REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

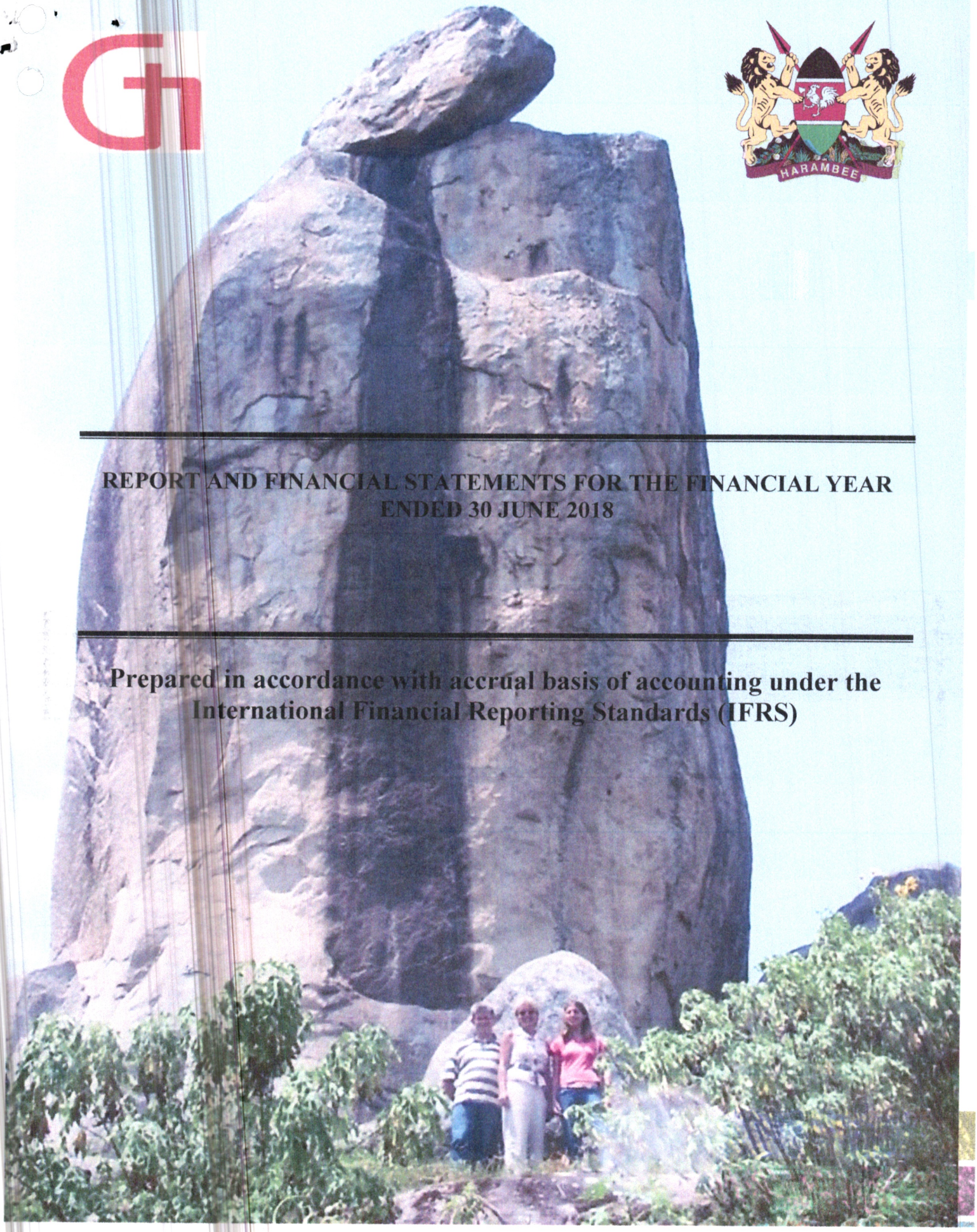
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF GOLF HOTEL LIMITED

FOR THE YEAR ENDED 30 JUNE 2018



REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Prepared in accordance with accrual basis of accounting under the International Financial Reporting Standards (IFRS)

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KEY ENTITY INFORMATION

Background information

Golf Hotel Limited was established on 20 December 1979 and is governed by the Companies Act 2015 and is a subsidiary of Tourism Finance Corporation (TFC); a parastatal in the Ministry of 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 were as follows:

1. Mr. Franklin Ndii - Board Chairman – Golf Hotel Kakamega Appointed October 2013
2. Mr. Wycliffe Oparanya - Governor Kakamega County
3. Mr. Paul Kurgat - Board Member Golf Hotel Kakamega Appointed October 2013
4. Mr. Jonah Orumoi - Managing Director TFC
5. Mrs. Fatuma Hirsi Mohamed - PS Ministry of Tourism

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

Registered Office

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

Corporate Headquarters

Utalii House
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Corporate Contacts

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Or:

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E-mail: info@golfhotelkakamega.com
Website: www.golfhotelkakamega.com

Corporate Bankers

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

Independent Auditors

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

Principal Legal Advisers

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

THE BOARD OF DIRECTORS

Mr. Frankline Ndii the Chairman of the board of directors for Golf Hotel Ltd. He is a career accountant with over forty-one years' experience in Financial Mgt. and Administration. He was born on 25 May 1952.

He has worked in various organizations; the most recent being Kenya Utalii College where he was the Financial Controller from 1984 to 2004.

He is currently the Managing Director of African Dew Tours and Travel Ltd. Mr. Ndii holds a Master of Business from the University of Free State, is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya.

Mr. Jonah Orumoi is the Managing Director of Tourism Finance Corporation born on 20 October 1978. He was previously the Head of Finance & ICT at the Kenya Tourism Board. He has previously worked as Finance & Leasing

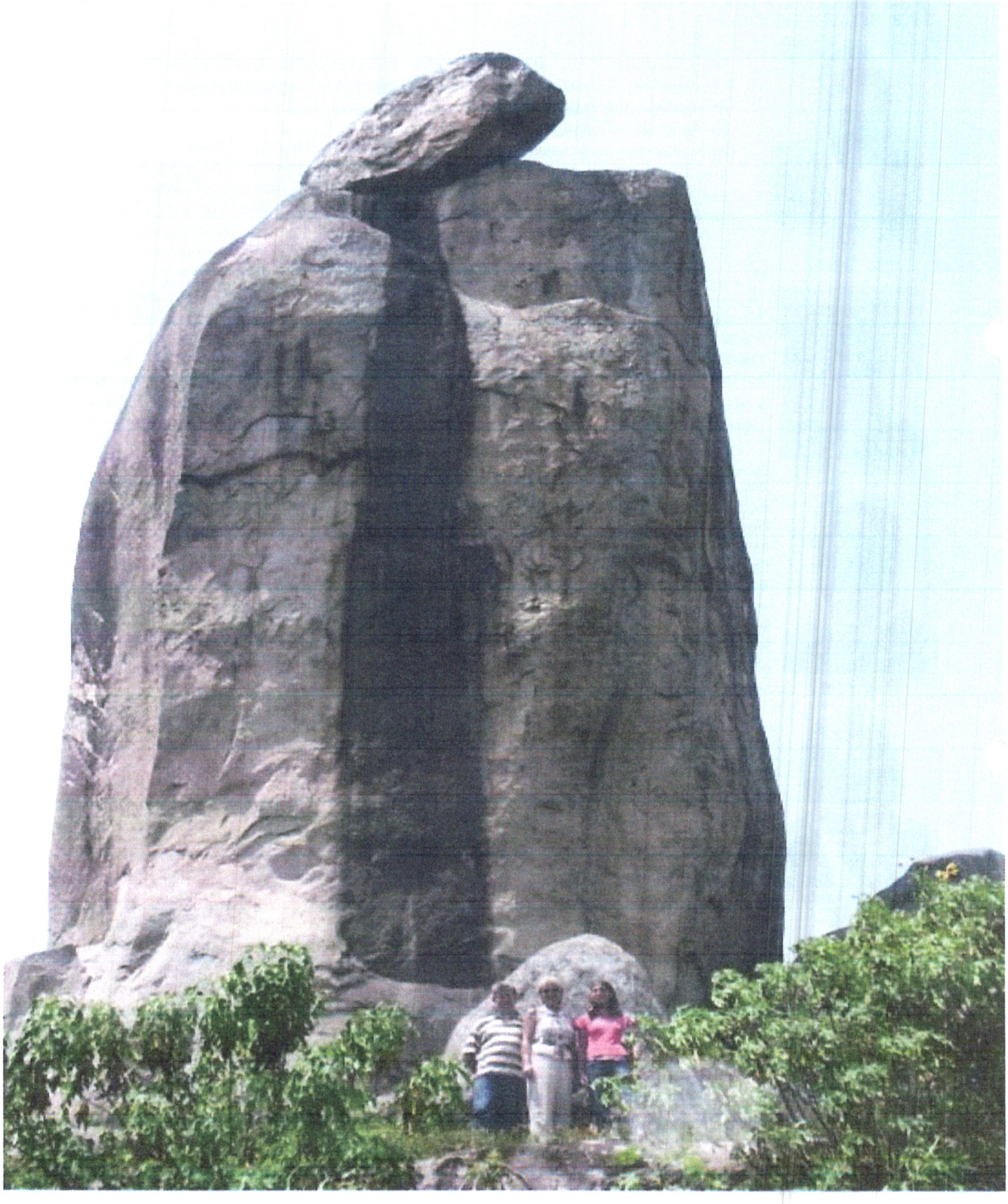
Contracts Manager/ acting Head of Procurement at G4S and as a Senior Principal Finance Officer, Thurrock Council, UK. Mr. Orumoi Jonah holds a Master of Science in Finance and Investment (Merit) from Queen Mary University of London, UK and is FACCA qualified. He is a graduate of BA (Hons) in Accounting & Finance of the East London University, UK.

Hon. Wycliffe Oparanya is the Governor Kakamega County. He has a PhD (Economics) from the University of Dar- es- Salaam, Tanzania.an MBA (Finance) from the University of Nairobi Wycliffe Oparanya holds a Bachelor of Commerce (Accounting option) and He is a Certified Public Accountant and a member of the Certified Public Accountants of Kenya (ICPAK) as well as numerous other professional bodies. He was the Minister of State for Planning, National Development and Vision 2030 in government of President Mwai Kibaki. As the former Member of Parliament for Butere constituency, his area of jurisdiction had one of the best Constituency Development Fund record in the country. Hon. Oparanya has 23 years' experience in local and international Finance Management, Audit and Business Consultancy.

