

REPUBLIC OF KENYA



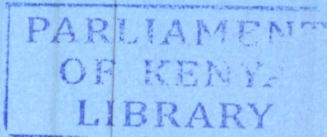
OFFICE OF THE AUDITOR-GENERAL



*Paper Laid on the
Table of the House
by the Leader of
the Majority
Party on Wednesday
22nd August 2018
(Afternoon)*

REPORT

OF



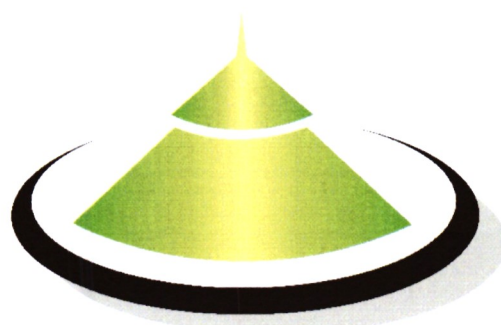
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
BOMAS OF KENYA**

**FOR THE YEAR
ENDED 30 JUNE 2017**

BOMAS OF KENYA LIMITED



B O M A S
OF KENYA LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

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KEY ENTITY INFORMATION

Background information

Bomas of Kenya is a body corporate established under the provision of Kenya Companies Acts Cap 486 of the laws of Kenya on 11th September, 1970 and it is domicile in Kenya. at cabinet level the entity is represented by the Cabinet Secretary for Ministry of Tourism who is responsible for the general policy and strategic direction of Bomas of Kenya Limited.

Principal Activities

The principal activity of Bomas of Kenya Limited is to preserve, promote and maintain the diverse cultures of Kenya for tourism development.

Directors

For the Financial year 2016/17, BOK had a board as shown on page (v).

Corporate Headquarters

Bomas of Kenya Ltd
Langata Highway / Forest Edge Road
P.O. Box 40689 - 00100
Nairobi, Kenya.

Corporate Contacts

Telephone: (254)-20-8891801/2, 8890793/5/8
Fax: (254)-20-310223
E-mail: bomas@africaonline.co.ke.
Website: www.bomasofkenya.co.ke

Corporate Bankers

Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 30081-00100
Nairobi, Kenya

Independent Auditors





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

Principal Legal Advisors





Sharpley Barret & Company
Prudential Assurance Building,
2nd floor Wabera Street
P.O. Box 40286-00100
Nairobi, Kenya

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THE BOARD OF DIRECTORS

 <p>Josiah K. Magut (64) OGW, EBS, Chairman</p>	<p>Appointed as the board Chairman in April 2015 for one year and subsequently re-appointed in May 2016. He has previously served as Board Chairman for Local Authorities Providence Fund and Association for Local Government Authorities of Kenya (ALGAK). Having served as Mayor for Eldoret Municipal council, Magut has vast knowledge in business planning and Management.</p>
 <p>Quresh H. Ahmed, (58) General Manager</p>	<p>He has over 30 years of experience in cultural tourism. Joined Bomas of Kenya Limited in 1982 as an Accountant then rose to Finance Manager and General Manager. He hold Executive Masters in Business Administration from Jommo Kenyatta University of Science and Technology and is a Certified Public Accountant of Kenya and has attended various local and international courses. He served as the Vice Chairperson for International Federation of Arts Councils and Culture Agencies (IFACCA) from 1997 for six years.</p>
 <p>Mrs. Fatuma Hirsi Mohamed, Principal Secretary – Ministry of Tourism, Director</p>	<p>Prior to joining the Ministry of Tourism as the Principal Secretary, Mrs. Fatuma Hirsi was an international civil servant working for the United Nations. She has previous experience in Telecom, Media and Banking, enhancing corporate reputation and creating goodwill through CSR. Academically, she has an MBA in strategy and marketing, a BA (Hons) in languages and a postgraduate diploma in Public Relations. She is currently pursuing a PhD in Communications Studies. Mrs. Mohamed has been recognized for her leadership and honoured with a Fellow and lifetime achievement awards from the Public Relations Society of Kenya in which she served as chairman for 5 years.</p>
 <p>Molu Shambaro (63), Director</p>	<p>Joined BoK on 17th April, 2015 as a board member. He has vast knowledge and expertise in Agribusiness with over 25 years of experience both in public and private sector having served in several positions in the said sectors. He holds Bachelors of Science (Range Management) from the University of Nairobi, Diploma in Range management from Egerton University and has attended various local and international courses on management. He served as Member of Parliament for Garsen Constituency between 1997-2002.</p>

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	<p>Joined BoK on 17th April, 2015 as a board member. She has vast knowledge and expertise in business management for over 25 years of experience both in public and private sector having served in several positions in the said sectors.</p>
<p>Khadija M. Awale (56), Director</p>	<p>Joined Bomas of Kenya Board on 17th April, 2015. He is an Architect and expertise in strategy & policy formulation, programme & project formulation, technical Audit project management, general management and team building. Joseph is a holder of Bachelors of Architecture degree from the University of Nairobi and is a Registered Architect with the Registration Board, BORAQs.</p>
	<p>A Conservationist and Administrator with of 30years experience in advocating for protecting and preservation of the environment and wildlife in Kenya. He has been a Principal for Secondary school for over 20 year prior joining Bomas of Kenya Board on 17th April, 2015. Francis holds Bachelors of Education Science from Kenyatta University.</p>
<p>Joseph Magua Karago (55), Director</p>	
<p>Francis S. Nkoitoi (55), Director</p>	<p>Ms Saima Ondimu was appointed as on on 17th April, 2015 as the appointee of the Principal Secretary Ministry of Sports, Culture & Arts. She is currently the Deputy Secretary in the ministry and holds Masters of Science in international hospitality management and post graduate diploma in diplomacy and International relations from the University of Stratchlyde and University of Nairobi respectively. She has over 30 years in the public sector operations given the fact that she has been deployed in various ministries including the presidency and ministry of foreign affairs at different capacities.</p>
	<p>Saima Ondimu (52), Director</p>

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**Jonah T. Orumoi, (39),
Director**

Mr. Orumoi was appointed in February, 2016 being the Managing Director for Tourism Finance Corporation. He previously worked as Head of Finance and Information technology department at Kenya Tourist Board (KTB), Finance & Leasing Contracts manager at G4S Kenya, Acting Head of Procurement at G4S Kenya, Nairobi, and as a Senior Principal Finance Officer, Thurrock Council, UK. He holds a Master of Science degree in Finance and Investment from Queen Mary university of London and a BA (Accounting & Finance) from East London University, UK.



