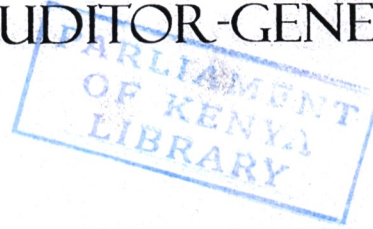


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
GOLF HOTEL**

**FOR THE YEAR ENDED  
30 JUNE 2016**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
31 OCT 2016  
**RECEIVED**



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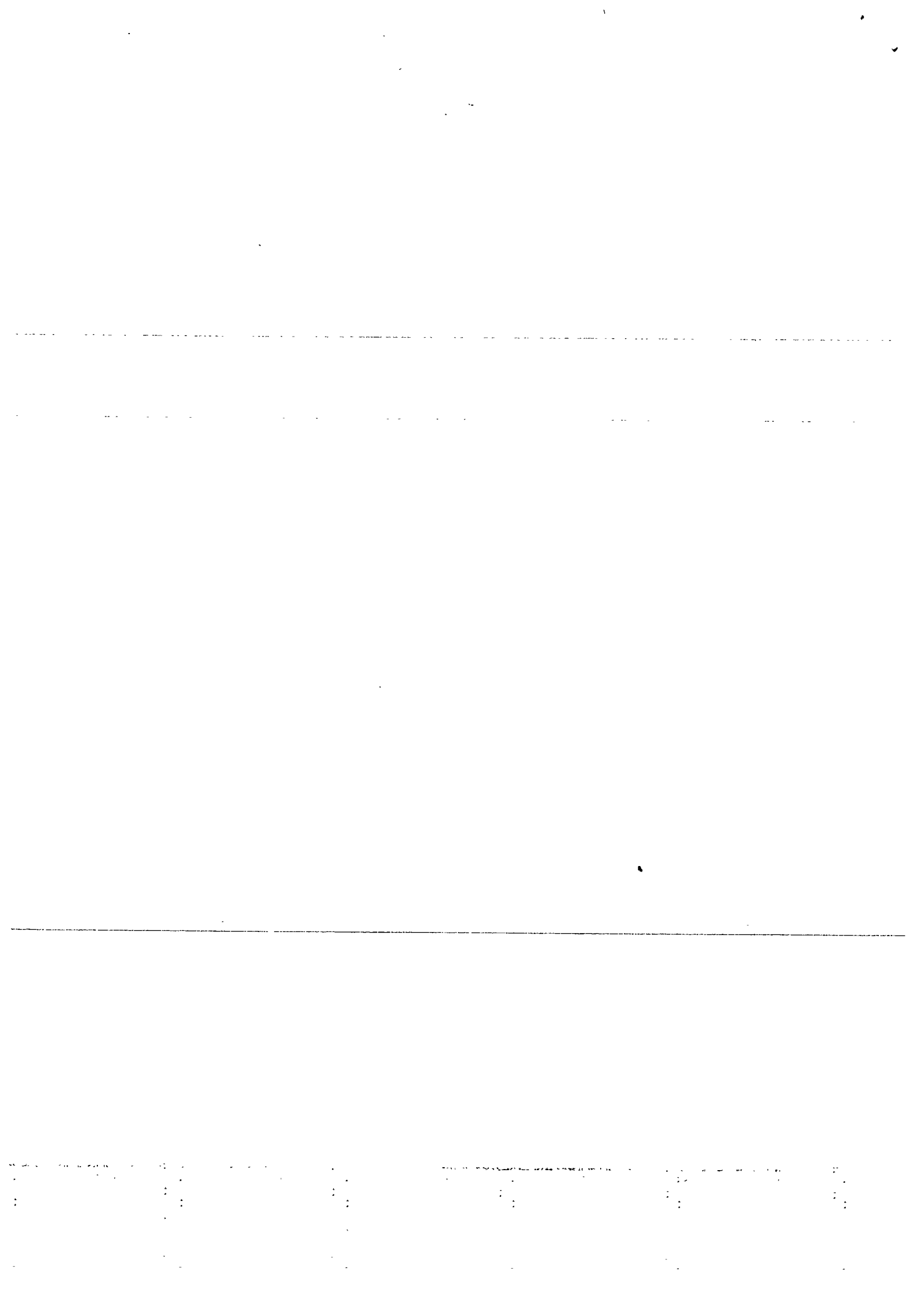
**GOLF HOTEL LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

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



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## KEY ENTITY INFORMATION

### Background information

Golf Hotel Limited was established by the Companies Act (Cap 486) on 20<sup>th</sup> December 1979 and is a subsidiary of Tourism Finance Corporation (TFC); a parastatal in the Ministry of East African Affairs, Commerce and Tourism. It's a limited liability company with 80% shareholding to Tourism Finance Corporation and 20% shareholding by the County Government of Kakamega. The shareholders through the directors are responsible for the general policy and strategic direction of the Hotel.

