</u></b>   |
| <b>Cash Generated From Operations</b>                             |       | <b>98,578,365</b>           | <b>76,143,354</b>           |
| Provisions for leave paid   | 6     | <u>(263,720)</u>            | <u>(495,580)</u>            |
| <b>Net Cash from Operations</b>                                   |       | <b>98,842,085</b>           | <b><u>75,647,774</u></b>    |
| <b><u>INVESTING ACTIVITIES.</u></b>                               |       |                             |                             |
| Purchase of Fixed Assets/Work in progress                         | 13    | (231,383,296)               | (464,670,266)               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |       |                             |                             |
| Development Grants  | 4     | <u>20,000,000</u>           | <u>160,000,000</u>          |
| Net Increase/(Decrease) in Cash and Cash equivalents              |       | <b><u>(112,541,210)</u></b> | <b><u>(229,022,492)</u></b> |
| <b><u>Add:</u></b> Beginning Balance of Cash and Cash Equivalents |       | <u>286,763,088</u>          | <u>515,785,578</u>          |
| <b>ENDING BALANCE OF CASH &amp; CASH EQUIVALENTS</b>              | 16    | <b><u>174,221,878</u></b>   | <b><u>286,763,086</u></b>   |

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

**BOMAS OF KENYA LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL**

| Revenue                        | A                  | B                  | C=B-A       | D=C/B       | Remark | Explanations                             |
|--------------------------------|--------------------|--------------------|-------------|-------------|--------|--|
| ITEM                           | 2017/2018          | Current            | Variance    | Variance    | U/F    |  |
|                                | Final Approved     | Year               | Budget to   | In          |        |  |
|                                | Budget             | 2017/2018          | Actual      | Percentage  |        |  |
|                                | KSHS.              | Actual             | Year        | (%)         |        |  |
|                                | KSHS               | KSHS.              |             |             |        |  |
| Bar & Restaurant Sales         | 61,601,671         | 22,721,538         | -38,880,133 | (65.57)     | U      | Closure of Bok for General Elections     |
| Revenue from IEBC              | 0                  | 283,051,698        | 283,051,698 |             |        | Business from IEBC Event                 |
| Grant from National Government | 249,768,517        | 249,768,517        | -           | -           | F      | Gok provided funds as per budget         |
| Other                          | 45,885,281         | 15,106,662         | -30,778,619 | (67.08)     | U      | Closure of Bok for General Elections     |
| <b>Total Revenue</b>           | <b>357,255,469</b> | <b>569,133,477</b> |             | <b>9.30</b> |        |  |
| <b>Operating Expenses</b>      |                    |                    |             |             |        |  |
| Administration Costs           | 276,130,566        | 253,789,061        | 22,341,505  | (8.09)      | F      | Was within budget and made savings.      |
| Other Costs – IEBC             |                    | 196,616,313        | -           | 196,616,313 |        | IEBC Event Costs                         |
| Board Emoluments               | 14,900,400         | 8,906,416          | 5,993,984   | (40.23)     | F      | Was within budget and made savings.      |
| Selling and distribution costs | 40,826,948         | 15,030,264         | 25,796,684  | (63.19)     | U      | IEBC Event & Leasing Restaurant facility |
| Audit fee                      | 232,000            | 232,000            | 0           | -           |        |  |
| Provision for bad debts        | 80,000             | 0                  | -80,000     |             | F      | Gain on Provisions                       |
| Depreciation                   | 69,600,700         | 69,523,840         | -76,860     | (0.11)      | F      | Was within the budget                    |
| <b>Total</b>                   | <b>401,770,614</b> | <b>544,097,893</b> |             |             |        |  |
| NET Surplus before             | -44,515,144        | 25,035,583         |             |             | F      | Profit was realised                      |
| <b>Profit After Tax</b>        |                    | <b>25,035,583</b>  |             |             | F      | Profit was realised                      |

U=Unfavourable variance

F=Favourable variance

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

**BOMAS OF KENYA LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**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)**

**i) Relevant new standards and amendments to published standards effective for the year ended 30<sup>th</sup> June 2018**

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.