**Martha Wariithi (49),
Director**






Martha Wariithi has extensive Marketing, Strategy and Insights experience from working in Africa, Europe and Asia for over 20 years conducting market and social research for major Blue Chip companies Diageo, Unilever, MTN, Barclays Bank and Major NGOs like Red Cross, United Nations, DFID, among others. In recent years she has worked for The Coca-Cola Company where she is the Knowledge and Insights Director for the region looking after 84 countries leading Research Capabilities based in Kenya. She was previously based in India as Director Knowledge and Insights for India South West Asia and more recently Turkey as the Director for EurAsia Africa. She currently serves on various boards including The Flying Doctors Society of Africa and The Beth Mugo Cancer Foundation among others. She holds a BA Economics & Sociology from University of Nairobi (Kenya) and a Masters in Local Economic Development from Middlesex University (UK)



**Kenneth Karani (42),
Director**

Mr. Karani was appointed as on 17th April, 2015 as the appointee of the Principal Secretary for the National Treasury. He replaced Mr. Stephen Karani who was appointed as Chief Finance Officers in the Ministry of Industrialization and who rendered exemplary services to BoK. He is a procurement specialist with over 15 years' experience at the managerial level in both the private and public sector. He holds Master's Degree in procurement and logistics and a Bachelors of Arts in economics & business administration from the Jommo Kenyatta University of Science & Technology (JKUAT) and Kenyatta University respectively.

MANAGEMENT TEAM

 Quresh H. Ahmed, (58) General Manager	<p>He has over 30 years of experience in cultural tourism. Joined Bomas of Kenya Limited in 1982 as an Accountant then rose to Finance Manager and General Manager. He hold Executive Masters in Business Administration from Jommo Kenyatta University of Science and Technology and is a Certified Public Accountant of Kenya and has attended various local and international courses. He served as the Vice Chairperson for International Federation of Arts Councils and Culture Agencies (IFACCA) from 1997 for six years.</p>
 David K. Rono (46)	<p>Finance & Administration Manager Has been with the institution for over 15 years and holds Executive Masters in Business Administration from Moi University (finance), International diploma in Financial Management from Illinois University and is a Certified Public Accountant (CPA-K). Previously he was the Senior Accountant. He is in charge of the finance and administration department.</p>
 Jimmy Okindiang'i (36)	<p>Human Resource Officer He has over 10 years of experience in human capital management. He holds Bachelors of Business administration in human resource and higher diploma in human resource management. He heads the Human resource department.</p>
 Thedius Bwire Ojiambo, HSC (52)	<p>Production Manager A career Choreographer with over 30 years' experience both at the National Schools and Colleges festivals and at Bomas of Kenya. An MA graduate of the University of Nairobi (2005) and a B.Ed graduate of Kenyatta University (1989). He is in charge of production and presentation of traditional dances, cultural practices and the arts.</p>
 Joseph W. Njoroge Kamau (38)	<p>Property Manager Has over 10year of experience in property management and Construction. He holds Diploma in building technology and Bachelors of Quantity Surveying from Technical University of Kenya. He in charge of the property department that institution ensure there is proper asset management and security.</p>

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John Swenson Ekahl
(47)

Ag. Food and Beverage Manager

He has over 20 years' experience in hotel, hospitality and events management. Previous served as the Restaurant Manager at All Africa Conference of Churches in Nairobi and Keekorok Lodge in Maasai Mara. He holds Diploma in Food and Beverage service and Sales. He is the in charge of the food and Beverage department



Benard Onger (44)

Public Relations and Communications Officer

Joined BoK in 1997 and is in charge of public relations and communication with over 15years experience in customer relationship management having served as Information officer. He holds Diploma in Public relations and Certificate in Purchasing & Supplies. He oversees management of public relations activities and media monitoring to enhance corporate image of the BoK.

CHAIRMAN'S STATEMENT

I wish to thank the board members who participated in overseeing Bok activities in the financial year 2016/17 through various committees and board meetings. Despite the tourism sector is yet to recover fully from shocks as a result attacks and currently being affected by political and sluggish economic growth. The Board is will be riding on the new products and enhanced service delivery to ensure service delivery is not compromised by the back drop. I am pleased to present to you a report on the performance of BOK for the financial year ended June, 2017.

FINANCIAL RESULTS

BOK During the financial year, BoK was able to generate internally revenue of 101Million and a surplus of 8.6 Million. Overall, there was decrease mainly due to reduction in funding of the recurrent from the government. Further it should be noted that the decline from government grants to 240 Million was due to various austerity measures put in place given scarce resources.

CORPORATE GOVERNANCE

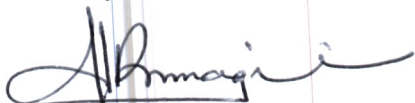
In the year under review 2016/17 Mr. Molu Shambaro resigned from the board. I take this opportunity to sincerely thank Shambaro for support he accorded the board during his tenure with Bomas of Kenya Limited.

FUTURE OUTLOOK

The corporation performance is directly affected by tourists' arrivals and stability of the economy. Given the positive finding from the World travel Council fact finding (2017) on tourism, we expect a steady growth in the internally generated revenue. BoK anticipates that the Nairobi International Convention and Exhibition Centre (NAICEC) will be a game changer to the institution partners are selected. Further, the board will be recruiting head for the marketing department in the financial year 2017/18 which expected to have a better performance to the corporation.

