REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

GOLF HOTEL LIMITED

FOR THE YEAR ENDED 30 JUNE, 2019

GOLF HOTEL LIMITED

HARAMBEE

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2019

PREPARED IN ACCORDANCE WITH THE ACCRUAL BASIS OF ACCOUNTING METHOD UNDER THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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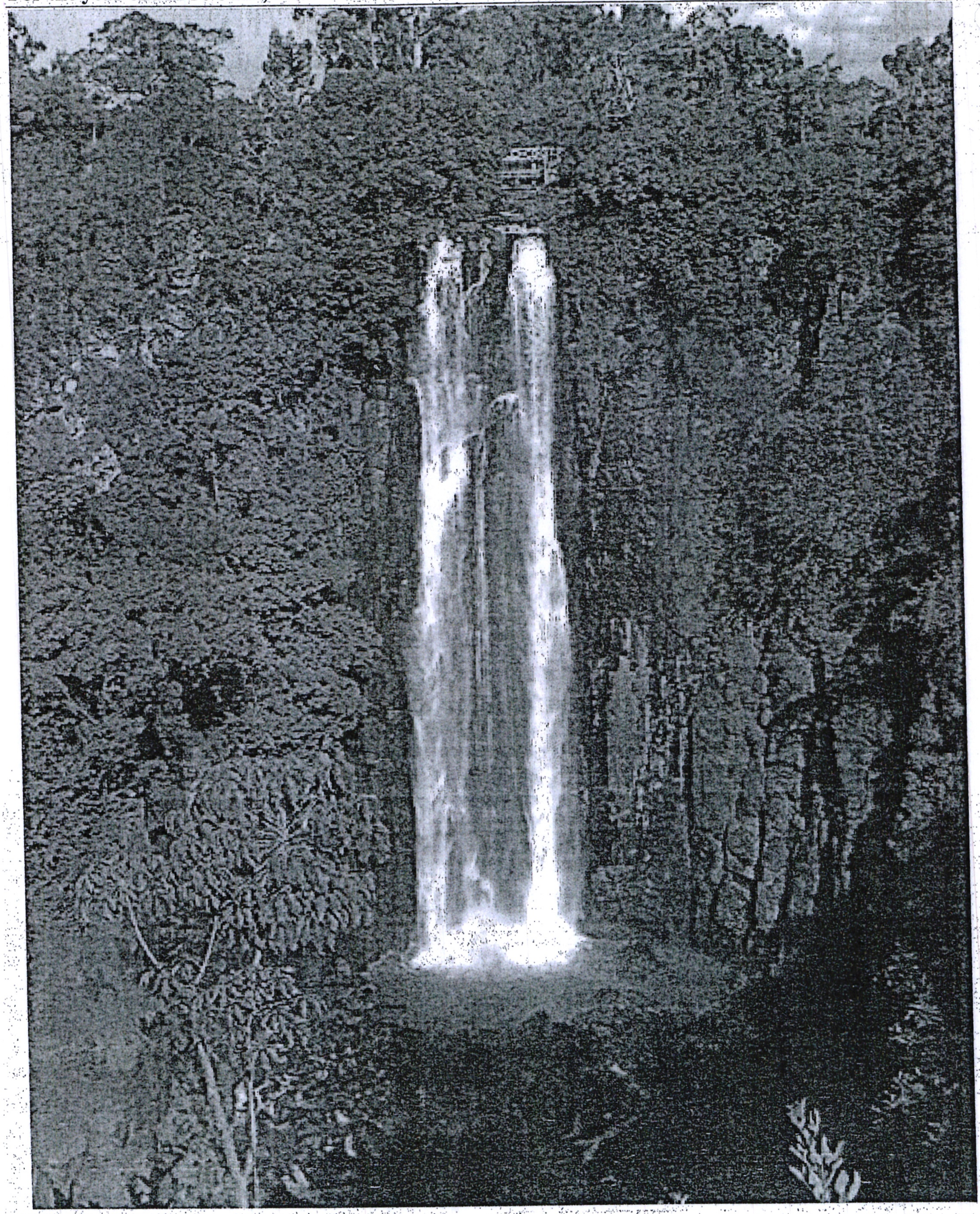

KEY ENTITY INFORMATION

Background information

Golf Hotel Limited was established on 20 December 1979 and is governed by the Companies Act 2015 and is a subsidiary of Tourism Finance Corporation (TFC); a parastatal in the Ministry of Tourism and wildlife. It's a limited liability company with 80% shareholding to Tourism Finance Corporation and 20% shareholding by the County Government of Kakamega. The shareholders through the directors are responsible for the general policy and strategic direction of the Hotel.

Principal Activities

The principal activity of the Hotel is to provide accommodation and conference facility services.

Directors

The Directors who served the entity during the year were as follows:

1. Mr. Stephen Kinuthia – Director - Appointed on 14th June 2019
2. Ms. Judith Kerich – Director - Appointed on 14th June 2019
3. Mr. Geofrey Omulayi – CECM Finance and Planning - Kakamega County
4. Mr. Jonah Orumoi - Managing Director TFC
5. Mr. Joe Okudo - PS Ministry of Tourism
6. Mr. Paul Kurgat – Director (Left on 2nd October 2018)
7. Mr. Franklin Ndii – Director (Left on 2nd October 2018)

Corporate Secretary
Tourism Finance Corporation
P.O. Box 42013-00100
Nairobi

Registered Office

Khasakhala Road
Milimani Area
P.O. Box 118-50100
Kakamega, KENYA

Corporate Headquarters

Utalii House
Uhuru Highway
P.O. Box 42013-00100
Nairobi, KENYA

Corporate Contacts

Telephone: (254) 056 2030150/1
E-mail: info@golfhotelkakamega.com
Website: www.golfhotelkakamega.com

Corporate Bankers

Kenya Commercial Bank
P.O Box 152-50100
Kakamega, KENYA

Independent Auditors

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

Principal Legal Advisers

Office of the Attorney General
Sheria House
P.O. Box 40112
GPO 00100
Nairobi, Kenya

THE BOARD OF DIRECTORS

Stephen N. Kinuthia is a Procurement and Supply Chain Professional. He holds a MBA in Procurement and Supply Chain Management from CEGOS Business School Paris France, Masters in Science Strategy and Management of International Business, and Diploma from Essec Business School in Stock Management from AFGD Paris. He has more than sixteen (16) years of extensive experiences in Procurement and Supply Chain, ICT and Asset Management and vast knowledge in humanitarian operations since 1992 both with the WHO/WHE, Medicines Sans Frontieres (MSF), Epiconcept, UN /WFP. Mr. Kinuthia is a also a Marketing and Communication Consultant. He is also a Director of Huria International & Investment Group Inc, a company registered and headquartered in Paris France, that deals in International investment and business service entity operating in different domains such as: ICT, Telecommunication, Security Equipment, Medical and Paramedical, Clean Energy and Environment, Agriculture equipment and technology, Transport, Construction and Civil Engineering. The company has a branch in Kenya; H2i Group (EA) Limited. Mr. Kinuthia joined the Board on 14th June 2019 and was elected Chairman on 27th June 2019.

Judith has extensive experience spanning over 23 years in senior leadership roles and has worked with large public, private organizations and multinational organizations. She has had a broad and successful career and has been instrumental in strategic and operational transformations through her expertise in public sector, strategy, business leadership and good governance. Judith has a wide range of board experience having served at board level in various organizations. Judith holds a Master's Degree in Public Policy and Management and a Master's Degree in Business Administration from Strathmore Business School among other professional certifications. Judith joined the Board on 14th June 2019.

Mr. Jonah Orumoi is the Managing Director of Tourism Finance Corporation born on 20 October 1978. He was previously the Head of Finance & ICT at the Kenya Tourism Board. He has previously worked as Finance & Leasing. Contracts Manager/ acting Head of Procurement at G4S and as a Senior Principal Finance Officer, Thurrock Council, UK. Mr. Orumoi Jonah holds a Master of Science in Finance and Investment (Merit) from Queen Mary University of London, UK and is FACCA qualified. He is a graduate of BA (Hons) in Accounting & Finance of the East London University, UK.

