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REPORT THE NATIONAL ASSEMBLY PART <u> </u>	
DATE: 23 NOV 2022	DAY: TUESDAY
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THE AUDITOR-GENERAL

ON

GOLF HOTEL LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2021**



GOLF HOTEL LIMITED



INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

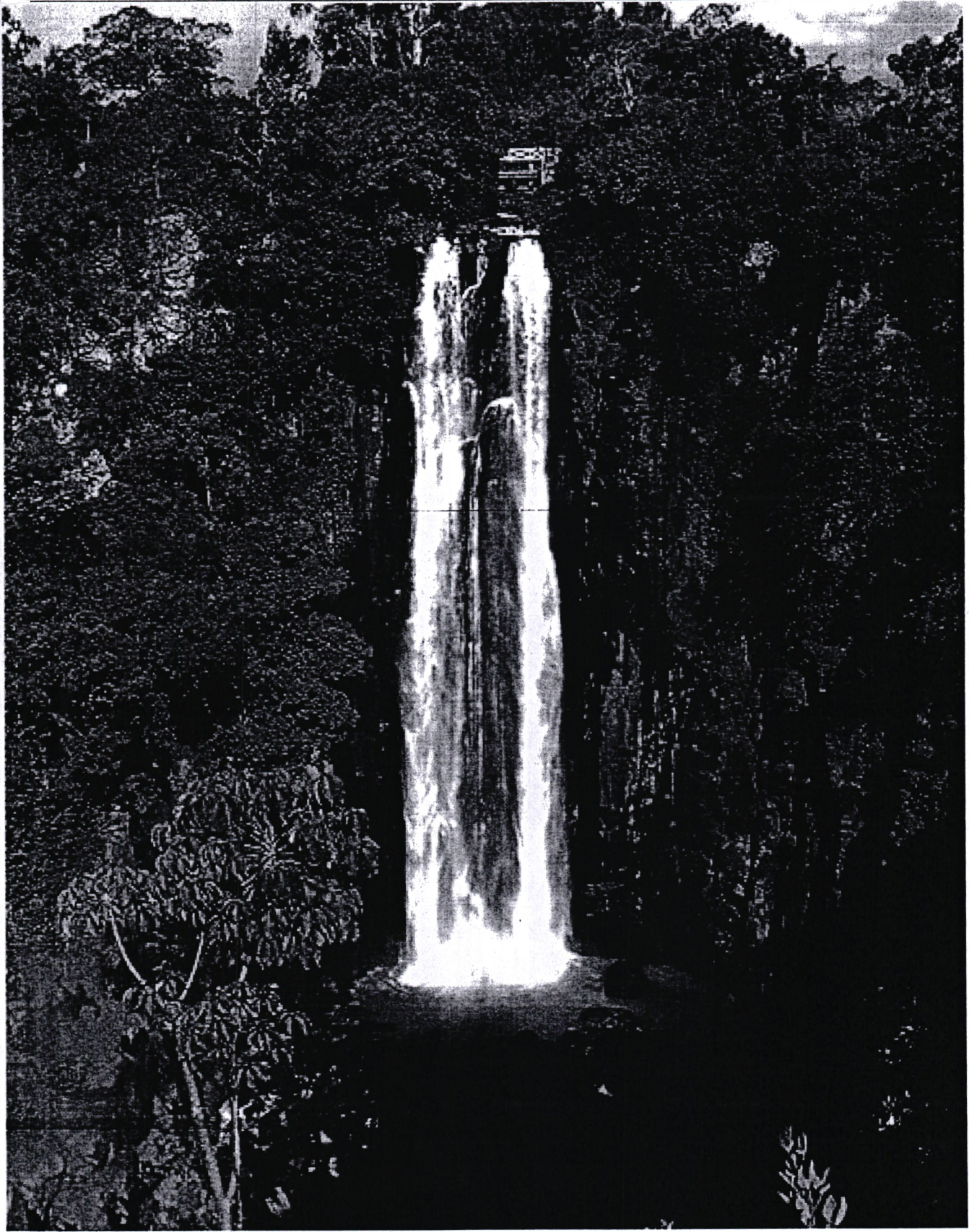
PREPARED IN ACCORDANCE WITH THE ACCRUAL BASIS OF ACCOUNTING METHOD UNDER
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

THE NATIONAL ASSEMBLY	
DATE: 23 NOV 2022	
TABLED BY:	
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Golf Hotel Limited
Reports and Financial Statements
For the year ended 30 June, 2021

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Golf Hotel Limited
Reports and Financial Statements
for the year ended 30 June, 2021



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 Tourism and wildlife. 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 ending 30 June 2021 were as follows:

1. Ms. Judith Kerich – Director - Appointed on 14th June 2019
2. Mr Ibrahim Yunis – Director - Appointed on 14th June 2019
3. Ms. Beatrice Sabana – Alternate to Governor Kakamega County
4. Mr. Jonah Orumoi - Managing Director TFC
5. Mr. Peter Chemwile - Alternate to PS Ministry of Tourism

The Current Directors of Golf Hotel Limited are;

1. Mr. Christopher Huka - Director - Appointed August 2021
2. Ms. Grace Magunga - Director - Appointed August 2021
3. Mr. Kennedy Wanderi - Director - Appointed August 2021
4. Dr. Beatrice Sabana - Director - Alternate to Governor Kakamega County

Corporate Secretary
Kenya Development Corporation
P.O. Box 126665-00100
Nairobi

Registered Office

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

Corporate Headquarters

Uchumi House
Aga Khan Walk
P.O. Box 126665-00100
Nairobi, Kenya

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Corporate Contacts

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

Corporate Bankers

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

Independent Auditors

Auditor General
Office of the Auditor General
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. Chris Guyo Huka is a Human Resources Professional with over 24 years' experience. Mr. Huka holds a Master of Business Administration in Human Resource Management from the University of Nairobi. He also holds a Bachelor of Education (Arts) degree from Moi University as well as a Higher National Diploma in Human Resource Management. He also earned a Practitioners Diploma in Executive Coaching from the Academy of Executive Coaching and an Advanced Certificate in Strategic Human Resource Management from Cornell University. He is the Acting Director General of Kenya Development Corporation. He has a wealth of experience in the corporate sector having worked with DIB Bank Kenya Ltd, Subsidiary of Dubai Islamic Bank, UAE as Human Resources and Administration Director. He also worked with Barclays Bank of Kenya Ltd as Senior HR Business Partner for the Risk, Compliance and Governance Functions. He was also held Employee Relations and Wellness Manager roles in the same organization. Before joining Barclays, he worked in three senior managerial positions as Country HR Manager at Chevron Kenya Limited (Formerly Caltex – Kenya and Rwanda), Human Resources Officer at the Shell Managed Refinery and Senior Human Resources Officer at Post Bank.



Mr. Kennedy M. Wanderi is Director Finance for Kenya Development Corporation. He has wide experience of over 20 years in Finance, Accounting and investments gained at ICDC. He has previously served as the ICDC Eldoret Branch Manager. He sits on the Boards of Centum Investments Limited, General Motors E.A Limited and Almasi Beverages Limited. He holds a Master of Business Administration degree in Finance and Banking, and a Bachelor of Business Management degree from Moi University. He is a Certified Public Accountant.