APPRECIATION

It is my pleasure to assert that, we would not exist without our various stakeholders, including those that work for us and the clients who are the beneficiary of our products. We are extremely thankful to our staff, Government of Kenya and other stakeholders for their support during the financial year 2016/17.



JOSIAH K. MAGUT, OGW, EBS
BOARD CHAIRMAN

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REPORT OF THE CHIEF EXECUTIVE OFFICER

Though tourism sector is most affected negatively due to uncertainty of election, Bomas of Kenya Limited has strived to ensure its programmes are achieved despite the backdrop. The sector has put mechanism through the tourism recovery strategy which is being implemented by the various stakeholders. Through the tourism recovery initiative by the government of Kenya, a number of tourists has increased and this is expected to improve more in the year ahead.

BUSINESS PERFORMANCE

Bomas of Kenya (BoK) continued to have a steady improvement in its internally generated revenue, BoK realised shillings One hundred and one million internally that led to a surplus during the year of Kshs. 8.6 Million. It should be noted that financial year 2016/17 so a decline in the government grants due to austerity measures in the budgets

EMPLOYEE RETENTION AND MOTIVATION

The total staff establishment as at 30th June 2017 was 165 employees. This is below the target number of staff for proper execution of programs. It should be noted that, during the financial year, Bok hired a Choreographer in order to enhance delivery of service. Further it's unfortunate we lost one of the employee in same year while seven new employees were recruited to various departments including finance & administration and production department.

CONCLUSION AND FUTURE OUTLOOK

We are in the final phase of implementing the strategic plan for the cycle 2013-2017 and there is clear monitoring of the same so as to improve the next cycle yet further. Through the now adopted Nairobi International Convention and Exhibition Centre (NAICEC), Bok is currently working on the master plan for project and selection of the appropriate partner under the arrangement is expected to be facilitated by the National treasury PPP unit

I wish to thank the Management and Staff of BOK for dedicating their time and efforts to ensuring that BoK achieved a very successful financial report for the period. On behalf of the Staff and Management of BoK, I would like to thank the Ministry of Tourism for its leadership. My special recognition goes to all strategic partners for their continued support.



QURESH H. AHMED
GENERAL MANAGER

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process by which Corporations are directed, controlled and held to account. The Board of Directors are responsible for the long term strategic goals of the Corporation while being accountable to the shareholders for legal compliance and maintenance of the highest Corporate Governance and business ethics.

An independent Board manages the business of the Corporation. The Board is keen on reviewing the overall framework of the internal controls and the assessment of Management process and the adoption of the appropriate codes of ethics. It is also responsible for ensuring that the Corporation complies with the law and highest standards of Corporate and business ethics. The Board currently comprises of members drawn from public and private sectors.

We realize that corruption is a vice that we must constantly fight. The Corporation is committed to fighting this and other social vices in the work place. The corporation has adopted the government's zero tolerance approach to corruption and it has put in place mechanisms to control corruption. In this regard a corruption prevention committee has already been put in place and integrity assurance officers trained.

Committees of the Board of Directors

There are four committees of the Board that were formed after the financial year this includes:

1. Finance and Human Resource Committee
2. Audit Committee
3. Development and Investments Committee
4. Operational Committee

RISK MANAGEMENT

The Corporation will continue to recognize risk Management as an integral part of the internal control systems. We will therefore continue to logically and systematically engage in the process of establishing, identifying, analyzing, evaluating and communicating risks associated with any activities, functions or processes in a way that enables the Corporation to minimize losses and maximize opportunities.

Operational Risk

This is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation as well as lead to financial loss. The Corporation cannot expect to eliminate all operational risks, but can manage them through a control framework and by monitoring and responding to potential risks. The controls that the Corporation has put in place to minimize the potential risks include:

- a) Effective duty segregation,
- b) Staff education,
- c) Definition of authorization levels,
- d) Periodic risk assessment ,
- e) Use of internal audit; and
- f) Implementation of access controls.

Credit Risk

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This is the risk that arises from trade and other receivables where debtors are not able to meet their obligation as required. The organisation has no significant concentration for credit risk. The finance department assesses credit worthiness of each customer while taking into account its financial position, experience and other factors. The debtors are given 30 days credit period.

Contract Risk

This is Probability of loss arising from failure in contract performance by the vendor. Bok entered in a contract with Standard Investment Bank (SIB) to conduct a feasibility study for the BICEC project. However, the contract expired before SIB delivered all the milestones as per the contract. Hence Bok terminated the contract on non-delivery on time.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

It's explicit that good corporate governance practices have recently shown that weaknesses in good governance practices in public entities have had far reaching negative consequences to the entity and the public at large. Thus, Bok aims to ensure that best practices are adopted for the purpose of governance of the institution.

In the financial year under review, BoK strived to achieve high levels of corporate governance by focusing on the following areas:

- Executing strong audit procedures, ensuring audit independence and continuously enforcing accounting practices that conform to the international financial reporting standards and the generally accepted accounting principles.
- Ensuring that the Directors and the employees have clearly defined duties and responsibilities, exposed to relevant training in order for them to have required competence in executing their duties.
- BoK has continually ensured that it conforms to the various laws and legislation in the republic including submission of the relevant taxes and other statutory as required.
- BOK continued to support various charitable causes, in particular children's homes and also was main sponsors for Bomas football club.
- Upholding the highest levels of integrity in the organisation's culture and practices in day to day activities.
- Under the riparian principle, all landowners whose property adjoins a body of water have the right to make reasonable use of it as it flows through or over their property. If there is not enough water to satisfy all users, allotments are generally fixed in proportion to frontage on the water source. These rights cannot be sold or transferred other than with the adjoining land and only in reasonable quantities associated with that land. The water cannot be transferred out of the watershed without due consideration as to the rights of the downstream riparian landowners. BOK ensures that the above rule is observed so as to ensure sustainability of the environment. This has been practiced in the financial year by ensuring BOK remains actively in the activities of Ngong Forest Conservancy Sanctuary under which BOK is a member.

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

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Corporation's affairs.

Principal activities

The principal activity of Bomas of Kenya Limited is to preserve, promote and maintain the diverse cultures of Kenya for tourism development.