| Amendment/Interpretation to a standard                        | Effective date  | Impact (Bok has not applied this new IFRS standard)  |
|---|---|--|
| IFRS 9: Financial Instruments<br><i>(Issued 24 July 2014)</i> | Effective for annual periods beginning on or after 1 January 2018 | <p>Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing <u>IAS 39</u> <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> <li>• <b>Classification and measurement.</b> Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.</li> </ul> |

**BOMAS OF KENYA LIMITED**  
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| Amendment/Interpretation to a standard  | Effective date  | Impact (Bok has not applied this new IFRS standard)  |
|---|---|--|
|   |   | <ul style="list-style-type: none"> <li>• <b>Impairment.</b> The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised</li> <li>• <b>Hedge accounting.</b> Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures</li> <li>• <b>Derecognition.</b> The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39</li> </ul> <p>Bok has not applied the this new revised IAS 39</p>  |
| <p>IFRS 15: Revenue from Contracts with Customers<br/> <i>(Issued 28 May 2014)</i></p>                        | <p>Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018</p> | <p>IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.</p> <p>The five steps in the model are as follows:</p> <ul style="list-style-type: none"> <li>• Identify the contract with the customer</li> <li>• Identify the performance obligations in the contract</li> <li>• Determine the transaction price</li> <li>• Allocate the transaction price to the performance obligations in the contracts</li> <li>• Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul> <p>Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.</p> <p>Bok has not applied the following new IFRS</p> |
| <p>IFRIC 22: Foreign Currency Transactions and Advance Consideration<br/> <i>(Issued 8 December 2016)</i></p> | <p>Applicable to annual reporting periods beginning on or after 1 January 2018</p>  | <p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul>  |

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|--|--|---|
|  |  | <p>The Interpretations Committee came to the following conclusion:</p> <ul style="list-style-type: none"> <li>• The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.</li> <li>• If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.</li> </ul> <p><i>The IFRIC does not affect the operations of BoK</i></p>   |
| <p><i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</i><br/><br/><i>(Issued 19 January 2016)</i></p> | <p>Effective for annual periods beginning on or after 1 January 2017</p> | <p>Amends <u>IAS 12</u> <i>Income Taxes</i> to clarify the following aspects:</p> <ul style="list-style-type: none"> <li>• Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.</li> <li>• The carrying amount of an asset does not limit the estimation of probable future taxable profits.</li> <li>• Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</li> <li>• An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</li> </ul> <p><i>(The Standard revision does not affect Bok since most of revenue is from GoK grant)</i></p> |
| <p><i>Disclosure Initiative (Amendments to IAS 7)</i><br/><br/><i>(Issued 29 January 2016)</i></p>                                     | <p>Effective for annual periods beginning on or after 1 January 2017</p> | <p>Amends <u>IAS 7</u> <i>Statement of Cash Flows</i> to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.<br/><i>(The standard revisions have no effect on BoK disclosure in comparison to prior year)</i></p>   |
| <p><i>Clarifications to IFRS 15 'Revenue from Contracts with Customers'</i><br/><i>(Issued 12 April 2016)</i></p>                      | <p>Effective for annual periods beginning on or after 1 January 2018</p> | <p>Amends <u>IFRS 15</u> <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to</p>   |

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| Amendment/Interpretation to a standard  | Effective date   | Impact (Bok has not applied this new IFRS standard)  |
|---|--|--|
|   |  | <p>provide some transition relief for modified contracts and completed contracts.</p> <p><i>(IFRS 15 as not been applied since most of BoK revenue arises from Parties and reception)</i></p>  |
| <p><i>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (Issued 20 June 2016)</i></p>             | <p>Effective for annual periods beginning on or after 1 January 2018</p>   | <p>Amends <u>IFRS 2</u> <i>Share-based Payment</i> to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.</p> <p><i>(The revision of the IFRS is not applicable to BoK operations)</i></p>   |
| <p><i>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) (Issued 12 September 2016)</i></p> | <p>Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date</p> | <p>Amends <u>IFRS 4</u> <i>Insurance Contracts</i> provide two options for entities that issue insurance contracts within the scope of IFRS 4:</p> <ul style="list-style-type: none"> <li>• an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;</li> <li>• an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.</li> </ul> <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.</p> <p><i>(The revision of the IFRS 9 in application to IFRS 4 is not applicable to BoK operations)</i></p> |
| <p><i>Transfers of Investment Property (Amendments to IAS 40) (Issued 8 December 2016)</i></p>  | <p>Effective for annual periods beginning on or after 1 January 2018</p>   | <p>The amendments to <u>IAS 40</u> <i>Investment Property</i>:</p> <ul style="list-style-type: none"> <li>• Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.</li> </ul>  |