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### Principal Activities

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

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### Directors

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

1. Ms. Marianne Ndcgwa Jordan - Managing Director TFC (Up to 25<sup>th</sup> February 2016 )
2. Mr. Jonah Orumoi - Managing Director TFC (From 26<sup>th</sup> February 2016 )
3. Mr. Wycliffe Oparanya - Governor Kakamega County

### Corporate Secretary

Wamuyu Kariuki  
P.O. Box 42013-00100  
Nairobi

### Registered Office

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

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**Reports and Financial Statements  
For the year ended June 30, 2016**

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**Corporate Headquarters**

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

**Corporate Contacts**

Telephone: (254) 02 3224175  
E-mail: [info@ktdc.co.ke](mailto:info@ktdc.co.ke)  
Website: [www.ktdc.co.ke](http://www.ktdc.co.ke)

Or:

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

**Corporate Bankers**

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




**Independent Auditors**

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







**Principal Legal Advisers**

1. Wamuya Kariuki  
Company Secretary  
Utalii House  
P.O. Box 42013  
GPO 00100  
Nairobi, Kenya

## THE BOARD OF DIRECTORS

NAME	PHOTO	KEY PROFESSIONAL/ACADEMIC QUALIFICATIONS	WORK EXPERIENCE
1. MARIANNE NDEGWA JORDAN		MBA (Finance)	Over 20 years experience
2. JONAH ORUMOI		Masters(Investment & Finance) ACCA	10 years experience
3. WYCLIFFE OPARANYA		PHD (Economics)	Over 30 years experience

MANAGEMENT TEAM

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

## CHAIRMAN'S STATEMENT

On behalf of my fellow board members, the management and myself, I am pleased to present the Annual Report of the Golf Hotel Limited. This report addresses the happenings in the company during 2015 and the financial statements of the company for the year ended 30<sup>th</sup> June 2016. The Board of Directors efforts supported by the management of the company have focused on implementing strategies aimed at improving the hotels performance, improving its efficiency and enhancing the value of investments.

The year ended 30<sup>th</sup> June 2016 witnessed a reasonable growth with a GDP of 5.9%. Tourism continues on a downturn for the third year in a row due to multiple factors, key of which is security incidents which have resulted in not only negative travel advisories against specific areas of the country, but also negative publicity, causing uncertainty in the country's source markets and leading to drop in tourist arrivals. This has seen booking cancellations and tremendous drop in forward bookings, translating ultimately into huge losses for the economy, with the tourism industry as the immediate casualty as it grapples with low occupancy, drop in revenues against huge operating costs, job losses among others. There is however hope especially after the historic visit of the US President to Kenya.

In the aforementioned circumstances, I am pleased to report that the company recorded 6.20% growth in turnover to Kshs 137.2 million from Kshs 129.2 million during 2015. The profit before tax equally grew by 6.73% to Kshs 23.8 million from Kshs 22.3 million during 2015. The company has continued to build human resource capacity focused on quality service to its customers by ensuring that the employees are well trained and remain committed in their respective areas of expertise. On behalf of the Board, I wish to thank them all for their commitment and hard work.

On the basis on the results presented, the Board is recommending to the Annual General Meeting for a dividend of Kshs 10 per share for 2016 amounting to Kshs 2.5 million. The country stays hopeful that the negative impact so created shall be worked upon by the Kenya Government and that the tourism industry will soon regain its lost glory for the good of the entire economy.

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

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

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 22/8/16  
Chairman

**Reports and Financial Statements  
For the year ended June 30, 2016**

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**REPORT OF THE CHIEF EXECUTIVE OFFICER**

On behalf of management of Golf Hotel Limited, I am pleased to present to you the Annual Report and Financial Statements of the company for the year ended 30<sup>th</sup> June 2016.

Conference tourism is one of the rapidly growing segments in the tourism sector and is largely associated with travel for business purposes. However, the number of international conferences and delegates dropped by 9.5 per cent and 8.0 per cent, respectively, in 2015. Over the same period, local conferences and delegates increased by 4.0 per cent and 7.4 per cent, respectively. The average occupancy rate of conference facilities declined by 0.3 percentage points to 11.1 per cent in 2015.

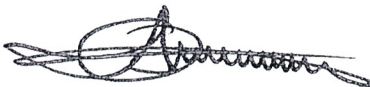
The hotel has endeavored to reasonably cut a niche for itself in the local conferencing portfolio that has seen the hotel achieve a satisfactory performance. This has been achieved due to the concerted effort of our shareholders, the Board of Directors our dedicated staff, the Government, regulatory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

During the year 2016, the hotel achieved a net turnover of Kshs 137.2 million (2015:Kshs 129.2 million) representing a growth of 6.20 % and a profit before tax of Kshs 23.8 million (2015:Kshs 22.3 million) 6.73% growth.

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

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

Finally, on behalf of management and staff of Golf Hotel Ltd, I wish to convey our sincere appreciation to the Board of directors for their committed support during the year ended 30<sup>th</sup> June 2016. I equally wish to express my gratitude to the National Government, The County Government of Kakamega as shareholders, customers and other valuable stakeholders for their commitment in supporting the hotel.



**Joseph Oduor**  
Manager

## CORPORATE GOVERNANCE STATEMENT

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

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

The Directors submit their report for the financial year ended 30<sup>th</sup> June 2016, which is also deemed to be the management report required to be published in accordance with the IFRS. The overall control of the company is exercised by the board which has the responsibility, among other things, for setting strategy and ensuring that adequate resources are available and leadership is provided to achieve the company's strategy.