CPA Omulayi is the Chief Executive Committee member in the Ministry of Finance and Planning Kakamega County. He Brings to the Board a rich experience in public service having worked as Principal Lecturer and Head of Department at Kenya School of Government in Mombasa before moving to Kenya School of Government Embu as Deputy Director of Finance and Administration and later, Acting Director for the institution, a position he served for two years until his appointment as CEC Member

Treasury for the County Government of Kakamega. Omulayi hails from Matungu Sub-County

Mr. Joe R. Okudo, CBS is the Principal Secretary in charge of the State Department for Tourism at the Ministry of Tourism and Wildlife. He was also the Principal Secretary for Sports responsible for Arts and Culture in Kenya. He previously worked with the Danish Embassy in Kenya (DANIDA) from 2002 – 2014, where he held several senior positions in the Private and Industry Sectors/ He holds a Bachelor of Arts degree from the University of Nairobi and a Master's Degree in Business Administration from Copenhagen Business School / Inoorero University.

Mr. Paul Kurgat, born on 09 May 1969. He is the Director of Saiwa Holiday Resorts & Restaurants and the Board Chairman of KSHL until 2nd October 2018 has served in senior positions in the hospitality institutions and brings on the Board over twenty-one (21) years' experience in the Tourism and Hospitality industry. Mr. Kurgat holds a Master of Philosophy in Tourism Management and a Bachelor's Degree in Hospitality and Events Management both from Moi University and is also a graduate of the Kenya Utalii College.

Mr. Franklin Ndii was the Chairman of the Board of Directors for Golf Hotel Ltd until 2nd October 2018. He is a career accountant with over forty-one years' experience in Financial Mgt. and Administration. He was born on 25 May 1952. He has worked in various organizations; the most recent being Kenya Utalii College where he was the Financial Controller from 1984 to 2004. He is currently the Managing Director of African Dew Tours and Travel Ltd. Mr. Ndii holds a Master of Business from the University of Free State, is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya.

MANAGEMENT TEAM

Mr. Reuben Argut is the General Manager for Golf Hotel Ltd. He holds a Master's in Business Administration (Marketing)-Thesis waiting, he also holds a Bachelor's of Science in Hospitality Management, A Diploma in Hotel Management & Diploma in Science Education. He was born on 15 May 1965.

Ms. Hellen Chilla is the Assistant Manager for Golf Hotel Limited. She has a Master's in Business Administration from Jomo Kenyatta University, A Degree in Economics & Sociology from the University of Nairobi and a Diploma in Front Office from Utalii College. She was Born 28 June 1977.

Mr. Benjamin Muange is the Executive Chef for Golf Hotel Limited with a Certificate in Food Production from the Utalii College. He was Born 04 March 1973.

Ms. Leena Mugadia is the Accountant for Golf Hotel Limited. She holds a Masters in Business Administration Finance Option from Jomo Kenyatta University, Degree in Bachelor of Business Management in Accounting From Masinde Muliro University, a CPA (K) and a member of ICPAK member No. 14454. She was born on 16 November 1987.

Ms. Maureen Njuru is our Human Resource Officer. She holds a Bachelor of Science Degree in Human Resource Management. She is currently undertaking her Master's in Business Administration.

Mr. Robert Rotich is our Internal Auditor. He holds Bachelor of Commerce Accounting option. He is also CPA (K) and a member of ICPAK (member no 15137). He is currently pursuing Masters in Business Administration. Robert has wide experience in Audit having worked in the field of Auditing for 8 years.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, the Management and staff of Golf Hotel Ltd, I am pleased to present the Annual Report of the Golf Hotel Limited for the year 2019. This report reflects the complete financial statements of the Hotel for the year ended 30 June2019 and demonstrates our commitment to excellence in the industry and beyond.

One of the Core Agendas of the Board of Directors for Golf Hotel has been to transform the entity into a state of the art hotel through Overall refurbishment of the facility, creation of modern conference facility, provision of additional rooms and bed capacity, provision of & modern Gem and Laundry Facility.

This will see the hotel transform not only the region in terms of being a leader in the hospitality sector but also double its revenue generation capability. This will also increase shareholders value and benefit the society and country at large by seeing the growth of its economic standing. Sales for the year ended 30 June 2019 closed with a gross turnover of Kshs. 170,739,209 against Kshs. 184,116,693 realized for the year 2017/2018 representing a 7% decrease in total sales compared ti the prior period.

Net sales after taxes for the year 2018/2019 registered Kshs. 136,591,367 against Kshs. 147,293,354 for the year 2017/2018 equally representing a 7 % decline in net sales as compared to the prior period. For the year 2018/2019, our Profit Before tax Closed at Kshs. 13,850,933 compared with Kshs. 25,460,967 in the year 2017/2018.

Tax charge for the current period amounted to Kshs. 5,094,802 against Kshs. 9,853,997 for the year 2017/2018. This resulted in a Net profit of Kshs. 8,756,131 compared with Kshs. 15,606,970 for the year 2017/2018. Earnings per share (profit after tax/Ordinary shares) for the year 2018/2019 was 35.02 compared to 62.43 for the year 2017/2018. As at the close of the financial year dividend had not been declared. The year 2017/2018 dividend of 10 shillings per share was declared and paid a total of Kshs. 2,500,000

On behalf of the Board, I would like to thank the Company's Management and Staff for their diligence and dedication during the year ended 30th June 2019.

Stephen Kinuthia
Chairman of the Board

The Directors who held office during the year under review to the date of this report are listed under the Board of Directors section in this report.

The Corporation Secretary who as the custodian of corporate governance within the institution, works closely with the Board and the Management. In this regard, the Corporation Secretary facilitates all Directors to have full and timely access to all relevant information, ensures that the correct board procedures are followed, convenes meetings and advises the Board on all Corporate Governance matters and prevailing statutory requirements.

Board Meetings

The Board schedule of meetings is prepared annually in advance. The Board holds its regular meetings at least once every three (3) months and special meetings may be called when necessary.

Committees of the Board

The Board has four standing committees which meet on a quarterly basis or more frequently as deemed necessary. These committees are;

- Finance Committee
- Human Resource Committee
- Administration Committee.
- Audit Committee

The Audit committee was constituted in June 2019 as required under the Public Management Regulations.

BOARD ACCOUNTABILITY

Conflict of Interest

The Board Members are required to make disclosures of any transaction in which they have interest and which would constitute a conflict of interest and abstain from voting when such matters are being considered.

Board of Management Emoluments

The Board of Management are entitled to a sitting and other allowances (where applicable) for every meeting attended, within the set Government guidelines. The aggregate amount of emoluments paid to the Board Members during the financial year for services rendered are disclosed in the accounts.

John Karia
Company Secretary

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

For Golf Hotel, Corporate Social Responsibility (CSR), Environmental Conservation and Sustainability means corporate culture, a culture which holds the Company's responsibility not only for making profit, but also for the conditions under which profits are made. Finding a balance between financial successes, social responsibility and protecting the environment is a fundamental approach that lies at the heart of Golf Hotel corporate culture and is reflected in our corporate values. Sustainability is a key pillar of our company strategy and has always played a fundamental role within our business. We continue to strive to combine a powerful business sense and a strong sense of social responsibility towards our stakeholders which has over decades of existence been created, managed and sustained through long-term relationships, marked by mutual respect and trust. Reflecting on our success over the years, from a CSR, Environmental and Sustainability perspective, our material concerns have not changed significantly, but our guiding principles and approach has continued to evolve in an ethical manner through various partnerships so as to widen our footprint with an increased emphasis on quality, value addition and visible measures of impact and success within the ecosystem and communities in which we operate.

COMMUNITY ENGAGEMENT AND EDUCATIONAL SUSTAINABILITY

Our Sustainable approach towards sourcing and production helps us to create value for a wide group of stakeholders from farmers to community groups to customers. Golf Hotel continues to give priority to the local communities and farmers living around our areas of operation so as to ensure economic independence. The Hotels deco includes artefacts and handicrafts from various local community groups and the Company continues to hire local performers to entertain guests through dance, song, musical and theatrical displays. This enhances guest experience by exposing them to the diverse range of local cultures and ethnic groups whilst economically empowering the local people. Research indicates that being read to as a child is one of the strongest predictors of later academic success and reading for pleasure helps to develop children's language, literacy, critical thinking and communication, social and emotional skills. The hotel is largely engaged in supporting education especially for the physically challenged children in our communities. In addition, it dedicated to supporting our discipline forces within the region.