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

Fatuma Hirsi Mohamed (Mrs.) CBS is the PS. Ministry of Tourism. She holds a Master of Business Administration (MBA) in strategy and marketing, a BA (Hon) in languages and postgraduate diploma in Public Relations. She is currently pursuing a PhD in Communications Studies.

Mrs Mohamed is a Fellow and lifetime achiever of the Public Relations Society of Kenya. She is multilingual and speaks: English, French, Kiswahili, Somali and basic Arabic. Mrs Fatuma Hirsi Mohamed, the Principal Secretary of the Ministry of Tourism born on 17 August 1963 has 30 years integrated strategic management working experience in various sectors including telecom, media, banking and international civil service working for the United Nations.



MANAGEMENT TEAM

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

Ms. Jessicah Nekesa is the Procurement Officer for Golf Hotel. She holds a Master's in Business Administration, A diploma in Procurement and was born on 29 June 1970.

Ms. Risper Chichole is the Accountant for Golf Hotel Limited. She holds a Degree in Bachelor of Commerce-Finance, she is a CPA (K), and has a Diploma in Accounting. She was born on September 1975.

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, the Management and staff of Golf Hotel Ltd, I am pleased to present the Annual Report of the Golf Hotel Limited for the year 2018. This report reflects the complete financial statements of the Hotel for the year ended 30 June 2018 and demonstrates our commitment to excellence in the industry and beyond.

The Hospitality Industry both in Kenya and internationally has experienced growth and diversification to become one of the largest and fast growing economic sectors in the world over the past decades with a contribution of over 10 percent of the Gross domestic Product in the country, In Kenya it stands as one of the most important social economic sector and the leader of international trade and employer of over 11% of the countries workforce. The industries ability to stimulate demand for local products and services has made the industry critical in driving the Governments' Big Four Agenda. For the country to move towards its achievement, focus on the standards and quality of the hospitality facilities is paramount.

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

This will see the hotel transform not only the region in terms of being a leader in the hospitality sector but also double its revenue generation capability. This will also increase shareholders value and benefit the society and country at large by seeing the growth of its economic standing.

It's in this course that am pleased to report that the company managed to record a 5% (2017:3%) growth in overall turnover for 2018 to realise Kshs 147.3 million from Kshs 141.3 million during 2017. Profit before tax reported a 27% growth compared to the previous year's drop of -15.9% to Kshs 25.4 million from Kshs 20.07 million in 2017. Earnings per share also improved by 16% to achieve 62.43 per share against the 2017 performance of 53.81 per share. This was a remarkable improvement despite the effects of the electioneering period that affected the economy at large period and saw a reduction in revenue against target of 6% for the period. The Board and Management is confident that the positive trend in performance will continue as we focus in expansion of revenue centres within the hotel & venture into short-term deposits in treasury bills to maximize on revenues from finance income.

On the basis of the results presented, the Board is recommending to the Annual General Meeting for a dividend of Kshs 10 per share for 2018 amounting to Kshs 2.5 million.

On behalf of the Board, I would like to thank the Company's Management and Staff for their diligence and dedication during the year 2018.

for **Franklin Ndii**
Chairman of the Board

REPORT OF THE CHIEF EXECUTIVE OFFICER

On behalf of the Management of Golf Hotel Limited, I am pleased to present to you the Hotels Annual Report and Financial Statements for the year ended 30 June 2018. Instability following the annulment of the August elections largely affected the performance of the Hotel than anticipated especially for the month of August which managed only half of the monthly projected sales, although sales was able to rebounded from the month of September all through to see the close of 2018 with a record of Kshs. 147,293,354 (2017:140,781,318) in sales compared to the projection of Kshs. 156,012,676 with the highest performance being registered in December 2017. This was 5% increase in sales as compared to the prior year and -6% less than projected sales for the year.

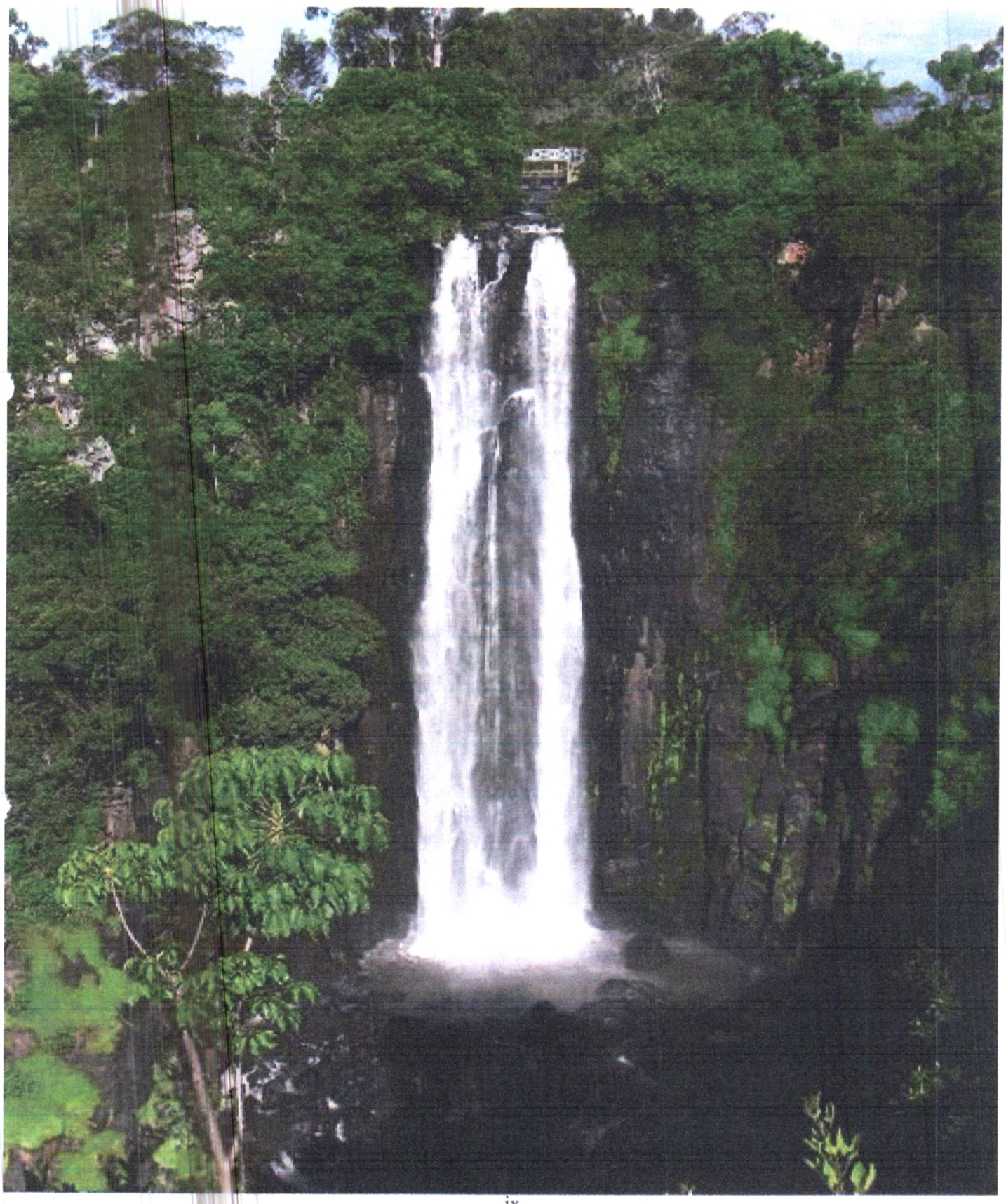
Our profit for the year before tax stood at Kshs. 25,460,967 (2017: 20,078,301) against the projection of Kshs. 19,777,999. This was 29% above budget and 27% improvement compared to 2017. Gross profit percentage overall stood at 78% (2017:77%) against the budget of 76% with cost of sales recording 22% (2017:23%) against the budget of 24%. Room Occupancy for the year closed at 54% (2017:62%) against the projection of 60% with bed occupancy recording improvements over and above budget to close at 53% (2017:48%) against the projection of 40%.

During the year we were able to complete the refurbishment of the Hotel restaurant in line with the open kitchen plan strategy
we had set, we also had an overhaul of the kitchen with modern production equipment's being installed, A new Morden pastry wing was also created to cater for our diverse needs of our seminar clientele. We were also able to facelift our rooms with modern hotel beds, mattresses and linen for the maximum comfort of our clients. This has all had positive feedback and reception from our clients and we are striving to provide the best services in our turnaround strategy that we started implementing last year.

We are in the process of refurbishing our conference halls with the aim of transforming them to modern halls with equipped amenities, Completion of our executive Rooms wing and set up of a modern laundry facility to increase our revenue generating capacity and ensure maximum customer satisfaction is achieved. On behalf of management and staff of Golf Hotel Ltd, I wish to convey our sincere appreciation to the Board of directors for their committed support during the year 2018.

I also wish to express my gratitude to the shareholders, customers, various regulatory authorities and other stakeholders for their continued support in the years gone by. We, at Golf Hotel, look forward to this continued support during the year 2019.

Reuben Argut
General Manager



CORPORATE GOVERNANCE STATEMENT

Corporate Governance comprises the rules, practices and processes by which the company is operated and controlled. It is a fundamental part of the culture and practices by which an organization fulfil its goals and objectives in a manner that adds value and benefits all its stakeholders. The Board and Management of Golf Hotel Ltd is responsible for the Hotel's Governance. Both the Board and Management of the Hotel are committed to the highest levels of Corporate Governance, which it considers critical in achieving the Hotel's mandate. Accordingly, the Hotel therefore fosters a culture that values and rewards the highest ethical standards and personal and corporate integrity.

The Role of the Board

The Board's mandate is to define the Hotel's strategies, objectives and values and ensures that its procedures and practices ensures effective control over strategic, financial, operational and compliance issues.

The Board is committed to ensuring that good Corporate Governance are obeyed throughout the company. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day activities to the Management through the Chief Executive Officer. The Board nonetheless is responsible for the overall stewardship of the Hotel and assumes responsibility for effective direction and control.

Board Composition

The Corporation's Board is made up of five (5) members comprising of three directors representing Tourism Finance Corporation, one Directors representing Kakamega County and one director representing the Principal Secretary; Ministry of Tourism. The composition of the Board is as outlined in the Companies Act and the Company's Articles of Association.

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

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

Board Meetings

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

Committees of the Board

Given the small number of the members of the board of the Hotel, the board reconstitutes itself to the relevant committees when the need for the committee arises. The main committees which sat during the year of reporting was the Human Resources Committee undertaking a revision on the Hotels HR policies, Performance Management, Training needs, staff recruitment, discipline and staff welfare.