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

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

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

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## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

**i. Supporting the local economy and the community**

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

During the year, the Hotel partnered with the County government of Kakamega through it's various ministry's to support the needy and the less fortunate by donating assorted goods and services. It donated foodstuffs worthy Kshs.25,845 and the venue for Miss Kakamega county tourism event.

**ii. Youth support**

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

**iii. Charitable donations in cash and in-kind**

Golf Hotel and its staff support a broad range of charitable causes and community initiatives. These are seen in many forms such as cash donations, donations of foodstuffs and old linens, hosting of community events (golf tournaments) and provision of employee-time in the form of visits to orphanages and Children's homes. The Hotel participated in the annual Mater Heart Run campaign by providing accommodation to the organizers of the event in western region to the tune of Kshs.23,200.

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 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, 2016 are set out on pages 12-35

**Dividends**

Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Kshs.10 per ordinary share, amounting to Kshs.2.5 million, subject to withholding tax where applicable. The total dividend for the year, therefore, is Kshs.2,500,000( Kshs.10) per ordinary share. If approved, the dividend will be paid on or about December 31<sup>st</sup>, 2017 to shareholders registered in the books of the entity at the close of business on June 30, 2016.

**Directors**


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

**Auditors**

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

By Order of the Board

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Wamuyu Kariuki  
Corporate Secretary  
Nairobi  
Date:.....

**Reports and Financial Statements  
For the year ended June 30, 2016****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

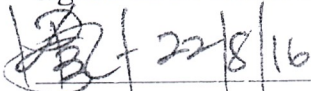
The Directors are responsible for the preparation and presentation of the Hotel's financial statements, which give a true and fair view of the state of affairs of the Hotel for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Hotel; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

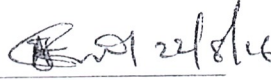
The Directors accept responsibility for the Hotel's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors 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, 2016, 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 12<sup>th</sup> August 2016 and signed on its behalf by:

  
Director

  
Director

  
Director



# REPUBLIC OF KENYA

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

P.O. Box 30084-00100  
NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON GOLF HOTEL LIMITED FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Golf Hotel Limited set out on pages 12 to 35, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity, statement of cash flows, statement of comparison of budget and actual accounts 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.

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

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

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

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

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Section 229 of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

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*Report of the Auditor-General on Golf Hotel Limited for the year ended 30 June 2016*

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hotel's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

#### **1. Irregular Investment of Funds**

The statement of financial position reflects short term deposits balance of Kshs.30,000,000 and which Note 16 to the financial statement shows is cash deposited with a commercial bank. The deposit is contrary to the directive issued by the National Treasury (vide circular No. GID/A/1/10 of 16 July 1992.) As a result, the security of the funds deposited with the commercial bank cannot be ascertained.

#### **2. Long Outstanding Payables**

The statement of financial position reflects trade and other payables balance of Kshs.25,285,481 as at 30 June 2015. Included in the balance are long outstanding expenses totaling Kshs.7,385,000.00 incurred between 2005/2006 and 2011/2012 financial years. It is not clear why the Hotel has not offset these long standing expenses.

#### **3. Unclaimed VAT Recovery**

Records presented for audit indicated that Value-Added-Tax (VAT) recoverable balance amounted to Kshs.2,826,139 (2014; Kshs.2,127,323) as at 30 June 2016, thus implying that refund claims for the input VAT were not lodged for with the Kenya Revenue Authority within 12 months as required .

In the circumstance, recovery of the VAT funds totaling to Kshs.2,826,139 is doubtful.

#### **4. Retirement Benefits Obligations (Gratuity Funds)**

The Hotel has set aside funds for gratuity payment for its staff amounting to Kshs.16,290,254 contrary to retirement benefit requirements that every employer offering gratuity to its employees should engage a registered fund administrator. Further, the funds are not kept in a distinctive bank account but are instead banked with other Hotel cash. As a result, the company stands the risk of not being able to pay its retirement benefit obligations as they fall due.

### **Qualified Opinion**

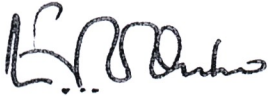
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Golf Hotel Limited as at 30 June 2016, and of its financial performance

and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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



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

Nairobi

23 November 2016

**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2016**

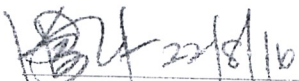
	Note	2016 Kshs	2015 Kshs
<b>REVENUES</b>			
Sales	1	133,520,717	127,201,751
Gain/(Loss) on Disposal of Non-Financial Assets	2	-	(102,536)
Other Income	3	215,000	163,000
<b>TOTAL REVENUES</b>		<u>133,735,717</u>	<u>127,262,215</u>
<b>COST OF SALES</b>	4	31,408,524	30,561,986
<b>GROSS PROFIT</b>		<u>102,327,193</u>	<u>96,700,229</u>
<b>OPERATING EXPENSES</b>			
Administration Costs	5	71,248,182	67,492,041
Selling and Distribution Costs	6	3,042,980	1,528,175
Depreciation of property, plant and equipment	13	6,806,914	6,190,267
<b>TOTAL OPERATING EXPENSES</b>		<u>81,098,076</u>	<u>75,210,483</u>
<b>OPERATING PROFIT/(LOSS)</b>	7	21,229,117	21,489,746
Finance Income	8	3,498,821	1,950,000
Finance Costs	9	(887,148)	(1,119,671)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<u>23,840,790</u>	<u>22,320,075</u>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	10	6,874,477	6,707,564
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<u>16,966,313</u>	<u>15,612,511</u>
Earnings per share – basic and diluted	11	67.87	62.45
Dividend per share	12	10	8

