

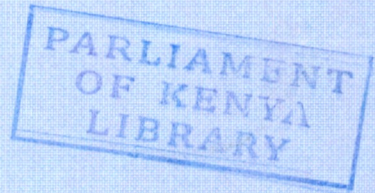
REPUBLIC OF KENYA



*Paper laid  
By the leader of  
majority party  
Hon. Aden Duale  
on Thursday  
2/7/2015*



KENYA NATIONAL AUDIT OFFICE



**REPORT**

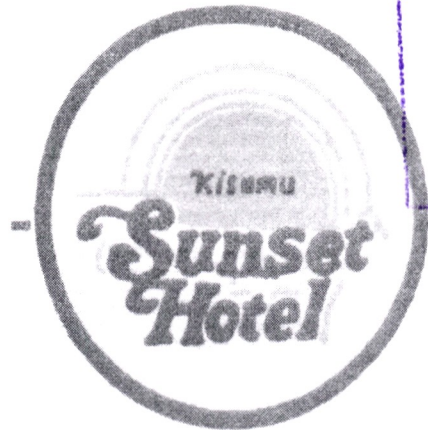
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
SUNSET HOTEL LIMITED**

**FOR THE YEAR ENDED  
30 JUNE 2014**



**SUNSET HOTEL LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30<sup>TH</sup> JUNE 2014**

**SUNSET HOTEL LIMITED**  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June 2014**

<u>CONTENTS:</u>	<u>PAGES</u>
1. Key Company information	1-2
2. Board of Directors	3-4
3. Management Team	5
4. Chairman's statement	6
5. Report of the Chief Executive Officer	7
6. Corporate Governance Statement	8
7. Corporate social Responsibility statement	9
8. Report of Directors	10
9. Statement of Directors' Responsibilities	11-12
10. Report of the Auditor General	13
11. Statement of Comprehensive Income	14
12. Statement of financial position	15
13. Statement of changes in Equity	16
14. Statement of Cash flow	17
15. Summary of Significant accounting Policies	18-20
16. Explanatory Notes to the Financial Statements	21-25

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**KEY COMPANY INFORMATION**

Sunset Hotel Ltd was registered under the company's Act Cap. 486 on 28<sup>th</sup> January 1976.

**Principal Activities**

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

**Directors**

Mr. Jackton Ranguma	H.E the Governor - Kisumu County
Dr. Rose Kisia Omondi	Executive member Tourism Kisumu County
Mr. George Ongaya	Executive member Treasury Kisumu County
Ms. Maryanne Jordan	Managing Director - TFC
Mr. Dominic Ndewa	Head of Investment (Alternate to MD TFC)

**Corporate secretary**

Mr. Carrey Francis  
P O Box 42013-00100  
Nairobi

**Registered Office**

Sunset Hotel Limited  
Aput Lane, Impala walk  
P. O. Box 215 - 40100  
Kisumu Kenya  
Tel. (254)057-2023482,2021490  
[E-mail:info@sunsethotel.co.ke](mailto:info@sunsethotel.co.ke) or [sunsethotel1977@yahoo.co.uk](mailto:sunsethotel1977@yahoo.co.uk)  
Website:[www.sunsethotel.co.ke](http://www.sunsethotel.co.ke)

**Advocates**

P.Ochieng Ochieng & Co. Advocates  
ALPHA HOUSE, 1<sup>st</sup> FLOOR  
Wing A  
P.O.Box 3552 -40100  
Kisumu

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**Bankers**

National Bank Of Kenya Limited  
P.O. Box 1152 - 40100  
Kisumu

Co-Operative Bank Of Kenya  
P.O. Box 1151 - 40100  
Kisumu



Kenya Commercial Bank  
P O Box 17 - 40100  
Kisumu

**Independent Auditors**

Auditor - General  
Kenya National Audit Office  
P.O.Box 30084 - 00100  
Nairobi