BOARD ACCOUNTABILITY

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

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

John Karia
Company Secretary

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

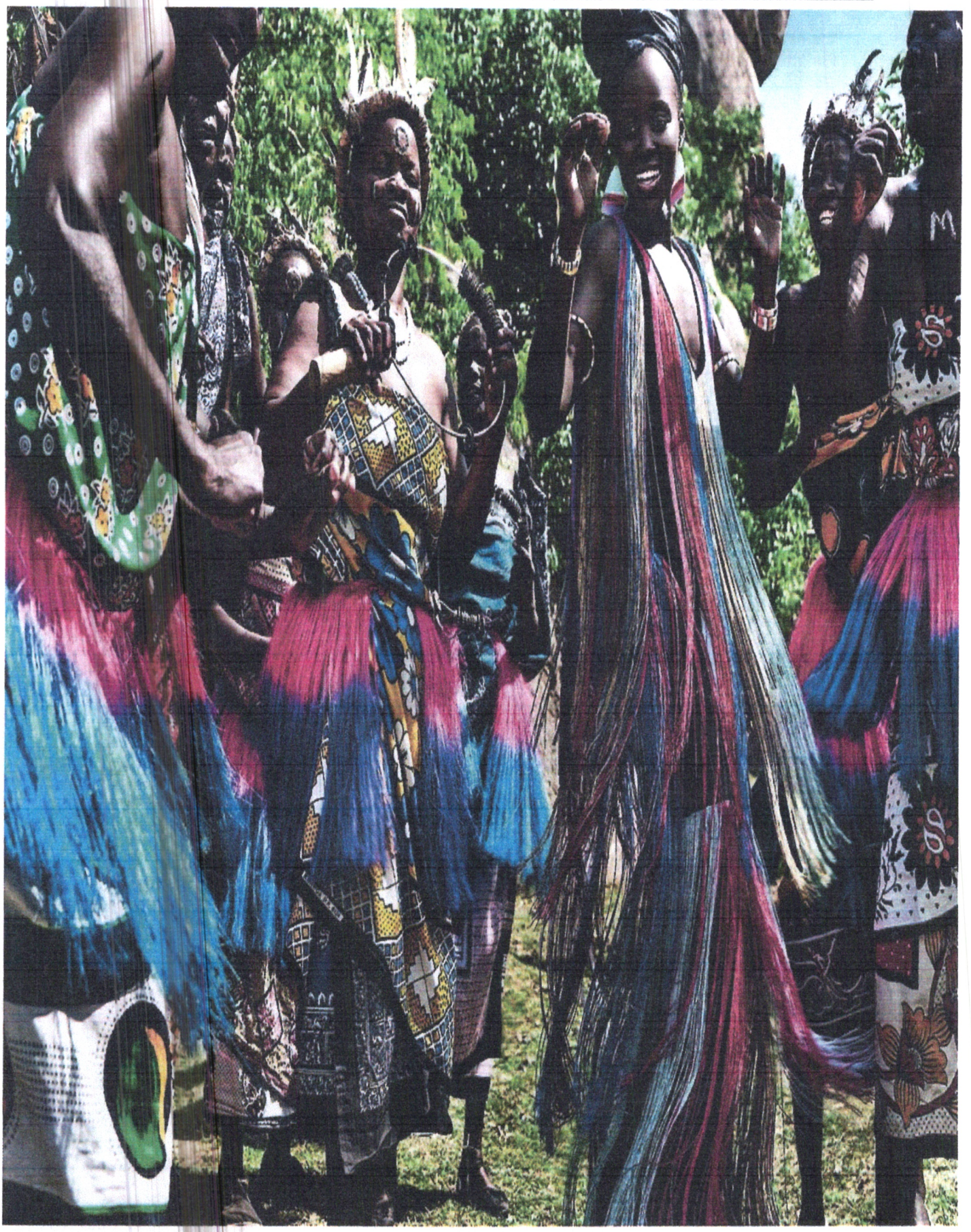
COMMUNITY ENGAGEMENT AND EDUCATIONAL SUSTAINABILITY

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

ENVIROMENTAL PERFORMANCE

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

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



CHARITABLE DONATIONS

Golf and its staff support a broad range of charitable causes and community initiatives. These take many forms: cash, supply of foodstuffs or clothing, hosting of community events or provision of employee-time in the form of visits to orphanages, hospital, homes for the physically or mentally challenged and other disadvantaged groups. During the year the hotel made charitable donations to schools, universities and supported the discipline forces with amounting to Kshs. 22,391 net of value added tax.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 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, 2018 are set out on pages 1-41

Dividends

Dividend for the year had not been declared as at the close of the financial year. An annual AGM for declaration of dividend will be held in September 2018 and the dividends declared will be paid on or before December 31, 2018 to shareholders registered in the books of the entity at the close of business on June 30, 2018.

Directors

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

Auditors

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

By Order of the Board

John Karia
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Hotel's financial statements, which give a true and fair view of the state of affairs of the Hotel for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management policies and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Hotel; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Directors accept responsibility for the Hotel's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors confirm that the Hotel's financial statements give a true and fair view of the state of Hotel's transactions during the financial year ended June 30, 2018, 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 18/12/ 2018 and signed on its behalf by:

Director	Director	Director

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GOLF HOTEL LIMITED FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Golf Hotel Limited set out on pages 1 to 42, which comprise the statement of financial position as at 30 June 2018, and the statement of 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 Golf Hotel Limited as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015.

Basis for Qualified Opinion

1. Presentation and Disclosure of Dividends Payable

According to the directors report, a first and final dividend of Kshs.10 per share for the year under review was proposed, which translates to a total of Kshs.2,500,000. However, the statement of financial position as at 30 June 2018 reflects nil dividends payable. In addition, Note 33(a) to the financial statements indicate dividends paid in 2016/2017 of Kshs.2,500,000 while the statement of cash flows reflect nil dividends paid during the year under review.

In the circumstances, it was not possible to ascertain accuracy, presentation and full disclosure of the dividend declared during the year under review.

2. Trade Receivables

Included in the trade and other receivables balance of Kshs.29,392,860 as at 30 June 2018 is trade receivables of Kshs.25,356,440, while the general ledger reflects trade receivables figure of Kshs.25,829,032, resulting into a variance of Kshs.472,592. The management explained the difference of Kshs.472,592 to be in respect of amounts

received from debtors but cannot be traced to specific debtors account and thus held as credits in the debtors control account.

In addition, the trade and other receivables balance of Kshs.29,392,860 has been derived by netting of the prepayments of Kshs.3,087,875 contrary to International Accounting Standard (IAS) 32 which states that a financial asset and a financial liability should be offset and the net amount reported when and only when, an enterprise has a legally enforceable right to set off the amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Also, the prepayments of Kshs.3,087,875 includes Kshs.2,574,612 which has remained unclaimed for over 90 days. The management explained that these prepayments are in respect of down payments for hotel bookings and that the current financial system cannot allow split of the credits and debit and link them to the individual debtor accounts. However, it is not clear what the management intends to do with the down payments that remain outstanding long after the period they were expected to be utilized.

In addition, the trade and other receivables balance of Kshs.29,392,860 as at 30 June 2018 includes receivables totalling Kshs.19,385,561 which have been outstanding for over 90 days, out of which Kshs.1,770,325 relate to the periods 2016/2017 and earlier years contrary to the Hotel's credit policy period of 30 days. However, the management has not provided evidence of tangible measures being taken to recover these long outstanding debts.

Consequently, the accuracy and recoverability of the trade and other receivables balance of Kshs.29,392,860 as at 30 June 2018 cannot be confirmed.

3. Revaluation of Property, Plant and Equipment

The property, plant and equipment balance of Kshs.617,326,517 as at 30 June 2018 compared to Kshs.102,182,374 as at 30 June 2017 represents an increase of Kshs.490,907,557 which has been disclosed in Note 21(a) to the financial statements as revaluation surplus reserve on revaluation of land, buildings and motor vehicles as below:

Plant, Property & Equipment Involved	Revaluation Surplus (Kshs)
Freehold land	407,000,000
Buildings & civil works	83,107,557
Motor vehicles, including, motor cycles	800,000
Total	**490,907,557**

According to the valuation report, land was valued on the basis of comparable sales for similar properties in the neighbourhood while the buildings and improvements were valued on the basis of depreciated replacement cost. However, no comparative schedules for the compared neighbourhood land were attached to the valuation report to

show the market rates or the list of the buildings and the improvements thereon. In addition, an itemized valuation of the properties was not provided.

Consequently, the accuracy of the property, plant and equipment balance of Kshs.617,326,517 as at 30 June 2018 could not be confirmed.

4. Unresolved Previous Audit Issues

As previously reported, the Hotel have not resolved the following anomalies:

i) The Hotel bought motor vehicle, FM 2016 Ford Ranger DC XLT 3.2D 4WD, registration blue number plate KCL 063P for Kshs.5,695,000 but recorded the cost as Kshs.5,004,286 resulting to understatement of the cost by Kshs.690,714. In addition, it was noted that the vehicle acquired had an engine capacity of 3200cc which exceeded the Government approved rating of 2900cc.

ii) The trade and other payables balance of Kshs.22,349,914 include long outstanding balance of Kshs.7,383,000, being central charges incurred between 2005/2006 and 2011/2012 financial years in respect of directors' fees and secretarial service charges. These were levies charged for services centrally offered by the Tourism Finance Corporation (TFC) but had not been confirmed payable as the Hotel and TFC had agreed that there was no concrete basis for the charges and therefore required further consultations.

iii) The former manager who had resigned from Hotel irregularly authorized post-resignation payment of Kshs.1,142,773 to himself in respect of commutation of leave without approval of the Board.

In the absence of a clear explanation of how these matters were resolved and appropriate adjustments made in the financial statements for 2016/2017, which form the basis for the year under review financial statements, it was not possible to ascertain accuracy of the balances reflected in the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Golf Hotel 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 opinion.

Emphasis of Matter

Receivables from Kabarnet Hotel, Mt. Elgon Lodge and Sunset Hotel

The trade and other receivables balance of Kshs.29,392,860 includes amounts totalling Kshs.3,195,820 due from Kabarnet, Mt. Elgon and Sunset hotels which the Hotel incurred on activities of the three hotels. It was explained that the amounts were to be refunded

by the Tourism Finance Corporation (TFC). However, as previously reported, management has not provided any formal communication between the hotel and the Tourism Finance Corporation (TFC) on such arrangement. Although, the Hotel's Board of Directors made a resolution that Tourism Finance Corporation (TFC) reimburses the hotel the amount owed by the three hotel units, there is no evidence that the Board resolutions have been accepted by the TFC.

