

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

HEM

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
GOLF HOTEL LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2015**



GOLF HOTEL LIMITED

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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

Golf Hotel Limited

**Reports and Financial Statements
For the year ended June 30, 2015**

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Golf Hotel Limited

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

KEY ENTITY INFORMATION

Background information

Golf Hotel Limited was established by the Companies Act (Cap 486) on 20th December 1979 and is a subsidiary of Tourism Finance Corporation (TFC); a parastatal in the Ministry of East African Affairs, Commerce and Tourism. 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/period were as follows:

1. Ms. Marianne Ndegwa Jordan - Director (Managing Director TFC)
2. Mr. Dominic Ndewa - Alternate to MD (TFC)
3. Mr. Wycliffe Oparanya - Director (Governor Kakamega County)
4. Mr. Robert Sumbi - ECM Tourism, Alternate to the Governor
5. Mr. Paul Otsola - ECM Treasury, Alternate to the Governor

Corporate Secretary

Mr. Carrey Francis
P.O. Box 42013-00100
Nairobi

Registered Office

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

Golf Hotel Limited

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

Corporate Headquarters

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

Corporate Contacts

Telephone: (254) 02 3224175
E-mail: info@ktdc.co.ke
Website: www.ktdc.co.ke

Or:

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

1. Carrey Francis
Company Secretary
Utalii House
P.O. Box 42013
GPO 00100
Nairobi, Kenya

Golf Hotel Limited

**Reports and Financial Statements
For the year ended June 30, 2015**







THE BOARD OF DIRECTORS

NAME	PHOTO	KEY PROFESSIONAL/ACADEMIC QUALIFICATIONS	WORK EXPERIENCE
1. MARIANNE NDEGWA JORDAN		MBA (Finance)	Over 20 years experience
2. DOMINIC NDEWA		MA(Economic Policy Management) CPA(K), CIFA(K)	Over 20 years experience
3. WYCLIFFE OPARANYA		PHD (Economics)	Over 30 years experience
4. ROBERT SUMBI		PHD (Disaster Management & Sustainable Development)	Over 15 years experience
5. PAUL OTSOLA		MBA, CPA(K)	Over 15 years experience

Golf Hotel Limited

**Reports and Financial Statements
For the year ended June 30, 2015**

MANAGEMENT TEAM

NAME	PHOTO	KEY PROFESSIONAL/ACADEMIC QUALIFICATIONS	AREA OF RESPONSIBILITY
1. JOSEPH ODUOR		MBA, CPA(K)	MANAGER
2. HELLEN CHILLA		MBA, Dip. Front Office	ASSITANT MANAGER/AG. HUMAN RESOURCE OFFICER
3. WELLINGTON MAGOI		Bcom. Accounting, CPA(K)	INTERNAL AUDITOR
4. JESCIAH NEKESA		MBA, Dip. Procurement	PROCUREMENT OFFICER
5. BENJAMIN MUANGE		Certificate Food Production	EXECUTIVE CHEF
6. RISPER CHICHOLE		Bcom. Finance, CPA(K),Dip. Accounting	ACCOUNTANT

CHAIRMAN'S STATEMENT

On behalf of my fellow board members, the management and myself, I am pleased to present the Annual Report of the Golf Hotel Limited. This report addresses the happenings in the company during 2015 and the financial statements of the company for the year ended 30th June 2015. 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 30th June 2015 witnessed a reasonable growth with a GDP of 4.9%. Tourism continues on a downturn for the third year in a row due to multiple factors, 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 huge operating costs, job losses among others. There is however hope especially after the historic visit of the US President to Kenya

In the aforementioned circumstances, I am pleased to report that the company recorded 18.8% growth in turnover to Kshs 129.2 million from Kshs 108.8 million during 2015. The profit before tax equally grew by 10.4% to Kshs 22.3 million from Kshs 20.2 million during 2015. The company has continued to build human resource capacity focused on quality service to its customers by ensuring that the employees are well trained and remain committed in their respective areas of expertise. On behalf of the Board, I wish to thank them all for their commitment and hard work.

On the basis on the results presented, the Board is recommending to the Annual General Meeting for a dividend of Kshs 8 per share for 2015 amounting to Kshs 2 million. The country stays hopeful that the negative impact so created shall be worked upon by the Kenya Government and that the tourism industry will soon regain its lost glory for the good of the entire economy.

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

REPORT OF THE CHIEF EXECUTIVE OFFICER

On behalf of management of Golf Hotel Limited, I am pleased to present to you the Annual Report and Financial Statements of the company for the year ended 30th June 2015.