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

**THE BOARD OF DIRECTORS**



 <p>Ms. Maryanne Jordan - Managing Director - TFC</p>	<p>Qualifications: MBA- Finance Experience: over 20 years of hospitality experience.</p>
 <p>Mr. Dominic Ndewa -Head of Investment . Alternate to the Managing Director.</p>	<p>Qualifications: MA (Economics policy Management)&amp; CPA (K) Experience :over 18 years experience in Financial Management.</p>

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

 <p>Mr. Jackton Ranguma- H.E the Governor - Kisumu County</p>	<p>Master of Science (International Accounting and Management Information Systems) from the University of Illinois at Urbana-Champaign</p>
 <p>Dr. Rose Kisia Omondi - Executive member- Tourism Kisumu County</p>	<p>PhD in Management (Tourism) from the University of Waikato, Hamilton, New Zealand, Masters of Business Administration (MBA) from the University of Wales, UK and a Bachelor of Commerce degree from the University of Nairobi, Kenya.</p>
 <p>Mr. George Ongaya Executive member Treasury Kisumu County</p>	<p>He holds a Bachelor of Science degree (B.Sc) in Economics and Statistics from Makerere University, Uganda and a Bachelor of Philosophy degree (B.Phil.) in Economics from the Nairobi University. Department.</p>

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

**MANAGEMENT TEAM**

PHOTO	KEY PROFESSIONAL / ACADEMIC QULIFICATIONS	AREA OF RESPONSIBILITY
 <p><b>Stephen Katambani</b></p>	<p>Diploma in Hotel Management            Certificate in Food &amp; Beverage sales &amp; Service. Over 10years Experience in Hospitality Management</p>	<p><b>Hotel Manager</b></p>
 <p><b>Juliana Jemutai</b></p>	<p><b>Bachelor of Commerce degree (Finance) &amp; C.P.A.(K)</b>  <b>Over 10Years experience in Financial Management.</b></p>	<p><b>Hotel Accountant</b></p>

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**CHAIRMAN'S STATEMENT**

On behalf of my fellow board members, the management and myself, I am pleased to present the annual report of Sunset Hotel Limited. This report addresses happenings in the company during 2014 and the financial statements of the company for the year ended 30<sup>th</sup> June 2014. The Board of Directors efforts supported by the management of the company have focused on implementing strategies aimed at improving the hotels performance, improving its efficiency and enhancing the value of investments.

The year ended 30<sup>th</sup> June 2014 witnessed a reasonable growth with a GDP of 4.1%. Tourism continues on a downturn for the second year in row due to multiple actors, key of which is security incidents which have resulted in not only negative travel advisories against specific areas of the country, but also negative publicity, causing uncertainty in the country's source markets and leading to drop in tourist arrivals. This has seen booking cancellations and tremendous drop in forward bookings, translating ultimately into huge losses for the economy, with the tourism industry as the immediate casualty as it grapples with low occupancy, drop in revenues against the huge operating costs, job losses among others.

In the aforementioned circumstances, the company recorded a 7% growth in gross profit Ksh.51.8 million from 48.1million during 2013. The hotel registered losses throughout the year owing to relatively low hotel operation. The company has continued to build human resource capacity focused on quality services to its customers by ensuring employees are well trained and remain committed in their respective areas of expertise. The total net assets increased from 120.6 million to 127.4million in the year 2014.

The Board exudes confidence that the fortunes of the company will improve significantly in the future.

Finally, may I take this opportunity to thank my fellow directors, shareholders, management and staff for their support during the year.



Chairman { for the meeting}

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**REPORT OF THE CHIEF EXECUTIVE OFFICER**

During the Year 2013/2014 the Hotel saw improved business activity as compared to the last Financial Year. Although we were unable to make profit, there was a reduction in the loss made to Kshs. 8.1M as compared to the previous Year of Kshs. 8.7M.