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| Amendment/Interpretation to a standard   | Effective date   | Impact (Bok has not applied this new IFRS standard)   |
|--|--|---|
|  |  | <ul style="list-style-type: none"> <li>• The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.</li> </ul> <p><i>(The revision of the IAS 40 is not applicable to BoK operations)</i></p>   |
| <p><i>Annual Improvements to IFRS Standards 2014–2016 Cycle<br/>(Issued 8 December 2016)</i></p> | <p>The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017</p> | <p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> <li>• <b>IFRS 1</b> - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose</li> <li>• <b>IFRS 12</b> - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i></li> <li>• <b>IAS 28</b> - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.</li> </ul> <p><i>IFRS 1 has been adopted on given it was guidance on adoption</i></p> |

ii) **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018**

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| <b>Amendment/Interpretation to a standard</b>   | <b>Effective date</b>   | <b>Impact</b> <i>(The revision of the IFRS 16 is not applicable to BoK operations)</i>   |
|---|---|--|
| <i>IFRS 16: Leases</i><br><i>(Issued 13 January 2016)</i>   | Applicable to annual reporting periods beginning on or after 1 January 2019 | IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.<br><i>(IFRS 16 has no impact on BoK)</i>   |
| <i>IFRS 17 Insurance Contracts</i><br><i>(Issued 18 May 2017)</i>   | Applicable to annual reporting periods beginning on or after 1 January 2021 | IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.<br><i>(IFRS 17 has no impact on BoK)</i>   |
| <i>IFRIC 23: Uncertainty over Income Tax Treatments</i><br><i>(Issued 7 June 2017)</i>                                    | Applicable to annual reporting periods beginning on or after 1 January 2019 | The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> <li>• Whether tax treatments should be considered collectively</li> <li>• Assumptions for taxation authorities' examinations</li> <li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates</li> <li>• The effect of changes in facts and circumstances</li> </ul> <i>(IFRIC 23 has no impact on BoK)</i> |
| <i>Prepayment Features with Negative Compensation</i><br><i>(Amendments to IFRS 9)</i><br><i>(Issued 12 October 2017)</i> | Annual periods beginning on or after 1 January 2019                         | Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.<br><br><i>(IFRS 19 effective 2019 not relevant to BoK activities)</i>  |

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|  |  |   |
|--|--|---|
| <p><i>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</i><br/>(Issued 12 October 2017)</p> | <p>Annual periods beginning on or after 1 January 2019</p> | <p>Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p> <p><i>( IAS 28 has no impact on BoK)</i></p>  |
| <p><i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i><br/>(Issued 12 December 2017)</p>                      | <p>Annual periods beginning on or after 1 January 2019</p> | <p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> <li>• <b>IFRS 3</b> and <b>IFRS 11</b> - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.</li> <li>• <b>IAS 12</b> - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.</li> <li>• <b>IAS 23</b> - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows <i>generally</i> when calculating the capitalisation rate on general borrowings.</li> </ul> <p><i>(IFRS 3, IAS 12 and IAS 23 amendments have no impact on BoK)</i></p> |
| <p><i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i><br/>(Issued 7 February 2018)</p>            | <p>Annual periods beginning on or after 1 January 2019</p> | <p>The amendments in <i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i> are:</p> <ul style="list-style-type: none"> <li>• If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.</li> <li>• In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.</li> </ul>   |

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|   |  |  |
|---|--|--|
| <p><i>Amendments to References to the Conceptual Framework in IFRS Standards</i><br/> <i>(Issued 29 March 2018)</i></p> | <p>Annual periods beginning on or after 1 January 2020</p> | <p><i>(IAS 19 has no impact on BoK)</i></p> <p>Together with the revised <i>Conceptual Framework</i> published in March 2018, the IASB also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i>. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised <i>Conceptual Framework</i>. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised <i>Conceptual Framework</i>.</p> <p><i>(IFRS amendments have no impact on BoK)</i></p> |
|---|--|--|

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**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.