Events of the better part of 2014 and 2015 continued to adversely affect the Tourism sector in the Republic of Kenya. Among the key factors that contributed to the negative impact were, The unfortunate travel advisories by foreign governments in key source markets like Britain and America, the escalation of insecurity situation resulting in terrorist attacks, like the Garris University attack, The uncertain political environment, the uncertainty in the world economy among others.

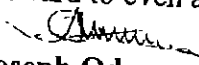
The hotel is however advantaged in the sense that it has reasonably cut a niche for itself in the local conferencing portfolio that has seen the hotel achieve a satisfactory performance. This has been achieved due to the concerted effort of our shareholders, the Board of Directors our dedicated staff, the Government, regulatory authorities and other stakeholders in the industry at large.

The County Governments are now settling down and there has been increased need for capacity building and this has positively impacted on the seminar/conferencing business to the hotel. During the year 2015, the hotel achieved a net turnover of Kshs 129.2 million (2014:Kshs 108.8 million) representing a growth of 18.8 % and a profit before tax of Kshs 22.3 million (2014:Kshs 20.2 million) 10.4% growth.

The management is however hopeful that the recovery process will yield positive impact and that more efforts will be directed towards increasing operational efficiency and implementing strategies such as increasing accommodation capacity, marketing, advertising and promotions that are directed towards securing more business. The hotel will continue to capitalize on its immense strength in order to maximize the performance.

The hotel intends to expand its capacity to meet the ever growing demands of its clientele. In order to keep on the competitive edge, the management intends to continue recognizing the importance of complimenting the business strategies with appropriate Human Resource Management practices and Corporate Social Responsibility programs thereby enhancing the moment of truth for the guest and improved financial performance.

Finally, on behalf of management and staff of golf Hotel Ltd, may I express our sincere appreciation to the Board of directors for their committed support, timely guidance and tremendous encouragement during the year ended 30th June 2015. I equally wish to express my gratitude to the National Government, The County Government of Kakamega as shareholders, customers and other valuable stakeholders for their unwavering support and we indeed look forward to even a more continued engagement.


Joseph Oduor
Manager

Golf Hotel Limited

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

CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that good practice in corporate governance is obeyed throughout the company and remains the responsibility of the whole board. The board is committed to maintaining high standards of integrity and professionalism in all its activities, and continues to support the highest standards in corporate governance.

The board considers that, throughout the year it was compliant with the provisions Public Officer ethics Act 2003. The company has in place policies which outline the standards of behavior required of all employees when acting on the company's behalf which include acting professionally, with honesty, integrity, objectively and in compliance with all applicable legal and regulatory requirements. It is the company's policy to agree on the terms of payment with suppliers at the commencement of the trading or contractual relationship in accordance with the Procurement and Disposal Act 2005.

The Directors submit their report for the financial year ended 30th June 2015, which is also deemed to be the management report required to be published in accordance with the IFRS. The overall control of the company is exercised by the board which has the responsibility, among other things, for setting strategy and ensuring that adequate resources are available and leadership is provided to achieve the company's strategy.

The management is responsible to the board for the company's operational performance including: implementing strategy as determined by the board, maintaining adequate internal control system and risk management processes, monitoring operational performance against plans and targets and reporting to the board any significance variances, maintaining an effective management team and putting in place succession plans.

The policy of the company is to provide equality of opportunity for all employees without discrimination and continue to encourage the employment, training and advancement of all employees.

The Directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Accordingly, they adopt a going concern basis in preparing the financial statements of the company

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

We understand that our customers, investors, employees and suppliers actively choose their relationships with our hotel. We have been actively involved in many corporate social responsibilities all aimed at giving back to the society, some of these activities include:

i. Supporting the local economy and the community

Golf Hotel is very much committed to the concept of the creation of optimum economic opportunities for the local communities in which we operate, these is evidenced in terms of: employment and supply of raw materials. The hotel purchases various raw materials for its use from the local farmers and suppliers; such food stuffs include fruit and vegetables, meat, dairy products and a wide range of other dry food stuffs.

ii. Youth support

The hotel is committed to supporting the youths of the local communities via the provision of career, leisure, educational and training opportunities. We also extend youth employment opportunities whenever possible by offering industrial attachment and internships placement for those in tertiary and universities so as to gain industrial experience and exposure.

iii. Charitable donations in cash and in-kind

Golf Hotel and its staff support a broad range of charitable causes and community initiatives. These are seen in many forms such as cash donations, donations of foodstuffs and old linens, hosting of community events (golf tournaments) and provision of employee-time in the form of visits to orphanages and Children's homes.