From the month of July 2013, business started at a very slow pace seeing the Hotel report a loss at the end of the first quarter and only picking up in the fourth quarter, i.e. from April to June 2014. The peak of business during the year was in April, 2014 due to the devolution of the counties. These counties are supporting us by holding their day conferences in the hotel.

Despite holding their conferences here, the delegates do prefer to sleep elsewhere due to the poor state of our rooms and the challenge of the lift among other things. This is a challenge to the management since the conference revenue alone cannot sustain the hotel given the fixed overheads incurred per month. As a result of this, it has made the hotel to continuously report losses. The loss for the year is 8.1 million which has accumulated to 76.8 million over the years.

The net loss encountered was due to several factors among them were higher operational costs, low guests occupancies brought about by the un-refurbished facility (old). In addition there were other challenges facing the country like insecurity (terrorism) which made the clients to avoid hotels, hence accommodation was majorly affected.

I thank all our shareholders and clients for their valued support during the year.



**STEPHEN KATAMBANI**  
**HOTEL MANAGER**

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**CORPORATE GOVERNANCE STATEMENT**

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

1. **Board**

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

2. **Management**

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

3. **Tender and procurement committees**

These committees are in place in accordance with the Public Procurement and Disposal Act, 2005 besides the Public Procurement and Disposal Regulations, 2006. The committees adjudicate on all matters concerning procurement of goods and services and disposal of assets.

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**DIRECTORS REPORT**

The Directors submit their report together with the audited financial statement for the Year ended 30<sup>th</sup> June 2014 which shows the state of Sunset Hotel Ltd affairs.

**1. PRINCIPAL ACTIVIT**

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

**2. RESULTS**

The results of the year are shown in details on pages 14 - 25

**3. DIVIDEND**

The directors do not recommend payment of a dividend.

**4. RESERVES**

The Directors propose to carry forward the balance of accumulated Losses amounting to Kshs.76,829,164.00

**5. DIRECTORS**


The members of the Board of Directors who served during the year are shown on page 3-4 In accordance with Regulation 2(b) of the Sunset Hotel Ltd Articles of Association.

**6. AUDITORS**

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

The Auditor - General continues in office in accordance with Section 14 of the Public Audit Act 2003.

**BY ORDER OF THE BOARD**

  
**Mr. Carrey Francis**  
Corporate secretary  
P O Box 42013-00100  
Nairobi  
Date.....

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**STATEMENT OF DIRECTORS RESPONSIBILITIES**

Section 194 of the Public Finance Management Act, 2012 and of the State Corporations Act, require the Directors to prepare financial statements in respect of Sunset Hotel Ltd, which give a true and fair view of the state of affairs of the hotel at the end of the financial year/period and the operating results of the hotel for that year/period. The Directors are also required to ensure that the hotel keeps proper accounting records which disclose with reasonable accuracy the financial position. The Directors are also responsible for safeguarding the assets of the hotel.

The Directors are responsible for the preparation and presentation of the hotel 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 (period) ended on June 30, 2014. This responsibility includes:

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

The Directors accept responsibility for the hotel's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the hotel's financial statements give a true and fair view of the state of hotel's transactions during the financial year ended June 30, 2014, 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.

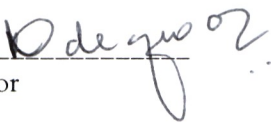
The directors acknowledge that the company's ability to continue with its operation as a going concern depends on continued support from the shareholders and other financiers, and the measures that the directors have put in place to return the company to profitable operations. The directors are of the view that once the planned measures are adopted, the company will successfully return to profitability. In view of the foregoing, the directors consider it appropriate to prepare the financial statements on a going concern basis.