In addition, the General Manager of Golf Hotel manages Kabarnent Hotel in Baringo County and Mt. Elgon Lodge in Trans Nzoia County. As previously reported, this arrangement where Golf Hotel pays full salary to the officer who focusses his attention and apportions his time to other two hotel units, located several kilometres away from each other, may impact negatively on the performance of Golf Hotel. Although management has explained that it is following up the issue closely with The Tourism Finance Corporation (TFC) on the reimbursement of the funds no documentary evidence has been provided to demonstrate the efforts so far made.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Work in Progress

The property, plant and equipment balance of Kshs.617,326,517 include work in progress amount of Kshs.4,284,102 relating to capital works as disclosed in Note 21(a) to the financial statements. The amount which relates to 2016/2017 and earlier years was incurred on construction of a laundry, an idea that was later abandoned by the management and instead the building was to be converted into executive rooms. However, the management did not provide the bills of quantities and drawings for both the laundry and the executive rooms for audit verification.

Consequently, it has not been possible to confirm that the expenditure of Kshs.4,284,102 so far incurred on the laundry building was incurred in a lawful and effective manner.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
(ii) In my opinion, except as explained in the basis for qualified opinion paragraph, adequate accounting records have been kept by the Hotel, so far as appears from the examination of those records;
(iii) The Hotel's financial statements 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.

Responsibilities of Management and Those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hotel's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hotel to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hotel to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

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

Nairobi

27 March 2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

	Note	2018 Kshs	2017 Kshs
REVENUES			
Sales Income	11a)	147,293,354	140,669,704
Disposal Income	11b)		111,610
TOTAL REVENUES		**147,293,354**	**140,781,314**
COST OF SALES	12	31,774,315	31,839,577
GROSS PROFIT		**115,519,039**	**108,941,737**
OPERATING EXPENSES			
Administration Costs	13(a)	73,709,516	78,973,510
Selling and Distribution Costs	14	1,916,370	1,714,563
Depreciation of property, plant and equipment	21(a)	13,608,071	7,872,482
TOTAL OPERATING EXPENSES		**89,233,957**	**88,560,555**
OPERATING PROFIT	**15**	**26,285,081**	**20,381,182**
Finance Income	16	-	555,083
Finance Costs	17	(824,114)	(857,964)
PROFIT BEFORE TAXATION		**25,460,967**	**20,078,301**
INCOME TAX EXPENSE	**18**	**9,853,997**	**6,626,014**
PROFIT AFTER TAXATION		**15,606,970**	**13,452,287**
Earnings per share – basic and diluted	19	62.43	53.81
Dividend per share	20	10	10

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 Kshs	2017 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	21(a)	617,,326,517	102,182,374
Deferred Tax Asset	22(c)		720,309
Total Non-Current Assets		**617,326,517**	**102,902,683**
Current Assets			
Inventories	23	1,192,057	1,053,854
Trade and other receivables	24(a)	29,392,860	26,657,679
Bank and cash balances	25	30,038,106	21,761,772
Total Current Assets		**60,623,024**	**49,473,305**
NET ASSETS		**677,949,541**	**152,375,988**
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	26	5,000,000	5,000,000
Revaluation reserve	27	515,789,787	41,000,155
Retained earnings	28	112,975,471	49,213,746
Capital and Reserves		**633,765,258**	**95,213,901**
Non-Current Liabilities			
Borrowings	29	19,847,625	21,497,241
Deferred Tax	22(a)	708,605	
Total Non-Current Liabilities		**20,556,230**	**21,497,241**
Current Liabilities			
Trade and other payables	30	19,408,103	22,349,914
Retirement benefit obligations	31	-	5,669,957
Leave Provisions	32	3,056,054	4,362,424
Taxation Payable	18(b)	1,163,896	782,552
Dividends payable	33(b)	-	2,500,000
Total Current Liabilities		**23,628,053**	**35,664,846**
TOTAL EQUITY AND LIABILITIES		**677,949,541**	**152,375,988**

The financial statements were approved by the Board on 15/12 2018 and signed on its behalf by:

General Manger	Ag. Head of Finance	for Chairman of Board
Name: Reuben Argut	Name: Leena Mugadia ICPAK M/NO: 14454	Name: Franklin Ndii

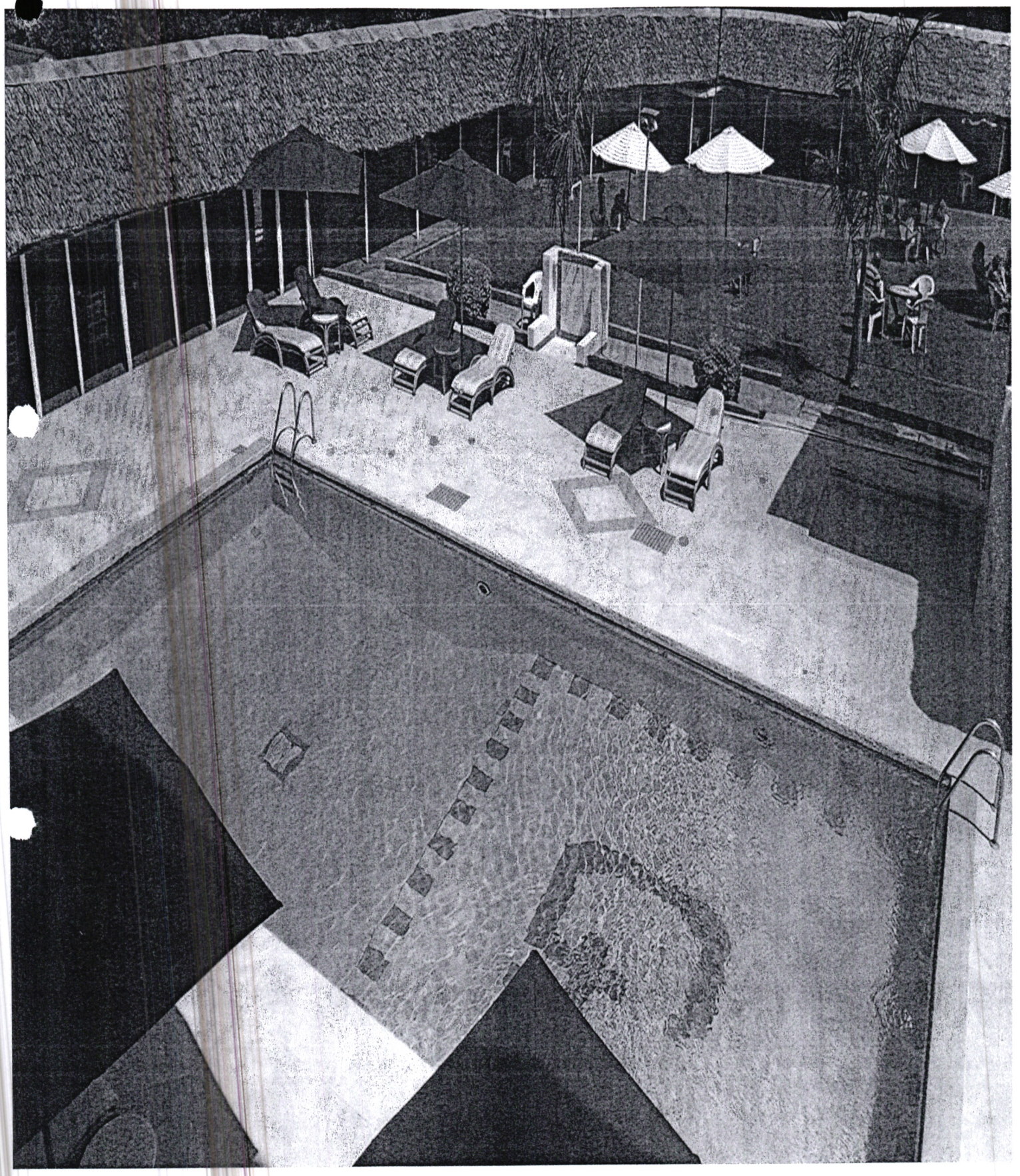
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

	Ordinary share capital (250000 Shares@20)	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2016	**5,000,0000**	**41,000,155**	**-**	**42,577,719**	**-**	**88,577,874**
Gratuity – Prior Year Under Provision Adjustment	-	-	-	(4,316,260)	-	(4,316,260)
Total comprehensive income	-	-	-	13,452,287	-	13,452,287
Proposed final dividends	-	-	-	(2,500,000)	-	(2,500,000)
At June 30, 2017	**5,000,000**	**41,000,155**	**-**	**49,213,746**	**-**	**95,213,901**
At July 1, 2017	**5,000,000**	**41,000,155**	**-**	**49,213,746**	**-**	**95.213,901**
Write back of Revaluation Reserve Bfwd		**(41,000,155)**				**(41,000,155)**
Gratuity Prior Year Provision Reinstatement (a)	-	-	-	5,669,958	-	5,669,958
Revaluation Gain (b)	-	522,556,024	-	-	-	522,556,024
Transfer of depreciation Bfwd from Revaluation to retained earnings				41,000,155		41,000,155
Transfer of depreciation from Revaluation to retained earnings				6,766,237		6,766,237
Total comprehensive income	-	-	-	15,606,969	-	15,606,969
Transfer of excess depreciation (b)	-	(6,766,237)	-	-	-	(6,766,237)
Final dividends paid – 2017	-	-	-	(2,500,000)	-	(2,500,000)
NSSF Penalties Outstanding Settlement (c)	-	-	-	(2,781,595)	-	(2,781,595))
At June 30, 2018	**5,000,000**	**515,789,787**	**-**	**112,975,470**	**-**	**633,765,257**

Note: a) The Hotel Policy on Gratuity earned by Management staff was discontinued in the year 2017/2018, Accruals outstanding as at 30 June 2017 were reversed from retained earnings of the year 2018. b) The Hotel Revalued its Land Building and Motor Vehicle, this lead to a revaluation surplus and subsequent transfers of excess depreciation between the revaluation Reserve and Retained Earnings. c) The Hotel had outstanding Penalties due to NSSF for prior year late submission that were approved for settlement in the current year under review.