REPORT OF THE DIRECTORS

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

Principal activities

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

Results

The results of the entity for the year ended June 30, 2015 are set out on pages 12-33

Dividends

Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Kshs.8 per ordinary share, amounting to Kshs.2 million, subject to withholding tax where applicable. The total dividend for the year, therefore, is Kshs.2,000,000(Kshs.8) per ordinary share. If approved, the dividend will be paid on or about December 31st, 2016 to shareholders registered in the books of the entity at the close of business on June 30, 2015.


Directors

The members of the Board of Directors who served during the year are shown on page 1.

Auditors

The Auditor General is responsible for the statutory audit of the Hotel in accordance with Section 194 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Mr. Carrey Francis
Corporate Secretary
Nairobi
Date:.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of 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 Directors are also required 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.

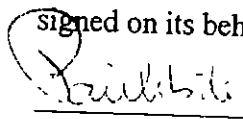
The Directors are responsible for the preparation and presentation of the Hotel's financial statements, which give a true and fair view of the state of affairs of the Hotel for and as at the end of the financial year ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Hotel's financial statements give a true and fair view of the state of Hotel's transactions during the financial year ended June 30, 2015, 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 9th September 2015 and signed on its behalf by:



Director



Director



Director



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GOLF HOTEL LIMITED FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Golf Hotel Limited set out on pages 12 to 33, which comprise the statement of financial position as at June 30 2015, and the statement of comprehensive income, statement of changes in equity, statement of cash flows 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 Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with provisions of section 229 of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 Hotel'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 audit opinion.

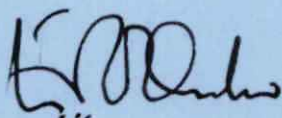
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Golf Hotel Limited as at 30 June, 2015, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Cap 486 of the Company's Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and,
- 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 is in agreement with the books of account.



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

Nairobi

17 February 2016

Golf Hotel Limited**Reports and Financial Statements
For the year ended June 30, 2015****STATEMENT OF COMPREHENSIVE INCOME**

	Note	2015 Kshs	2014 Kshs
REVENUES			
Sales	1	127,201,751	106,551,151
Gain/(Loss) on Disposal of Non-Financial Assets	2	(102,536)	563,271
Other Income	3	163,000	189,000
TOTAL REVENUES		127,262,215	107,303,422
COST OF SALES	4	30,561,986	24,037,771
GROSS PROFIT		<u>96,700,229</u>	<u>83,265,651</u>
OPERATING EXPENSES			
Administration Costs	5	67,492,041	60,605,098
Selling and Distribution Costs	6	1,528,175	1,349,525
Depreciation of property, plant and equipment	13	6,190,267	5,973,990
TOTAL OPERATING EXPENSES		<u>75,210,483</u>	<u>67,928,613</u>
OPERATING PROFIT/(LOSS)	7	21,489,746	15,337,038
Finance Income	8	1,950,000	1,583,333
Finance Costs	9	1,119,671	1,268,137
PROFIT/(LOSS) BEFORE TAXATION		<u>22,320,075</u>	<u>15,652,234</u>
INCOME TAX EXPENSE/(CREDIT)	10	6,707,564	6,082,569
PROFIT/(LOSS) AFTER TAXATION		<u>15,612,511</u>	<u>9,569,665</u>
Earnings per share – basic and diluted	11	62.45	38.27
Dividend per share	12	8	8