Results

The results of the entity for the year ended June 30, 2017 are set out on page 1 to 2.

Dividends

BOK does not pay dividend, all the surpluses are reinvested back into programmes undertaken in development of existing cultural products.

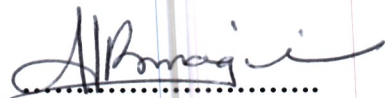
Directors

During the year ended 30th June, 2017 Directors who served on the BOK Board are shown on page v-vii.

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with the Section 94(d) 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


.....

Date 29th Sept, 2017

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes:


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

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2017, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 29th Sept, 2017 and signed on its behalf by:



CHAIRMAN



DIRECTOR

REPORT OF THE INDEPENDENT AUDITORS

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REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON BOMAS OF KENYA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Bomas of Kenya Limited set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bomas of Kenya Limited as at 30 June 2017, 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 Kenyan Companies Act.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Qualified Opinion section of my report, based on the procedures performed, I confirm that nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Trade and other Receivables

As similarly reported in previous years, trade and other receivables balance of Kshs.19,280,200 as at 30 June 2017 is net of Kshs.5,844,308 which has been outstanding for over 11 years and which is fully provided for. However, in spite of the Public Investments Committee having recommended to the Board to regularize the debts, the matter is yet to be resolved.

Consequently, it has not been possible to confirm that trade and other receivables balance of Kshs.19,280,200 as at 30 June 2017 is fairly stated.

2. Valuation of Assets

The statement of financial position reflects a balance Kshs.2,148,869,544 under property, plant and equipment as at 30 June 2017. However, and as similarly reported in the

Report of the Auditor-General on the Financial Statements of Bomas of Kenya for the year ended 30 June 2017

previous year, the last revaluation for the assets was conducted in 1996. Consequently, the Company has not revalued its assets in the last 21 (twenty one) years to take cognizance of the drastic change in value of its assets contrary to the International Accounting Standard No.16 which stipulates that property, plant and equipment should be revalued after every five years.

Further, the Company does not possess ownership documents for the land on which it operates. Although the original title, L.R. No.12066 (I.R. No.26510) was released by Tourism Finance Corporation to the Ministry of Tourism on 28 September 2017, the Ministry has not yet forwarded the title to Bomas of Kenya Limited. This has hindered execution of planned activities such as boundary realignment and valuation of land.

Consequently, it has not been possible to ascertain the accuracy and ownership of the property, plant and equipment balance of Kshs.2,148,869,544 as at 30 June 2017.

3. Unpaid Compensation for Compulsory Land Acquisition

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

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

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

Emphasis of Matter

Delinking from Tourism Finance Corporation

As previously reported in 2015/2016 and as indicated under Note 18 to the financial statements, the Company is fully (100%) owned, by Tourism Finance Corporation (formerly Kenya Tourist Development Corporation) through some 254,000 shares of Kshs.20 each with a book value of Kshs.5,080,000.

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

Report of the Auditor-General on the Financial Statements of Bomas of Kenya for the year ended 30 June 2017

In 1994, the Public Investment Committee and the Parliamentary Account Committee, with Treasury's agreement, recommended the commencement of the delinking process. In 2002, the Office of the Attorney-General had in their legal interpretation and in reference to the State Corporation Act Cap 446, also concluded that one Government parastatal cannot own another. However, in spite of these interventions, very minimal progress appears to have been made on the delinking process. As a result, the Company continues to face operational and legal challenges in meeting its obligations through the Tourism Finance Corporation.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Emphasis of matter sections of my report, there were no other Key Audit Matters to report in the year under review.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management has knowledge of any intention to liquidate the Company or cease its operations.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

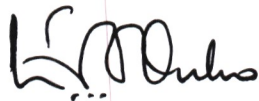
I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

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

As required by the Companies Act, 2015 I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records;
- (iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records; and
- (iv) In my opinion, the information given in the report of the directors is consistent with the financial statements.



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

Nairobi

13 July 2018

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF PROFIT /(LOSS) AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE, 2017

	<u>NOTE</u>	2017	2016
		KSHS	KSHS
<u>Revenue</u>			
Sales	3	101,663,304	45,515,798
Grant from National Government	4	240,000,000	360,625,000
Other income	5	20,973,219	18,923,099
Total Revenue		362,636,523	425,063,897
<u>Operating Expenses</u>			
Staff Costs	6	131,976,589	149,925,672
Board Emoluments	7	9,482,701	9,140,650
Administration Costs	8	97,275,831	151,791,856
Selling and distribution costs	9	45,529,796	41,522,217
General expenses	10	464,000	308,97
Depreciation	11	<u>69,258,389</u>	<u>62,144,734</u>
		<u>353,987,306</u>	<u>414,834,056</u>
Finance Costs;			
Interest expense	12	=	=
Net Surplus / (Deficit) before tax		8,649,217	10,229,842
Profit /(Loss) After Tax		<u>8,649,217</u>	<u>10,229,842</u>

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

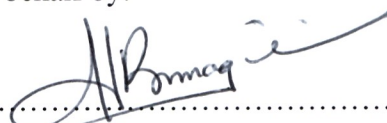
BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

		2017	2016
ASSETS		KSHS	KSHS
Non –current assets			
Property Plant & Equipment	13	2,148,869,544	1,753,457,669
Total Non-Current Asset		<u>2,148,869,544</u>	<u>1,753,457,669</u>
Current Assets			
Inventories	14	3,745,424	2,238,226
Trade and other Receivables	15	19,280,200	18,265,854
Cash and cash equivalents	16	286,763,086	515,785,578
Total Current Assets		<u>309,788,710</u>	<u>536,289,656</u>
Total Assets		<u>2,458,658,254</u>	<u>2,289,747,328</u>
 <u>EQUITY AND LIABILITIES:</u>			
Capital And Reserves			
Share Capital	18	5,080,000	5,080,000
Retained Earnings	19	181,988,868	171,999,377
Revaluation Reserve	20	128,713,918	130,054,199
Deferred Capital Grant	21	2,123,001,445	1,963,001,445
Total Capital And Reserves		<u>2,438,784,231</u>	<u>2,270,135,021</u>
Current Liabilities			
Trade and other payables	17	19,874,023	19,612,307
Total Equity & Liabilities		<u>2,458,658,254</u>	<u>2,289,747,328</u>

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

The Corporation's financial statements were approved by the Board on 29th Sept, 2017 and signed on its behalf by:



 Chairman

Date... 13th June, 2018



 Chief Executive.