Mrs. Grace Magunga has been the Company Secretary of ICDC since 2006. She has wide experience spanning over 19 years in Legal Matters and Corporate Secretarial Services, gained at ICDC. She is also the Company Secretary of Almasi Beverages Limited, Funguo Investments Ltd, Kenya National Trading Corporation Limited and Focus Container Freight Station Limited. She holds a Bachelor of Law degree from the University of Nairobi and a Diploma in Legal Practice. She is a Certified Public Secretary, (CPS- K).



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 records in the country. Hon. Oparanya has 23 years' experience in local and international Finance Management, Audit and Business Consultancy

MANAGEMENT TEAM



The Late Mr. Reuben Argut Komen was the General Manager for Golf Hotel Limited from November 2016 to January 2021. He held a Master's in Business Administration (Marketing) he also held a Bachelor's of Science in Hospitality Management, A Diploma in Hotel Management & Diploma in Science Education. He was born on 15 May 1965 and Passed on 11th January 2021.



Ms. Hellen Chilla is the Operational Manager for Golf Hotel Limited. She has a Master's 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.



Ms. Leena Mugadia is the Accountant for Golf Hotel Limited. She holds a Master's in Business Administration Finance Option from Jomo Kenyatta University, Degree in Bachelor of Business Management in Accounting from Masinde Muliro University, a CPA (K) and a member of ICPAK member No. 14454. She was born on 16 November 1987.



Ms. Maureen Njuru is the Human Resource Officer. She holds a Bachelor of Science Degree in Human Resource Management. She is currently undertaking her Master's in Business Administration and a member of IHRM.



Mr. Robert Rotich is our Internal Auditor. He holds Bachelor of Commerce Accounting option. He is also CPA (K) and a member of ICPAK (member no 15137). He is currently pursuing Masters in Business Administration. Robert has wide experience in Audit having worked in the field of Auditing for 8 years.



Mr. Dan Sapiri Kiveu. The Food & Beverage Manager for Golf Hotel limited. Graduated from Kenya Utalii College with Diploma in Hotel Management. Currently pursuing Bachelor's degree of Science in Eco-Tourism Hotel and Institution Management with IT.

Mr. Theophilus laboso Is the Procurement officer for Golf Hotel Ltd. He holds Master of Science in Procurement and Logistics, Master of Science in Project Management and Bachelor of Commerce- Management Science.

Gumato Abudo is the General Manager of Golf hotel limited. She holds a Degree in Hotel and Hospitality Management from Moi University and a Diploma In Hotel & Catering from Mt Kenya University. She was born in 1985

CHAIRMAN'S STATEMENT

The Global Economy according to the national treasury Circular No.7/2021 is projected to grow by 6.0 percent in 2021, from a contraction of 3.3 percent in 2020 whereas economic growth in the sub-Saharan Africa region is projected to expand by 3.4 percent in 2021 from the contraction of 1.9 percent in 2020. Kenya's economic growth is expected to rebound to 6.6 percent in 2021.

During the year 2020/2021, the hotels had budgeted for annual turnover of Kshs. 177.6 million and was able to achieve a turnover of 100.9 million in the year ending 30 June 2021. In the year 2019/2020 net sales registered a -30.0 percent drop from 136.6 million in 2018/2019 to 98.5 million in 2019/2020 because of the adverse effects of Covid-19 in the economy. In the year 2020/2021 the Hotel has recorded a 2.5% rebound from 2019/2020 of Kshs. 100.9 million in Turnover compared to Kshs. 98.4 million for the year 2019/2020.

The third & the Fourth Quarter of the year were the best performing quarters with a turnover of 30.9 million and 26.3 million respectively against the quarterly target of Kshs. 44.4 million. Total operating Expenditure for the year 2020/2021 recorded Kshs. 78.6 million compared to 87.4 million for the period 2019/2020 indicating 10.0 percent drop in the Hotels overall expenditure level.

Net profit position of the Hotel in the year 2019/2020 was also affected by the decline in sales recording a -66.0 percent drop from a net of 13.9 million in 2018/2019 to -9.3 Million in 2019/2020. Budgeted Net profit for the year 2020/2021 was set at Kshs. 28.2 million and for the year ending 30 June 2021 Net profit before tax registered Kshs. 5.3 million compared to the net loss of Kshs -9.3 million for the year ended June 30, 2020. This represents 156.9 Percent Recovery in Net profit performance as compared to the same period last year.

With the promising growth, driven by the prevailing stable macroeconomic environment, the ongoing implementation of the strategic priorities of the government and the economic recovery strategy we are optimistic of a full rebound in performance in the subsequent years ahead.

On behalf of the Board, I would like to thank the Company's Management and Staff for their diligence and dedication during the year ended 30th June 2021.


CHAIRMAN OF THE BOARD

REPORT OF THE ACCOUNTING OFFICER

Am pleased to present to you the Hotel's Annual Report and Financial statements for the year ended 30th June 2021 on behalf of the Management of Golf Hotel Limited.

We have now settled into the new normal, as we have been with the adverse effects of COVID 19 pandemic through the entire period, and have established business-oriented mitigation actions, alongside stringent observation of the MOH protocols.

We were however not able to execute all the projects that we had earmarked for this period because of challenges with cash flow due to reduced volumes of business.

Focus was on upkeep of our existing facilities to uphold communication of a positive image of the company. On Human resource, we were able to acquire two key assets, a Food and Beverage Manager who is scaling up our core services of Food, Beverage and Conferencing, and a Procurement Officer to enhance efficiency in our procurement processes. In an effort to boost revenue collection, we have opened a new revenue center, the Kids Park, which has also complemented other revenue centers. We managed to recover from a net loss of (Kshs 8,126,488) for the year ending 30 June 2020, to a net profit of Kshs 2,216,266 for the year ending 30 June 2021.

As we draw our Strategic plan for the next planning period, i.e., 2022-2027 we purpose to exploit the emergent niche opportunities presented by the 'new normal' so as to gain and sustain competitive advantage in this dynamic industry.

I wish to convey our sincere appreciation to the Board of Directors for their unwavering support, especially during the transitional 3rd quarter, following the abrupt demise of our former General Manager, the late Mr. Reuben Argut.

I also wish to express my gratitude to shareholders, customers and other stakeholders for their support during this uncertain economic period, we value your support.



Gumato Abudo
General Manager

CORPORATE GOVERNANCE STATEMENT

Corporate Governance comprises the rules, practices and processes by which Golf Hotel Ltd is operated and controlled. It also provides the framework for attaining our objectives in a manner that adds value and benefits all our 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 Hotel is also in compliance with tenets of the Code of Governance for State Corporations (Mwongozo Code of Governance) which offers a corporate governance code for all state corporations. The Hotel has also endeavoured to incorporate the governance standards set by the Kenya Association of Hotel Keepers and Caterers (KAHC) wherever possible. In addition to the Forgoing, the Hotel continues to participate in the Associations peer review to gauge its level of compliance with the association's governance and compliance standards.

Board Charter

The Board Charter guides the Board in the exercise of its responsibilities. It enables the Board Members understand their individual and collective roles to ensure they help the Hotel fulfil its mandate. It provides an overview of:

- The roles, functions, responsibility and powers of the Board and individual directors.
- The functions and powers of the Board Committees and the Full Board
- The policies and practices of the Board

The principles and policies contained in the Charter are in addition to and are not limited to change or interpret any statute, law or regulation.

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 Hotel. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day activities to the Management through the General Manager. 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.