Golf Hotel Limited

**Reports and Financial Statements
For the year ended June 30, 2015**

**REPORT OF THE INDEPENDENT AUDITORS
ON GOLF HOTEL LIMITED**

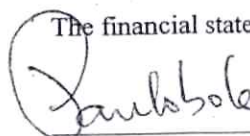
Golf Hotel Limited

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

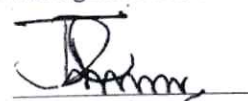
STATEMENT OF FINANCIAL POSITION

	Note	2015 Kshs	2014 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	80,825,950	76,145,563
Total Non-Current Assets		80,825,950	76,145,563
Current Assets			
Inventories	14	1,215,442	849,137
Trade and other receivables	15(a)	29,895,942	24,810,988
Short-term deposits	16	30,000,000	25,000,000
Bank and cash balances	17	2,470,189	9,596,569
Total Current Assets		63,581,573	60,256,694
NET ASSETS		144,407,523	136,402,257
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	18	5,000,000	5,000,000
Revaluation reserve	19	41,000,155	41,000,155
Retained earnings	20	27,611,406	13,998,895
Capital and Reserves		73,611,561	59,999,050
Non-Current Liabilities			
Borrowings	21	24,796,473	26,446,089
Total Non-Current Liabilities		24,796,473	26,446,089
Current Liabilities			
Trade and other payables	22	18,866,703	19,142,459
Retirement benefit obligations	23(a)	15,817,870	17,124,738
Leave Provisions	23(b)	4,607,352	4,607,352
Taxation	10	4,707,564	3,082,569
Dividends payable	24(b)	2,000,000	6,000,000
Total Current Liabilities		45,999,489	49,957,118
TOTAL EQUITY AND LIABILITIES		144,407,523	136,402,257

The financial statements were approved by the Board on 9th September 2015 and signed on its behalf by:


Chairman


Director


Director

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

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital(250000 Shares@20)	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Total
At July 1, 2013	5,000,000	41,000,155	0	4,429,230	0	50,429,385
Transfer of excess depreciation	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Dividends paid – 2013	-	-	-	9,569,665	-	9,569,665
Interim dividends paid – 2014	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-
At June 30, 2014	5,000,000	41,000,155	0	13,998,895	0	59,999,050
At July 1, 2014	5,000,000	41,000,155	0	13,998,895	0	59,999,050
Prior year adjustments	-	-	-	-	-	-
Transfer of excess depreciation	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Dividends paid – 2014	-	-	-	15,612,511	-	15,612,511
Interim dividends paid – 2015	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-
At June 30, 2015	5,000,000	41,000,155	0	27,611,406	0	73,611,561

*Golf Hotel Limited***Reports and Financial Statements
For the year ended June 30, 2015****STATEMENT OF CASH FLOWS**

	Note	2015 Kshs	2014 Kshs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	25(a)	21,578,995	31,629,745
Taxation paid	10(c)	(5,082,569)	(17,320,740)
Net cash generated from/(used in) operating activities		16,496,426	14,309,005
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(10,973,190)	(11,105,673)
Proceeds from disposal of property, plant and equipment		-	1,159,000
Net cash generated from/(used in) investing activities		(10,973,190)	(9,946,673)
FINANCING ACTIVITIES			
Repayment of borrowings	25(b)	(1,649,616)	(1,649,616)
Dividends Paid	24(a)	(6,000,000)	-
Net cash generated from/(used in) financing activities		(7,649,616)	(1,649,616)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2,126,380)	2,712,716
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25(c)	34,596,569	31,883,853
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	25(c)	32,470,189	34,596,569

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. 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 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.

2. 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.

- i) **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.
- ii) **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.
- iii) **Other income** is recognised as it accrues.

3. 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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

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

4. 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	2.5%
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 99year 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.

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

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

5. Intangible assets

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

6. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

7. 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.

8. 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.

9. Taxation

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

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

10. 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 various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and operating floats.

11. 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

12. 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.

13. 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's

obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

14. Provision for gratuity and retirement benefits

Employees' entitlements to gratuity are recognised as they accrue to the employees. A provision is made for the estimated liability for annual gratuity at the reporting date. This is guided by the Collective Bargaining Agreement (CBA) for unionisable staff and is currently at one third and one half of the employees pay for service periods of less than 10 years and over ten years respectively and one month's salary for every year worked for management staff.

15. 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.

16. Comparative figures

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

17. Subsequent events

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

NOTES TO THE FINANCIAL STATEMENTS

	2015 Kshs	2014 Kshs
1 SALES		
Gross sales of goods	159,002,188	133,188,938
Less: Service Charge on gross sales	(8,904,122)	(7,458,581)
Less: Catering Levy on gross sales	(2,544,035)	(2,131,022)
Less: Value added tax on gross sales	(20,352,280)	(17,048,184)
	<u>127,201,751</u>	<u>106,551,151</u>
	=====	=====
Sales are reported net of 16% VAT, 7% Service charge & 2% Catering levy. The gross sales above therefore include all the relevant taxes/charges.		
2 GAIN/LOSS ON DISPOSAL OF NON-FINANCIAL ASSETS		
Disposal of plant and machinery	(102,536)	254,271
Disposal of office equipment, furniture and fittings	-	309,000
	<u>(102,536)</u>	<u>563,271</u>
	=====	=====
3 OTHER INCOME		
Sale of tender documents	163,000	189,000
	<u>163,000</u>	<u>189,000</u>
	=====	=====
4 COST OF SALES		
Food	21,150,445	16,019,209
Beverage	9,286,802	7,890,760
Tobacco	124,739	127,802
	<u>30,561,986</u>	<u>24,037,771</u>
	=====	=====
5 (a) ADMINISTRATION COSTS		
Staff costs (note 5b)	37,608,598	37,621,408
Directors' emoluments	972,025	170,945
Electricity and water	6,794,827	6,694,245
Communication services and supplies (<i>Tel & postage</i>)	356,951	211,675
Transportation, travelling and subsistence (<i>Travel expenses</i> <i>Transport allowance, Staff transport & Leave travel</i>)	2,561,940	1,791,245
Printing, stationery and photocopying	1,697,646	1,668,927
Staff training expenses	106,426	83,150
Insurance costs	434,881	433,902
Bank charges and commissions (<i>Bank charges &</i> <i>Commission on Visa cards</i>)	728,386	529,103
Office and general supplies (<i>Office Miscellaneous</i>)	31,512	20,191