Date... 13th June, 2018

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF CHANGES IN EQUITY

	ORDINARY SHARE CAPITAL	RETAINED EARNINGS	REVALUATION RESERVE	DEFERRED CAPITAL GRANT	TOTAL
	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>
As at 30 th June 2015	5,080,000	160,394,331	131,465,410	1,323,001,445	1,619,941,186
As at 1 st July 2015	5,080,000	160,394,331	131,465,410	1,323,001,445	1,619,941,186
Net surplus/(Deficit) for the year 30th June, 2016		10,229,842			10,229,842
Revaluation reserve		1,375,204	-1,375,204		
Capital Grant				640,000,000	640,000,000
As at June 2016	5,080,000	171,999,377	130,054,193	1,963,001,445	2,270,135,015
As at July 1, 2016					2,270,135,015
Net Profit/(Loss) for the year 30th June 2016	5,080,000	171,999,377	130,054,193	1,963,001,445	2,270,135,015
		8,649,217			8,649,217
Revaluation Reserve		1,340,275	-1,340,275		
Capital Grant				160,000,000	160,000,000
As at 30th June 2017	5,080,000	181,988,868	128,713,918	2,123,001,445	2,438,784,232

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

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF CASH FLOWS

	Notes	2017 KSHS	2016 KSHS
Net Surplus/(Deficit) for the year		<u>8,649,217</u>	<u>10,229,842</u>
<u>Add: Items not involving Movement of Cash:</u>			
Provision for Depreciation	11	69,258,389	62,144,734
Provision for audit fee	10	464,000	232,000
Gain on provision for bad debt	1	<u>31,578</u>	<u>76,927</u>
		<u>69,753,967</u>	<u>62,453,661</u>
<u>Add: Changes in Working Capital:</u>			
(Increase)/ Decrease in Inventories	14	(1,507,198)	(1,305,332)
(Increase)/ Decrease in Receivables	15	(1,014,346)	(1,088,187)
Increase/ (Decrease) in Payables	17	<u>261,716</u>	<u>(5,122,368)</u>
		<u>(2,259,830)</u>	<u>(2,728,849)</u>
Cash Generated From Operations		76,143,354	75,412,351
Provisions for leave paid	6	<u>(495,580)</u>	<u>(308,928)</u>
Net Cash from Operations		<u>75,647,774</u>	<u>75,103,423</u>
 <u>INVESTING ACTIVITIES.</u>			
Purchase of Fixed Assets/Work in progress		(464,670,266)	(313,230,740)
 CASH FLOWS FROM FINANCING ACTIVITIES			
Development Grants	4	<u>160,000,000</u>	<u>640,000,000</u>
Net Increase/(Decrease) in Cash and Cash equivalents		<u>(229,022,492)</u>	<u>(401,872,683)</u>
<u>Add: Beginning Balance of Cash and Cash Equivalents</u>		<u>515,785,578</u>	<u>113,912,895</u>
ENDING BALANCE OF CASH & CASH EQUIVALENTS	16	<u>286,763,086</u>	<u>515,785,578</u>

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

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

Revenue	A	B	C=B-A	D=C/B	Remark	Explanations
ITEM	2016/2017 Final Approved Budget KSHS.	Current Year 2016/2017 Actual KSHS	Variance Budget to Actual Year KSHS.	Variance In Percentage (%)	U/F	
Bar & Restaurant Sales	55,596,804	101,663,304	46,066,500	82.9	F	BOK attracted major events
Grant from National Government	240,000,000	240,000,000	-	-	F	Gok provided funds as per budget
Other	36,221,311	20,973,218	-15,248,093	-42.1	U	Lower than budget Due to low business season given election year
Total Revenue	331,818,115	362,636,522	30,818,407	9.3		
Operating Expenses						
Administration Costs	255,233,597	229,220,841	26,012,756	4.7	F	Austerity measures reduced the budget
Board Emoluments	14,373,860	8,482,701	4,891,159	34	F	Was within budget and made savings.
Selling and distribution costs	33,718,473	45,529,796	11,811,323	35	U	Due to increased revenue from parties and reception.
Audit fee	232,000	464,000	232,000	100	U	Revised audit fee
Provision for bad debts	80,000	31,578	48,422	60	F	was within the budget
Depreciation	70,000,000	69,753,967	246,033	0.3	F	Was within the budget
Total	373,637,930	350,309,799	23,560,131			
NET Surplus before tax		12,326,723			F	Profit was realised
Income Tax		-				
Profit After Tax		12,326,723			F	Profit was realised

U=Unfavourable variance

F=Favourable variance

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

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

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

The preparation of financial statements is in conformity with International Reporting Standards (IFRS) allows the use of estimates and assumptions. The accounting policies adopted have been consistently applied to all the years presented.

b. Adoption of new and revised International Financial Reporting Standards (IFRSs)

Relevant new standards and amendments to published standards effective for the year ended 30th June 2016

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

i) Amendments to IAS 32; *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Bok does not have any financial assets and financial liabilities that qualify for offset, therefore the application of the amendments had no impact on the disclosures or on the amounts in the financial statements.

ii) Amendments to IAS 36; *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

Bok does not have any cash-generating units to which goodwill or other intangible assets with indefinite useful lives had been allocated, therefore the application of the amendments has had no impact on the disclosures or on the amounts in financial statements.

iii) Amendments to IAS 39; *Novation of Derivatives and Continuation of Hedge Accounting*

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

The application of the new standard had no impact on the disclosures or the amounts in these financial statements as Bok does not have any derivatives.

iv) IAS 19 *Defined Benefit Plans: Employee Contributions*

Amendments to IAS 19 require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These changes provide a practical expedient for simplifying the accounting for contributions from employees or third parties in certain situations.