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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 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

The Board has four standing committees which meet on a quarterly basis or more frequently as deemed necessary. These committees are;

- Finance Committee
- Human Resource Committee
- Administration Committee.
- Audit Committee

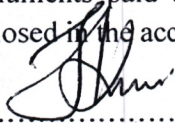
BOARD ACCOUNTABILITY

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

Golf Hotel Limited
Reports and Financial Statements
For the year ended 30 June, 2021

MANAGEMENT DISCUSSION AND ANALYSIS
FINANCIAL PERFORMANCE REPORT FOR THE PERIOD 2016/2017 TO 2020/2021

The principal activity of Golf Hotel Ltd is the provision of accommodation and conference facilities. The Hotel's Main revenue generating centers are; 60 standard rooms and 2 Executive suites, Ala Carte Restaurant, coffee Shop, poolside bar, Laundry, conference facilities, swimming pool & Kid Park.

REVENUE REPORT

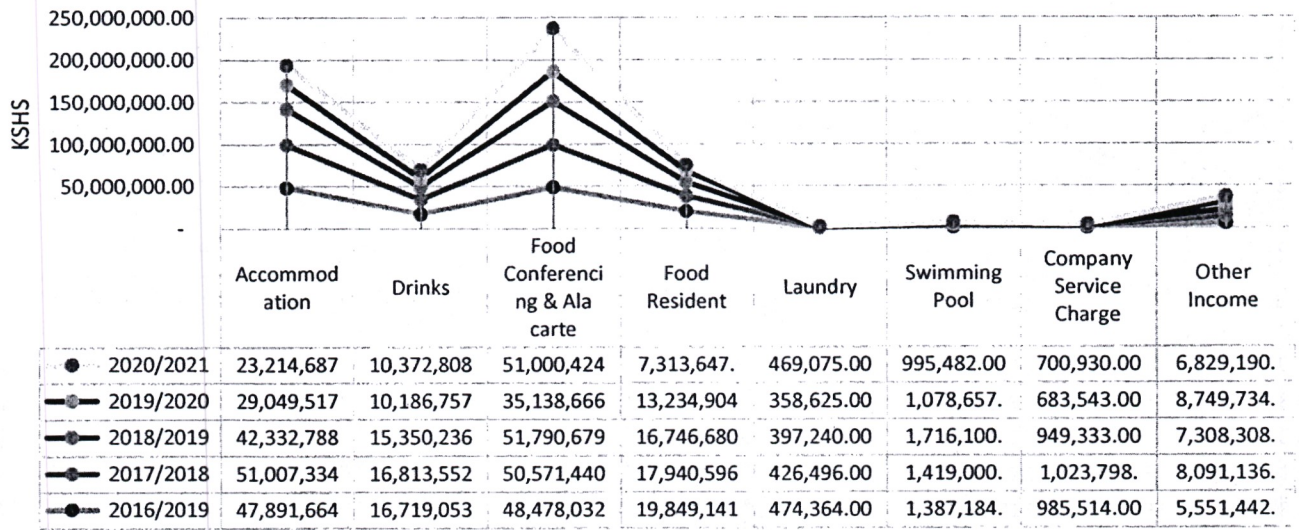
The following is an analysis of total Revenue generated in the last five years net of taxes clustered according to the respective revenue generating centres. Other Income Comprises of Hall Hire, Ground Hire, Equipment Hire, Shop Rent, Parking Fees, Stationery Charges, Photo sessions, Video Coverage and other Misc. Income.

REVENUE	2016/2019	2017/2018	2018/2019	2019/2020	2020/2021	TOTAL	% CONTR. MARGIN
Accommodation	47,891,664.96	51,007,334.00	42,332,788.00	29,049,517.00	23,214,687.00	193,495,990.96	31%
Drinks	16,719,053.42	16,813,552.00	15,350,236.00	10,186,757.00	10,372,808.00	69,442,406.42	11%
Food Conferencing & Ala carte	48,478,032.00	50,571,440.00	51,790,679.00	35,138,666.00	51,000,424.00	236,979,241.00	38%
Food Resident	19,849,141.00	17,940,596.00	16,746,680.00	13,234,904.00	7,313,647.00	75,084,968.00	12%
Laundry	474,364.00	426,496.00	397,240.00	358,625.00	469,075.00	2,125,800.00	0%
Swimming Pool	1,387,184.00	1,419,000.00	1,716,100.00	1,078,657.00	995,482.00	6,596,423.00	1%
Company Service Charge	985,514.00	1,023,798.00	949,333.00	683,543.00	700,930.00	4,343,118.00	1%
Other Income	5,551,442.00	8,091,136.17	7,308,308.00	8,749,734.96	6,829,190.00	36,529,811.13	6%
TOTAL SALES	141,336,395.38	147,293,352.17	136,591,364.00	98,480,403.96	100,896,243.00	624,597,758.51	100%

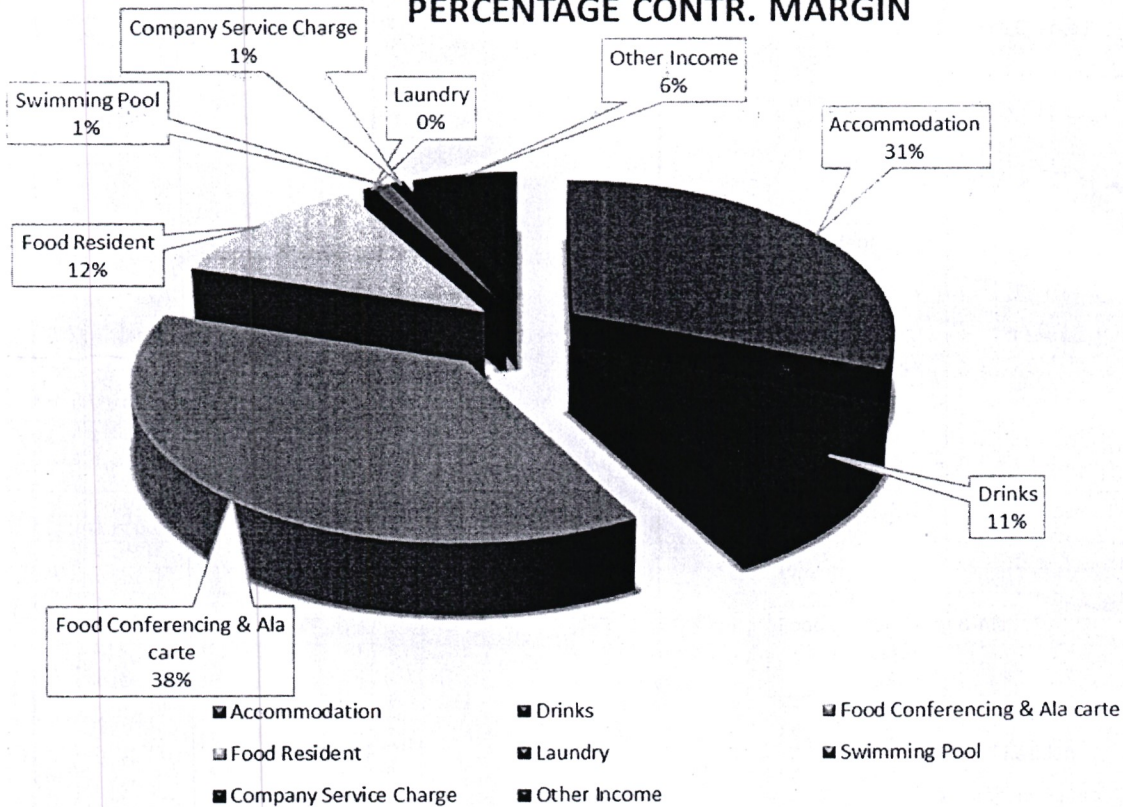
The year 2017/2018 was the highest performing in the period under review with a total revenue generation of Kshs.147,293,352 and 2019/2020 being the lowest with net generated income of Kshs. 98,480,403.96. Food Revenue from Conferencing and Ala carte Sales Account for 38% of the total generated revenue of the institution followed by Accommodation at 31% of total generated income. Below is graphical presentation of the revenue performance for the 5yr period.