Golf Hotel Limited

**Reports and Financial Statements
For the year ended June 30, 2015**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015	2014
	Kshs	Kshs
Auditors' remuneration	150,000	150,000
Consultancy fees	150,000	295,000
Repairs and maintenance (<i>Garden & grounds, Building maintenance & Repairs & renewals</i>)	6,185,318	3,723,517
Provision for bad and doubtful debts	368,619	351,060
Other operating expenses (<i>Fuel & gas, Cleaning, Toilet requisites, Vehicle operating, Licenses, Laundry, KRB, Guest supplies, Rent & rates, Delivery, Tents & PA, Donations, Flowers & deco & Security</i>)	9,344,912	6,860,730
	<u>67,492,041</u>	<u>60,605,098</u>
	=====	=====

5(b) STAFF COSTS

Salaries and allowances of permanent employees (<i>Salaries, Housing, Medical & Entertainment allowance</i>)	28,773,328	26,522,832
Wages of temporary employees (<i>Casual wages</i>)	3,400,151	3,030,370
Compulsory national health insurance schemes	433,860	215,040
Compulsory national social security schemes	187,800	181,600
Other pension contributions	911,085	873,636
Leave pay and gratuity provisions	1,705,980	4,892,552
Staff welfare (<i>Meals & welfare</i>)	2,196,394	1,905,378
	<u>37,608,598</u>	<u>37,621,408</u>
	=====	=====

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

Permanent employees – Management	16	15
Permanent employees – Unionisable	49	41
Temporary and contract employees	10	11
	<u>75</u>	<u>67</u>
	=====	=====

Included in leave and gratuity provisions for 2014 is Kshs.4,607,352 being the total accrued leave provision as at 30th June 2015. No provisions had been made in prior years hence a prior year adjustment.

6 SELLING AND DISTRIBUTION COSTS

Marketing and promotional (<i>Marketing & Advertising</i>)	1,526,435	1,264,127
Sales commissions (<i>Agents commission</i>)	1,740	85,398
	<u>1,528,175</u>	<u>1,349,525</u>
	=====	=====

7 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is arrived at after charging/(crediting):

Staff costs (note 5)	37,608,598	37,621,408
Depreciation of property, plant and equipment	6,190,267	5,973,990
Provision for bad and doubtful debts	368,619	351,060
Directors' emoluments	972,025	170,945
Auditors' remuneration - current year fees	150,000	150,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)	2015 Kshs	2014 Kshs
Loss on disposal of property, plant and equipment	102,536	(563,271)
Interest receivable	(1,950,000)	(1,583,333)
8 FINANCE INCOME		
Interest income on short-term bank deposits	1,950,000	1,583,333
	<u>1,950,000</u>	<u>1,583,333</u>
	=====	=====
9 FINANCE COSTS		
Interest expense on loans	1,119,671	1,268,137
	<u>1,119,671</u>	<u>1,268,137</u>
	=====	=====
The loan was obtained from TFC to clear previous years' tax arrears owed to KRA.		
10 INCOME TAX EXPENSE/(CREDIT)		
(a) Current taxation		
Current taxation based on the adjusted profit for the year at 30%	6,707,564	6,082,569
	<u>6,707,564</u>	<u>6,082,569</u>
	=====	=====
(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit		
Profit before taxation	22,320,075	20,259,586
	-----	-----
Tax at the applicable tax rate of 30%	6,696,022	6,077,875
Tax effects of expenses not deductible for tax purposes (Donations 38,471 *30%)	11,542	4,694
	<u>6,707,564</u>	<u>6,082,569</u>
Instalment tax paid	(2,000,000)	6,082,569
Tax due at the end of the year	4,707,564	3,082,569
	=====	=====
(c) Taxation paid during the year		
Current year instalment tax	2,000,000	3,000,000
Final tax for previous year	3,082,569	3,040,481
Tax arrears for prior years (KRA assessment)	-	11,280,259
	<u>5,082,569</u>	<u>17,320,740</u>
	=====	=====