ENVIROMENTAL PERFORMANCE

Golf Hotel has remained sensitive towards improving and preserving the environment in which it operates. Responsible management of natural resources in our operations has been a part of our business since the construction of our hotel. As the Company grows over the years, developments and operations have and continue to be guided by an eco-policy focusing on concrete actions and projects related to climate change, water and energy conservation, air pollution, as well as facilitating the transfer of knowledge on environmental responsibility to our guests, communities and various stakeholders.

The Company has investments in Solar and other forms of renewable energy over the years, this has helped contribute to the global efforts in relation to climate change. We have continued with our energy and water conservation efforts across all our user departments. This has mainly been achieved through: the installation of solar water heating systems and the hotel also has a borehole that supplies water to the entire hotel thus saving on the water from the county government supply.

CHARITABLE DONATIONS

Golf and its staff support a broad range of charitable causes and community initiatives. These take many forms: cash, supply of foodstuffs or clothing, hosting of community events or provision of employee-time in the form of visits to orphanages, hospital, homes for the physically or mentally challenged and other disadvantaged groups. During the year the hotel made charitable donations to schools, universities and supported the discipline forces with amounting to Kshs. 20,993 net of value added tax.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Hotel's affairs.

Principal activities

The principal activity of the Hotel is to provide accommodation and conference facility services.

Results

The results of the entity for the year ended June 30, 2019 are set out on pages 1-37

Dividends

Dividend for the year had not been declared as at the close of the financial year. An annual AGM for declaration of dividend will be held in September 2019 and the dividends declared will be paid on or before December 31, 2019 to shareholders registered in the books of the entity at the close of business on June 30, 2019.

Directors

The members of the Board of Directors who served during the year are shown on page (iii).

Auditors

The Auditor General is responsible for the statutory audit of the Hotel in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

....

John Karia
Company Secretary

Date: ...6th December...

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Board to prepare financial statements in respect of Golf Hotel Limited, which give a true and fair view of the state of affairs of the Hotel at the end of the financial year/period and the operating results of the Hotel for that year/period. The Companies Act 2015 requires the directors to ensure that the Hotel keeps proper accounting records which disclose with reasonable accuracy the financial position of the Hotel. The Directors are also responsible for safeguarding the assets of the Hotel.

The Directors are responsible for the preparation and presentation of the Hotel's financial statements, which give a true and fair view of the state of affairs of the Hotel for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management policies 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 Hotel; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Directors accept responsibility for the Hotel's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors confirm that the Hotel's financial statements give a true and fair view of the state of Hotel's transactions during the financial year ended June 30, 2019, and of the Hotel's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Hotel, which have been relied upon in the preparation of the Hotel'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 Hotel will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Golf Hotel's financial statements were approved by the Board on 5th December 2019 and signed on its behalf by:

Director	Director	Omulayi. Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GOLF HOTEL LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Golf Hotel Limited set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2019, statement of comprehensive income, statement of changes in equity, statement of cash flows and the 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Golf Hotel Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unauthorized Expenditure

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.168,479,237 and Kshs.136,591,367 respectively, resulting to an under-funding of Kshs.31,887,870 or 19% of the budget. Similarly, the Company recorded an actual expenditure of Kshs.2,448,272 against an approved expenditure budget of Kshs.1,297,800 resulting to an unexplained over expenditure of Kshs.1,150,472 or 89% over the budget. Whereas the underfunding affected the planned activities and projects which may have impacted negatively on profitability, Management did not provide approval for the over expenditure amounting to Kshs.1,150,472 for audit review.

In the circumstances, validity of the expenditure could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Golf Hotel Limited Management in accordance with ISSAI 130 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.

Emphasis of Matter

Management Services Apportioned to other Hotels

The Hotel has continued to apportion services of the General Manager to two independent hotel units, Kabarnet Hotel in Baringo County and Mt. Elgon Lodge in Trans Nzoia County. In this arrangement, Golf Hotel Limited absorbs full employment cost of the General Manager who focusses his attention and apportions his time and expertise to the other two hotels which are located several kilometres away from each other. Although Management explained that the matter is being addressed by the Tourism Finance Corporation (TFC), for possible apportionment of the cost to the other two hotel units, no documentary evidence was provided or binding agreement in the arrangement. Such arrangements may impair productivity of the Manager and performance of the Hotel.

My opinion is not modified in respect of the above matter.

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.

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board and The National Treasury's Circular.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Adherence to the One Third Basic Salary Rule

The analysis of the permanent employee's payroll records revealed that a number of employees received net salary of less than one third of their basic salary contrary to provisions of Section 19(3) of the Employment Act, 17 of 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

Consequently, the Management was in breach of the law.

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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Human Resource Policy

Management did not avail evidence of existence of a Human Resource Policy submitted to the Advisory Committee as required by Public Service Commission policy guidelines. Further, Management did not avail staff in post by regional representation making it difficult to establish the conformity to regional group percentages. This is contrary to provision of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishment shall seek to represent the diversity of the people of Kenya in employment.

In the circumstance, I am unable to confirm existence of an effective internal controls, to check on the appropriate management of human resources.

2. Long Overdue Trade and Other Receivables

The trade and other receivables balance of Kshs.34,833,902 includes receivables totalling Kshs.22,525,719 which have been outstanding for over ninety (90) days, out of which Kshs.1,770,325 relates to the periods 2016/2017 and earlier years contrary to the Hotel's credit policy period of 30 days. However, Management has not provided evidence of measures being taken to recover these long outstanding debts.

In the circumstance, I am unable to confirm existence of an effective Internal controls, including governance on debts management.

3. Lack of Proper Documentation

The payment vouchers lacked serial numbers for ease of reference and identification as well as lack of adequate narration for the goods or services being paid for as per the requirements of Public Finance Management Regulations, 2015 Sec 104(1,2).

In the circumstance, I am unable to confirm existence of effective Internal controls, including governance on the processing of payments.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall 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 LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for the matters under the Basis for Qualified Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I report based on my audit, that:

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

(ii) In my opinion, adequate accounting records have been kept by the Hotel, so far as appears from the examination of those records; and

(iii) The Hotel's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Hotel's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Hotel or to cease operations.

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 resources are applied in an effective way.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Hotel 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 overall 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 audit is planned and performed to express a conclusion about 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 and that public resources are applied in an effective way, 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.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 scepticism 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 Hotel's ability to continue as a going concern. 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 Hotel to cease to continue as a going concern.

- 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 Hotel 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.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 September, 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

	Note	2019 Kshs	2018 Kshs
REVENUES			
Sales Income	10	136,591,367	147,293,354
TOTAL REVENUES		**136,591,367**	**147,293,354**
COST OF SALES	11	28,636,787	31,774,315
GROSS PROFIT		**107,954,580**	**115,519,039**
OPERATING EXPENSES			
Administration Costs	12(a)	79,482,008	73,709,516
Selling and Distribution Costs	13	1,808,317	1,916,370
Depreciation of property, plant and equipment	19(a)	12,170,666	13,608,071
TOTAL OPERATING EXPENSES		**93,460,991**	**89,233,957**
OPERATING PROFIT	**14**	**14,493,590**	**26,285,081**
Finance Costs	15	(642,657)	(824,114)
PROFIT BEFORE TAXATION		**13,850,933**	**25,460,967**
INCOME TAX EXPENSE	**16(a)**	**5,094,802**	**9,853,997**
PROFIT AFTER TAXATION		**8,756,131**	**15,606,970**
Earnings per share – basic and diluted	17	35.02	62.43
Dividend per share	18	10	10