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REVENUE PERFORMANCE 2016/2017 TO 2020/2021



PERCENTAGE CONTR. MARGIN



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COST OF SALES

The Hotels Cost of sales expenditure items consists of Food, Drinks, Accommodation, Conferencing and Tobacco. Accommodation and conference cost of sales was introduced in the year 2017/2018 for the purpose of Direct cost comparison against generated revenue.

COST OF SALES	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	TOTAL
DRINKS	7,702,522.00	6,824,578.45	5,872,512.04	4,274,569.71	3,366,740.83	28,040,923.03
FOOD	24,059,107.00	21,581,324.24	20,444,413.85	14,175,814.98	13,047,113.02	93,307,773.09
TOBACCO	77,946.00	63,816.25	49,716.84	14,047.49	-	205,526.58
ACCOMODATION	-	1,822,872.69	1,023,879.48	394,692.29	591,296.87	3,832,741.33
CONFERENCE	-	1,443,498.92	1,246,264.00	1,042,739.07	1,872,651.94	5,605,153.93
TOTAL COS	31,839,575.00	31,736,090.55	28,636,786.21	19,901,863.54	18,877,802.66	130,992,117.96
GROSS PROFIT	109,496,820.38	115,557,261.62	107,954,577.79	78,578,540.42	82,018,440.34	493,605,640.55
GROSS COST % OVERALL	23%	22%	21%	20%	19%	21%
GROSS PROFIT % OVERALL	77%	78%	79%	80%	81%	79%

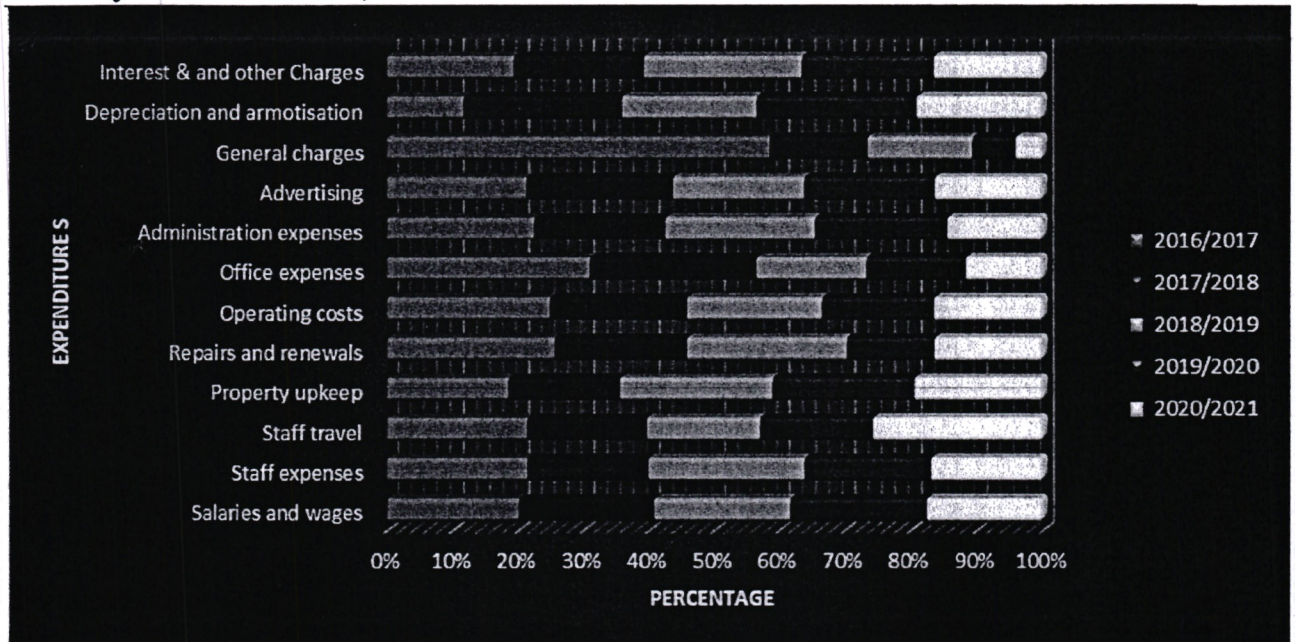
The highest performing period in Overall gross profit percentage was the year 2020/2021 at 81% gross profit and the period 2016/2017 being the lowest realized Overall gross profit at 77%.

OPERATING EXPENDITURE

The following is an analysis of the Total Operating expenditure for the Hotel during the period between 2016/2017 and 2020/2021. The highest expenditure having been registered in the period 2018/2019 of Kshs. 91,103,664 and the lowest being registered in the period 2020/2021 of Kshs. 76,749,171. Below is a tabular and graphical analysis of expenditure for the periods under review.

OPERATING EXPENDITURE	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	TOTAL
Salaries and wages	28,757,027.24	30,010,704.15	29,948,856.53	29,911,911.00	25,285,335.00	143,913,833.92
Staff expenses	17,573,653.24	15,275,286.00	19,666,882.00	15,860,025.00	13,909,613.00	82,285,459.24
Staff travel	3,490,244.00	3,004,666.00	2,832,855.00	2,853,420.00	4,201,275.00	16,382,460.00
Property upkeep	1,685,920.53	1,571,504.00	2,118,973.00	1,989,083.00	1,765,925.00	9,131,405.53
Repairs and renewals	3,030,041.67	2,412,902.00	2,895,556.00	1,595,715.00	1,937,439.00	11,871,653.67
Operating costs	15,372,713.00	13,038,513.00	12,795,442.00	10,604,738.00	10,146,735.00	61,958,141.00
Office expenses	2,318,589.42	1,924,073.00	1,250,784.00	1,140,662.00	863,546.00	7,497,654.42
Administration expenses	2,687,984.73	2,410,192.00	2,743,727.00	2,418,292.00	1,716,971.00	11,977,166.73
Advertising	3,156,695.38	3,356,396.00	3,000,851.00	2,967,809.00	2,422,539.00	14,904,290.38
General charges	209,188.00	53,832.00	56,347.00	23,581.00	14,385.00	357,333.00
Depreciation and armotisation	7,152,172.27	15,036,984.00	12,691,075.00	15,119,222.00	11,716,243.00	61,715,696.27
Interest & and other Charges	3,264,078.00	3,391,928.00	4,102,295.99	3,411,482.00	2,769,165.00	16,938,948.99
TOTAL OPERATING EXPENDITURE	88,698,307.48	91,486,980.15	94,103,644.52	87,895,940.00	76,749,171.00	421,995,094.16
NET PROFIT	20,798,512.90	24,070,281.47	13,850,933.27	(9,317,399.58)	5,269,269.34	71,610,546.39
NET PROFIT % OVERALL	15%	16%	10%	-9%	5%	11%

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FIXED ASSET

The Hotel had a Non-current Asset base of Kshs. 592,429,371 as at 30 June 2021. Valuation of Building Land and Motor vehicle was carried out in the financial year 2017/2018. The following is five-year analysis of the Net book Value of Non-Current Assets of the Organization.