STATEMENT OF CASH FLOWS AS AT 30 JUNE 2018

	Note	2018 Kshs	2017 Kshs
OPERATING ACTIVITIES			
Cash generated from / (used in) operations	34(a)	18,495,214	32,192,032
Taxation Paid	18(c)	(8,043,031)	(8,229,361)
Net cash generated from/(used in) operating activities		**10,452,183**	**23,962,671**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	21(a)	(6,196,191)	(16,068,720)
Net cash generated from/(used in) investing activities		**(6,196,191)**	**(16,068,720)**
FINANCING ACTIVITIES			
Repayment of borrowings	34(b)	(1,649,616)	(1,649,616)
Dividends Paid	33 a)	-	(4,000,000)
Gratuity Reinstated	34(a)	5,669,958	(16,290,454)
Net cash generated from/(used in) financing activities		**4,020,342**	**(21,940,070)**
INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS		**8,276,334**	**(14,046,119)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34(c)	**21,761,772**	**35,807,891**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	34(c)	**30,038,106**	**21,761,772**



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018

	Original budget	Adjustments	Final budget	Actual	Performance difference	Percentage Change	
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
Sales	156,012,676	-	156,012,676	147,293,354	(8,719,322)	-6%	(a)
Other income	-	-	-	-	-	-	
Total revenues	**156,012,676**	**-**	**156,012,676**	**147,293,354**	**(8,719,322)**	-6%	
Cost of sales	(37,825,716)	-	(37,825,716)	(31,774,315)	6,051,400	16%	
Gross profit	**118,186,960**	**-**	**118,186,960**	**115,519,039**	**(2,667,922)**	-2%	
Expenses							
Administration costs	(88,054,577)	-	(88,054,577)	(73,709,516)	14,345,061	16%	
Selling and distribution costs	(1,704,225)	-	(1,704,225)	(1,916,370)	(212,145)	-12%	(b)
Depreciation of PPE	(7,749,159)	-	(7,749,159)	(13,608,071)	(5,858,912)	-76%	(c)
Total Operating Expenses	**(97,507,961)**	**-**	**(97,507,961)**	**(89,233,957)**	**8,274,004**	8%	
Operating profit/(loss)	20,678,999	-	20,678,999	26,285,081	5,606,082	27%	(d)
Finance Costs	(901,000)	-	(901,000)	(824,114)	76,886	9%	
Profit/(Loss) before taxation	**19,777,999**	**-**	**19,777,999**	**25,460,967**	**5,682,968**	29%	
Income tax expense/(credit)	**(5,059,943)**	**-**	**(5,059,943)**	**(9,853,997)**	**(4,794,054)**	-95%	(e)
Profit/Loss after taxation	**14,718,056**	**-**	**14,718,056**	**15,606,970**	**888,914**	6%	

Note: a) There was a significant drop in sales by more than 50% below projection for the month resulting from the extended electioneering period and aftermath effects in the industry. b) The Hotel held a number of publicity events in a bid to boost its sales especially during the festive season that resulted to a slight over expenditure within the vote. c) There was a significant Revaluation surplus that resulted to and increase in depreciation for the period as compared to the provision made. d) Operating Profit managed to maintain above budget through cost saving measures employed during the year to cover for the reduced level of sales achieved verses set target for the period. e) Income tax is a provision that's largely defendant on movement in sales and allowable and disallowable expense items during the year.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Hotel's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 10.

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

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Amendment/Interpretation to a standard	**Effective date**	**Impact**
IFRS 9: Financial Instruments *(Issued 24 July 2014)*	Effective for annual periods beginning on or after 1 January 2018	Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The standard contains requirements in the following areas: • **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • **Impairment**. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures • **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. *(Not affecting the presentation of the financial statements for the Hotel in the reporting year)*
IFRS 15: Revenue from Contracts with Customers *(Issued 28 May 2014)*	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. *(Not affecting the presentation of the financial statements for the Hotel in the reporting year)*

IFRIC 22: Foreign Currency Transactions and Advance Consideration *(Issued 8 December 2016)*	Applicable to annual reporting periods beginning on or after 1 January 2018	The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: • The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. *(Not affecting the presentation of the financial statements for the Hotel in the reporting year)*
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) *(Issued 19 January 2016)*	Effective for annual periods beginning on or after 1 January 2017	Amends IAS 12 *Income Taxes* to clarify the following aspects: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. *(Applicable in the computation of deferred tax on revaluation surplus, resulting to a deferred tax liability)*
Disclosure Initiative (Amendments to IAS 7) *(Issued 29 January 2016)*	Effective for annual periods beginning on or after 1 January 2017	Amends IAS 7 *Statement of Cash Flows* to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. *(Applicable and This has made the public and investors better understand the cashflow statement and debt changes)*

Clarifications to IFRS 15 'Revenue from Contracts with Customers' *(Issued 12 April 2016)*	Effective for annual periods beginning on or after 1 January 2018	Amends IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. *(Standard not relevant to the entity)*
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) *(Issued 20 June 2016)*	Effective for annual periods beginning on or after 1 January 2018	Amends IFRS 2 *Share-based Payment* to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. *(Standard not relevant to the entity)*
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) *(Issued 12 September 2016)*	Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date	Amends IFRS 4 *Insurance Contracts* provide two options for entities that issue insurance contracts within the scope of IFRS 4: • an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; • an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. *(Standard not relevant to the entity)*
Transfers of Investment Property (Amendments to IAS 40) *(Issued 8 December 2016)*	Effective for annual periods beginning on or after 1 January 2018	The amendments to IAS 40 *Investment Property*: • Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. • The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list. *(Standard not relevant to the entity)*

Annual Improvements to IFRS Standards 2014–2016 Cycle *(Issued 8 December 2016)*	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017	Makes amendments to the following standards: • **IFRS 1** - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose • **IFRS 12** - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* • **IAS 28** - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. *(Adopted by the entity where applicable)*

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

Amendment/Interpretation to a standard	**Effective date**	**Impact** *(State the impact of the standard if relevant to the entity)*
IFRS 16: Leases *(Issued 13 January 2016)*	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. *(Standard not adopted by the entity)*
IFRS 17 Insurance Contracts *(Issued 18 May 2017)*	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021. *(Standard not adopted by the entity)*

IFRIC 23: Uncertainty over Income Tax Treatments *(Issued 7 June 2017)*	Applicable to annual reporting periods beginning on or after 1 January 2019	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: Whether tax treatments should be considered collectivel • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances *(Standard not adopted by the entity)*
Prepayment Features with Negative Compensation (Amendments to IFRS 9) *(Issued 12 October 2017)*	Annual periods beginning on or after 1 January 2019	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. *(Standard not adopted by the entity)*
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. *(Standard not adopted by the entity)*
Annual Improvements to IFRS Standards 2015–2017 Cycle *(Issued 12 December 2017)*	Annual periods beginning on or after 1 January 2019	Makes amendments to the following standards: • **IFRS 3** and **IFRS 11** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • **IAS 12** - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. • **IAS 23** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating

		the capitalisation rate on general borrowings. *(Standard not adopted by the entity)*
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) *(Issued 7 February 2018)*	Annual periods beginning on or after 1 January 2019	The amendments in *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* are: • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. *(State the impact of the standard if relevant to the entity)*

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

iv) MANAGEMET DISCUSSION AND ANALYSIS

Annual Report and Financial Statements for the year ended 30 June 2018. Instability following the annulment of the August elections largely affected the performance of the Hotel than anticipated especially for the month of August which managed only half of the monthly projected sales, although sales was able to rebounded from the month of September all through to see the close of 2018 with a record of Kshs. 147,293,354 (2017:140,781,318) in sales compared to the projection of Kshs. 156,012,676 with the highest performance being registered in December 2017. This was 5% increase in sales as compared to the prior year and -6% less than projected sales for the year.

Our profit for the year before tax stood at Kshs. 25,460,967 (2017: 20,078,301) against the projection of Kshs. 19,777,999. This was 29% above budget and 27% improvement compared to 2017. Gross profit percentage overall stood at 78% (2017:77%) against the budget of 76% with cost of sales recording 22% (2017:23%) against the budget of 24%. Room Occupancy for the year closed at 54% (2017:62%) against the projection of 60% with bed occupancy recording improvements over and above budget to close at 53% (2017:48%) against the projection of 40%.

During the year we were able to complete the refurbishment of the Hotel restaurant in line with the open kitchen plan strategy we had set, we also had an overhaul of the kitchen with modern production equipment's being installed, A new Morden pastry wing was also created to cater for our diverse needs of our seminar clientele. We were also able to facelift our rooms with modern hotel beds, mattresses and linen for the maximum comfort of our clients. This has all had positive feedback and reception from our clients and we are striving to provide the best services in our turnaround strategy that we started implementing last year. We are in the process of refurbishing our conference halls with the aim of transforming them to modern halls with equipped amenities, Completion of our executive Rooms wing and set up of a modern laundry facility to increase our revenue generating capacity and ensure maximum customer satisfaction is achieved. On behalf of management and staff of Golf Hotel Ltd, I wish to convey our sincere appreciation to the Board of directors for their committed support during the year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a) Revenue recognition

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

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

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Depreciation and impairment of property, plant and equipment

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

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

Depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal on a time proportion basis.

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

e) Intangible assets

Intangible assets are initially recognized at cost. The cost of intangible assets is their fair value at the date of the transaction. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) Amortisation and impairment of intangible assets

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

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

g) Fixed interest investments (bonds)

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Inventories

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

g) Trade and other receivables

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

h) Taxation

Current Income tax

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

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

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

Deferred Tax

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

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Taxation (Continued)

Deferred tax (Continued)

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

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

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

i) Cash and cash equivalents

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

j) Borrowings

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

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Trade and other payables

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

l) Retirement benefit obligations

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

m) Provision for gratuity, leave and retirement benefits

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

n) Exchange rate differences

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

o) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly in October 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. Accordingly, the hotels recorded no additional appropriations on the 2017-2018 budget were made.