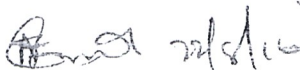
Reports and Financial Statements  
For the year ended June 30, 2016

STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2016

	Note	2016 Kshs	2015 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	13	93,986,136	80,825,950
<b>Total Non-Current Assets</b>		<b>93,986,136</b>	<b>80,825,950</b>
<b>Current Assets</b>			
Inventories	14	1,094,676	1,215,442
Trade and other receivables	15(a)	31,736,758	29,895,942
Short-term deposits	16	30,000,000	30,000,000
Bank and cash balances	17	5,807,891	2,470,189
<b>Total Current Assets</b>		<b>68,639,325</b>	<b>63,581,573</b>
<b>NET ASSETS</b>		<b>162,625,461</b>	<b>144,407,523</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	18	5,000,000	5,000,000
Revaluation reserve	19	41,000,155	41,000,155
Retained earnings	20	42,577,719	27,611,406
<b>Capital and Reserves</b>		<b>88,577,874</b>	<b>73,611,561</b>
<b>Non-Current Liabilities</b>			
Borrowings	21	23,146,857	24,796,473
<b>Total Non-Current Liabilities</b>		<b>23,146,857</b>	<b>24,796,473</b>
<b>Current Liabilities</b>			
Trade and other payables	22	25,285,481	18,866,703
Retirement benefit obligations	23(a)	16,290,454	15,817,870
Leave Provisions	23(b)	3,659,205	4,607,352
Taxation	10	1,665,590	4,707,564
Dividends payable	24(b)	4,000,000	2,000,000
<b>Total Current Liabilities</b>		<b>50,900,730</b>	<b>45,999,489</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>162,625,461</b>	<b>144,407,523</b>

The financial statements were approved by the Board on 12<sup>th</sup> August 2016 and signed on its behalf by:

  
Chairman

  
Director

  
Director

Reports and Financial Statements  
For the year ended June 30, 2016

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2016**

	Ordinary share capital(250000 Shares@20)	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Total
At July 1, 2014	5,000,000	41,000,155	-	13,998,895	-	59,999,050
Transfer of excess depreciation	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-
Total comprehensive income	-	-	-	15,612,511	-	15,612,511
Dividends paid – 2014	-	-	-	-	-	-
Interim dividends paid – 2015	-	-	-	-	-	-
Proposed final dividends	-	-	-	(2,000,000)	-	(2,000,000)
At June 30, 2015	5,000,000	41,000,155	-	27,611,406	-	73,611,561
At July 1, 2015	5,000,000	41,000,155	-	27,611,406	-	73,611,561
Prior year adjustments	-	-	-	-	-	-
Transfer of excess depreciation	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-
Total comprehensive income	-	-	-	16,966,313	-	16,966,313
Dividends paid – 2015	-	-	-	-	-	-
Interim dividends paid – 2016	-	-	-	-	-	-
Proposed final dividends	-	-	-	(2000,000)	-	(2,000,000)
At June 30, 2016	5,000,000	41,000,155	-	42,577,719	-	88,577,874

*Golf Hotel Limited*

**Reports and Financial Statements  
For the year ended June 30, 2016**

**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2016**

	Note	2016 Kshs	2015 Kshs
<b>OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	25(a)	34,870,869	21,578,995
Taxation paid	10(c)	(9,916,451)	(5,082,569)
<b>Net cash generated from/(used in) operating activities</b>		<b>24,954,418</b>	<b>16,496,426</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	13	(19,967,100)	(10,973,190)
Proceeds from disposal of property, plant and equipment		-	-
<b>Net cash generated from/(used in) investing activities</b>		<b>(19,967,100)</b>	<b>(10,973,190)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of borrowings	25(b)	(1,649,616)	(1,649,616)
Dividends Paid	24(a)	-	(6,000,000)
<b>Net cash generated from/(used in) financing activities</b>		<b>(1,649,616)</b>	<b>(7,649,616)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,337,702</b>	<b>(2,126,380)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	25(c)	<b>32,470,189</b>	<b>34,596,569</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	25(c)	<b>35,807,891</b>	<b>32,470,189</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2016**