11 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of Kshs. 15,612,511(2014: Kshs 9,569,665) by the average number of ordinary shares in issue during the year of 250,000 (2014: 250,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2015, a final dividend in respect of the year ended June 30, 2015 of Kshs.8 (2014: Kshs.8) for every ordinary share of par value of Kshs.20 is to be proposed. No interim dividend was declared and/or paid during the year. This will bring the total dividend for the year to Kshs.2,000,000 (2014: Kshs.2,000,000)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

2015	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, 2014	8,000,0000	71,197,930	9,568,778	1,887,931	4,336,305	25,521,317	-	120,512,261
Additions	-	5,336,105	1,396,549	-	337,746	3,902,790	-	10,973,190
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(191,538)	-	-	(130,000)	-	(321,538)
At June 30, 2015	8,000,000	76,534,035	10,773,789	1,887,931	4,674,051	29,294,107	-	131,163,913
DEPRECIATION								
At July 1, 2014	986,261	22,470,765	4,174,207	1,887,931	3,188,489	11,659,045	-	44,366,698
Charge for the year	109,584	1,836,293	873,720	-	715,538	2,655,132	-	6,190,267
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	(219,002)	-	-	-	-	(219,002)
At June 30, 2015	1,095,845	24,307,058	4,828,925	1,887,931	3,904,027	14,314,177	-	50,337,963
NET BOOK VALUE								
At June 30, 2015	6,904,155	52,226,976	5,944,865	-	770,024	14,979,931	-	80,825,950

Property, plant and equipment include the following items that are fully depreciated:

	2015 Cost or valuation	Normal annual depreciation charge
Plant and machinery	2,944,952	368,119
Motor vehicles, including motor cycles	1,887,931	471,983
Computers and related equipment	3,147,843	944,353
Office equipment, furniture and fittings	4,719,873	589,984
	<u>12,700,599</u>	<u>2,374,439</u>
	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

2014	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, 2013	8,000,000	68,715,805	7,726,412	1,887,931	3,475,343	22,361,645	-	112,167,136
Additions	-	2,482,125	3,476,366	-	860,962	4,286,220	-	11,105,673
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(1,634,000)	-	-	(1,126,548)	-	(2,760,548)
At June 30, 2014	8,000,000	71,197,930	9,568,778	1,887,931	4,336,305	25,521,317	-	120,512,261
DEPRECIATION								
At July 1, 2013	876,677	20,713,885	4,513,799	1,887,931	2,375,916	10,189,318	-	40,557,526
Charge for the year	109,584	1,756,880	698,678	-	812,573	2,596,275	-	5,973,990
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	(1,038,271)	-	-	(1,126,548)	-	(2,164,819)
At June 30, 2014	986,261	22,470,765	4,174,207	1,887,931	3,188,489	11,659,045	-	44,366,698
NET BOOK VALUE								
At June 30, 2014	7,013,739	48,727,165	5,394,571	-	1,147,816	13,862,272	-	76,145,563

Property, plant and equipment include the following items that are fully depreciated:

	2014 Cost or valuation	Normal annual depreciation charge
Plant and machinery	2,944,952	368,119
Motor vehicles, including motor cycles	1,887,931	471,983
Computers and related equipment	1,398,893	419,668
Office equipment, furniture and fittings	1,760,575	220,072
	<u>7,992,351</u>	<u>1,479,842</u>
	=====	=====