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

9. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Service concession arrangements

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

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

s) Going Concern

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

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

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

u) Property, Plant and equipment

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

v) Useful lives and residual values

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

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

w) Revaluation of PPE

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

x) Receivables

Estimates and judgements are made when determining the recoverable amount of receivables. Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

y) Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

	2018 Kshs	2017 Kshs
11. (a) SALES INCOME		
Gross sales of goods	184,116,693	175,837,131
Less: Service Charge on gross sales	(10,310,535)	(9,846,879)
Less: Catering Levy on gross sales	(2,945,867)	(2,813,394)
Less: Value added tax on gross sales	(23,566,937)	(22,507,154)
Net Sales	147,293,354	140,669,704

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

b) DISPOSAL INCOME		
Disposal of old Hotel Linen	-	111,610
	-	111,610

12. COST OF SALES		
Food	21,581,324	24,059,107
Beverage	6,824,578	7,702,523
Tobacco	12,820	77,947
Accommodation	258,041	-
Conferencing	1,027,171	-
Laundry	4,283	-
	31,774,315	31,839,577

13. (a) ADMINISTRATION COSTS		
Staff costs (note 5b)	48,849,945	47,825,358
Directors' emoluments	1,853,928	1,653,813
Electricity and water	6,099,971	6,953,963
Communication services and supplies (*Tel. & postage*)	274,118	196,418
Transportation, travelling and subsistence (*Travel expenses Transport allowance, Staff transport & Leave travel)*	3,004,667	3,166,009
Printing, stationery and photocopying	1,619,316	2,085,481
Staff training expenses	488,812	271,589
Insurance costs	543,433	514,428
Bank charges and commissions (*Bank charges & Commission on Visa cards)*	849,604	883,926
Office and general supplies (*Office Miscellaneous*)	30,640	36,690

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2017 Kshs
13 (a) ADMINISTRATION COSTS		
Auditors' remuneration	150,000	150,000
Consultancy fees	-	172,414
Legal Fees	26,000	70,000
Repairs and maintenance (*Garden &grounds, Building maintenance & Repairs & renewals)*	3,230,169	3,997,450
Provision for bad and doubtful debts	426,720	406,392
Other operating expenses (*Fuel &gas, Cleaning, Toilet requisites, Vehicle operating, Licenses, Laundry, KRB, Guest supplies, Rent & rates, Delivery,,Donations,Flowers & deco &Security)*	8,874,934	10,589,578
	75,015,887	78,973,510

13 (b) STAFF COSTS		
Salaries and allowances of permanent employees (*Salaries, Housing, Medical& Entertainment allowance*)	39,594,781	37,262,971
Wages of temporary employees (*Casual wages*)	1,693,920	2,043,762
Compulsory national health insurance schemes	1,088,850	1,035,000
Compulsory national social security schemes	1,122,102	1,049,312
Other pension contributions	1,335,889	381,690
Leave Provision and gratuity provisions	1,306,370	3,523,923
Staff welfare (*Meals & welfare*)	2,708,033	2,528,700
	48,849,945	47,825,358
The average number of employees at the end of the year was:		
Permanent employees – Management	15	16
Permanent employees – Unionisable	49	49
Temporary and contract employees	16	16
	80	81

Female employees – 34 (42%)
Male Employees – 47 (58%)

14. SELLING AND DISTRIBUTION COSTS		
Marketing and promotional (*Marketing & Advertising*)	1,916,370	1,714,563
Sales commissions (*Agents commission*)	-	-
	1,916,370	1,714,563

15. OPERATING PROFIT/(LOSS)		
The operating profit is arrived at after charging;		
Staff costs (note 13b)	47,543,575	47,825,358
Depreciation of property, plant and equipment	13,608,071	7,872,481
Provision for bad and doubtful debts	426,720	406,392
Directors' emoluments	1,853,928	1,653,813
Auditors' remuneration - current year fees	150,000	150,000
Other Operating Expenses (note 13a)	25,651,663	30,652,511
Against the Gross Profit for the period under review		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2017 Kshs
16. FINANCE INCOME		
Interest income on short-term bank deposits (received)	-	555,083
	-	555,083

17. FINANCE COSTS (INTEREST ON LOAN)		
Interest expense on loans	824,114	857,964
	824,114	857,964

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

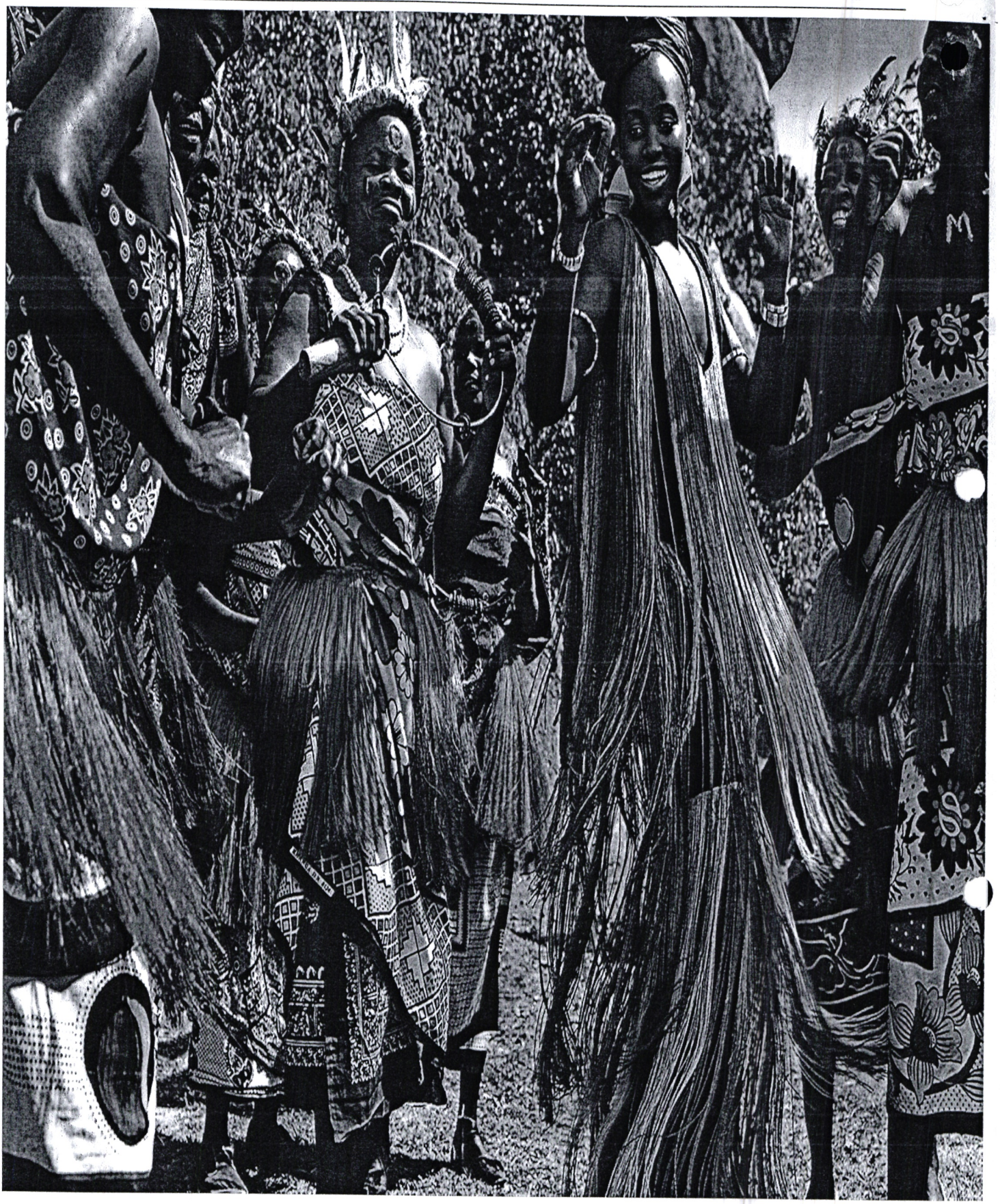
18. INCOME TAX EXPENSE/ (CREDIT)		
(a) Current taxation		
Current taxation based on the adjusted profit for the year at 30%	8,425,083	7,346,323
Current Year Deferred Tax Charge	1,428,914	(720,309)
	9,853,997	6,626,014
(b) Reconciliation of tax expense/ (credit) to the Expected tax based on accounting profit		
Profit before taxation	25,460,967	20,078,301
Tax at the applicable tax rate of 30% (2017: 30%)	7,638,290	6,023,490
Tax effects of expenses not deductible for tax purposes		
*(Donations 22,391*30%)*	6,717	9,851
*(Decrease in Leave Provision 1,306,371*30%)*	(391,911)	553,798
(Fines and Penalties)	-	6,000
*(Excess Depreciation 2,510,615*30%)*	1,171,987	753,185
Tax Charge	8,425,083	7,346,323
Instalment tax paid	(7,261,187)	(6,563,771)
Tax due at the end of the year	1,163,896	782,552
c) Tax Paid During the year		
Instalment Tax	7,261,987	6,563,771
Final Tax	782,552	1,665,590

19. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of Kshs. 15,606,970 (2017: Kshs.13,452,287) by the average number of ordinary shares in issue during the year of 250,000 (2017: 250,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

20. 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 2018, a final dividend in respect of the year ended June 30, 2018 of Kshs.10 (2017: Kshs.10) 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, 500,000 (2017: Kshs.2, 500,000).



NOTES TO THE FINANCIAL STATEMENTS (Continued)
21(a) PROPERTY, PLANT AND EQUIPMENT

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

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

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

21(a) PROPERTY, PLANT AND EQUIPMENT (Continued)

2017	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, 2016	8,000,000	85,571,808	14,074,887	1,887,931	5,139,374	32,691,333	3,765,680	151,131,013
Additions	-	3,320,638	1,011,157	5,004,286	489,275	1,316,090	4,927,275	16,068,720
Transfers	-	-	-	-	-	-	-	-
Disposals (ESD write-off)	-	-	-	-	(218,250)	-	-	(218,250)
At June 30, 2017	**8,000,000**	**88,892,446**	**15,086,044**	**6,892,217**	**5,410,399**	**34,007,422**	**8,692,955**	**166,981,483**
DEPRECIATION								
At July 1, 2016	**1,205,429**	**26,283,842**	**5,887,323**	**1,887,931**	**4,378,163**	**17,502,189**	-	**57,144,877**
Charge for the year	109,584	2,161,679	1,422,584	208,063	504,809	3,465,763	-	7,872,482
ESD accumulated Depreciation	-	-	-	-	(218,250)	-	-	(218,250)
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2017	**1,315,013**	**28,445,521**	**7,309,907**	**2,095,994**	**4,664,722**	**20,967,952**	-	**64,799,109**
NET BOOK VALUE								
At June 30, 2017	**6,684,987**	**60,446,925**	**7,776,137**	**4,796,223**	**745,677**	**13,039,470**	**8,692,955**	**102,182,374**

Work in progress relates to current Capital projects not yet completed as at 30 June 2018. Property, plant and equipment include items that are fully depreciated. During the year there were reallocation within the capital budget. All the above have been highlighted as follows;