	Original	Adjustments	Final budget	Actual on	Performance
	budget	2015-2016	2015-2016	comparable basis	difference
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Sales	137,576,630	-	137,576,630	133,520,717	(4,053,913)
Other income	236,500	-	236,500	215,000	(21,500)
<b>Total revenues</b>	<b>137,813,130</b>	-	<b>137,813,130</b>	<b>133,735,717</b>	<b>(4,077,413)</b>
Cost of sales	(33,169,860)	-	(33,169,130)	(31,408,524)	(1,760,606)
<b>Gross profit</b>	<b>104,643,270</b>	-	<b>104,643,270</b>	<b>101,327,193</b>	<b>(3,316,077)</b>
Expenses					
Administration costs	76,644,570	-	76,644,570	71,248,182	5,396,388
Selling and distribution costs	1,792,363	-	1,792,363	3,042,980	(1,250,617)
Depreciation of PPE	7,083,434	-	7,083,434	6,806,914	276,520
<b>Total Operating Expenses</b>	<b>85,520,367</b>	-	<b>85,520,367</b>	<b>81,098,076</b>	<b>4,422,291</b>
Operating profit/(loss)	19,122,903	-	19,122,903	21,229,117	2,106,214
Finance Income	2,145,000	-	2,145,000	3,498,821	1,353,821
Finance Costs	(980,000)	-	(980,000)	(887,148)	92,852
<b>Profit/(Loss) before taxation</b>	<b>20,287,903</b>	-	<b>20,287,903</b>	<b>23,840,790</b>	<b>3,552,887</b>
Income tax expense/(credit)	6,146,371	-	6,146,371	6,874,477	(728,106)
<b>Profit/Loss after taxation</b>	<b>14,141,532</b>	-	<b>14,141,532</b>	<b>16,966,313</b>	<b>2,824,781</b>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 1. Statement of compliance and basis of preparation

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

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

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

### 2. Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the Hotel delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) **Finance income** comprises interest receivable from bank deposits and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iii) **Other income** is recognised as it accrues.

### 3. Property, plant and equipment

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

### 4. Depreciation and impairment of property, plant and equipment

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

Buildings and civil works	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Land	Over 99year lease period

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

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

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

### 5. Intangible assets

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

### 6. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

### 7. Inventories

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**8. Trade and other receivables**

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

**9. Taxation**

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

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

**10. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and operating floats.

**11. Borrowings**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**12. Trade and other payables**

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

**13. Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2011. The scheme is administered by an independent pension provider; the company contributes 5% and the employee 5%. The employer's contribution is recognised as an expense in the Income Statement.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

**14. Provision for gratuity, leave and retirement benefits**

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

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.

**15. Exchange rate differences**

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

**16. Comparative figures**

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

**17. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

## 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:

### 1. 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 4.

### 2. 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.

### 3. 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.

### 4. 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

	2016	2015
	Kshs	Kshs
<b>1 SALES</b>		
Gross sales of goods	166,900,896	159,002,188
Less: Service Charge on gross sales	(9,346,450)	(8,904,122)
Less: Catering Levy on gross sales	(2,670,414)	(2,544,035)
Less: Value added tax on gross sales	(21,363,315)	(20,352,280)
	<u>133,520,717</u>	<u>127,201,751</u>
	=====	=====
Sales are reported net of 16% VAT, 7% Service charge & 2% Catering levy. The gross sales above therefore include all the relevant taxes/charges.		
<b>2 GAIN/LOSS ON DISPOSAL OF NON-FINANCIAL ASSETS</b>		
Disposal of plant and machinery	-	(102,536)
	<u>-</u>	<u>(102,536)</u>
	=====	=====
<b>3 OTHER INCOME</b>		
Sale of tender documents	215,000	163,000
	<u>215,000</u>	<u>163,000</u>
	=====	=====
<b>4 COST OF SALES</b>		
Food	23,851,496	21,150,445
Beverage	7,455,791	9,286,802
Tobacco	101,238	124,739
	<u>31,408,524</u>	<u>30,561,986</u>
	=====	=====
<b>5 (a) ADMINISTRATION COSTS</b>		
Staff costs (note 5b)	41,629,011	37,608,598
Directors' emoluments	967,645	972,025
Electricity and water	7,202,383	6,794,827
Communication services and supplies ( <i>Tel. &amp; postage</i> )	218,719	356,951
Transportation, travelling and subsistence ( <i>Travel expenses</i> <i>Transport allowance, Staff transport &amp; Leave travel</i> )	3,074,284	2,561,940
Printing, stationery and photocopying	1,860,984	1,697,646
Staff training expenses	126,400	106,426
Insurance costs	467,220	434,881
Bank charges and commissions ( <i>Bank charges &amp;</i> <i>Commission on Visa cards</i> )	878,236	728,386
Office and general supplies ( <i>Office Miscellaneous</i> )	33,920	31,512

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016	2015
	Kshs	Kshs
Auditors' remuneration	150,000	150,000
Consultancy fees	-	150,000
Legal Fees	59,700	-
Repairs and maintenance ( <i>Garden &amp; grounds, Building maintenance &amp; Repairs &amp; renewals</i> )	4,463,358	6,185,318
Provision for bad and doubtful debts	387,048	368,619
Other operating expenses ( <i>Fuel &amp; gas, Cleaning, Toilet requisites, Vehicle operating, Licenses, Laundry, KRB, Guest supplies, Rent &amp; rates, Delivery, Tents &amp; PA, Donations, Flowers &amp; deco &amp; Security</i> )	9,729,274	9,344,912
	<u>71,248,182</u>	<u>67,492,041</u>