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 Kshs	2018 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	19(a)	609,833,778	617,326,517
Total Non-Current Assets		**609,833,778**	**617,326,517**
Current Assets			
Inventories	21	1,268,124	1,192,057
Trade and other receivables	22	34,833,902	29,392,860
Bank and cash balances	23	30,761,982	30,038,106
Total Current Assets		**66,864,008**	**60,623,024**
NET ASSETS		**676,697,786**	**677,949,541**
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	24	5,000,000	5,000,000
Revaluation reserve	25	506,839,967	515,789,787
Retained earnings	26	128,181,421	112,975,471
Capital and Reserves		**640,021,388**	**633,765,258**
Non-Current Liabilities			
Borrowings	27	18,198,009	19,847,625
Deferred Tax	20(a)	1,229,014	708,605
Total Non-Current Liabilities		**19,427,023**	**20,556,230**
Current Liabilities			
Trade and other payables	28	15,968,123	19,408,103
Leave Provisions	29	2,494,519	3,056,054
Taxation Recoverable	16(b)	(1,213,268)	1,163,896
Total Current Liabilities		**17,249,375**	**23,628,053**
TOTAL EQUITY AND LIABILITIES		**676,697,786**	**677,949,541**

The financial statements were approved by the Board on 5th December 2019 and signed on its behalf by:

General Manager	Head of Finance	Chairman of Board
Name: Reuben Argut	Name: Leena Mugadia ICPAK M/NO: 14454	Name: Stephen Kinuthia

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

	Ordinary share capital (250000 Shares@20)	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2017	**5,000,0000**	**41,000,155**	**-**	**49,213,746**	**-**	**95,213,901**
Gratuity Prior Year Provision Reinstatement (a)	-	-	-	5,669,958	-	5,669,958
Revaluation Gain (b)	-	522,556,024	-	-	-	522,556,024
Total comprehensive income	-	-	-	15,606,969	-	15,606,969
Transfer of excess depreciation (b)	-	(6,766,237)	-	6,766,237	-	-
Final dividends paid – 2017	-	-	-	(2,500,000)	-	(2,500,000)
NSSF Penalties Outstanding Settlement (c)	-	-	-	(2,781,595)	-	(2,781,595))
At June 30, 2018	**5,000,000**	**515,789,787**	**-**	**112,975,471**	**-**	**633,765,257**
At July 1, 2018	**5,000,000**	**515,789,787**	**-**	**112,975,471**	**-**	**633,765,257**
Transfer of excess depreciation Note 25		(8,949,820)		8,949,820		-
Total comprehensive income	-	-	-	8,756,131	-	8,756,131
Final dividends paid – 2018 Note 30	-	-	-	(2,500,000)	-	(2,500,000)
At June 30, 2019	**5,000,000**	**506,839,967**	**-**	**128,181,421**	**-**	**640,021,388**

STATEMENT OF CASH FLOWS AS AT 30 JUNE 2019

	Note	2019 Kshs	2018 Kshs
OPERATING ACTIVITIES			
Cash generated from / (used in) operations	32	17,964,259	18,495,214
Taxation Paid	16(c)	(7,471,966)	(8,043,031)
Net cash generated from/(used in) operating activities		**10,492,293**	**10,452,183**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	19(a)	(4,677,926)	(6,196,191)
Net cash generated from/(used in) investing activities		**(4,677,926)**	**(6,196,191)**
FINANCING ACTIVITIES			
Repayment of borrowings	27	(1,649,616)	(1,649,616)
Dividends Paid	30	(2,500,000)	-
Retirement Benefit Reinstated	31	-	5,669,958
Unknown Bank Deposits as at 30th June 2019	23	(940,874)	
Net cash generated from / (used in) financing activities		**(5,090,490)**	**4,020,342**
INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS		**723,877**	**8,276,334**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23	**30,038,106**	**21,761,772**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23	**30,761,982**	**30,038,106**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual	Performance difference	Percentage Change	
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Sales	168,479,237	-	168,479,237	136,591,367	(31,887,870)	-19%	(a)
Other income	-	-	-	-	-	-	
Total revenues	**168,479,237**	-	**168,479,237**	**136,591,367**	**(31,887.870)**	-19%	
Cost of sales	(38,807,011)	-	(38,807,011)	(28,636,787)	10,170,224	26%	
Gross profit	**129,672,226**	-	**129,672,226**	**107,954,580**	**(21,717,646)**	-17%	
Expenses							
Administration costs	(91,100,300)	-	(91,100,300)	(79,482,008)	11,618,292	13%	(b)
Selling and distribution costs	(1,805,351)	-	(1,805,351)	(1,808,317)	(2,966)	0%	
Depreciation of PPE	(11,969,793)	-	(11,969,793)	(12,170,666)	(200,873)	-2%	
Total Operating Expenses	**(104,875,444)**	-	**(104,875,444)**	**(93,460,991)**	**11,414,453**	11%	(c)
Operating profit/(loss)	24,796,782	-	24,796,782	14,493,590	(10,303,192)	-42%	(d)
Finance Costs	(2,865,802)	-	(2,865,802)	(642,657)	2,223,145	-78%	(e)
Profit/(Loss) before taxation	**21,930,980**	-	**21,930,980**	**13,850,933**	**(8,080,047)**	-37%	
Income tax expense/(credit)	**(6,579,294)**	-	**(6,579,294)**	**(5,094,802)**	**(1,484,492)**	23%	
Profit/Loss after taxation	**15,351,686**	-	**15,351,686**	**8,756,131**	**(6,595,555)**	-43%	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Golf Hotel Ltd is established by and derives its authority and accountability from PFT Act 2012. The entity is wholly owned by the Government of Kenya both national and county and is domiciled in Kenya. The entity's principal activity is Accommodation and Conferencing services.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. 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 Hotel's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 10.

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognized in respect of most operating leases where the Company is the lessee.

IFRIC 23: Uncertainty Over income tax treatments

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:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure pre-payable financial assets with negative compensation at amortized cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

IFRS 17 Insurance Contracts (Issued 18 May 2017)

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 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. 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 *Conceptual Framework*. 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 *Conceptual Framework*.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

iii) MANAGEMET DISCUSSION AND ANALYSIS

Annual Report and Financial Statements for the year ended 30 June 2019.
Our profit for the year before tax stood at Kshs. 13,850,933 as compared with Kshs. 25,460,967 achieved in the year 2017/2018. Gross profit Stood at Kshs. 107,954,580 as compared to Kshs. 115,519,039 in the year 2017/2018.

During the year we were able to complete the refurbishment of Our conference Halls and soft furnish of our rooms in line with the room uplift plan. This has all had positive feedback and reception from our clients and we are striving to provide the best services in our turnaround strategy that we started implementing in 2017. We are in the process of refurbishing our rooms with the aim of transforming them to modern rooms with equipped amenities, Completion of our executive Rooms wing and set up of a modern laundry facility to increase our revenue generating capacity and ensure maximum customer satisfaction is achieved.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a) Revenue recognition

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

a. **Revenue from the sale of goods and services** is recognised in the year in which the Hotel delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.

b. **Finance income** comprises interest receivable from bank deposits and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

c. **Other income** is recognised as it accrues.

b) In-kind contributions

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

c) 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 valuer's.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Depreciation and impairment of property, plant and equipment

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

Buildings and civil works	0%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Land	Over 99 years or the unexpired lease
period	

Depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal on a time proportion basis.
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 are initially recognized at cost. The cost of intangible assets is their fair value at the date of the transaction. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. 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) Fixed interest investments (bonds)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on First in First out. Net realizable value is estimate of the selling price in the ordinary course of business less selling expenses.

g) 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.

h) Taxation

Current Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Taxation (Continued)

Deferred tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

i) 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 reporting period. 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.

j) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continues)

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 Hotel or not, less any payments made to the suppliers.

l) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2011.The scheme is administered by an independent pension provider; the company contributes 5% and the employee 5%. The employer's contribution is recognised as an expense in the Income Statement. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company contributes 6% and the employee 6% of the pensionable wage. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently subject to an upper limit of Kshs. 2,160 per employee per month for employees earning above Kshs. 18,000.

m) Provision for gratuity, leave and retirement benefits

The total liability for employee's accrued annual leave and compensatory off days as at the end of the financial year is recognised as an accrual with the respective movement in the balances passing through the statement of comprehensive income accordingly.