**Reports and Financial Statements
For the year ended June 30, 2015**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015	2014
	Kshs	Kshs
14 INVENTORIES		
Food	592,036	332,783
Drinks & Tobacco	623,406	516,354
	<u>1,215,442</u>	<u>849,137</u>
	=====	=====
15 (a) TRADE AND OTHER RECEIVABLES		
Trade receivables (note 14 (b))	27,113,189	22,754,667
Deposits	210,000	100,000
Prepayments	172,725	-
VAT recoverable	2,127,323	1,763,138
Staff receivables (note 14 (c))	101,014	47,000
Other receivables	1,950,000	1,583,333
	<u>31,674,251</u>	<u>26,248,138</u>
Gross trade and other receivables	31,674,251	26,248,138
Provision for bad and doubtful receivables	(1,778,309)	(1,437,150)
	<u>29,895,942</u>	<u>24,810,988</u>
	=====	=====
(b) TRADE RECEIVABLES		
Gross trade receivables	27,113,189	22,754,667
Provision for doubtful receivables	(1,778,309)	(1,437,150)
	<u>25,334,880</u>	<u>21,317,517</u>
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	394,470	706,133
Between 30 and 60 days	6,320,643	6,969,296
Between 61 and 90 days	3,714,902	3,877,802
Between 91 and 120 days	5,087,643	1,990,994
Over 120 days	11,595,531	9,210,442
	<u>27,113,189</u>	<u>22,754,667</u>
	=====	=====
(c) STAFF RECEIVABLES		
Gross staff loans and advances	101,014	47,000
Provision for impairment loss	(-)	(-)
	<u>101,014</u>	<u>47,000</u>
Less Amounts due within one year	(104,014)	(47,000)
	<u>-</u>	<u>-</u>
Amounts due after one year	-	-
	=====	=====

Golf Hotel Limited

**Reports and Financial Statements
For the year ended June 30, 2015**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 Kshs	2014 Kshs
16 SHORT TERM DEPOSITS		
Kenya Commercial Bank	30,000,000	25,000,000
	<u>30,000,000</u>	<u>25,000,000</u>

The effective interest rate on the short term deposits as at June 30, 2015 was 9.75% (2014: 9.50%).

17 BANK AND CASH BALANCES

Cash at bank	2,406,008	9,484,499
Cash in hand	64,181	112,070
	<u>2,470,189</u>	<u>9,596,569</u>

The cash at bank was held at Kenya Commercial Bank, the Hotel's main bankers.

18 ORDINARY SHARE CAPITAL

Authorised:		
250,000 ordinary shares of Kshs.20 par value each	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
250,000 ordinary shares of Kshs.20 par value each	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>

19 REVALUATION RESERVE

These reserves arose due to the valuation of the Hotel's buildings and land. Land and were initially taken at a value of Kshs 524,360 and Kshs 8,000,000 respectively. However on revaluation, the values came to Kshs 8,000,000 for Land and Kshs 47,000,000 for Building This therefore resulted in reserves of Kshs 7,475,640 for Land and Kshs 33,524,515 for Buildings respectively. A total of Kshs 41,000,155.

**Reports and Financial Statements
For the year ended June 30, 2015**
NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 Kshs	2014 Kshs
20 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		
21 BORROWINGS		
Balance at beginning of the year	26,446,089	28,095,705
Repayments of domestics borrowings during the year	(1,649,616)	(1,649,616)
Balance at end of the year	<u>24,796,473</u>	<u>26,446,089</u>
Amounts due with one year (current portion)	1,649,616	1,649,616
Amounts due after one year (non-current portion)	<u>23,146,857</u>	<u>24,796,473</u>
	=====	=====
The analyses of both external and domestic borrowings are as follows:		
Domestic Borrowings		
Kenya Shilling loan from TFC	24,796,473	26,446,089
	<u>24,796,473</u>	<u>26,446,089</u>
Total balance at end of year	<u>24,796,473</u>	<u>26,446,089</u>
	=====	=====
22 TRADE AND OTHER PAYABLES		
Trade payables	6,824,740	7,793,362
Accrued expenses (<i>Audit fee & Rent and Rates</i>)	408,124	300,000
Other payables (<i>Payroll liabilities, Central charges</i>)	11,633,839	11,049,097
	<u>18,866,703</u>	<u>19,142,459</u>
	=====	=====
23 (a) RETIREMENT BENEFIT OBLIGATIONS		
Balance at beginning of the year	17,124,738	-
Provisions made during the year	1,705,980	17,124,738
Benefits paid out during the year	(3,012,848)	-
Balance at end of the year	<u>15,817,870</u>	<u>17,124,738</u>
	=====	=====
23 (b) LEAVE PROVISIONS		
Balance at beginning of the year	4,607,352	-
Increase in provision for the year	-	4,607,352
Decrease in provision the year	-	-
Balance at end of the year	<u>4,607,352</u>	<u>4,607,352</u>
	=====	=====

Leave provisions for 2014 of Kshs.4,607,352 is the total accrued leave provision as at 30th June 2015. No provisions had been made in prior years hence a prior year adjustment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

This is guided by the Collective Bargaining Agreement (CBA) for unionisable staff and is currently at one third and one half of the employees pay for service periods of less than 10years and over ten years respectively and one month's salary for every year worked for management staff.