5(b) STAFF COSTS

Salaries and allowances of permanent employees ( <i>Salaries, Housing, Medical &amp; Entertainment allowance</i> )	34,542,305	28,773,328
Wages of temporary employees ( <i>Casual wages</i> )	2,408,867	3,400,151
Compulsory national health insurance schemes	741,920	433,860
Compulsory national social security schemes	537,359	187,800
Other pension contributions	818,800	911,085
Leave pay and gratuity provisions	221,525	1,705,980
Staff welfare ( <i>Meals &amp; welfare</i> )	2,358,235	2,196,394
	<u>41,629,011</u>	<u>37,608,598</u>

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

Permanent employees – Management	16	16
Permanent employees – Unionisable	45	49
Temporary and contract employees	14	10
	<u>75</u>	<u>75</u>

Female employees – 31 (43%)

Male Employees – 41 (57%)

6 SELLING AND DISTRIBUTION COSTS

Marketing and promotional ( <i>Marketing &amp; Advertising</i> )	3,042,980	1,526,435
Sales commissions ( <i>Agents commission</i> )	-	1,740
	<u>3,042,980</u>	<u>1,528,175</u>

7 OPERATING PROFIT/(LOSS)

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

Staff costs (note 5)	41,629,011	37,608,598
Depreciation of property, plant and equipment	6,806,914	6,190,267
Provision for bad and doubtful debts	387,048	368,619
Directors' emoluments	967,645	972,025
Auditors' remuneration - current year fees	150,000	150,000

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016 Kshs	2015 Kshs
Depreciation of property, plant and equipment	6,806,914	6,190,267
Provision for bad and doubtful debts	387,048	368,619
Directors' emoluments	967,645	972,025
Auditors' remuneration - current year fees	150,000	150,000
Loss on disposal of property, plant and equipment	-	102,536
Interest receivable	(1,389,575)	(1,950,000)
<b>8 FINANCE INCOME</b>		
Interest income on short-term bank deposits(accrued)	1,389,575	1,950,000
Interest income on short-term bank deposits(received)	2,109,246	
	<u>3,498,821</u>	<u>1,950,000</u>
	=====	=====
<b>9 FINANCE COSTS</b>		
Interest expense on loans	887,148	1,119,671
	<u>887,148</u>	<u>1,119,671</u>
	=====	=====
The loan was obtained from TFC to clear previous years' tax arrears owed to KRA.		
<b>10 INCOME TAX EXPENSE/(CREDIT)</b>		
<b>(a) Current taxation</b>		
Current taxation based on the adjusted profit for the year at 30%	6,874,477	6,707,564
	<u>6,874,477</u>	<u>6,707,564</u>
	=====	=====
<b>(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit</b>		
Profit before taxation	23,840,790	22,320,075
	<u>23,840,790</u>	<u>22,320,075</u>
Tax at the applicable tax rate of 30%	7,152,237	6,696,022
Tax effects of expenses not deductible for tax purposes		
(Donations 22,281*30%)	6,684	11,542
(Decrease in Leave Provision 948,147*30%)	(284,444)	-
	6,874,477	6,707,564
Instalment tax paid	(5,208,887)	(2,000,000)
Tax due at the end of the year	1,665,590	4,707,564
	<u>1,665,590</u>	<u>4,707,564</u>
	=====	=====
<b>(c) Taxation paid during the year</b>		
Current year instalment tax	5,208,887	2,000,000
Final tax for previous year	4,707,564	3,082,569
	<u>9,916,451</u>	<u>5,082,569</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**11 EARNINGS PER SHARE**

The earnings per share is calculated by dividing the profit after tax of Kshs. 16,966,313(2015: Kshs.15,612,511) by the average number of ordinary shares in issue during the year of 250,000 (2015: 250,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**12 DIVIDEND PER SHARE**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2016, a final dividend in respect of the year ended June 30, 2016 of Kshs.10 (2015: Kshs.8) for every ordinary share of par value of Kshs.20 is to be proposed. No interim dividend was declared and/or paid during the year. This will bring the total dividend for the year to Kshs.2,500,000 (2015: Kshs.2,000,000).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

2016	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
<b>COST OR VALUATION</b>	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2015	8,000,0000	76,534,035	10,773,789	1,887,931	4,674,051	29,294,107	-	131,163,913
Additions	-	9,037,773	3,301,098	-	465,323	3,397,226	3,765,680	19,967,100
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
<b>At June 30, 2016</b>	<b>8,000,000</b>	<b>85,571,808</b>	<b>14,074,887</b>	<b>1,887,931</b>	<b>5,139,374</b>	<b>32,691,333</b>	<b>3,765,680</b>	<b>151,131,013</b>
<b>DEPRECIATION</b>								
At July 1, 2015	1,095,845	24,307,058	4,828,925	1,887,931	3,904,027	14,314,177	-	50,337,963
Charge for the year	109,584	1,976,784	1,058,398	-	474,136	3,188,012	-	6,806,914
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
<b>At June 30, 2016</b>	<b>1,205,429</b>	<b>26,283,842</b>	<b>5,887,323</b>	<b>1,887,931</b>	<b>4,378,163</b>	<b>17,502,189</b>	<b>-</b>	<b>57,144,877</b>
<b>NET BOOK VALUE</b>								
At June 30, 2016	6,794,571	59,287,966	8,187,564	-	761,211	15,189,144	3,765,680	93,986,136