The application of this amendment had no impact on the disclosures or on the amounts in Bok's financial statements.

v) IFRIC 21 *Levies*

IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts in Bok's financial statements.

vi) Amendments to IFRS 10, IFRS 12 and IAS 27; *Investment Entities*

The investment entities amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity.

The amendments require an investment entity to account for its investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries that provide services that relate to the investment entity's investment activities, which must be consolidated. It also requires an investment entity to measure its investment in another controlled investment entity at fair value and that a non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees.

The amendments had no impact on the disclosures or the amounts recognized in these financial statements since Bok is neither an investment entity nor controls an investment entity.

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

vii) Annual Improvements 2010-2012 Cycle

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2010 – 2012 annual improvements cycle.

IFRS 2 Share-based Payment Definitions of vesting conditions	The amendment defines 'performance condition' and 'service condition' to clarify various issues, including the following: <ul style="list-style-type: none">• A performance condition must contain a service condition• A performance target must be met while the counterparty is rendering service• A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group• A performance condition may be a market or non-market condition• If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied
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IFRS 3 Business Combinations	Accounting for contingent consideration in a business combination <ul style="list-style-type: none">• The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination must be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). The application of this amendment did not result in any impact on the financial statements.
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IFRS 8 Operating Segments	Aggregation of operating segments <ul style="list-style-type: none">• The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8.12, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are similar. Reconciliation of the total of the reportable segments' assets to the entity's assets <ul style="list-style-type: none">• The amendment clarifies that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The application of this amendment did not result in any impact on the financial statements.
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BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets	<p>Revaluation method – proportionate restatement of accumulated depreciation/amortization</p> <p>The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed, as follows:</p> <ul style="list-style-type: none"> • Adjust the gross carrying amount of the asset to market value OR • Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value <p>The amendments also clarify that accumulated depreciation/ amortization is the difference between the gross and carrying amounts of the asset.</p> <p>The application of this amendment does not result in any impact on the financial statements.</p>
IAS 24 Related Party Disclosures	<p>Key management personnel</p> <p>The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.</p> <p>Key management compensation have been disclosed in these financial statements</p>

viii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2016.

Bok has not applied the following new and revised IFRSs and IFRICs that have been issued:

New and Amendments to standards	Effective for annual periods beginning on or after
Amendments to IFRS 11; <i>Accounting for Acquisitions of interest in Joint Operations</i>	1 January 2016
Amendments to IAS 16 and IAS 38; <i>Clarification of acceptable methods of Depreciation and amortisation</i>	1 January 2016
2012-2014 cycle (issued in September 2014)	1 January 2016
IFRS 14; Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 1; <i>Disclosure initiative</i>	1 January 2016
Amendments to IAS 16 and IAS 41; <i>Agriculture – Bearer Plants</i>	1 January 2016
Amendments to IAS 27; <i>Equity method in Separate Financial Statements</i>	1 January 2016
IAS 34; <i>Interim Financial Reporting</i>	1 January 2016
IFRS 15; <i>Revenue from contract with customers</i>	1 January 2017
IFRS 9; <i>Financial Instruments</i>	1 January 2018

Impact of new and amended standards and interpretations on the financial statements for the year ended 30th June 2016 and future annual periods

ix) Amendments to IAS 16 and IAS 38; *Clarifications of Acceptable Methods of Depreciation and Amortization*

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The directors do not anticipate that the application of the amendment to the standard will have a significant impact on the Bok's financial statements.

x) **IFRS 15; Revenue from Contracts with Customers,**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 - Revenue, IAS 11- Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition. Under IFRS 15, an entity recognizes revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

It is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

xi) **IFRS 9; Financial Instruments**

IFRS 9 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition.

The directors do not anticipate that the application of IFRS 9 in the future will have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities.

xii) **Amendments to IFRS 11; Joint Arrangements**

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations.

The directors of BoK do not anticipate that the application of IFRS 11 in the future will have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities.

Early adoption of standards

The corporation did not early-adopt any new or amended standards in the period.

2. Summary of Significant Accounting Policies

a. Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Corporation's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Corporation's activities as described below.

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

b. Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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

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

c. Depreciation and impairment of property, plant and equipment

Property, plant & equipment are stated at cost as modified by revaluation. Depreciation is calculated on the reducing balance method except for buildings which is depreciated at cost.

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Land	Nil
Motor Vehicles	25.00%
Furniture, Fittings & Equipment	12.50%
Loose Tools	50.00%
Pumps & Pipes	20.00%
Buildings	2.50% (cost)
Computers	30.00%

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

d. Depreciation and impairment of property, plant and equipment

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

e. Intangible assets

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

f. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g. Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h. Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

i. Taxation

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

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

j. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k. Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the corporation or not, less any payments made to the suppliers.

l. Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at tier I and tier II depending on contribution of staff for various scales.

m. Subsequent events

During the financial year 2015/16 it was anticipated that feasibility study for NAICEC could have been adopted, however the contract was cancelled due to expiry of contract period after the financial period. An entity is required to take into account risks and uncertainties that surround underlying events (IAS 37.42).

BOMAS OF KENYA LIMITED
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n. Financial risks review

Financial risks	Key controls and mitigating factors
<p>Funding and liquidity risk The risk of being unable to continue to fund our operations on an ongoing basis. Weak performance could put pressure on cash flow and credit metrics and affect our credit rating</p>	<ul style="list-style-type: none"> • The corporation finances its operations by a combination of retained profits, disposals of properties, bank borrowings and leases • We have placed greater focus on balancing growth with returns and being more focused on both cash and margins. • Liquidity risk is managed by continuously monitoring cash forecasts and actual cash flows.
<p>Interest rate risk The risk to our profit and loss account resulting from rising interest rates</p>	<ul style="list-style-type: none"> • The corporation enters into fixed rate agreements for borrowings rather than fluctuating rates • Negotiations for interest rate reviews in times of favourable rates.
<p>Credit risk The risk of loss arising from default by parties to financial transactions</p>	<ul style="list-style-type: none"> • Credit risk is managed through the corporation's credit policy framework with standards and limits defined, including new account sanctioning, collections and recovery activity.
<p>Market risk The risk of loss that arising from changes in market prices for products or changes in other market factors.</p>	<ul style="list-style-type: none"> • The corporation employs Just-In-Time inventory strategies. The depots retain very low inventory levels, relying on the supply chain to deliver the stocks within the shortest time when they are needed.