24(a) DIVIDENDS PAID

The total dividends paid relates to claimed dividends, paid to the ordinary shareholders. The payments are analysed in annual amount below.

	2015 Kshs	2014 Kshs
Year 2013	2,000,000	-
Year 2012	2,000,000	-
Year 2011	2,000,000	-
Total paid during the year	<u>6,000,000</u> =====	<u>-</u> =====

24(b) DIVIDENDS PAYABLE

The balance of dividends payable relates to unclaimed dividends, payable to the ordinary shareholders. The balances are analysed in annual amount below

	2015 Kshs	2014 Kshs
Year 2014	2,000,000	
Year 2013		2,000,000
Year 2012		2,000,000
Year 2011		2,000,000
Balance at end of the year	<u>2,000,000</u> =====	<u>6,000,000</u> =====

25 NOTES TO THE STATEMENT OF CASH FLOWS

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

Operating profit/(loss)	22,320,075	20,259,586
Depreciation	6,190,266	5,973,990
(Gain)/loss on disposal of property, plant and equipment	102,536	(563,271)
Operating profit/(loss) before working capital changes	<u>28,612,877</u>	<u>25,670,305</u>
(Increase)/decrease in inventories	(366,305)	(8,016)
(Increase)/decrease in trade and other receivables	(5,084,954)	2,680,098
Increase/(decrease) in trade and other payables	(1,582,623)	3,287,358
Cash generated from/(used in) operations	<u>21,578,995</u> =====	<u>31,629,745</u> =====

(b) Analysis of changes in loans

Balance at beginning of the year	26,446,089	28,095,705
Repayments during the year	(1,649,616)	(1,649,616)
Balance at end of the year	<u>24,796,473</u> =====	<u>26,446,089</u> =====

Golf Hotel Limited

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(c) Analysis of cash and cash equivalents

Short term deposits	30,000,000	25,000,000
Cash at bank	2,406,008	9,484,499
Cash in hand	64,181	112,070
Balance at end of the year	<u>32,470,189</u>	<u>34,596,569</u>

Golf Hotel Limited**Reports and Financial Statements
For the year ended June 30, 2015****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2015 Kshs	2014 Kshs
25		
(d) Analysis of interest paid		
Interest on loans (note 9)	1,119,671	1,268,137
	<u>1,119,671</u>	<u>1,268,137</u>
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year	(-)	(-)
Interest paid	<u>1,119,671</u>	<u>1,268,137</u>

26 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.

There were no other related party transactions involving the Government of Kenya.

(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 30th June 2015 was as follows:

	2015 Kshs	2014 Kshs
Due from directors	-	-
Due from other staff	101,014	47,000
	<u>101,014</u>	<u>47,000</u>
(c) Directors' expenses	<u>972,025</u>	<u>170,945</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)**27 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 company does not undertake any major transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations are minimal.

Any Foreign currency transactions during the year are converted into Kenya Shillings at rates ruling at the transaction date. The resulting differences from conversion and translation are dealt with in the Profit and Loss Statement in the year in which they arise.

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 2015 and 30 June 2014 is as shown below:

	Neither past due nor impaired Kshs	Past due but not impaired Kshs	Impaired Kshs	Total Kshs
30 June 2015				
Trade receivables	10,430,015	16,683,174	(1,778,309)	25,334,880
Due from related parties	101,014	-	-	101,014
	<u>10,531,029</u>	<u>16,683,174</u>	<u>(1,778,309)</u>	<u>25,435,894</u>

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2014 is as shown below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 June 2014	Neither past due nor impaired Kshs	Past due but not impaired Kshs	Impaired Kshs	Total Kshs
Trade receivables	7,675,431	15,079,236	(1,437,150)	21,317,517
Due from related parties	47,000	-	-	47,000
	<u>7,722,431</u>	<u>15,079,236</u>	<u>(1,437,150)</u>	<u>21,364,517</u>

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 2015:				
Trade payables	6,584,963	239,777	-	6,824,740
Parent company funding	-	-	24,796,473	24,796,473
	<u>6,584,963</u>	<u>239,777</u>	<u>24,796,473</u>	<u>31,621,213</u>
At 30 June 2014:				
Trade payables	7,527,183	266,179	-	7,793,362
Parent company funding	-	-	26,446,089	26,446,089
	<u>7,527,183</u>	<u>266,179</u>	<u>26,446,089</u>	<u>34,239,451</u>

28 INCOPORATION

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