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**Approval of the financial statements**

The Sunset Hotel Ltd financial statements were approved by the Board on 11<sup>th</sup> September 2014 and signed on its behalf by:

  
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Director

  
-----  
Director

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON SUNSET HOTEL LIMITED FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Sunset Hotel Limited set out on pages 14 to 25, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Article 229 (7) of the Constitution of Kenya and Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **Basis for Qualified Opinion**

### **1. Going Concern**

During the year under review, the Hotel incurred a loss of Kshs.8,154,901 which brought the accumulated losses to Kshs.76,829,164. Further, the current liabilities of Kshs.64,729,972 as at 30 June 2014 exceeded the current assets of Kshs.21,091,445 resulting in a negative working capital of Kshs.43,638,527. In view of the foregoing as in the previous year, the Hotel is therefore technically insolvent and its continued existence as a going concern is dependent upon the assumption that it will continue to receive financial support from the shareholders and creditors.

### **2. Audit Fees**

As reported in the previous year, the trade and other payables balance of Kshs. 31,795,910 as at 30 June 2014 includes audit fees amounting to Kshs.2,996,000 part of which have remained outstanding for the last 11 years. The Hotel is therefore in breach of section 19(1) of the Public Audit Act, 2003 which requires all state corporations audited to meet the costs of the audit services.

### **3. Revaluation Reserve**

The revaluation reserve balance of Kshs.79,262,476 has remained constant since 2004 when the assets were revalued. This is in breach of International Accounting Standard No.16 which requires that transfers are made to the revenue reserves on an annual basis as the assets are depreciated. Further, the standard requires that assets be revalued periodically, however the Hotel's assets have not been revalued in the last eleven (11) years.

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

The trade and other payables balances of Kshs.31,795,910 as at 30 June 2014 includes withholding Value Added Tax (VAT) and statutory Pay As You Earn(PAYE) of Kshs.1,456,346 and Kshs.2,090,519 respectively being arrears due to the Kenya Revenue Authority. The arrears and penalties continue to attract additional charges as per Section 21 of VAT Act Cap.476. Under the circumstances, it could not be confirmed that the trade and other payables balance of Kshs.31,795,910 as at 30 June 2014 was fairly stated.

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

As pointed out in the previous year's report, the Hotel's financial statements included under non-current assets, additions of property, plant and equipment costing Kshs.8,777,189 procured by KTDC on behalf of the Hotel that were not supported with documentary evidence. In the circumstances, the propriety of Kshs.8,777,189 expenditure included in the property, plant and equipment balance could not be confirmed.

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

The work in progress balance of Kshs.26,911,576 as at 30 June 2014 represents costs on account of renovation, extension and refurbishment of the Hotel in respect of a Kshs.18,474,512 contract entered into with a construction firm in July 2004. The cost overrun of Kshs.8,437,064 (46% increase) has not been supported with necessary approvals and documentation to date. Further, the renovation and refurbishment works were completed in June 2011. However, no completion certificate was availed for audit verification and transfer to specific asset items did not conform to the International Financial Reporting Standards. Consequently, the carrying values of work in progress as at 30 June, 2014, could not be confirmed.

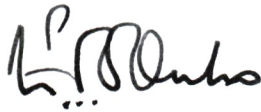
### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of Sunset Hotel Limited as at 30 June, 2014, 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 Cap 486 of the Laws of Kenya.

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

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



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

**Nairobi**

**02 June 2015**

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**STATEMENT OF COMPREHENSIVE INCOME**

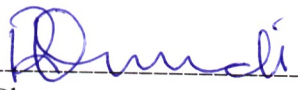
		2014	2013
	NOTES	Kshs	Kshs
Sales	11	69,645,530	65,283,815
Cost of Sales	12	17,845,110	17,110,189
<b>GROSS PROFIT</b>		<b>51,800,420</b>	<b>48,173,625</b>
 <b><u>EXPENDITURE</u></b>			
Staff Costs	13	34,524,439	31,613,556
Operating Costs	14	14,894,254	13,293,814
Administration Costs	15	7,475,677	8,969,125
Directors Costs	16	209,145	192,500
<b>Total Expenditure</b>		<b>57,103,515</b>	<b>54,068,994</b>
<b>Operating Profit/ (Loss)</b>		<b>(5,303,095)</b>	<b>(5,895,369)</b>
Finance Costs	17	2,851,806	2,830,442
<b>Net Profit/(Loss) for the year</b>		<b>(8,154,901)</b>	<b>(8,725,811)</b>