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**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.

|                                 |              |
|---------------------------------|--------------|
| 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.

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**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.

**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><br/>                     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><br/>                     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><br/>                     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><br/>                     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**

|   | <b>2018</b>        | <b>2017</b>        |
|---|--------------------|--------------------|
|   | <b>Kshs</b>        | <b>Kshs</b>        |
| <b>3. SALES</b>   |                    |                    |
| Bar sales   | 2,208,156          | 5,186,240          |
| Restaurant sales  | 4,287,329          | 9,493,105          |
| Staff meals   | 2,149,675          | 12,786,450         |
| Parties & receptions  | 14,076,378         | 74,197,510         |
| <b>Total sales</b>  | <b>22,721,538</b>  | <b>101,663,304</b> |
| <b>3a). IEBC EVENT REVENUE</b>  |                    |                    |
| Sales Bar & Restaurant  | 81,252,367         |                    |
| Sales Parties and reception   | 155,686,572        |                    |
| Hire of Auditorium / Halls  | 29,400,000         |                    |
| Rent Income   | <u>16,712,758</u>  |                    |
| <b>Totals</b>   | <b>283,051,697</b> |                    |
| <b>DIRECT COSTS</b>   |                    |                    |
| Purchases for Bar & Restaurant  | 57,962,731         |                    |
| Food & Accomodation   | 27,316,003         |                    |
| Hiring Charges  | 109,793,710        |                    |
| Casual Wages  | 1,543,867          |                    |
| <b>Total</b>  | <b>196,616,312</b> |                    |
| <b>Net Revenue</b>  | <b>86,435,385</b>  |                    |
| <b>4. GRANTS FROM NATIONAL GOVERNMENT</b>   |                    |                    |
| Recurrent grants received   | 249,768,517        | 240,000,000        |
| Capital grants received   | 20,000,000         | 160,000,000        |
|   | <u>269,768,517</u> | <u>400,000,000</u> |
| <b>5. OTHER INCOME</b>  |                    |                    |
| This is revenue received from the various sources of income   |                    |                    |
| a) Gate collection & playground   | 3,072,683          | 3,201,835          |
| b) Hire of Dancers/halls  | 8,336,025          | 12,599,507         |
| c) Rent Income  | 2,819,578          | 4,489,428          |
| e) Sundry Income  | 878,376            | 650,872            |
| f) Gain on provsions for bad debts  | <u>152,018</u>     | <u>31,577</u>      |
|   | 15,258,680         | 20,973,219         |
| <b>a) Gate Collections &amp; Video &amp; Filming</b>  |                    |                    |
| This is revenue from gate charges for entertainment i.e viewing traditional dance and tour of the villages. |                    |                    |
| <b>b) Hire Of Dancers, Hall/ Auditorium</b>   |                    |                    |
| This is revenue received /receivable from the public for hire of dancers and auditorium hall                |                    |                    |

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

**c) Rent Income**

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

During the financial period, we rented part of the offices to Independent Electoral and Boundaries commission hence increase in rent for the year.

**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.

**6. Staff costs**

|   | <b>2018</b>               | <b>2017</b>               |
|---|---------------------------|---------------------------|
|   | <b>Kshs</b>               | <b>Kshs</b>               |
| Salaries and allowances for permanent employees | 110,375,626               | 109,090,540               |
| Wages of temporary employees(casuals)           | 15,839,633                | 14,118,234                |
| General Managers salary                         | 4,689,084                 | 4,070,930                 |
| Compulsory national health insurance schemes    | 2,341,200                 | 1,430,630                 |
| Compulsory national social security schemes     | 4,887,456                 | 3,198,139                 |
| Provision for leave paid                        | <u>263,720</u>            | <u>495,580</u>            |
|   | <b><u>138,396,719</u></b> | <b><u>131,976,589</u></b> |
| Number of employees                             | 187                       | 165                       |