ASSET NET BOOK VALUE	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
BUILDING	60,446,920.00	174,111,185.00	175,506,519.00	175,831,925.00	175,831,925.00
COMPUTERS & ACCESSORIES	745,681.00	679,580.00	793,893.00	6,251,805.00	4,937,299.00
FURNITURE & EQUIPMENTS	13,046,971.00	14,688,573.00	14,672,925.00	12,756,439.00	9,798,257.00
LAND	6,684,987.00	408,218,284.00	401,436,569.00	394,654,849.00	387,873,129.00
MOTOR VEHICLE	4,796,222.00	6,033,082.00	4,110,028.00	2,186,974.00	-
PLANT AND MACHINERY	7,768,606.00	9,311,708.00	8,093,289.00	7,218,283.00	5,469,329.00
WORK IN PROGRESS	8,692,955.00	4,284,102.00	5,220,552.00	5,266,152.00	8,519,428.00
TOTAL FIXED ASSET	102,182,342.00	617,326,514.00	609,833,775.00	604,166,427.00	592,429,367.00

The Hotel carried in its books as at 30 June 2021 Work in progress amounting to Kshs. 8,519,428 comprising of;

1. Executive Rooms -Kshs. 5,266,152.59 -This was originally to be completed as laundry block in 2016 and later converted to Executive rooms in 2017. Structural Drawings for completion were made available in 2019 and the hotel wishes to complete this rooms with the intended refurbishment of the 62 old rooms through an external loan facility from KDC formerly TFC.
2. Restaurant Furniture & Kitchen Eqp - Kshs. 761,206.78 -Procurement process of the equipment's was still ongoing thus accrued as at the end of 30 June 2021. The assets were internally financed as per the budget of 2020/2021.

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3. Hotel Door Locks & System - Kshs. 2,492,068.97 -Procurement process of the Locks was still ongoing thus accrued as at the end of 30 June 2021. The assets were internally financed as per the budget of 2020/2021.

DIVIDEND

The Hotel has 250,000 Ordinary shares Valued at Kshs. 20 per share 80% shareholding by KDC and 20% shareholding by County Government of Kakamega.

The following is an analysis of the dividends declared and fully paid for the periods between 2016/2017 and 2020/2021. The Hotel did not declare dividend in 2019/2020 as a result of the reported losses after the adverse effects of Covid-19 Pandemic on the Revenue generation position of the Hotel.

DIVIDED	DIVIDEND PAID
2016/2017	2,500,000.00
2017/2018	2,500,000.00
2018/2019	2,500,000.00
2019/2020	-
2020/2021	-

Mugadia Leena
Hotel Accountant

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.

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For the year ended 30 June, 2021

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. During the year the hotel made in kind charitable donations the Local universities and supported the discipline forces with amounting to Kshs4,385.96 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, 2021 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, 2021 are set out on pages 1-43

Dividends

Due to the adverse effects Covid-19 has had on the net performance of the Hotel and the recovery strategies being made to cushion the effects of the pandemic. The Board wishes to recommend no payment of Dividends for the year ended 30 June 2021.

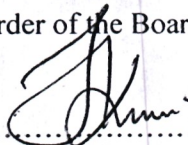
Directors

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

Date: 6/1/2022

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.

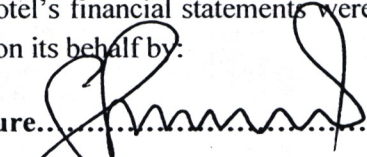
The Directors are responsible for the preparation and presentation of the Hotel's financial statements, which give a true and fair view of the state of affairs of the Hotel for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial 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, 2021, 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 31 2022 and signed on its behalf by:

Signature.....

Signature.....

Name.....CHRISTOPHER G. HUKU

Name.....GUNATO ABUDO

Chairperson of the Board

Accounting officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GOLF HOTEL LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Golf Hotel Limited set out on pages 1 to 43, which comprise the statement of financial position as at 30 June, 2021, 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, 2021, 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

Several balances reflected in the financial statements were not supported with sufficient appropriate evidence, as discussed in the following paragraphs:

1. Sales Income

The statement of comprehensive income reflects sales income totalling Kshs.100,896,249 which, as shown in Note 10 to the financial statements, was generated from hotel sales. The revenue collection was managed through an Enterprise Resource Planning (ERP) system.

However, the efficiency of the system could not be confirmed as it was found not to be able to manage and reconcile purchases, stores, sales, accommodation and accounting services. As a result, the actual revenue due to the Hotel from various revenue streams could not be confirmed.

In the circumstances, the accuracy of the revenue totalling Kshs.100,896,249 reflected in the financial statements could not be confirmed.

2. Administration Costs

The statement of comprehensive income reflects administration costs totalling Kshs.61,493,276 which, as shown in Note 12(a) to the financial statements, include Kshs.41,493,835 relating to staff costs. Included in the staff costs are expenses totalling Kshs.36,365,288 which, as further shown in Note 12(b) to the financial statements, denote salaries and allowances of permanent employees. However, the expenses differ with the sum of Kshs.41,224,908 reflected in schedules provided in support of the balance. The difference of Kshs.4,859,620 between the two sets of records was not explained.

In view of the discrepancy, the accuracy and completeness of the staff costs totalling Kshs.41,493,835 included the administration costs totalling Kshs.61,493,276 reflected in the financial statements could not be confirmed.

3. Trade Payables

The statement of financial position reflects a trade and other payables balance totalling Kshs.18,494,177 which, as shown in Note 28 to the financial statements, includes

Kshs.6,370,038 relating to trade payables, being levies charged for services such as directors' fees, management fees and secretarial services incurred in the period between 2005/2006 and 2011/2012. As similarly reported in the previous year, no explanation was provided for the failure to clear the long outstanding balances. Further, the balance was not supported by any documents or analyses.

In the circumstances, the accuracy and propriety of the trade payables balance totalling Kshs.6,370,083 could not be confirmed.

4. Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance totalling Kshs.43,637,958, as shown in Note 22(a) to the financial statements. The balance includes receivables totalling Kshs6,264,013 due from four (4) hotels, out of which, receivables totalling Kshs.5,848,213 arose between 2017 to 2020.

No explanation was provided for the failure to recover the long outstanding balances. In addition, there was no provision for bad and doubtful debts set aside in relation to the old debts.

In the circumstances, the extent of recoverability of the trade and other receivables balance totalling Kshs.43,637,958 reflected in the statement of financial position could not be confirmed.

5. Borrowings

The statement of financial position reflects borrowings totalling Kshs.15,311,181 which, as shown in Note 27 to the financial statements, are comprised of two loans totalling Kshs.13,249,219 and Kshs.2,061,962 which were advanced to the Hotel the by Tourism Finance Corporation.

However, information obtained during the audit confirmed that the Hotel was not repaying the loan totalling Kshs.13,249,219. Management said there were no records indicating how and when the loan was obtained, interest payable thereon, and the repayment period, among other conditions.

In the absence of relevant records, the actual value of the loan, including outstanding interest, as at 30 June, 2021 could not be confirmed. As a result, the accuracy of the loan balance totalling Kshs.15,311,181 reflected in financial statements as at 30 June, 2021, could not be confirmed.