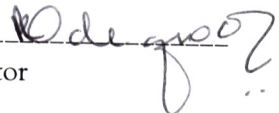
**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

**STATEMENT OF FINANCIAL POSITION**

<u>ASSETS</u>	Notes	2014 <u>Kshs</u>	2013 <u>Kshs</u>
Property, Plant and Equipment	2	106,366,331	109,759,684
<b><u>Current Assets</u></b>			
Inventories	3	2,112,891	2,332,776
Trade & Other Receivables	4	17,495,359	7,684,863
Cash and Bank Balances	5	1,483,195	900,483
<b>Total current assets</b>		<b>21,091,445</b>	<b>10,918,122</b>
<b>Total Assets</b>		<b>127,457,776</b>	<b>120,677,807</b>
<b><u>OWNER'S EQUITY AND LIABILITIES</u></b>			
<b><u>Owner's Equity</u></b>			
Share Capital	6	12,000,000	12,000,000
Revaluation reserves	7	79,262,476	79,262,476
Accumulated Losses	8	(76,829,164)	(68,674,263)
<b>Total owner's equity</b>		<b>14,433,312</b>	<b>22,588,213</b>
<b><u>Non Current Liabilities</u></b>			
Shareholders Loan	9	1,431,286	1,431,286
TFC Principal balance Account	9	46,863,207	49,753,407
<b>Total Non Current Liabilities</b>		<b>48,294,493</b>	<b>51,184,693</b>
<b><u>Current Liabilities</u></b>			
Trade & Other Payables	10	31,795,910	19,712,844
TFC Principal Arrears		21,108,641	18,218,441
TFC Loan Interest		11,825,421	8,973,615
<b>Total Current Liabilities</b>		<b>64,729,972</b>	<b>46,904,900</b>
<b>Total Liabilities</b>		<b>113,024,464</b>	<b>98,089,594</b>
<b>Total Equity and Liabilities</b>		<b>127,457,776</b>	<b>120,677,807</b>

The financial statements were approved by the Board on \_\_\_\_\_ 2014 and signed on its behalf by:

  
 Chairman

  
 Director

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

**STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Revaluation Reserves	Retained Earnings/ Losses	Total Ksh
As at 1st July 2009	12,000,000	79,262,476	(23,027,701)	68,234,775
Profit/( Loss) for the year	-	-	(10,408,197)	(10,408,197)
Prior year adjustment			(2,088,784)	(2,088,784)
As at 30th June 2010	12,000,000	79,262,476	(35,524,682)	55,737,794
Profit/( Loss) for the year	-	-	(3,745,470)	(3,745,470)
Restated trade & other payables			(1,370,922)	(1,370,922)
As at 30th June 2011	12,000,000	79,262,476	(40,641,074)	50,621,402
Profit/( Loss) for the year	-	-	(19,307,378)	(19,307,378)
As at 30th June 2012	12,000,000	79,262,476	(59,948,452)	31,314,024
Profit/( Loss) for the year	-	-	(8,725,811)	(8,725,811)
As at 30th June 2013	12,000,000	79,262,476	(68,674,263)	22,588,213
Profit/( Loss) for the year	-	-	(8,154,901)	(8,154,901)
As at 30th June 2014	12,000,000.00	79,262,476.00	(76,829,164)	14,433,312