n) Exchange rate differences

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

o) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly in October 2018. Accordingly, the hotels recorded no additional appropriations on the 2018-2019 budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

NOTES TO THE FINACIAL STATEMENTS (Continued)

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Service concession arrangements

The Hotel analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Hotel recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Hotel also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

s) Going Concern

The financial statements were prepared on a going concern basis. The going concern basis assumes that the company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. SUMMARY OF ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

In the process of applying the company's accounting policies, the directors make some judgements and estimates. Such estimates and judgements are based on historical experience among other factors that are deemed reasonable under the prevailing circumstances. The judgements are evaluated each financial year to ensure that they remain reasonable under the circumstances and based on available information. The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities when reporting. The judgements made in the process of applying the company's accounting policies that have the most significant effect on the amounts reported in the financial statements include:

u) Property, Plant and equipment

The company's management makes estimates in determining the depreciation rates for PPE. The rates used are as set out in accounting policies note 5.

v) Useful lives and residual values

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

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

w) Revaluation of PPE

The company carries Land and buildings of PPE at fair value, with changes in fair value being recognised in the comprehensive income and revaluation reserves respectively.

x) Receivables

Estimates and judgements are made when determining the recoverable amount of 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.

y) Contingent liabilities

In the course of day to day running of the company's affairs, the company is exposed to contingent liabilities including public liability and legal cases. The status of these exposures are evaluated by the management from time to time to ascertain the likelihood of the liabilities crystalizing. Provisions are subsequently made in the financial statements where an obligation has been established. Judgements are required in determining the amount of financial obligation on the company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a) SALES INCOME

	2019 Kshs	2018 Kshs
Gross sales of goods	170,739,209	184,116,693
Less: Service Charge on gross sales	(9,561,396)	(10,310,535)
Less: Catering Levy on gross sales	(2,731,827)	(2,945,867)
Less: Value added tax on gross sales	(21,854,619)	(23,566,937)
Net Sales	136,591,367	147,293,354

Sales are reported net of 16% VAT, 7% Service charge & 2% Catering levy. The gross sales above therefore include all the relevant taxes/charges.

11. COST OF SALES

	2019 Kshs	2018 Kshs
Food	20,444,414	21,581,324
Beverage	5,872,512	6,824,578
Tobacco	49,717	63,816
Accommodation	1,023,879	1,822,873
Conferencing	1,246,265	1,443,499
Laundry	-	38,225
	28,636,787	31,774,315

12 (a) ADMINISTRATION COSTS

	2019 Kshs	2018 Kshs
Staff costs (note 13b)	50,352,759	48,849,945
Directors' emoluments	2,448,272	1,853,928
Electricity and water	6,242,614	6,099,971
Communication services and supplies (*Tel. & postage*)	276,814	274,118
Transportation, travelling and subsistence (*Travel expenses Transport allowance, Staff transport & Leave travel)*	2,832,855	3,004,667
Printing, stationery and photocopying	950,370	1,619,316
Staff training expenses	455,515	488,812
Insurance costs	907,333	543,433
Bank charges and commissions (*Bank charges & Commission on Visa cards)*	1,176,009	849,604
Office and general supplies (*Office Miscellaneous*)	23,600	30,640

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 (a) ADMINISTRATION COSTS

	2019 Kshs	2018 Kshs
Auditors' remuneration	150,000	150,000
Consultancy fees	-	-
Legal Fees	797,991	26,000
Repairs and maintenance (*Garden &grounds, Building maintenance & Repairs & renewals)*	2,895,557	3,230,169
Provision for bad and doubtful debts	12,801	426,720
Other operating expenses (*Fuel &gas, Cleaning, Toilet requisites, Vehicle operating, Licenses, Laundry, KRB, Guest supplies, Rent & rates, Delivery, Donations, Flowers & deco &Security)*	9,959,518	8,874,934
	79,482,008	75,015,887

(b) STAFF COSTS

	2019 Kshs	2018 Kshs
Salaries and allowances of permanent employees (*Salaries, Housing, Medical& Entertainment allowance*)	41,799,030	39,594,781
Wages of temporary employees (*Casual wages*)	2,411,953	1,693,920
Compulsory national health insurance schemes	1,063,000	1,088,850
Compulsory national social security schemes	1,125,459	1,122,102
Other pension contributions	1,108,169	1,335,889
Leave Provision and gratuity provisions	(372,247)	1,306,370
Staff welfare (*Meals & welfare*)	3,217,395	2,708,033
	50,352,759	48,849,945

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

	2019	2018
Permanent employees – Management	15	15
Permanent employees – Unionisable	45	49
Temporary and contract employees	17	16
	77	80

Female employees – 32 (42%)
Male Employees – 45 (58%)

13 SELLING AND DISTRIBUTION COSTS

	2019 Kshs	2018 Kshs
Marketing and promotional (*Marketing & Advertising*)	1,808,317	1,916,370
Sales commissions (*Agents commission*)	-	-
	1,808,317	1,916,370

14 OPERATING PROFIT/(LOSS)

The operating profit is arrived at after charging;	2019 Kshs	2018 Kshs
Staff costs (note 13b)	44,752,938	47,543,575
Depreciation of property, plant and equipment	12,170,666	13,608,071
Provision for bad and doubtful debts	12,802	426,720
Directors' emoluments	2,448,272	1,853,928
Auditors' remuneration - current year fees	150,000	150,000
Other Operating Expenses (note 13a)	33,926,314	25,651,663

Against the Gross Profit for the period under review

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019	2018
Total Operating Cost	93,460,992	89,233,957
Gross Profit	107,954,580	115,519,039
Operating Profit	14,493,590	26,285,081

15 FINANCE COSTS (INTEREST ON LOAN)

Interest expense on loans	642,657	824,114
	642,657	824,114

The loan was obtained from TFC to clear previous years' tax arrears owed to KRA in 2011.

16 INCOME TAX EXPENSE/ (CREDIT)

(a) Current taxation

Current taxation based on the adjusted profit for the year at 30%	5,094,802	8,425,083
	5,094,802	8,425,083

(b) Reconciliation of tax expense/ (credit) to the Expected tax based on accounting profit

Profit before taxation	13,850,933	25,460,967
Tax at the applicable tax rate of 30% (2018: 30%)	4,155,280	7,638,290
Tax effects of expenses not deductible for tax purposes		
*(Donations 20,993*30%)*	6,298	6,717
*(Decrease in Leave Provision -372247*30%)*	(111,674)	(391,911)
*(Fines and Penalties 797,991*30%)*	239,397	-
*(Excess Depreciation 2,685,005*30%)*	805,501	1,171,987
Tax Charge	5,094,802	8,425,083
Instalment tax paid	(6,308,070)	(7,261,187)
Tax due at the end of the year	(1,213,268)	1,163,896

c) Tax Paid During the year

Instalment Tax	6,308,070	7,261,987
Final Tax	1,163,896	781,044
	7,471,952	8,043,031

17 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of Kshs. 10,874,343 (2017: Kshs.15, 606,970) by the average number of ordinary shares of 250,000 (2017: 250,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

Net profit After Tax (A)	8,756,131	15,606,970
Ordinary Shares (B)	250,000	250,000
Earnings Per share (A)/ (B)	35.02	62.4

18 DIVIDEND PER SHARE

As at the close of the financial year dividend had not been declared. Dividends paid for the year 2017/2018 was Kshs. 2,500,000. It is however expected that dividends for the year 2018/2019 will be declared in the AGM of September 2019 and paid before the end of the calendar year 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19(a) PROPERTY, PLANT AND EQUIPMENT

2019	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2018	415,000,000	174,111,189	18,325,687	7,692,217	5,765,994	38,906,021	4,284,102	664,085,210
Additions	-	1,395,334	662,273	-	528,867	1,155,002	936,451	4,677,927
At June 30, 2019	**415,000,000**	**175,506,523**	**18,987,960**	**7,692,217**	**6,294,861**	**40,061,022**	**5,220,553**	**668,763,136**
DEPRECIATION								
At July 1, 2018	**6,781,715**	-	**9,006,478**	**1,659,134**	**5,086,418**	24,224,948	-	46,758,693
Charge for the year	6,781,715	-	1,880,693	1,923,054	414,554	1,170,650	-	12,170,666
At June 30, 2019	**13,563,430**	-	**10,887,171**	**3,582,188**	**5,500,972**	**25,395,598**	-	**58,929,359**
NET BOOK VALUE								
At June 30, 2019	**401,436,570**	**175,506,523**	**8,100,790**	**4,110,029**	**793,889**	**14,665,424**	**5,220,553**	**609,833,777**

Work in progress relates to Executive Rooms project not yet completed as at 30 June 2019.