6. Cash and Bank Balances

The statement of financial position reflects a bank and cash balance totalling Kshs.27,376,934 which, as shown in Note 23 to the financial statements, is comprised of a cash at hand balance of Kshs.22,390, and Kshs.23,809,660 and Kshs.3,544,884 relating to a local currency bank account and a USD currency account, respectively, both in a local bank.

However, the bank reconciliation statement for the local currency account for the month of June, 2021, reflected payments in cash book not in bank statements and uncredited lodgments totalling Kshs.329,137 and Kshs.138,413 respectively. No explanation was provided for the failure to clear these items. Further, the bank reconciliation statement

reflected a cash balance of Kshs.24,063,383 which, however, differed from the cash book balance of Kshs.23,525,071. The variance totalling Kshs.538,312 was not explained.

Further, the balance totalling Kshs.3,544,884 held in the Hotel's USD account was not supported by a bank reconciliation statement and a cash book.

In the circumstances, the accuracy and completeness of the bank and cash balance totalling Kshs.27,376,934 could not be confirmed.

7. Property, Plant and Equipment

The statement of financial position reflects a property, plant and equipment balance of Kshs.588,759,508 while Note 19(a) to the financial statements reflects a balance of Kshs.592,429,372 in respect to the account as at 30 June, 2021, resulting in a variance of Kshs.3,669,864 between the two sets of records.

No explanation or reconciliation was provided for the variance and as a result, the accuracy of the property, plant and equipment balance totalling Kshs.588,759,508 reflected in the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Golf Hotel Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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 audit procedures performed, except for the matter described in the Basis for 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 resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Unapproved Salary Structure

During the year under review, the Hotel implemented a new salary structure which, however, had not been approved by the Salaries and Remuneration Commission. The structure was implemented contrary to the provisions of Article 230(4)(b) of the

Constitution of Kenya, which gives the Salaries and Remuneration Commission the mandate to advise the National Government on the remuneration and benefits of other public officers who are not state officers.

In the circumstance, Management was in breach of the law

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 audit 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 2315 and ISSAI 2330. 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 overall 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.

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, risk management and governance.

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 going concern basis of accounting unless Management is aware of the intention to liquidate the Hotel or to cease operations.

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 resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Hotel's 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 audit is planned and performed to express a conclusion about 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 and that public resources are applied in an effective way, 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.

Further, in planning and performing the audit of the financial statements and audit 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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 September, 2022

Golf Hotel Limited
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For the year ended 30 June, 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021

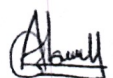
	Note	2021 Kshs	2020 Kshs
REVENUES			
Sales Income	10	100,896,249	98,480,408
TOTAL REVENUES		<u>100,896,249</u>	<u>98,480,408</u>
COST OF SALES			
	11	18,877,803	19,901,864
GROSS PROFIT		<u>82,018,446</u>	<u>78,578,544</u>
OPERATING EXPENSES			
Administration Costs	12(a)	61,493,276	71,168,986
Selling and Distribution Costs	13	1,051,255	1,499,284
Depreciation of property, plant and equipment	19(a)	13,841,185	14,766,478
TOTAL OPERATING EXPENSES		<u>76,385,717</u>	<u>87,434,748</u>
OPERATING PROFIT	14	5,632,729	(8,856,204)
Finance Costs	15	(279,741)	(461,202)
PROFIT/LOSS BEFORE TAXATION		5,352,988	(9,317,406)
INCOME TAX EXPENSE (CREDIT)	16(a)	3,136,722	1,190,918
PROFIT/LOSS AFTER TAXATION		<u>2,216,266</u>	<u>(8,126,488)</u>
Earnings per share – basic and diluted	17	8.87	(32.51)
Dividend per share	18	-	-

Golf Hotel Limited
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For the year ended 30 June, 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2021 Kshs	2020 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	19(a)	588,759,508	599,548,885
Intangible Assets	19(a)	3,669,864	4,617,546
Deferred Tax Asset	20(a)	543,183	-
Total Non-Current Assets		592,972,555	604,166,431
Current Assets			
Inventories	21	955,968	720,724
Trade and other receivables	22	43,637,958	26,114,602
Bank and cash balances	23	27,376,934	27,544,034
Taxation Claim	16(b)	640,503	3,524,544
Total Current Assets		72,611,363	57,903,904
NET ASSETS		665,583,918	662,070,335
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	24	5,000,000	5,000,000
Revaluation reserve	25	488,940,328	497,890,147
Retained earnings	26	135,782,911	126,504,755
Capital and Reserves		629,723,238	629,394,902
Non-Current Liabilities			
Borrowings	27	15,311,181	16,960,797
Deferred Tax Liability	20(a)	-	1,581,758
Total Non-Current Liabilities		15,311,181	18,542,555
Current Liabilities			
Trade and other payables	28	18,494,177	12,956,317
Leave Provisions	29	2,055,321	1,176,561
Total Current Liabilities		20,549,498	14,132,878
TOTAL EQUITY AND LIABILITIES		665,583,918	662,070,335

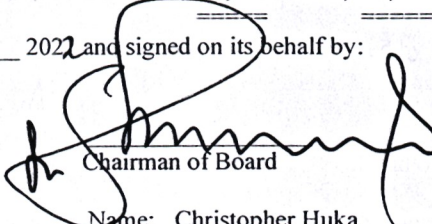
The financial statements were approved by the Board on 6/11 2022 and signed on its behalf by:


 General Manger

Name: Gumato Abudo


 Head of Finance

Name: Leena Mugadia
 ICPAK M/NO: 14454


 Chairman of Board

Name: Christopher Huka

Golf Hotel Limited
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STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2021

	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, 2019	5,000,000	506,839,968	-	128,181,421	-	640,021,388
Transfer of excess depreciation Note 25		(8,949,820)		8,949,820		-
Total comprehensive income	-	-	-	(9,317,405)	-	(9,317,405)
Tax Claim on Period Loss Note 16(b)				1,190,918		1,190,918
Final dividends paid – 2019 Note 30	-	-	-	(2,500,000)	-	(2,500,000)
At June 30, 2020	5,000,000	497,890,148	-	126,504,756	-	629,394,902
At July 1, 2020	5,000,000	497,890,148	-	126,504,756	-	629,394,903
Transfer of excess depreciation Note 25		(8,949,820)		8,949,820		-
Total comprehensive income	-	-	-	5,352,988	-	5,352,988
Tax Claim on Period Loss Note 16(b)				(3,136,722)		(3,136,722)
Prior Year Excess Depreciation M/v Adj.	-	-	-	(1,887,931)	-	(1,887,931)
At June 30, 2021	5,000,000	488,940,328	-	135,782,911	-	629,723,238

Golf Hotel Limited
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STATEMENT OF CASH FLOWS AS AT 30 JUNE 2021

	Note	2021 Kshs	2020 Kshs
OPERATING ACTIVITIES			
Cash generated from / (used in) operations	32	5,727,255	8,427,479
Taxation	16(c)	(252,681)	1,190,918
Net cash generated from/(used in) operating activities		5,474,574	9,618,397
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	19(a)	(3,992,055)	(9,099,131)
Net cash generated from/(used in) investing activities		(3,992,055)	(9,099,131)
FINANCING ACTIVITIES			
Repayment of borrowings	27	(1,649,616)	(1,237,212)
Dividends Paid	30	-	(2,500,000)
Net cash generated from / (used in) financing activities		(1,649,616)	(3,737,212)
INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS		(167,098)	(3,217,946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23	27,544,034	30,761,982
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23	27,376,934	27,544,034

Golf Hotel Limited
Reports and Financial Statements
For the year ended 30 June, 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