**7. Directors emoluments**

|                        |                         |                         |
|------------------------|-------------------------|-------------------------|
| Chairman Honorarium    | 960,000                 | 960,000                 |
| Sitting Allowance      | 3,581,640               | 4,187,125               |
| Travel and Subsistence | <u>4,364,776</u>        | <u>4,335,576</u>        |
|                        | <b><u>8,906,416</u></b> | <b><u>9,482,701</u></b> |

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| <b>8. Administration costs</b>   |                    |                   |
|----------------------------------|--------------------|-------------------|
| Motor Vehicle Running& transport | 8,997,886          | 5,098,890         |
| Traveling & Entertainment        | 6,676,960          | 12,401,737        |
| Medical Expenses                 | 7,857,138          | 6,097,165         |
| Dancers Expenses                 | 5,951,238          | 3,277,597         |
| Food & Accommodation             | 4,006,277          | 6,874,626         |
| Guest Dancers                    | -                  | 2,556,345         |
| Uniforms for Staff               | 2,055,174          | 2,957,811         |
| Publicity & Promotion            | 2,879,965          | 1,926,596         |
| Printing & Stationery            | 3,981,205          | 3,989,628         |
| Telephone & Postage              | 1,832,930          | 2,899,525         |
| Cleaning & laundry               | 5,988,256          | 4,527,935         |
| Security Charges                 | 5,009,500          | 4,227,394         |
| Hiring Charges                   | 11,514,670         | 6,505,923         |
| Staff Training                   | 2,754,470          | 3,912,663         |
| Sundry Expenses                  | 1,165,500          | 2,294,137         |
| Vat Paid                         | 18,113,319         | -                 |
| Subscriptions & Donations        | 235,912            | 171,592           |
| Interest & Bank Charges          | 370,020            | 291,417           |
| Insurance & Licenses             | 4,268,356          | 2,446,925         |
| Legal & professional             | 837,374            | 1,505,703         |
| Land Rates                       | 403,240            | 403,240           |
| Electricity & Water charges      | 8,208,042          | 6,939,228         |
| Repairs & Maintenance            | <u>13,951,866</u>  | <u>15,969,754</u> |
|                                  | <b>117,059,298</b> | <b>97,275,831</b> |

| <b>9. Selling and Distribution Costs</b> | <b>2018</b>       | <b>2017</b>       |
|--|-------------------|-------------------|
|  | <b>Kshs</b>       | <b>Kshs</b>       |
| Purchase – Nyama Choma Bar               | 4,031,679         | 14,083,507        |
| Purchases- Parties/ Reception            | 8,658,374         | 18,786,334        |
| Purchase – Nyama Choma Restaurant        | 2,340,211         | 12,659,955        |
|  | <b>15,030,264</b> | <b>45,529,796</b> |

| <b>10. General expenses</b> |                |                |
|-----------------------------|----------------|----------------|
| Audit fees                  | 232,000        | 464,000        |
| Provision for Bad debts     | =              | =              |
|                             | <b>232,000</b> | <b>464,000</b> |

| <b>11. Depreciation and amortization Expense</b> |                   |                   |
|--|-------------------|-------------------|
| Property, plant and Equipment                    | <b>69,523,840</b> | <b>69,258,389</b> |

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**Notes to the financial statements (cont'd)**  
**13. (a) PROPERTY, PLANT AND EQUIPMENT**