	Fully Depreciated 2019 Cost or Valuation	Normal annual depreciation charge	2018/2019 Work in Progress Closing Balances
Building	-	-	5,220,553
Plant and machinery	3,123,363	390,420	-
Motor vehicles, including motor cycles	-	-	-
Computers and related equipment	4,240,699	1,272,210	-
Office equipment, furniture and fittings	9,887,344	1,235,918	-
Land			
	17,251,406	**2,898,548**	**5,220,553**

19(b) PROPERTY, PLANT AND EQUIPMENT (Continued)

2018	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST OR VALUATION								
At July 1, 2017	8,000,000	88,892,446	15,086,044	6,892,217	5,410,399	34,007,422	8,692,955	166,981,484
Additions	-	2,111,186	3,239,643	-	355,595	4,898,598	-	10,605,022
Transfers	-	-	-	-	-	-	-4,408,853	-4,408,853
Revaluation Surplus	407,000,000	83,107,557	-	800,000	-	-	-	490,907,557
At June 30, 2018	**415,000,000**	**174,111,189**	**18,325,687**	**7,692,217**	**5,765,994**	**38,906,021**	**4,284,102**	**664,085,210**
DEPRECIATION								
At July 1, 2017	1,315,013	28,445,521	7,309,907	2,095,994	4,664,722	20,967,952	-	64,799,109
Charge for the year	6,781,715	-	1,696,571	1,451,071	421,696	3,256,996	-	13,608,049
Writeback of accumulated Depreciation to Revaluation Reserve	-1,315,013	-28,445,521	-	-1,887,931	-	-	-	-31,648,465
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2018	6,781,715	-	**9,006,478**	**1,659,134**	**5,086,418**	**24,224,948**	-	**46,758,693**
NET BOOK VALUE								
At June 30, 2018	**408,218,285**	**174,111,189**	**9,319,209**	**6,033,083**	**679,576**	**14,681,073**	**4,284,102**	**617,326,517**

Work in progress relates to Executive Rooms project not yet completed as at 30 June 2018. Property, plant and equipment include items that are fully depreciated. During the year Land Building and Motor Vehicle were revalued giving rise to a revaluation Surplus Reserve of Kshs. 490,907,557 as follows;

	Fully Depreciated 2018 Cost or Valuation	Normal annual depreciation charge	2017/2018 Work in Progress Closing Balances	2017/2018 Revaluation Surplus a/c
Building	-	-	4,284,102	83,107,557
Plant and machinery	3,123,363	390,420	-	-
Motor vehicles, including motor cycles	-	-	-	800,000
Computers and related equipment	4,274,594	1,282,379	-	-
Office equipment, furniture and fittings	9,887,344	1,235,918	-	-
Land				407,000,000
	17,285,301	**2,908,717**	**4,284,102**	**490,907,557**

20(a) DEFERRED TAX COMPUTATION

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items;

Deferred Computation Tax 2018					
		Qualifying	Tax	Temporary	Deferred Tax
AssetS/Liabilities	Asset base	NBV	Base	Difference	Liability
					2018/2019
Building	175,506,519	175,506,519	171,118,856	4,387,663	1,316,299
Plant and Machinery	22,766,214	22,766,214	22,590,362	175,852	52,756
Motor Hevicles	4,110,028	4,110,028	4,524,812	(414,784)	(124,435)
Computers	793,894	793,894	845,910	(52,017)	(15,605)
Total	**203,176,655**	**203,176,655**	**199,079,941**	**4,096,714**	**1,229,014**

WEAR AND TEAR ALLOWANCE SCHEDULE 2018					
	CLASS I	CLASS II	CLASS III	CLASS IV	
	HEAVY MACHINERY	COMPUTERS & ACCESSORIES	MOTOR VEHICLE	PLANT & FFE	TOTAL
	37.5%	30%	25%	12.50%	
	KES	KES	KES	KES	KES
WDV 1/7/2018	-	679,576	6,033,083	24,000,282	30,712,941
Additions	-	528,867	-	1,817,275	2,346,142
	-	**1,208,443**	**6,033,083**	**25,817,557**	**33,059,083**
Disposals	-	-	-	-	-
	-	1,208,443	6,033,083	25,817,557	33,059,083
WTA	-	(362,532.97)	(1,508,270.75)	(3,227,195)	(5,097,998)
WDV 30/06/2019	-	**845,910**	**4,524,812**	**22,590,362**	**27,961,085**

INDUSTRIAL BULIDNG ALLOWANCE SCHEDULE 2018					
YEAR	QUALIFYING	RESIDUAL B/F 01/07/2018	ADDITIONS 2018	IBA @ 2.5% PA	RESIDUAL C/F
	COSTS				
	172,000,000	174,111,186	1,395,334	4,387,663	171,118,856
TOTAL BUILDING QUALIFYING FOR IBA 2018			**175,506,519**		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. (b) Deferred Tax (Continued)

	2019 Kshs	2018 Kshs
Accelerated capital allowances	1,229,014	708,605
Net deferred tax liability	1,229,014	708,605

(c)

The movement on the deferred tax account is as follows:

Balance Brought forward	708,605
(Charge)/Credit for the year	520,409
Balance Carried forward	1,229,014

Class IV in the wear and tear schedule note 22(a) is a combination of the totals for Plant and machinery and Office equipment, furniture & fittings balances as per the PPE movement schedule in note 21(a).

21.INVENTORIES

	2019	2018
Food	399,703	549,715
Drinks & Tobacco	729,318	537,036
Conferencing	10,397	36,849
Accommodation	128,706	68,457
	1,268,124	1,192,057

22.(a) TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables (note 22 (b))	25,107,182	22,831,419
Unallocated Debtor Payments	-	(472,592)
Deposits	310,000	310,000
Prepayments (*insurance & DSTV*)	1,150,443	1,519,909
VAT recoverable	2,954,710	2,851,207
Staff receivables (note 22 (c))	234,000	143,000
Mt. Elgon Receivable	1,198,816	674,616
Kabarnet Receivable	390,300	371,400
Sunset Receivable	3,063,388	1,150,599
PDQ Receivable (*KCB, Equity, Spire, Barclays)*	425,064	13,304
Gross trade and other receivables	34,833,902	29,392,860

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22(b) TRADE RECEIVABLES

	2019 Kshs	2018 Kshs
Gross trade receivables	28,117,596	25,829,032
Provision for doubtful receivables	(3,010,414)	(2,997,613)
	25,107,182	22,831,419

At June 30, the ageing analysis of the gross trade receivables was as follows:

	2019 Kshs	2018 Kshs
Less than 30 days	237,103	3,787,048
Between 30 and 60 days	4,633,797	3,248,298
Between 61 and 90 days	720,977	2,717,600
Between 91 and 120 days	1,358,748	2,234,735
Over 120 days	21,166,971	13,841,351
	28,117,596	25,829,032

22(c) STAFF RECEIVABLES

	2019 Kshs	2018 Kshs
Gross staff loans and advances	234,000	143,000
Provision for impairment loss	(-)	(-)
	234,000	143,000
Less: Amounts due within one year	(234,000)	(143,000)
Amounts due after one year	-	-

22. (d) Bad Debt Provision

Balance at beginning of the Year 2018/2019		2,997,613
Provision 2017/2018	426,720	
Provision 2018/2019	439,522	
Increase in provision for the year 2018/2019		12,802
Balance as at end of the year		3,010,412