	Original budget		Adjustments		Final budget		Actual		Performance difference		Percentage Change	
	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs
Revenue												
Sales	177,593,935		-		177,593,935		100,896,249		(76,697,686)		-43%	(a) Decline in sales due to adverse effect of Covid19
Other income	-		-		-		-		-		-	
Total revenues	177,593,935		-		177,593,935		100,896,249		(76,697,686)		-43%	(a)
Cost of sales	(38,970,239)		-		(38,970,239)		(18,877,803)		20,092,436		52%	(b) Cost reduction to strategies in line with reduces sale
Gross profit	138,623,696		-		138,623,696		82,018,446		(56,605,250)		-41%	(a)
Expenses												
Administration costs	(93,577,662)		-		(93,577,662)		(61,493,276)		32,084,386		34%	(b)
Selling and distribution costs	(2,555,351)		-		(2,555,351)		(1,051,255)		1,504,096		59%	(b)
Depreciation of PPE	(12,779,200)		-		(12,779,200)		(13,841,182)		(1,061,982)		-8%	
Total Operating Expenses	(108,912,213)		-		(108,912,213)		(76,385,717)		32,526,496		30%	(b)
Operating profit/(loss)	29,711,483		-		29,711,483		(5,632,729)		(24,078,754)		-81%	(a)
Finance Costs	(1,462,113)		-		(1,462,113)		(279,741)		1,182,372		81%	(c) anticipated external loan financing not dispatched
Profit/(Loss) before taxation	28,249,370		-		28,249,370		5,352,988		(22,896,382)		-81%	(a)
Income tax (credit)	(8,474,811)		-		(8,474,811)		(3,136,722)		5,338,088		-63%	(a)
Profit/Loss after taxation	19,774,559		-		19,774,559		2,216,266		(17,558,293)		-89%	(a)

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.

1. Application of New and Revised International Financial Reporting Standards (IFRS)

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

IAS 39- Financial Instruments: Recognition and Measurement

IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

IFRS 4- Insurance Contracts (Superseded)

IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

IFRS 7- Financial Instrument Disclosures

IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

IFRS 16- Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Application of New and Revised International Financial Reporting Standards (IFRS) (Continued)

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

IAS 1 — Presentation of Financial Statements

IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

IAS 12 — Income Taxes

IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

Effective Date

Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

Application of New and Revised International Financial Reporting Standards (IFRS) (Continued)

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

IAS 16 — Property, Plant and Equipment

IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 37 — Provisions, Contingent Liabilities and Contingent Assets

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 41 — Agriculture

IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021(Continued)

ii)

IFRS 1 — First-time Adoption of International Financial Reporting Standards

IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 3 — Business Combinations

IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

IFRS 17 — Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Effective Date

The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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.

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Golf Hotel Limited
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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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. 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%
Computer Software	20%
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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continues)

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 2020-2021 was approved by the National Assembly in September 2020. Accordingly, the hotels recorded no additional appropriations on the 2020-2021 budget.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. 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, 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Kshs	2020 Kshs
10		
(a) SALES INCOME		
Gross sales of goods	125,248,437	122,964,611
Less: Service Charge on gross sales	(7,014,965)	(6,879,799)
Less: Catering Levy on gross sales	(2,002,658)	(1,983,741)
Less: Value added tax on gross sales	(15,334,565)	(15,620,663)
Net Sales	<u>100,896,249</u>	<u>98,480,408</u>

Sales are reported net of 16% VAT from January 2021 to June 2021 and 14% VAT from July 2020 and December 2020, 7% Service charge & 2% Catering levy. The gross sales above therefore include all the relevant taxes/charges.

11.
COST OF SALES

Food :	13,047,113	13,457,276
Beverage	3,366,741	4,993,129
Tobacco	-	14,028
Accommodation	591,297	394,692
Conferencing	1,872,652	1,042,739
	<u>18,877,803</u>	<u>19,901,864</u>

12 (a) ADMINISTRATION COSTS

Staff costs (note 12b)	41,493,835	47,123,963
Directors' emoluments	1,998,622	2,269,888
Electricity and water	5,119,671	5,008,511
Communication services and supplies (Tel. & postage)	225,716	220,427
Transportation, travelling and subsistence (Travel expenses, Staff transport & Leave travel)	2,821,953	2,853,420
Printing, stationery and photocopying	623,370	861,909
Staff training expenses	643,680	116,500
Insurance costs	545,558	841,417
Bank charges and commissions (Bank charges & Commission on Visa cards)	529,997	841,270
Office and general supplies (Office Miscellaneous)	14,460	58,327

Golf Hotel Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Kshs	20120 Kshs
12 (a) ADMINISTRATION COSTS		
Auditors' remuneration	150,000	150,000
Consultancy fees	51,684	21,800
Legal Fees	5,000	22,457
Repairs and maintenance (<i>Garden & grounds, Building maintenance & Repairs & renewals</i>)	3,157,808	2,539,298
Provision for bad and doubtful debts	-	213,150
Other operating expenses (<i>Fuel & gas, Cleaning, Toilet requisites, Vehicle operating, Licenses, Laundry, KRB, Guest supplies, Rent & rates, Delivery, Donations, Flowers & deco & Security</i>)	4,111,921	8,026,649
	<u>61,493,276</u>	<u>71,168,986</u>

(b) STAFF COSTS

Salaries and allowances of permanent employees (<i>Salaries, Housing, Medical & Entertainment Transport</i>)	36,365,288	41,260,232
Wages of temporary employees (<i>Casual wages</i>)	1,132,259	2,352,553
Compulsory national health-insurance schemes	835,550	1,029,850
Employer's contributions to NSSF	807,808	1,040,985
Employer's contributions to pension scheme	931,262	1,040,314
Leave Pay	1,018,097	451,188
Gratuity Provision	-	-
Fringe Benefit tax	-	-
Staff welfare	403,572	325,567
	<u>41,493,835</u>	<u>47,123,963</u>

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

Permanent employees – Management	15	13
Permanent employees – Union	34	35
Temporary and contract employees	15	8
	<u>64</u>	<u>56</u>

Female employees – 26 (41%)

Male Employees – 38 (59%)

13 SELLING AND DISTRIBUTION COSTS

Marketing and promotional (<i>Marketing & Advertising</i>)	1,051,255	1,499,284
Sales commissions (<i>Agents commission</i>)	-	-
	<u>1,051,255</u>	<u>1,499,284</u>

14 OPERATING PROFIT/(LOSS)

The operating profit is arrived at after charging;		
Staff costs (note 12b)	41,493,835	47,354,813
Depreciation of property, plant and equipment	13,841,182	14,766,478
Provision for bad and doubtful debts	-	213,150
Directors' emoluments	1,998,622	2,269,888
Auditors' remuneration - current year fees	150,000	150,000
Other Operating Expenses (note 12a)	18,902,078	22,534,541
Against the Gross Profit for the period under review		