| 2017/18<br>COST OR<br>VALUATION  | Land              | Work In<br>Progress | Buildings &<br>Civil Works | Motor<br>Vehicles | Furniture<br>Fittings &<br>Equipment | Computers         | Loose Tools       | Pumps &<br>Pipes  | Totals               |
|----------------------------------|-------------------|---------------------|----------------------------|-------------------|--------------------------------------|-------------------|-------------------|-------------------|----------------------|
| At July 1, 2017                  | 76,950,000        | 363,242,944         | 1,816,765,525              | 21,499,815        | 234,925,030                          | 12,566,051        | 23,815,657        | 46,224,016        | 2,595,989,036        |
| Additions                        | -                 | 141,299,840         | 73,596,524                 | -                 | 13,117,054                           | 3,019,012         | 350,862           | -                 | 231,383,292          |
| Transfers                        | -                 | -                   | -                          | -                 | -                                    | -                 | -                 | -                 | -                    |
| Disposals                        | -                 | -                   | -                          | -                 | -                                    | -                 | -                 | -                 | -                    |
| <b>At June 30, 2018</b>          | <b>76,950,000</b> | <b>504,542,784</b>  | <b>1,890,362,049</b>       | <b>21,499,815</b> | <b>248,042,084</b>                   | <b>15,585,063</b> | <b>24,166,519</b> | <b>46,224,016</b> | <b>2,827,372,330</b> |
| At July 1, 2017                  | -                 | -                   | 238,086,595                | 13,766,420        | 132,394,908                          | 6,491,418         | 23,015,278        | 33,364,873        | 447,119,492          |
| Charge for the year              | -                 | -                   | 1,304,943                  | 9                 | 0                                    | 0                 | 0                 | 0                 | 1,304,953            |
| On Revaluation surplus           |                   |                     |                            |                   |                                      |                   |                   |                   |                      |
| Charge for year on profit & loss | -                 | -                   | 47,259,051                 | 1,933,349         | 14,455,897                           | 2,728,094         | 575,621           | 2,571,829         | 69,523,840           |
| <b>At June 30, 2018</b>          | <b>-</b>          | <b>-</b>            | <b>285,345,646</b>         | <b>15,699,769</b> | <b>146,850,805</b>                   | <b>9,219,512</b>  | <b>23,590,899</b> | <b>35,936,702</b> | <b>516,643,332</b>   |
| <b>NET BOOK VALUE</b>            | <b>76,950,000</b> | <b>504,542,784</b>  | <b>1,605,016,403</b>       | <b>5,800,046</b>  | <b>101,191,279</b>                   | <b>6,365,552</b>  | <b>575,621</b>    | <b>10,287,314</b> | <b>2,310,728,998</b> |
| At June 30, 2017                 | 76,950,000        | 363,242,944         | 1,578,688,929              | 7,733,394         | 103,530,122                          | 6,064,633         | 800,378           | 12,859,143        | 2,148,869,544        |
| At June 30, 2016                 | 76,950,000        | 42,823,280          | 1,526,108,868              | 1,523,314         | 89,286,615                           | 3,561,095         | 1,447,546         | 11,751,949        | 1,753,457,667        |

NOTE. The revaluation of the assets was done in August 1996 By Gatheru Irungu 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

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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 Perimeter wall, NAICEC Project and the cultural / Conference centre within the organization.

|                                  | 2018<br>Kshs              | 2017<br>Kshs              |
|----------------------------------|---------------------------|---------------------------|
| <b>Work in progress analysis</b> |                           |                           |
| Balance brought forward          | 363,242,944               | 42,823,280                |
| Additions for the year           | <u>141,299,840</u>        | <u>320,419,664</u>        |
| Totals –balance carried down     | <b><u>504,542,784</u></b> | <b><u>363,242,944</u></b> |
| Capitalization                   | -                         | -                         |
| <b>Total</b>                     | <b><u>504,542,784</u></b> | <b><u>363,242,944</u></b> |

**14. INVENTORIES**

|                                 |   |                         |
|---------------------------------|---|-------------------------|
| Drinks                          | - | 250,809                 |
| Cigarettes                      | - | 15,000                  |
| Provisions(General food stuffs) | - | <u>3,479,615</u>        |
|                                 | - | <b><u>3,745,424</u></b> |

There was no inventory since the Restaurant had been leased out Utalii Hotel.