23. BANK AND CASH BALANCES

	2019 Kshs	2018 Kshs
Cash in hand (*M-Pesa & Petty cash*)	182,321	66,700
Cash at bank KSHS (A/C) KCB 1101729023	17,341,916	12,880,975
Cash at bank KSHS A/C KCB 1101729597	11,417,755	14,688,735
Cash at bank USD A/C KCB 1222758385 (*USD 27,014.78 @ CBK Closing Rate 102.1983)*	2,760,865	2,401,696
Unknown Bank Deposits as at 30th June 2019	(940,874)	-
	30,761,982	30,038,106

Cash at bank was held at Kenya Commercial Bank, the Hotel's main bankers. All cash denominated in foreign currency have been *restated based on Central Bank of Kenya Mean Exchange, at 30 June 2019* and respective gain/loss recognised in the statements of comprehensive income. Unknown Bank Deposits represents monies received in the Hotels Approved Bank account but Deposit details were not available as at the close of the financial year for allocation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019 Kshs	2018 Kshs
24. ORDINARY SHARE CAPITAL		
Authorised:		
250,000 ordinary shares of Kshs.20 par value each	5,000,000	5,000,000
Issued and fully paid:		
250,000 ordinary shares of Kshs.20 par value each	5,000,000	5,000,000

25. REVALUATION RESERVE

The revaluation reserve relates to the revaluation of Land Building and Motor Vehicle carried out during the year. As indicated in the Statement of Changes in Equity and PPE, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings as depicted below. Revaluation surpluses are not distributable.

	Date	Num	Memo	Amount	Balance
Rvaluation Surplus					515,789,787.00
	6/30/2019	3311	BEING TRANSFER OF EXESS DEPRECATION OF REVALUATION SURPLUS ON BUILDING FOR THE YEAR 2018/2019	-2,077,689	513,712,098
	6/30/2019	3311	BEING TRANSFER OF EXESS DEPRECATION OF REVALUATION SURPLUS ON LAND FOR THE YEAR 2018/2019	-6,672,131	507,039,967
	6/30/2019	3311	BEING TRANSFER OF EXESS DEPRECATION OF REVALUATION SURPLUS ONMVEHICLE FOR THE YEAR 2018/2019	-200,000	506,839,967
Tial Revaluation Surplus				-8,949,820	506,839,967

26. RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the Hotel's shareholders. Undistributed retained earnings are utilised to finance the Hotel's business activities.

	Share capital Shs	Revaluation Reserve Shs	Retained earnings Shs	Total Shs
Year ended 30 June 2019				
At start of year	5,000,000	515,789,787	112,975,470	633,765,257
Profit for the year	-		8,756,131	8,756,131
Deferred Tax on Excess Depreciation		(8,949,820)	8,949,820	-
Proposed Final Dividends	-		(2,500,000)	(2,500,000
At end of year	5,000,000	506,839,967	128,181,421	640,021,388

27. BORROWINGS

	2019	2018
Balance at beginning of the year	19,847,625	21,497,241
Repayments of domestics borrowings during the year	(1,649,616)	(1,649,616)
Balance at end of the year	18,198,009	19,847,625

The Hotel is servicing a loan from TFC of Kshs. 16,496,102 (September 2011) advanced for the clearance of KRA principal Arrears at an interest of 11% (2017:9%) per annum to be repaid within 10 years. Principal repaid during the year amounts to Kshs. 1,649,616 and an interest of Kshs. 642,657.

The analyses of both external and domestic borrowings are as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Domestic Borrowings

Kenya Shilling loan from TFC	18,198,009	19,847,625
Total balance at end of year	18,198,009	19,847,625

28. TRADE AND OTHER PAYABLES

Trade payables	4,632,433	4,645,281
Accrued expenses *(Audit fee, Rates, Central charges)*	8,059,039	2,071,562
Other payables *(Payroll liabilities,)*	3,276,651	12,691,260
	15,968,123	19,408,103

29. LEAVE PROVISIONS

	2019	2018
Balance at beginning of the year	3,056,054	4,362,424
Decrease in provision for the year	(372,247)	(1,306,370)
Payment during the year	(189,287)	-
Balance at end of the year	2,494,519	3,056,054

Leave Provision is computed by Basic plus House allowance multiply by (Total Leave days earned plus pending days) /30 as at the end of the financial year.

30. (a) DIVIDENDS PAID

The total dividends paid during the year relates to dividends, paid to the ordinary shareholders for the year 2017/2018 which was declared in September 2018 during the AGM meeting.

	2019
Year 2017/2018	2,500,000
Total paid during the year	2,500,000

31. RETIREMENT BENEFIT OBLIGATIONS

	2019	2018
Balance at beginning of the year	-	5,669,957
Write Back of Retirement Provision	-	(5,669,957)
Balance at end of the year	-	-

Gratuity Provision Payable to Management staff and accruing as at the beginning of the year was written back to Retained earnings following Audit recommendations and board Resolution for the year 2017/2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to Cash generated from/ (used in) operations

	2019 Kshs	2018 Kshs
Operating profit/ (loss)	13,850,933	25,460,261
Depreciation	12,170,666	13,608,071
Operating profit/ (loss) before working capital changes	26,021,599	39,068,332
(Increase)/decrease in inventories	(76,067)	(138,203)
(Increase)/decrease in trade and other receivables	(4,500,168)	(2,735,182)
Increase/ (decrease) in trade and other payables	(3,439,980)	(2,941,812)
Increase/ (decrease) in retirement benefit obligations	-	(5,669,957)
Increase/ (decrease) in provision for staff leave pay	(561,534)	(1,306,370)
Increase/ (decrease) in provision for Deferred Tax	520,409	-
Increase/ (decrease) in NSSF Penalties Payable	-	(2,781,595)
Increase/ (decrease) in Dividends Payable	-	(5,000,000)
Cash generated from/ (used in) operations	17,964,259	18,495,213

(b) Analysis of changes in loans

	2019 Kshs	2018 Kshs
Balance at beginning of the year	19,847,625	21,497,241
Repayments during the year	(1,649,616)	(1,649,616)
Balance at end of the year	18,198,009	19,847,625

(c) Analysis of interest paid

	2019 Kshs	2018 Kshs
Interest on loans (note 16)	642,657	824,114
	642,657	824,114
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year	(-)	(-)
Interest paid	642,657	824,114

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Kenya through Tourism Finance Corporation is the principal shareholder of Golf Hotel Limited, holding 80% of the equity interest with the remaining 20% being held by the County government of Kakamega.

(b) Staff Advances

In line with the company policy, employees are entitled to advance salary not exceeding two thirds of their net salary and are recoverable in not more than three instalments. Total advance recoverable as at 30 June 2019 was as follows:

	2019 Kshs	2018 Kshs
Due from directors	-	-
Due from other staff	234,000	143,000
	234,000	143,000

	2019 Kshs	2018 Kshs
(c) Directors' expenses		
Sitting allowance (*Inclusive of PAYE& Lunch Allow*), *Flight, Taxi & Night Out*)	2,448,272	1,853,928
	2,448,272	1,853,928

Directors remuneration during the year includes; Night Out Allowance at the rate of Kshs. 18,200 per night, Sitting Allowance at the Rate of 20,000 per sitting which is also subject to 30% PAYE. Meal allowance at the rate of Kshs. 2,000 per sitting and Flight and Taxi payable at the current service providers Rate.