	Fully Depreciated 2016/2017 Cost or Valuation	Normal annual depreciation charge	2016/2017 Work in Progress Closing Balances	2016/2017 Actual Capital Budget	2016/2017 Reallocated Capital Budget
Building	-	-	5,964,371	6,100,000	5,771,500
Plant and machinery	3,123,363	390,420	2,728,584	1,935,000	4,035,000
Motor vehicles, including motor cycles	1,887,931	471,983	-	2,500,000	6,000,000
Computers and related equipment	3,913,188	1,173,956	-	1,905,000	1,905,000
Office equipment, furniture and fittings	5,668,511	708,564	-	6,771,500	1,500,000
	14,592,993	**2,744,923**	**8,692,955**	**19,211,500**	**19,211,500**

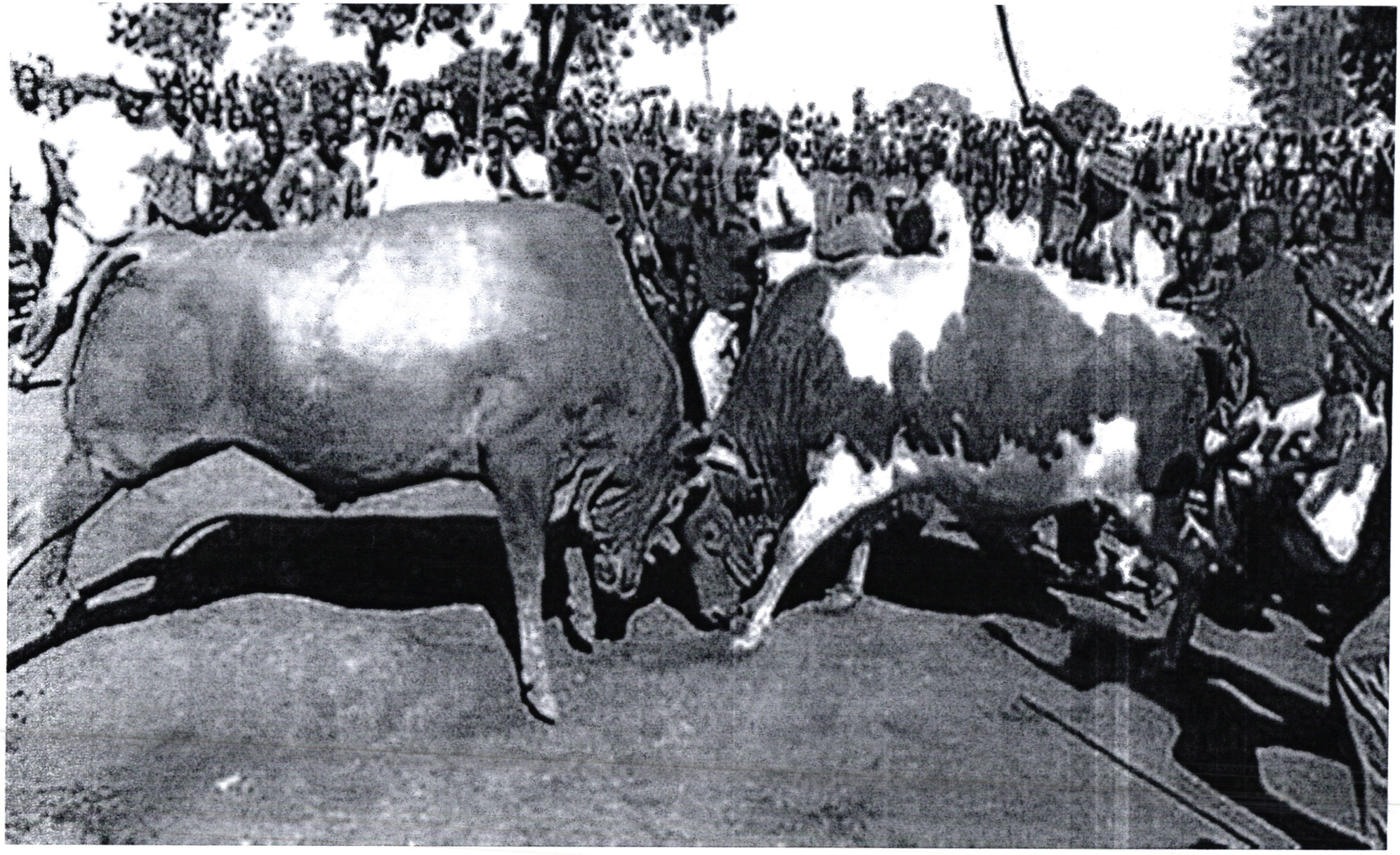
22. (a) DEFERRED TAX COMPUTATION

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

			Deferred Tax				
FY 2017/2018		**Permanent**	**Qualifying**	**Tax**	**Temporary**	**Deferred Tax**	**Deferred Tax**
Asset/Liabilities	**Asset base**	**Difference**	**NBV**	**Base**	**Difference**	**(Asset)/liability**	**(Asset)/liability**
						FY 2017/2018	FY 2016/2017
Building	174,111,189	-	174,111,189	169,758,406	4,352,783	1,305,835	(178,9
Plant and Machinery & FFE	24,000,282	-	24,000,282	25,334,618	(1,334,336)	(400,301)	(502,6
Motor Hevicles	6,033,083	-	6,033,083	4,197,167	1,835,915	550,775	1
Computers	679,576	-	679,576	770,890	(91,314)	(27,394)	(38,8
Total	**204,824,130**	-	**204,824,130**	**200,061,081**	**4,763,049**	**1,428,915**	**(720,3**
							708,6

WEAR AND TEAR ALLOWANCE SCHEDULE				
	CLASS II	**CLASS III**	**CLASS IV**	**TOTAL**
	COMPUTERS & ACCESSORIES	**MOTOR VEHICLE**	**PLANT & FFE**	
	30%	**25%**	**12.5%**	
DESCRIPTION	**KES**	**KES**	**KES**	**KES**
Written Down Value as at 1/7/2017	745,677	4,796,223	20,815,608	26,357,508
Additions 2017/2018	355,595	800,000	8,138,241	9,293,836
As at 30 June 2018	**1,101,272**	**5,596,223**	**28,953,849**	**35,651,344**
Disposals 2017/2018	-	-	-	-
As at 30 June 2018	1,101,272	5,596,223	28,953,849	35,651,344
Wear and Tear 2017/2018	(330,382)	(1,399,056)	(3,619,231)	(5,348,668)
Written Down Value as at 30/06/2018	**770,890**	**4,197,167**	**25,334,618**	**30,302,675**

INDUSTRIAL BULIDNG ALLOWANCE SCHEDULE					
QUALIFYING COST	**RESIDUAL B/F 01/07/2017**	**VALUATION 01/07/2017**	**ADDITIONS FY '17/18**	**IBA @ 2.5% PA**	**RESIDUAL C/F 30/06/2018**
172,000,000	60,446,925	172,000,000	2,111,186	4,352,780	169,758,406



NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. (b) Deferred Tax (Continued)

	2018 Kshs	2017 Kshs
Accelerated capital allowances	1,428,915	(720,309)
Net deferred tax liability	1,428,915	(720.309)

(c) The movement on the deferred tax account is as follows:

Balance Brought forward	(720,309)	-
(Charge)/Credit for the year	1,428,915	(720,309)
Balance Carried forward	708,605	(720,309)

Class IV in the wear and tear schedule note 22(a) is a combination of the totals for Plant and machinery and Office equipment, furniture & fittings balances as per the PPE movement schedule in note 21(a). The hotel revalued its building in the year 2018, IBA computation was thus based on the new value of the building after revaluation plus any additions during the year and not the residual balance Brought forward.

23. INVENTORIES

Food	549,715	394,363
Drinks & Tobacco	537,036	659,491
Conferencing	36,849	-
Accommodation	68,457	-
	1,192,057	1,053,854

24. (a) TRADE AND OTHER RECEIVABLES

Trade receivables (note 24 (b))	25,356,440	25,737,989
Deposits	310,000	310,000
Prepayments(*insurance & DSTV)*	1,519,909	303,879
VAT recoverable	2,851,207	2,462,939
Staff receivables (note 24 (c))	143,000	83,484
Mt. Elgon Receivable	674,616	-
Kabarnet Receivable	371,400	-
Sunset Receivable	1,150,599	-
PDQ Receivable(*KCB,Equity,Spire,Barclays)*	13,304	330,281
Gross trade and other receivables	32,390,474	29,228,572
Provision for bad and doubtful receivables	(2,997,613)	(2,570,893)
Net trade and other receivables	29,392,860	26,657,679

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017/2018 Kshs	2016/2017 Kshs
24 (b) TRADE RECEIVABLES		
Gross trade receivables	25,356,440	25,737,989
Provision for doubtful receivables	(2,997,613)	(2,570,893)
	22,358,827	23,167,096

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

Less than 30 days	3,787,048	9,110,702
Between 30 and 60 days	3,248,298	4,023,502
Between 61 and 90 days	2,717,600	1,308,964
Between 91 and 120 days	2,234,735	59,453
Over 120 days	13,368,759	11,235,368
	25,356,440	25,737,989

Included in Trade receivable of financial year 2016/2017 represents Kshs. 206,800 representing Receivable from Mt. Elgon lodge and Kshs. 260,600 Representing receivable from Karbarnet Hotel. In 2017/2017 this two in addition to sunset hotel were treaded as Other receivables and not Trade receivable as they represent direct expense incurred on behalf of sister subsidiaries and not trade debtors of the hotel.

24 (c) STAFF RECEIVABLES

Gross staff loans and advances	143,000	83,484
Provision for impairment loss	(-)	(-)
	143,000	83,484
Less: Amounts due within one year	(143,000)	(83,484)
Amounts due after one year	-	-

25. BANK AND CASH BALANCES

Cash in hand (*cashiers Float & Petty cash*)	66,700	63,160
Cash at bank KCB 1101729023	12,880,975	5,240,345
Cash at bank KCB 1101729597	14,688,735	16,458,267
Cash at bank KCB 1101729597(*USD. 23,473.91*)	2,401,696	-
	30,038,106	21,761,772

Cash at bank was held at Kenya Commercial Bank, the Hotel's main bankers. All cash denominated in foreign currency have been restated based on Central Bank of Kenya Mean Exchange of Kshs.101.15 to one US Dollar, at 30 June 2018 and respective gain/loss recognised in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2016/2017 Kshs
26. ORDINARY SHARE CAPITAL		
Authorised:		
250,000 ordinary shares of Kshs.20 par value each	5,000,000	5,000,000
Issued and fully paid:		
250,000 ordinary shares of Kshs.20 par value each	5,000,000	5,000,000

27. REVALUATION RESERVE

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

28. 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.