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

**STATEMENT OF CASHFLOW**

	NOTES	2014 <u>Kshs.</u>	2013 <u>Kshs.</u>
<b><u>Cashflow from operating activities</u></b>			
Net Profit/(Loss) before tax		(8,154,901)	(8,725,811)
<b><u>Adjustments for:</u></b>			
Add: Depreciation	2	3,645,974	4,113,629
Interest Expensed		2,851,806	2,624,433
<b>Adjusted profit before working capital adjustments</b>		<b>(1,657,121)</b>	<b>(1,987,748)</b>
<b><u>Changes in working capital</u></b>			
(Increase )/Decrease in Debtors	4	(9,810,496)	(670,126)
(Increase )/Decrease in Stocks	3	219,885	176,148
Increase/(Decrease) in Creditors	10	12,083,064	3,233,053
		<u>2,492,453</u>	<u>2,739,075</u>
<b>Net cashflow from operating activities</b>		<b><u>835,332</u></b>	<b><u>751,327</u></b>
<b><u>Cashflow from Investing activities</u></b>			
Purchase of Fixed Assets		(252,620)	(1,005,274)
<b>Net cashflow from investing activities</b>		<b><u>(252,620)</u></b>	<b><u>(1,005,274)</u></b>
<b><u>Cashflow from Financing activities</u></b>			
Advance from TFC			772,000
TFC Loan Repayment			(750,000)
<b>Net cashflow from financing activities</b>		<b>-</b>	<b><u>22,000</u></b>
Net Increase / (Decrease) Cash and Cash Equivalent		582,712	(231,947)
Opening balance of Cash & Cash equivalent		900,483	1,132,429
<b>Closing balance of Cash &amp; Cash equivalent</b>		<b><u>1,483,195</u></b>	<b><u>900,483</u></b>
<b><u>Cash Balances</u></b>			
Cash and Bank Balances	5	1,483,195	900,483
As at 30th June 2014		<u>1,483,195</u>	<u>900,483</u>

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Statement of compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium -Sized Entities (IFRS for SMEs).

**2. Basis of Preparation**

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

**3. Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**4. Property Plant and Equipment**

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

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

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

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- Motor Vehicle - 25.0%
- Computers - 33 %

5. **INVENTORY**

Inventory is valued at the lower of cost and net realizable value. The Cost is determined by the first in, first out (FIFO) method. Inventories are held for sale and as raw materials for kitchen production supplies. Specific provisions are made for obsolete, slow moving and defective inventories.

6. **TURNOVER**

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

7. **TRADE & OTHER RECEIVABLES**

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off when all reasonable steps to recover them have failed.

9. **CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

10. **BORROWINGS**

Interest bearing loans are initially recorded at fair value being received, net of issue Costs associated with the borrowing.

11. **TRADE AND OTHER PAYABLES**

Trade and other payables are non-interest bearing 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**12. PROVISION FOR STAFF LEAVE PAY**

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

**13. COMPARATIVES**

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

**14. SUBSEQUENT EVENTS**

Since the end of the year 2013/2014, no events have become known or have occurred that may lead to significant changes to these financial statements. These would be like court judgments or regulatory decisions that may affect reported assets/liabilities or adversely reflect upon the Integrity of decision - makers.