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

|   |                          |                          |
|---|--------------------------|--------------------------|
| Debtors- long outstanding                 | 5,844,308                | 5,844,308                |
| Trade Debtors                             | 17,295,568               | 18,815,756               |
| Staff Debtors                             | 589,700                  | 1,274,655                |
| Deposits Paid                             | 1,183,500                | 1,183,500                |
| Little Theatre & Ushanga Kenya Receivable | <u>39,974,396</u>        | -                        |
|   | <b><u>64,887,472</u></b> | <b><u>27,118,219</u></b> |

|   |                          |                          |
|---|--------------------------|--------------------------|
| Provision for bad & Doubtful Debts-               |                          |                          |
| -(10% of trade debtors)                           | (1,729,556)              | (1,881,575)              |
| -(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>         |
|   | <b><u>57,201,472</u></b> | <b><u>19,280,200</u></b> |

**(b) Provision for bad & Doubtful Debts**

|                                  |                       |                      |
|----------------------------------|-----------------------|----------------------|
| - Opening balance                | 1,881,575             | 1,913,154            |
| - Closing balance                | <u>1,729,556</u>      | <u>1,881,575</u>     |
| <b>Gain / Loss on Provisions</b> | <b><u>152,018</u></b> | <b><u>31,578</u></b> |

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

**16 CASH AND CASH EQUIVALENTS**

|                                       |                           |                           |
|---------------------------------------|---------------------------|---------------------------|
| Cash at bank Current A/c – 1108986668 | 6,899,322                 | 9,759,880                 |
| Cash in Bank Current A/c - 1108985580 | 167,047,265               | 274,997,746               |
| M-Pesa A/C -880703                    | 60,089                    | 1,869,090                 |
| Cash at Hand                          | <u>215,200</u>            | <u>136,370</u>            |
|                                       | <b><u>174,221,877</u></b> | <b><u>286,763,086</u></b> |

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

**17. TRADE AND OTHER PAYABLES**

|                                 | <u>2018</u>              | <u>2017</u>              |
|---------------------------------|--------------------------|--------------------------|
|                                 | Kshs                     | Kshs                     |
| (a) <b>Trade Creditors</b>      | 54,222,302               | 16,113,134               |
| (b) <b>Other Payables</b>       |                          |                          |
| - Auditor General               | 492,000                  | 660,000                  |
| - Jaribu Credit Traders         | 6,550                    | 6,550                    |
| - Deposit received from tenants | 452,175                  | 452,175                  |
| - Withholding VAT               | 712,954                  | 712,954                  |
| - COTU                          | -                        | 19,050                   |
| - KUDHEIA                       | -                        | 33,600                   |
| - Paymaster General             | <u>1,781,257</u>         | <u>1,876,559</u>         |
| - NSSF                          | <u>401,576</u>           | -                        |
|                                 | <b><u>3,846,512</u></b>  | <b><u>3,760,888</u></b>  |
| <b>TOTALS</b>                   | <b><u>58,068,814</u></b> | <b><u>19,874,022</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           | 181,988,868               | 171,999,377               |
| Net Surplus for the year          | <u>25,035,583</u>         | <u>8,649,217</u>          |
| Total                             | <b><u>207,024,451</u></b> | <b><u>180,648,593</u></b> |
| Revaluation Reserve(amortization) | <u>1,304,953</u>          | <u>1,340,275</u>          |
| <b>Balance carried forward</b>    | <b><u>208,329,404</u></b> | <b><u>181,988,868</u></b> |

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

**20. REVALUATION RESERVES**

|   | Kshs                      | Kshs                      |
|---|---------------------------|---------------------------|
| Balance brought forward                 | 128,713,918               | 130,054,193               |
| Less:-depreciation surplus for the year | <u>(1,304,953)</u>        | <u>(1,340,275)</u>        |
| Balance carried forward                 | <b><u>127,408,965</u></b> | <b><u>128,713,918</u></b> |

**21. DEFFERED 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 | 2,123,001,445.00               | 1,963,001,445.00               |
| Deferred Grants for the year 2015/16        | <u>20,000,000.00</u>           | <u>160,000,000.00</u>          |
| Balance carried forward                     | <b><u>2,143,001,445.00</u></b> | <b><u>2,123,001,445.00</u></b> |

**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 25,035,583.00 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 is in process of issuing title deed to Ministry of Tourism for further direction and procedures.

**24. CURRENCY**

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

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

**a) 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.

**b) 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.

**c) Unpaid Compensation for Compulsory Land Acquisition**

The above Matter has been referred to our Lawyer and now being pursued through a tribunal for settlement.