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Notes to the financial statements

	2017 Kshs	2016 Kshs
3. SALES		
Bar sales	5,186,240	4,462,191
Restaurant sales	9,493,105	7,248,758
Staff meals	12,786,450	7,403,961
Parties & receptions	74,197,510	26,400,888
Total sales	101,663,304	45,515,798
4. GRANTS FROM NATIONAL GOVERNMENT		
Recurrent grants received	240,000,000	360,625,000
Capital grants received	160,000,000	640,000,000
	<u>400,000,000</u>	<u>1,000,625,000</u>
5. OTHER INCOME		
This is revenue received from the various sources of income		
a) Gate collection & playground	3,201,835	4,816,356
b) Hire of Dancers/halls	12,599,507	8,496,813
c) Rent Income	4,489,428	4,113,548
e) Sundry Income	650,872	1,496,382
f) Gain on provisions for bad debts	<u>31,577</u>	<u>0</u>
	20,973,219	18,923,099

a) Gate Collections & Playground, Video & Filming

This is revenue from gate charges for entertainment i.e viewing traditional dance and tour of the villages .

b) Hire Of Dancers, Hall/ Auditorium

This is revenue received /receivable from the public for hire of dancers and auditorium hall

c) Rent Income

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

d) Sundry Income

This comprises items which are not regularly received. This comprises of items not included in the vote heads e.g. consultancy, adverts.

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Notes to the financial statements (cont'd)

6. Staff costs

	2017	2016
	Kshs	Kshs
Salaries and allowances for permanent employees	109,090,540	123,657,489
Wages of temporary employees(casuals)	14,118,234	15,519,613
General Managers salary	4,070,930	3,600,000
Compulsory national health insurance schemes	1,430,630	2,127,680
Compulsory national social security schemes	3,198,139	4,711,962
Provision for leave paid	495,580	308,928
	<u>131,976,589</u>	<u>149,925,672</u>
Number of employees	165	164

7. Directors emoluments

Chairman Honorarium	960,000	780,000
Sitting Allowance	4,187,125	7,000,486
Travel and Subsistence	<u>4,335,576</u>	<u>1,360,164</u>
	<u>9,482,701</u>	<u>9,140,650</u>

8. Administration costs

Motor Vehicle Running& transport	5,098,890	6,310,505
Traveling & Entertainment	12,401,737	14,127,303
Medical Expenses	6,097,165	9,519,067
Dancers Expenses	3,277,597	8,693,900
Food & Accommodation	6,874,626	13,000,890
Guest Dancers	2,556,345	5,399,320
Uniforms for Staff	2,957,811	4,569,483
Publicity & Promotion	1,926,596	10,943,690
Printing & Stationery	3,989,628	4,858,926
Telephone & Postage	2,899,525	2,782,698
Cleaning & laundry	4,527,935	4,087,959
Security Charges	4,227,394	3,607,780
Hiring Charges	6,505,923	11,830,321
Staff Training	3,912,663	4,331,888
Sundry Expenses	2,294,137	2,953,640
Subscriptions & Donations	171,592	382,533
Diverse cultural promotion	0	10,694,328
Computer services	-	806,398
Interest & Bank Charges	291,417	666,575
Insurance & Licenses	2,446,925	1,920,861
Legal & professional	1,505,703	6,656,256
Land Rates	403,240	403,240
Electricity & Water charges	6,939,228	8,155,421
Repairs & Maintenance	<u>15,969,754</u>	<u>15,088,871</u>
	<u>97,275,831</u>	<u>151,791,85</u>

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Notes to the financial statements (cont'd)

9. Selling and Distribution Costs

	2017	2016
	Kshs	Kshs
Purchase – Nyama Choma Bar	14,083,507	10,029,638
Purchases- Parties/ Reception	18,786,334	18,570,788
Purchase – Nyama Choma Restaurant	12,659,955	12,921,796
	45,529,796	41,522,222

10. General expenses

Audit fees	464,000	232,000
Provision for Bad debts	=	<u>76,927</u>
	464,000	308,927

11. Depreciation and amortization Expense

Property, plant and Equipment	69,258,389	62,144,734
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BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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

2015/16	Land	Work In Progress	Buildings & Civil Works	Motor Vehicles	Furniture Fittings & Equipment	Computers	Loose Tools	Pumps & Pipes	Totals
COST OR VALUATION									
At July 1, 2016	76,950,000	42,823,280	1,718,766,325	12,716,938	207,034,363	7,453,384	23,662,446	41,902,036	2,131,308,772
Additions	-	320,419,664	97,999,200	8,782,879	27,890,667	5,102,667	153,211	4,321,980	464,670,266
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2017	76,950,000	363,242,944	1,816,765,525	21,499,815	234,925,030	12,556,051	23,815,657	46,224,016	2,595,979,036
DEPRECIATION									
At July 1, 2016	-	-	192,657,457	11,188,622	117,747,748	3,892,289	22,214,900	30,150,287	377,851,103
Charge for the year	-	-	1,338,404	1,711	0	0	0	160	1,340,275
On Revaluation surplus									
Charge for year on profit & loss	-	-	45,419,138	2,577,228	14,647,160	2,599,129	800,378	3,214,786	69,258,389
At June 30, 2017	-	-	240,787,721	13,769,843	132,394,908	6,491,418	23,015,278	33,364,873	447,109,492
NET BOOK VALUE	76,950,000	363,242,944	1,578,688,929	7,733,394	102,530,122	6,064,633	800,378	12,859,143	2,148,869,544
At June 30, 2016	76,950,000	42,823,280	1,526,108,868	1,523,314	89,286,615	3,561,095	1,447,546	11,751,949	1,753,457,667
At June 30, 2015	76,950,000	444,485,954	1,024,196,821	12,716,938	191,401,662	3,559,263	23,180,318	41,587,076	1,818,078,032