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

**2. PROPERTY PLANT & EQUIPMENT SCHEDULE**

	LAND	BUILDING	WORK IN PROGRESS	PROPERTY PLANT & EQUIPMENT	FURNITURE & FITTING	MOTOR VEHICLE	TOTAL
COST OR VALUATION	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs
As at 1.7.2012	15,000,000	75,000,000	26,911,576	11,292,806	14,666,676	528,700	143,399,758
Additions				500,000	505,274		1,005,274
As at 30-06-2013	15,000,000	75,000,000	26,911,576	11,792,806	15,171,950	528,700	144,405,032
As at 01-07-2013	15,000,000	75,000,000	26,911,576	11,792,806	15,171,950	528,700	144,405,032
Additions				26,250	226,370		252,620
As at 30-06-2014	15,000,000	75,000,000	26,911,576	11,819,056	15,398,320	528,700	144,657,652
<b>DEPRECIATION</b>							
As at 1.7.2012	NIL	15,000,000	Nil	7,864,073	7,138,945	528,700	30,531,718
Charge for the year		1,875,000		917,019	1,321,610		4,113,629
As at 30-06-13	NIL	16,875,000	Nil	8,781,092	8,460,555	528,700	34,645,347
As at 1.7.2013	NIL	16,875,000	Nil	8,781,092	8,460,555	528,700	34,645,347
Charge for the year		1,875,000		518,113	1,252,861		3,645,974
As at 30-06-14	NIL	18,750,000	Nil	9,299,205	9,713,416	528,700	38,291,321
<b>NET BOOK VALUE</b>							
As at 30-6-2013	15,000,000	58,125,000	Nil	3,011,714	6,711,395	-	109,759,684
As at 30-6-2014	15,000,000	56,250,000	Nil	2,519,851	5,684,904	-	106,366,331

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

<b>NOTES TO THE FINANCIAL STATEMENTS</b>		
	<b>2014</b>	<b>2013</b>
<b><u>3. INVENTORIES</u></b>	<b>Kshs.</b>	<b>Kshs.</b>
Food Stores	455,014	289,587
Cellar Stores	147,933	159,540
Bar Stocks	184,660	189,654
Tobacco Store	25,328	21,206
Empties Stock	71,396	93,768
Operating Equipment Store	579,481	723,364
Consumable Stores	129,741	170,621
Stationary Stock	504,141	501,766
Fuel & Gas	82,068	372,601
Misc. Electrical Tools Store	224,498	102,038
Less: Provision for Obsolete stock	(291,369)	(291,369)
	<b>2,112,891</b>	<b>2,332,776</b>
<b><u>4. TRADE AND OTHER RECEIVABLES</u></b>		
Trade Debtors	16,611,126	6,788,608
Staff Advances	176,444	202,559
Prepayments	577,003	549,710
Deposits Receivable	391,855	391,855
Staff Imprest	4,400	17,600
Less: bad and doubtful debt	(265,469)	(265,469)
	<b>17,495,359</b>	<b>7,684,863</b>
<b><u>5. CASH &amp; BANK BALANCES</u></b>		
Co - Operative Bank	139,590	256,312
KCB	202,326	3,397
National Bank	1,042,179	398,134
Cash Control	16,100	159,640
Petty Cash Control	50,000	50,000
Cash Float	33,000	33,000
	<b>1,483,195</b>	<b>900,483</b>
<b><u>6. SHARE CAPITAL</u></b>		
Authorised , issued and fully paid		
572,500 Ordinary Shares @ Kshs.20/=	11,450,000	11,450,000
(TFC)		

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

<b>NOTES TO THE FINANCIAL STATEMENTS</b>		
27500 Ordinary Shares @ Kshs 20/=	550,000	550,000
( Kisumu County)		
	<b>12,000,000</b>	<b>12,000,000</b>
<b>7. REVALUATION RESERVES</b>		
Revaluation reserve	79,262,476	79,262,476
	<b>79,262,476</b>	<b>79,262,476</b>
<b>8. ACCUMULATED LOSSES</b>		
	<b>2014</b>	<b>2013</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Turnover</b>	69,473,030	65,283,815
Profit\ (Loss) before Taxation	(8,154,901)	(8,725,811)
<b>After charging</b>		
Depreciation	3,645,974	4,113,629
Auditors Fees	300,000	343,103
Interest on Loan	2,851,806	2,624,433
Directors Emoluments	209,145	192,500
Land Rent & Rates	36,000	36,000
<b>Taxation</b>		
Profit /Loss after taxation	(8,154,901)	(8,725,811)
Restated trade & other payables		
<b>Retain profit/ (loss) for the year</b>	(8,154,901)	(8,725,811)
Accumulated Losses b/f	(68,674,263)	(59,948,452)
Accumulated Loss c/f	<b>(76,829,164)</b>	<b>(68,674,263)</b>
<b>9. Non Current Liabilities</b>		
Shareholders Loan	1,431,286	1,431,286
TFC principal balance Account	46,863,207	49,753,407
	<b>48,294,493</b>	<b>51,184,693</b>
<b>10. Trade and other payables</b>		
Trade Creditors	12,336,959	11,719,759
Value Added Tax	6,876,922	867,844
Service Charge	638,478	255,597
Catering Levy Training Trustee	178,688	84,551
Deposits Payable	731,283	997,233