(d) Borrowing from TFC

The following are the balance for the related party relationship between Golf Hotel and TFC as at 30 June 2019 in relation to a loan acquired for the purpose of settlement of outstanding KRA Tax in 2011. Amount of Kshs. 13,249,219 which represents loan from proceeds for privatization remains in the Hotels book but payments to the said loan was suspended pending Capitalization by the Majority shareholder and issuer of the facility.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of the industry and seeks to minimise potential adverse effects on its financial performance.
Risk management is carried out by the finance and the internal audit departments under policies approved by the Board of Directors. The Board provides principles for overall risk management.

a) *Market risk*

Foreign exchange risk

The entity has transactional currency exposures. Such exposure arises through payment of goods and services that are done in USD currency. Invoices denominated in foreign currencies are paid before service delivery to the companies USD bank account Monies in this account are maintained in Foreign currency and conversion is only done in the financial statements to the local currency using the prevailing mean CBK exchange rate as at the reporting Period this minimizes exposures to exchange rate fluctuations.

b) *Credit risk*

Credit risk arises from cash and cash equivalents as well as trade receivables and balances due from related parties.
The amount that best represents the company's maximum exposure to credit risk as at 30 June 2019 is as shown below:

30 June 2019	Neither past due nor impaired **Kshs**	Past due but not impaired **Kshs**	Impaired **Kshs**	Total **Kshs**
Trade receivables	10,151,948	17,965,649	(3,063,388)	28,117,596
Due from related parties	234,000	-	-	234,000
	10,385,948	17,965,649	(3,063,388)	28,351,596

30 June 2018	Neither past due nor impaired **Kshs**	Past due but not impaired **Kshs**	Impaired **Kshs**	Total **Kshs**
Trade receivables	11,987,681	13,368,759	(2,997,613)	22,358,827
Due from related parties	143,000	-	-	143,000
	12,130,681	13,368,759	(2,997,613)	22,501,827

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Credit risk

Bank balances are held with creditable financial institutions and are fully performing. Trade receivables are due from customers with good credit rating.

c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The company manages this risk by maintaining adequate cash balances in the bank, maintaining banking facilities and by continuously monitoring forecast and actual cash flows.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months as well as parent company funding equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 Month Kshs	Between 1-3 Months Kshs	Over 3 Months Kshs	Total Kshs
At 30 June 2019:				
Trade payables	2,074,592	1,732,831	825,010	4,632,433
Parent company funding	-	-	18,198,009	19,847,625
	2,074,592	1,732,831	19,023,019	23,655,452

	Less than 1 month Kshs	Between 1- 3 months Kshs	Over 3 months Kshs	Total Kshs
At 30 June 2018:				
Trade payables	3,676,696	968,585	-	4,645,281
Parent company funding	-	-	19,847,625	19,847,625
	3,676,696	968,585	19,847,625	24,492,906

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. CAPITAL MANAGEMENT

Internally imposed capital requirements:
The objective of the Hotel's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2019 Kshs.	2018 Kshs.
Revaluation Reserve	547,893,993	515,789,787
Retained Earnings	87,127,394	112,975,471
Capital Reserve	5,000,000	5,000,000
Total Equity	640,021,387	633,765,258
Total Borrowing	18,198,009	19,847,625
Less: Cash and Bank Balances	(31,702,856)	(30,038,106)
Net Debt/ (Excess Cash and Cash Equivalent	(13,504,847)	(10,190,481)
Gearing	-0.02%	-1.6%

36. INCOPORATION

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

37. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

38. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW-UP OF AUDITORS RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
4.1	The Hotel did not develop and submit any HR instruments to the Advisory Committee. There is no approved HR Instruments to guide in matters pertaining HR as required by PSC HR policy Guidelines.	This was duly noted and the Management has since forwarded its HRO manual and Organization structure to SCAC for review and approval. We are currently in Liaison with the officials to ensure this has been fully complied with.	Maureen Njuru Human Resource Officer	Not Resolved	31st December 2019

4.2	The hotel spent monies on behalf of its three subsidiaries namely Kabarnet, Mt. Elgon and Sunset as directed by the board. This will in the long run compromise the Hotels budget implementation and the position of the County Government of Kakamega which has no interest in the other subsidiaries	As directed by the board the Hotel has incurred such expenses but the same are due for reimbursements as soon as the other three subsidiaries begin full time operations. The management is however monitoring this costs to maintain them at the lowest minimum levels as they seek to resolve the matter with the respective boards of the three subsidiaries.	Reuben Argut General Manager	Not Resolved	31st December 2019
4.3	The statement of financial position reflects Kshs. 25,356,440 which differs by 472,592 with the figure of Kshs. 25,829,032 in the GL the Variance has not been explained or reconciled	The figure of Kshs. 472,592 represents un allocated bank deposits received by the hotel in the Hotels bank Account as at the end of the year. This has however been reflected separately under Unallocated Bank Deposit in Note 23 with a schedule of the balances being attached and forwarded to the AG office for verification. The Hotel has since been able to allocate this pending payments with the help of the bank and as at 30th September 2019 the Balance unallocated stood at Kshs. 319,861.53.	Leena Mugadia Accountant	Resolved	Resolved

4.3 (ii)	Included in trade receivables balance of Kshs. 28,864,367 which has been netted off with prepayments of Kshs. 3,087,869. The balance of Kshs. 19,385,561 has not been collected over 90 days. No serious efforts appear to have been taken to recover the amounts	The Management has dedicated a full time staff in charge of debtor management to ensure collection of outstanding debts. As at the close of 2019 we also facilitated the said staff to visit government ministries in Nairobi to ensure our payments were in deed being processed and loaded on IFMIS for settlement. Out of this as at 19th June 2019 the Offices visited had settled a total of Kshs. 4,879,679 out of the 13,754,612 that was outstanding as at 1st June 2019 under this category. We also have board approval to engage debtor recovery agents on those debts that clients are non - responsive on settlement and establish if the same can be legally recovered.	Leena Mugadia Accountant	On going	

4.4	An analysis of the revaluation report indicated that land was valued on basis of comparable sales for similar properties while building on Depreciated Replacement cost. No comparative schedules were however attached. As a result the hotel was unable to break down the cumulative valuation amount.	The management has been following up with the valuers for this schedule as recommended by the Audit. This has since been presented to the Auditor General for confirmation of the Revalued asset.	Leena Mugadia Accountant	Resolved	31st October 2019
4.5	Under Work in progress in the absence of properly prepared BOQ and store records it's impossible to confirm the cost of the incomplete building. There were No bills of quantities or drawings for the Executive rooms. The cost of project could not be established and the works remained abandoned.	This was noted and the management is in the process of preparing fresh drawings BOQs for the executive rooms before it can advertise foe the completion of this project. We however roofed the Building to avoid weakening of the structure. This process has stalled because the Hotel did not have a procurement Officer for Over a year since the last Audit to assist in ensuring this process is done within the required procurement Laws. We have However Hired a new officer who we believe will assist in the completion of this project.	Cyril Njuru Procurement Officer	Not Resolved	31st December 2019
4.6	Mwongozo Code of Conduct It appeared that	The Board Noted this. The hotels prior Board term ended in August 2018. A new board has been	Reuben Argut General Manager	Resolved	Resolved

	the board was operating casually and had not implemented the Mwongozo Code of conduct	appointed in June 2019. Part of the agenda of the board is to fully implement the Mwongozo code of conduct. The Audit Committee has since been Appointed. The board Work Plan has also been developed. The board Charter is being Developed for adoption during the AGM in September.			
4.7	Financial Statements were printed on one side against the policy to print both sides and save on paper	This has been Corrected and adopted	Leena Mugadia Accountant	Resolved	
	There is no Management Discussion and analysis report	This has been Included	Leena Mugadia Accountant	Resolved	
	Reclassification of items without explanations and impact on previous reports	This was as a result of board recommendation in order to monitor cost Benefit analysis for its major revenue centers. Being the first time it was adopted comparatives were not available but the same has been applied in the subsequent financial statements.	Leena Mugadia Accountant	Resolved	
	Presentation of Deferred tax in portrait instead of landscape	This has been corrected	Leena Mugadia Accountant	Resolved	

	Report On Dividends not agreeing in the notes and Balance sheet	This was corrected in the last years report as dividends had not yet been declared as at the end of the Financial year therefore could not appear in the Balance sheet.	Leena Mugadia Accountant	Resolved	
	Admin cost of 73,706 are understated by 1,306,411 as a result of under casting note 13(a)	This was noted and corrected	Leena Mugadia Accountant	Resolved	

General Manager

Golf Hotel Ltd

GOLF HOTEL LIMITED GENERAL MANAGER NOV 2019 TEL: 056-30... FAX: 056-30155 BOX 118-50100 KAKAMEGA

Date.....................

Chairman of the Board

Date 05/DEC/2019