NOTE. The revaluation of the assets was done in August 1996 By Gatheru Irungu Mugo Co Ltd. The total value of the assets was Kshs 194,020,600 :(while the value of Fixed assets was Kshs 29,191,433 as at 30/6/1996)as below:-

1. Land - 76,950,000.00
2. Buildings and site works -109,185,000.00
3. Furniture and equipments - 5,085,600.00 0

BOMAS OF KENYA LIMITED
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Notes to the financial statements (cont'd)

13 (b) WORK IN PROGRESS

This refers to the amount spent in putting up the Perimeter wall, NAICEC Project and the cultural / Conference centre within the organization.

	2017 Kshs	2016 Kshs
Work in progress analysis		
Balance brought forward	42,823,280	444,485,954
Additions for the year	320,419,664	281,067,405
Totals –balance carried down	<u>363,242,944</u>	<u>725,553,359</u>
Capitalization	-	(682,730,089)
NAICECproject -Balance carried forward	<u>363,242,944</u>	<u>42,823,280</u>

14. INVENTORIES

Drinks	250,809	253,934
Cigarettes	15,000	8,100
Provisions(General food stuffs)	3,479,615	1,976,190
	<u>3,745,424</u>	<u>2,238,224</u>

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

Debtors- long outstanding	5,844,308	5,844,308
Trade Debtors	18,815,756	19,131,545
Staff Debtors	1,274,655	976,098
Deposits Paid	1,183,500	183,500
	<u>27,118,219</u>	<u>26,135,451</u>

Provision for bad & Doubtful Debts-	(1,881,575)	(1,913,154)
-(10% of trade debtors)	(5,844,308)	(5,844,308)
-(100% of long outstanding debtors over 10 years)	(112,135)	(112,135)
Provision for ex- staff debtors	<u>19,280,200</u>	<u>18,265,854</u>

(b) Provision for bad & Doubtful Debts

- Opening balance	1,913,154	-
- Closing balance	<u>1,881,575</u>	-
Gain / Loss on Provisions	<u>31,578</u>	

BOMAS OF KENYA LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

16 CASH AND CASH EQUIVALENTS

Cash at bank Current A/c – 1108986668	9,759,880	27,875,571
Cash in Bank Current A/c - 1108985580	274,997,746	487,293,432
M-Pesa A/C -880703	1,869,090	436,035
Cash at Hand	<u>136,370</u>	<u>180,540</u>
	<u>286,763,086</u>	<u>515,785,578</u>

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

Notes to the financial statements (cont'd)

17. TRADE AND OTHER PAYABLES

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
(a) Trade Creditors	16,113,134	16,462,855
(b) Other Payables		
- Auditor General	660,000	660,000
- Jaribu Credit Traders	6,550	6,550
- Deposit received from tenants	452,175	452,175
- Withholding VAT	712,954	712,954
- COTU	19,050	11,300
- KUDHEIA	33,600	33,300
- Paymaster General	<u>1,876,559</u>	<u>1,273,173</u>
	<u>3,760,888</u>	<u>3,149,452</u>
TOTALS	<u>19,874,022</u>	<u>19,612,307</u>

18. ORDINARY SHARE CAPITAL

Authorized & Issued 254,000 ordinary shares of Ksh.20/= each

5,080,000 5,080,000

All the issued Share Capital is held by Kenya Tourist Development Company

19. RETAINED EARNINGS PROFITS/ (LOSSES)

Balance brought forward	171,999,377	160,394,331
Net Surplus for the year	<u>8,649,217</u>	<u>10,229,842</u>
Total	<u>180,648,593</u>	<u>170,624,173</u>
Revaluation Reserve(amortization)	<u>1,340,275</u>	<u>1,375,204</u>
Balance carried forward	<u>181,988,868</u>	<u>171,999,377</u>

Notes to the financial statements (cont'd)

20. REVALUATION RESERVES

	Kshs	Kshs
Balance brought forward	130,054,193	131,465,410
Less:-depreciation surplus for the year	<u>(1,340,275)</u>	<u>(1,375,204)</u>
Balance carried forward	<u>128,713,918</u>	<u>130,090,206</u>

21. DEFFERED CAPITAL GRANTS

In 1987 a hall was constructed by the government of Kenya on the Bomas of Kenya limited grounds at a cost of **KSh. 20, 201,445**. The building has since been handed over to the company. The value of the hall has been treated as capital grant in the accounts.

The balance for F/Y 2014/15 brought forward	1,963,001,445.00	1,323,001,445.00
Deferred Grants for the year 2015/16	<u>160,000,000.00</u>	<u>640,000,000.00</u>
Balance carried forward	<u>2,123,001,445.00</u>	<u>1,963,001,445.00</u>

22. TAXATION.

The company has been making losses over the years realized a surplus and therefore did not provide for tax in the financial statements. However during the year the company realized a surplus of Kshs 12,790,722.00 of which a substantial amount of income was from the Government Grants and therefore no provision for tax made.

23. RELATED PARTY TRANSACTION

- a. The Government of Kenya is the principal Shareholder of the company holding 100% of the Company equity.
- b. Tourism Finance Company (TFC) issued is in process of issuing title deed to Ministry of Tourism for further direction and procedures.

24. CURRENCY

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

25. PROGRESS ON PRIOR FOLLOW UP OF AUDITORS RECOMMENDATIONS

a) Trade and Other Receivables

The management has requested the Board of Directors to get approval from the National Treasury to write off the long outstanding debts.

b) Valuation of Assets

This has been factored in the current financial year budget. Further, the Ministry of Tourism is working on a model to carry out valuation of State Corporation under it.

c) Unpaid Compensation for Compulsory Land Acquisition

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