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

	2016 Cost or valuation	Normal annual depreciation charge
Plant and machinery	2,951,413	368,927
Motor vehicles, including motor cycles	1,887,931	471,983
Computers and related equipment	3,191,093	957,328
Office equipment, furniture and fittings	5,668,511	708,564
	<u>13,698,948</u>	<u>2,506,802</u>

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

2015	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>COST OR VALUATION</b>								
At July 1, 2014	8,000,000	71,197,930	9,568,778	1,887,931	4,336,305	25,521,317	-	120,512,261
Additions	-	5,336,105	1,396,549	-	337,746	3,902,790	-	10,973,190
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(191,538)	-	-	(130,000)	-	(321,538)
<b>At June 30, 2015</b>	<b>8,000,000</b>	<b>76,534,035</b>	<b>10,773,789</b>	<b>1,887,931</b>	<b>4,674,051</b>	<b>29,294,107</b>	<b>-</b>	<b>131,163,913</b>
<b>DEPRECIATION</b>								
At July 1, 2014	986,261	22,470,765	4,174,207	1,887,931	3,188,489	11,659,045	-	44,366,698
Charge for the year	109,584	1,836,293	873,720	-	715,538	2,655,132	-	6,190,267
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	(219,002)	-	-	-	-	(219,002)
<b>At June 30, 2015</b>	<b>1,095,845</b>	<b>24,307,058</b>	<b>4,828,925</b>	<b>1,887,931</b>	<b>3,904,027</b>	<b>14,314,177</b>	<b>-</b>	<b>50,337,963</b>
<b>NET BOOK VALUE</b>								
At June 30, 2015	6,904,155	52,226,976	5,944,865	-	770,024	14,979,931	-	80,825,950

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

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

**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2016 Kshs	2015 Kshs
<b>14 INVENTORIES</b>		
Food	499,543	592,036
Drinks & Tobacco	595,133	623,406
	<u>1,094,676</u>	<u>1,215,442</u>
<b>15 (a) TRADE AND OTHER RECEIVABLES</b>		
Trade receivables (note 15 (b))	29,024,852	27,113,189
Deposits	310,000	210,000
Prepayments	290,949	172,725
VAT recoverable	2,826,139	2,127,323
Staff receivables (note 15 (c))	60,600	101,014
Other receivables	1,389,575	1,950,000
	<u>33,902,115</u>	<u>31,674,251</u>
Gross trade and other receivables	(2,165,357)	(1,778,309)
Provision for bad and doubtful receivables		
	<u>31,736,758</u>	<u>29,895,942</u>
Net trade and other receivables		
<b>(b) TRADE RECEIVABLES</b>		
Gross trade receivables	29,024,852	27,113,189
Provision for doubtful receivables	(2,165,357)	(1,778,309)
	<u>26,859,495</u>	<u>25,334,880</u>
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,006,108	394,470
Between 30 and 60 days	9,750,510	6,320,643
Between 61 and 90 days	2,420,423	3,714,902
Between 91 and 120 days	3,326,445	5,087,643
Over 120 days	12,521,366	11,595,531
	<u>29,024,852</u>	<u>27,113,189</u>
<b>(c) STAFF RECEIVABLES</b>		
Gross staff loans and advances	60,600	101,014
Provision for impairment loss	(-)	(-)
	<u>60,600</u>	<u>101,014</u>
Less: Amounts due within one year	(60,600)	(101,014)
	<u>                    </u>	<u>                    </u>
Amounts due after one year	<u>                    </u>	<u>                    </u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016 Kshs	2015 Kshs
<b>16 SHORT TERM DEPOSITS</b>		
Kenya Commercial Bank	30,000,000	30,000,000
	<u>30,000,000</u>	<u>30,000,000</u>

The effective interest rate on the short term deposits as at June 30, 2016 was 13% (2015: 9.75%).

**17 BANK AND CASH BALANCES**

Cash at bank	5,716,611	2,406,008
Cash in hand	91,280	64,181
	<u>5,807,891</u>	<u>2,470,189</u>

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

**18 ORDINARY SHARE CAPITAL****Authorised:**

250,000 ordinary shares of Kshs.20 par value each	5,000,000	5,000,000
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**Issued and fully paid:**

250,000 ordinary shares of Kshs.20 par value each	5,000,000	5,000,000
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**19 REVALUATION RESERVE**