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

<b>NOTES TO THE FINANCIAL STATEMENTS</b>		
Payroll Control	140,569	1,367,389
P.A.Y.E	2,090,519	826,500
N.S.S.F	54,900	54,900
N.H.I.F.	49,160	50,120
COTU	62,560	35,760
Other Payroll Deductions	9,101	13,001
Staff Insurance Deductions	56,404	40,067
Sunset sacco	2,392,096	774,159
Accrued Expenses	3,536,981	1,169,618
Withholding Tax	1,456,346	1,456,346
Terminal Control A/C	1,184,944	
	<b>31,795,910</b>	<b>19,712,844</b>
TFC Principal Arrears	21,108,641	18,218,441
TFC Loan Interest	11,825,421	8,973,615
	<b>64,729,972</b>	<b>46,904,900</b>
	<b>2014</b>	<b>2013</b>
<b>11. SALES &amp; OTHER INCOME</b>	<b>Kshs.</b>	<b>Kshs.</b>
Accommodation	16,249,692	21,072,261
Food-Resident	12,214,352	12,755,449
Food-Casual	26,575,548	18,520,761
Drinks	9,245,009	8,248,953
Tobacco	89,460	116,300
Laundry	133,502	115,659
Telephone	-	-
Shop	109,000	-
Miscellaneous income	4,066,491	3,396,012
Swimming pool	962,477	1,058,420
Sales proceeds		
	<b>69,645,530</b>	<b>65,283,815</b>
<b>12. COST OF SALES</b>		
Food	13,503,870	13,025,745
Drinks	4,295,818	4,002,322
Tobacco	45,422	82,122
Telephone		
	<b>17,845,110</b>	<b>17,110,189</b>

**SUNSET HOTEL LIMITED**  
**Reports and Financial statements**  
**For the year ended 30th June 2014**

<b>NOTES TO THE FINANCIAL STATEMENTS</b>		
<b>13. STAFF COSTS</b>		
Salary & Wages	20,626,469	20,480,863
Staff Expenses	9,277,655	9,407,278
Staff Travel	1,453,749	1,725,415
Terminal Dues	3,166,565	206,009
	<b>34,524,439</b>	<b>31,819,565</b>
<b>14. OPERATING COSTS</b>		
Property Upkeep & Expenses	1,091,581	1,127,049
Repairs & Renewals	4,035,404	1,833,704
Operating Costs	9,767,269	10,333,060
	<b>14,894,254</b>	<b>13,293,814</b>
<b>15. ADMINISTRATION COSTS</b>		
Office Expenses	989,176	1,214,115
Administration Expenses	488,961	975,183
Advertising & Promotion	1,034,320	1,558,483
General Charges	1,317,245	1,107,715
Depreciation	3,645,974	4,113,629
	<b>7,475,677</b>	<b>8,969,125</b>
<b>16. DIRECTORS COSTS</b>		
Directors' Allowances	192,000	80,000
Directors' Expenses	17,145	25,500
Directors' Honorarium	-	87,000
	<b>209,145</b>	<b>192,500</b>
<b>17. FINANCE COSTS</b>		
Short Term Loan interest	2,851,806	2,624,433
	<b>2,851,806</b>	<b>2,830,442</b>