29. BORROWINGS

Balance at beginning of the year	21,497,241	23,146,857
Repayments of domestics borrowings during the year	(1,649,616)	(1,649,616)
Balance at end of the year	19,847,625	21,497,241

The Hotel is servicing a loan from TFC of Kshs. 16,496,102 (September 2011) advanced for the clearance of KRA principal Arrears at an interest of 11% (2017:9%) per annum to be repaid within 10 years. Principal repaid during the year amounts to Kshs. 1,649,616 and an interest of Kshs. 824,114.

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

a) Domestic Borrowings		
Kenya Shilling loan from TFC	19,847,625	21,497,241
	19,847,625	21,497,241
Total balance at end of year	19,847,625	21,497,241

30. TRADE AND OTHER PAYABLES

Trade payables	4,645,281	6,362,984
Accrued expenses *(Audit fee, WIP& Rent and Rates)*	2,071,562	3,748,132
Other payables *(Payroll liabilities, Central charges)*	12,691,260	12,238,798
	19,408,103	22,349,914

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. RETIREMENT BENEFIT OBLIGATIONS

	2018 Kshs	2017 Kshs
Balance at beginning of the year	5,669,957	16,290,454
Write Back of Provisions Bfwd	(5,669,957)	1,353,695
Prior Year Adjustment	0	4,316,262
Benefits paid out during the year	-	(16,290,454)
Balance at end of the year	-	5,669,957

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

32. LEAVE PROVISIONS

Balance at beginning of the year	4,362,424	3,659,205
Decrease in provision for the year	1,306,370	1,845,992
Payment the year	-	(1,142,773)
Balance at end of the year	3,056,054	4,362,424

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

33. (a) DIVIDENDS PAID

The total dividends paid during the year relates to dividends, paid to the ordinary shareholders For the year 2016/2017.

Year 2016/2017	-	2,500,000
Total paid during the year	-	2,500,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2018 Kshs	2017 Kshs
Operating profit/ (loss)	25,460,261	20,078,301
Depreciation	13,608,071	7,872,482
Operating profit/ (loss) before working capital changes	39,068,332	27,950,783
(Increase)/decrease in inventories	(138,203)	40,822
(Increase)/decrease in trade and other receivables	(2,735,182)	5,079,080
Increase/ (decrease) in trade and other payables	(2,941,812)	(2,935,567)
Increase/ (decrease) in retirement benefit obligations	(5,669,957)	1,353,695
Increase/ (decrease) in provision for staff leave pay	(1,306,370)	703,219
Increase/ (decrease) in NSSF Penalties Payable	(2,781,595)	-
Increase/ (decrease) in Dividends Payable	(5,000,000)	-
Cash generated from/ (used in) operations	18,495,213	32,192,032

(b) Analysis of changes in loans

Balance at beginning of the year	21,497,241	23,146,857
Repayments during the year	(1,649,616)	(1,649,616)
Balance at end of the year	19,847,625	21,497,241

(c) Analysis of cash and cash equivalents

Cash in hand (*cashiers Float & Petty cash*)	66,700	63,160
Cash at KCB Bank A/c 1101729023	12,880,975	5,240,345
Cash at KCB Bank A/c 1101729597	14,688,735	16,458,267
Cash at KCB Bank A/c 1222758385(*USD 23,743.91@101.15)*	2,401,696	-
Balance at end of the year	30,038,106	21,761,772

(d) Analysis of interest paid

Interest on loans (note 17)	824,114	857,964
	824,114	857,964
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year	(-)	(-)
Interest paid	824,114	824,114

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

(b) Staff Advances

In line with the company policy, employees are entitled to advance salary not exceeding two thirds of their net salary and are recoverable in not more than three instalments. Total advance recoverable as at 30 June 2018 was as follows:

	2018 Kshs	2017 Kshs
Due from directors	-	-
Due from other staff	143,000	83,484
	143,000	83,484

(c) Directors' expenses		
Sitting allowance (*Inclusive of PAYE& Refreshments*) , *Flight, Taxi & Night Out*)	1,853,928	1,653,813
	1,853,928	1,653,813

(d) Borrowing from TFC

The following are the balance for the related party relationship between Golf Hotel and TFC as at 30 June 2018 in relation to a loan acquired for the purpose of settlement of outstanding KRA Tax in 2011. Amount of Kshs. 13,249,219 which represents loan from proceeds for privatization remains in the Hotels book but payments to the said loan was suspended pending Capitalization by the Majority shareholder and issuer of the facility.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year 2018	Month	Principal repayment	Balance	Interest repayment
July 17	61	137,468	8,110,554	75,607
Aug 17	62	137,468	7,973,086	74,347
Sept 17	63	137,468	7,835,618	73,087
Oct 17	64	137,468	7,698,150	71,826
Nov 17	65	137,468	7,560,682	70,566
Dec 17	66	137,468	7,423,214	69,306
Jan 18	67	137,468	7,285,746	68,046
Feb 18	68	137,468	7,148,278	66,786
March 18	69	137,468	7,010,810	65,526
April 18	70	137,468	6,873,342	64,266
May 18	71	137,468	6,735,874	63,006
June 18	72	137,468	6,598,406	61,746
		1,649,616		824,114

2017

Month	Period	Principal	Loan Balance	Interest
July 16	49	137,468.00	9,760,170.00	71,497.00
Aug 16	50	137,468.00	9,622,702.00	71,497.00
Sept 16	51	137,468.00	9,485,234.00	71,497.00
Oct 16	52	137,468.00	9,347,766.00	71,497.00
Nov 16	53	137,468.00	9,210,298.00	71,497.00
Dec 16	54	137,468.00	9,072,830.00	71,497.00
Jan 17	55	137,468.00	8,935,362.00	71,497.00
Feb 17	56	137,468.00	8,797,894.00	71,497.00
March 17	57	137,468.00	8,660,426.00	71,497.00
April 17	58	137,468.00	8,522,958.00	71,497.00
May 17	59	137,468.00	8,385,490.00	71,497.00
June 17	60	137,468.00	8,248,022.00	71,497.00
		1,649,616.00		857,964.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. FINANCIAL RISK MANAGEMENT

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

a) Market risk

Foreign exchange risk

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

b) Credit risk

Credit risk arises from cash and cash equivalents as well as trade receivables and balances due from related parties.
The amount that best represents the company's maximum exposure to credit risk as at 30 June 2018 is as shown below:

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

30 June 2017	Neither past due nor impaired **Kshs**	Past due but not impaired **Kshs**	Impaired **Kshs**	Total **Kshs**
Trade receivables	13,134,204	12,603,785	(2,570,893)	23,167,096
Due from related parties	83,484	-	-	83,484
	13,217,688	12,603,785	(2,570,893)	23,250,580

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Credit risk

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

c) Liquidity risk

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

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

	Less than 1 Month Kshs	Between 1-3 Months Kshs	Over 3 Months Kshs	Total Kshs
Trade payables	3,676,696	968,585	-	4,645,281
Parent company funding	-	-	19,847,625	19,847,625

	Less than 1 month Kshs	Between 1- 3 months Kshs	Over 3 months Kshs	Total Kshs
At 30 June 2017:				
Trade payables	7,268,328	(1,845,060)	939,716	6,362,984
Parent company funding	-	-	21,497,241	21,497,241
	7,268,328	(1,845,060)	22,436,957	27,860,225

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. CAPITAL MANAGEMENT

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

	2018 Kshs.	2017 Kshs.
Revaluation Reserve	515,789,787	41,000,155
Retained Earnings	112,975,471	49,213,746
Capital Reserve	5,000,000	5,000,000
Total Equity	633,765,258	95,213,901
Total Borrowing	19,847,625	21,497,241
Less: Cash and Bank Balances	(30,038,106)	(21,761,772)
Net Debt/ (Excess Cash and Cash Equivalent	(10,190,481)	(264,531)
Gearing	-1.6%	-0.3%

38. INCOPORATION

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

39. EVENTS AFTER THE REPORTING PERIOD

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

40. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW-UP OF AUDITORS RECOMMENDATIONS

The statement of financial position reflects a balance of Kshs. 102,182,374 in respect of property, plant and equipment, which includes an amount of Kshs. 4,796,223 under the motor vehicle and motor circles. It was observed that the hotel bought a motor vehicle valued at Kshs. 5,695,000 however under additions to motor vehicles reflects an amount of 5,004,286 leaving unexplained variance of Kshs. 690,714.

Management Response

The amount quoted of Kshs. 5,695,000 is gross before VAT of 16%. After Netting of VAT net cost transferred to the fixed asset register was Kshs. 4,909,482. Kshs. 98,802.72 included cost of installation of Barry boy as shown below.

Date	Num	Name	Memo	Amount
2017-05-05	30401	SAI RAJ LIMITED	CARRYBOY FRONT NUDGE GUARD FOR FORD RANGER T6 C	94,802.72
2017-05-15	MZK-VIN004718	CMC Motors Group ltd	BEING PURCHASE OF FM 2016 RANGER D/C XLT 3.2D 6MT	4,909,482.76
				5,004,285.48

Included in the PPE balance of Kshs. 102,182,374 is an amount of Kshs. 962,724 paid lo local contractor as labour for construction of hotel executive rooms. From physical verification doe on the building it was noted that the project was abandoned and the portion that had been done is weakening as a result of leaking on the suspended floor. The Management did not prepare proper bills of Quantity, the work stalled due to inadequate funding and frequent changes to the project design, consequently the properties validity and completeness of the total work in progress Kshs. 4,927,276 could not be confirmed

Management Response

The management has provided a budget for completion of the executive rooms in the financial year 2018/2019. All other work in progress as at the end of the financial year 2017/2018 have been completed and closes. Proper drawings for the rooms have also been acquired from the county architect. During the year ended 30 June 2016 the management had invested Kshs. 3,000,000 in interest earning fixed deposit account with KCB. After expiry of the contract the hotel management transferred the funds to Its KCB current account. The hotel did not earn interest on short term deposit on the excess funds held in its current account as a result of not investing the funds in treasury bills as recommended in the previous audit report.

Management Response

The management has since opened a CDS account with treasury for the investment of excess funds as recommended in prior audit reports. During the year the hotel incurred costs to the tune of Kshs. 467,400 on behalf of kabarnet and Mt. Elgon however there was no formal communication between the hotel and TFC on how the debts will be settled, neither was there any budgetary provision for such expenditure. In the circumstance the current position of trade and other receivables balance could not be confirmed.

Management Response

The management has since forwarded the matter to the board and TFC for refund to be remitted to the hotel at the soonest time possible.