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

Reports and Financial Statements  
For the year ended June 30, 2016

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016 Kshs	2015 Kshs
<b>20 RETAINED EARNINGS</b>		
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.		
<b>21 BORROWINGS</b>		
Balance at beginning of the year	24,796,473	26,446,089
Repayments of domestics borrowings during the year	(1,649,616)	(1,649,616)
Balance at end of the year	<u>23,146,857</u>	<u>24,796,473</u>
Amounts due with one year (current portion)	1,649,616	1,649,616
Amounts due after one year (non-current portion)	<u>21,497,241</u>	<u>23,146,857</u>
The analyses of both external and domestic borrowings are as follows:		
<b>Domestic Borrowings</b>		
Kenya Shilling loan from TFC	23,146,857	24,796,473
	<u>23,146,857</u>	<u>24,796,473</u>
Total balance at end of year	<u>23,146,857</u>	<u>24,796,473</u>
<b>22 TRADE AND OTHER PAYABLES</b>		
Trade payables	12,312,985	6,824,740
Accrued expenses ( <i>Audit fee, WIP &amp; Rent and Rates</i> )	2,591,563	408,124
Other payables ( <i>Payroll liabilities, Central charges</i> )	10,380,933	11,633,839
	<u>25,285,481</u>	<u>18,866,703</u>
Included in the payables above are amounts payable for purchase of laundry washing machine and laundry spinner machine and the reception area renovation.		
<b>23 (a) RETIREMENT BENEFIT OBLIGATIONS</b>		
Balance at beginning of the year	15,817,870	17,124,738
Provisions made during the year	1,169,672	1,705,980
Benefits paid out during the year	(697,088)	(3,012,848)
Balance at end of the year	<u>16,290,454</u>	<u>15,817,870</u>
<b>23 (b) LEAVE PROVISIONS</b>		
Balance at beginning of the year	4,607,352	4,607,352
Decrease in provision for the year	(948,147)	-
Decrease in provision the year	-	-
Balance at end of the year	<u>3,659,205</u>	<u>4,607,352</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

24(a) DIVIDENDS PAID

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

	2016 Kshs	2015 Kshs
Year 2013	-	2,000,000
Year 2012	-	2,000,000
Year 2011	-	2,000,000
Total paid during the year	-	-

24(b) DIVIDENDS PAYABLE

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

	2016 Kshs	2015 Kshs
Year 2015	2,000,000	-
Year 2014	2,000,000	2,000,000
Balance at end of the year	4,000,000	2,000,000

25 NOTES TO THE STATEMENT OF CASH FLOWS

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

Operating profit/(loss)	23,840,790	20,320,075
Depreciation	6,806,914	6,190,266
(Gain)/loss on disposal of property, plant and equipment	-	102,536
Operating profit/(loss) before working capital changes	30,647,704	28,612,877
(Increase)/decrease in inventories	120,765	(366,305)
(Increase)/decrease in trade and other receivables	(1,840,814)	(5,084,954)
Increase/(decrease) in trade and other payables	5,943,214	(1,582,623)
Cash generated from/(used in) operations	34,870,869	21,578,995

(b) Analysis of changes in loans

Balance at beginning of the year	24,796,473	26,446,089
Repayments during the year	(1,649,616)	(1,649,616)
Balance at end of the year	23,146,857	24,796,473

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016	2015
	Kshs	Kshs
(c) Analysis of cash and cash equivalents		
Short term deposits	30,000,000	30,000,000
Cash at bank	5,716,611	2,406,008
Cash in hand	91,280	64,181
Balance at end of the year	<u>35,807,891</u>	<u>32,470,189</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2016 Kshs	2015 Kshs
25	(d) Analysis of interest paid		
	Interest on loans (note 9)	887,148	1,119,671
	Interest on loans capitalised	<u>887,148</u>	<u>1,119,671</u>
	Balance at beginning of the year	-	-
	Balance at end of the year	(-)	(-)
	Interest paid	<u><u>887,148</u></u>	<u><u>1,119,671</u></u>

26 RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

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

(b) Staff Advances

In line with the company policy, employees are entitled to advance salary not exceeding two thirds of their net salary and are recoverable in not more than three instalments. Total advance recoverable as at 30<sup>th</sup> June 2016 was as follows:

	2016 Kshs	2015 Kshs
Due from directors	-	-
Due from other staff	60,600	101,014
	<u>60,600</u>	<u>101,014</u>

(c) Directors' expenses

	<u>967,645</u>	<u>972,025</u>
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of the industry and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance and the internal audit departments under policies approved by the Board of Directors. The Board provides principles for overall risk management.

a) *Market risk*

*Foreign exchange risk*

The company does not undertake any major transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations are minimal.

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

b) *Credit risk*

Credit risk arises from cash and cash equivalents as well as trade receivables and balances due from related parties.

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2016 and 30 June 2015 is as shown below:

<b>30 June 2016</b>	Neither past due nor impaired <b>Kshs</b>	Past due but not impaired <b>Kshs</b>	Impaired <b>Kshs</b>	Total <b>Kshs</b>
Trade receivables	13,177,041	15,847,811	(2,165,357)	26,859,495
Due from related parties	60,600	-	-	60,600
	<u>13,237,641</u>	<u>15,847,811</u>	<u>(2,165,357)</u>	<u>26,920,095</u>

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2015 is as shown below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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
<b>At 30 June 2016:</b>				
Trade payables	9,668,770	2,397,697	246,518	12,312,985
Parent company funding	-	-	23,146,857	23,146,857
	<u>9,668,770</u>	<u>2,397,697</u>	<u>2,3393,375</u>	<u>35,459,842</u>
<b>At 30 June 2015:</b>				
Trade payables	6,584,963	239,777	-	6,824,740
Parent company funding	-	-	24,796,473	24,796,473
	<u>6,584,963</u>	<u>239,777</u>	<u>24,796,473</u>	<u>31,621,213</u>

28 INCORPORATION

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