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021	2020
Total Operating Cost	76,385,717	87,434,748
Gross Profit	82,018,446	78,578,544
Operating Profit/loss	<u>5,632,729</u>	<u>(8,856,204)</u>
15 FINANCE COSTS (INTEREST ON LOAN)		
Interest expense on loans	279,741	461,202
	<u>279,741</u>	<u>461,202</u>
<p>The loan repaid during the year was obtained from KDC (formerly TFC) to clear previous years' tax arrears owed to KRA in 2011.</p>		
16 INCOME TAX EXPENSE/ (CREDIT)		
(a) Current taxation		
Current taxation based on the adjusted profit/loss 30% (25% 2020)	3,136,722	1,190,918
	<u>3,136,722</u>	<u>1,190,918</u>
(b) Reconciliation of tax expense/ (credit) to the Expected tax based on accounting profit		
Profit/Loss before taxation	5,352,988	(9,317,406)
Tax at the applicable tax rate of 30% (2020: 25%)	1,605,896	(2,329,352)
Tax effects of expenses not deductible for tax purposes		
<i>(Donations 4,386*30%)</i>	1,316	811
<i>(Leave Provision 1,018,097*30%)</i>	305,429	112,797
<i>(Fines and Penalties)</i>	-	5,614
<i>(Excess Depreciation 4,080,266*30%)</i>	<u>1,224,079</u>	<u>1,019,212</u>
Tax Charge	3,136,722	(1,190,918)
(c) Less		
Instalment tax paid	(252,681)	
Tax Claim Bfwd. 2020	<u>(3,524,544)</u>	
Tax Claim at the end of the year	(640,503)	

17 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit/loss after tax of Kshs. 2,216,266 (2020: Kshs. (8,126,488)) by the average number of ordinary shares of 250,000 (2020: 250,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

Net profit/loss After Tax (A)	2,216,266	(8,126,488)
Ordinary Shares (B)	250,000	250,000
Earnings Per share (A)/ (B)	8.87	(26.15)

18 DIVIDEND PER SHARE

No dividend was declared for the year 2020/2021.

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

2021	Freehold land Kshs	Buildings & civil works Kshs	Plant and machinery Kshs	Motor vehicles, including motor cycles Kshs	Computers & related equipment Kshs	Office equipment, furniture & fittings Kshs	Capital work in progress Kshs	Total Kshs
COST OR VALUATION								
At July 1, 2020	415,000,000	175,831,926	20,015,586	7,692,217	12,577,734	41,478,650	5,266,153	677,862,269
Additions	-	-	64,483	-	364,996	309,301	3,253,275	3,992,055
At June 30, 2021	415,000,000	175,831,926	20,080,069	7,692,217	12,942,730	41,787,951	8,519,428	681,854,321
DEPRECIATION								
At July 1, 2020	20,345,150	-	12,954,980	5,505,242	6,325,929	28,564,532	-	73,695,833
Charge for the year	6,781,720	-	1,813,437	299,043	1,679,502	3,267,483	-	13,841,182
Prior Year Adj. Bal Asset Allocation				1,887,932				1,887,932
At June 30, 2021	27,126,870	-	14,768,417	7,692,217	8,005,431	31,832,014	-	89,424,949
NET BOOK VALUE At June 30, 2021	387,873,130	175,831,926	5,311,652	-	4,937,299	9,955,937	8,519,428	592,429,372

Work in progress relates to Executive Rooms project not yet completed as at 30 June 2021 and Kitchen Equipment's pending Delivery as at the close of the financial year.

	Fully Depreciated 2021 Cost or Valuation	Normal annual depreciation charge	Work in Progress Closing Balances 2020/2021
Building	-	-	5,260,153
Plant and machinery	4,535,351	566,919	3,259,275
Motor vehicles, including motor cycles	5,804,286	1,451,072	-
Computers and related equipment	5,682,997	1,704,899	-
Office equipment, furniture and fittings	16,254,649	2,031,831	-
Land	32,277,283	5,754,721	8,519,428

Deferred Tax Kshs. 543,183. This is the Temporal Tax Difference between the carrying asset amount of the Hotel in the statement of financial position and its tax base. The year 2020/2021 Tax Asset Arising from temporal difference is Kshs. 543,183 as presented on Note 20(a)

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19(b) PROPERTY, PLANT AND EQUIPMENT (Continued)

2020	Freehold land Kshs	Buildings & civil works Kshs	Plant and machinery Kshs	Motor vehicles, including, motor cycles Kshs	Computers & related equipment Kshs	Office equipment, furniture & fittings Kshs	Capital work in progress Kshs	Total Kshs
COST OR VALUATION								
At July 1, 2019	415,000,000	175,506,523	18,987,960	7,692,217	6,294,861	40,061,023	5,220,553	668,763,137
Prior Year Adj. Bal Asset Allocation			-7,500			7,500		-
Additions	-	325,406	1,035,126	-	6,282,873	1,410,127	45,600	9,099,132
At June 30, 2020	415,000,000	175,831,929	20,015,586	7,692,217	12,577,734	41,478,650	5,266,153	677,862,269
DEPRECIATION								
At July 1, 2019	13,563,430	-	10,887,171	3,582,188	5,500,972	25,395,598	-	58,929,359
Charge for the year	6,781,715	-	1,910,132	1,923,054	824,962	3,326,611	-	14,766,474
Prior Year Adj. Bal Asset Allocation			157,677			-157,677		-
At June 30, 2020	20,345,145	-	12,954,980	5,505,242	6,325,934	28,564,532	-	73,695,833
NET BOOK VALUE At June 30, 2020	394,654,855	175,831,929	7,060,606	2,186,975	6,251,800	12,914,118	5,266,153	604,166,431

Work in progress relates to Executive Rooms project not yet completed as at 30 June 2020.

	Fully Depreciated 2020	Normal annual depreciation charge	Work in Progress Closing Balances
Building			
Plant and machinery	4,311,874	538,984	-
Motor vehicles, including motor cycles	-	-	-
Computers and related equipment	5,397,903	1,619,371	-
Office equipment, furniture and fittings	14,102,811	1,762,851	-
Land			
	<u>17,251,406</u>	<u>3,921,206</u>	<u>5,260,153</u>

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20(a) DEFERRED TAX COMPUTATION

Included in the non-current assets of the hotel is Deferred tax Asset of Kshs. 543,183. Deferred tax having been calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax Asset at year end is attributable to the following items;

Deferred Tax FY 2020/2021	Asset base As per Asset Register	Permanent Difference	Qualifying NBV	Tax Base As per WTA	Temporary Difference	Deferred Tax	
						Asset FY 2020/2021	liability FY 2019/2020
Building	175,831,926	-	175,831,926	166,840,885	8,991,041	2,697,312	2,167,200
Computer Software	3,669,864	-	3,669,864	3,694,038	(24,173)	(7,252)	182,272
Plant and Machinery	15,267,724	-	15,267,724	20,658,123	(5,390,399)	(1,617,120)	(477,684)
Motor Vehicles	-	-	-	1,640,231	(1,640,231)	(492,069)	(301,659)
Computers	1,267,436	-	1,267,436	1,393,065	(125,629)	(37,689)	11,628
Total	196,036,950	-	196,036,950	194,226,342	1,810,608	543,183	1,581,758

(1,038,575)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. (b) Deferred Tax (Continued)

	2021 Kshs	2020 Kshs
Accelerated capital allowances	543,183	1,581,758
Net deferred tax liability	<u>543,183</u>	<u>1,581,758</u>

(c)

The movement on the deferred tax account is as follows:

Balance Brought forward	1,581,758	1,229,014
Credit for the year	<u>(1,038,575)</u>	<u>352,743</u>
Balance Carried forward	<u>543,183</u>	<u>1,581,758</u>

21. INVENTORIES

Food	215,586	186,540
Drinks & Tobacco	605,484	453,510
Conferencing	34,519	30,763
Accommodation	100,379	79,911
	<u>955,968</u>	<u>720,724</u>

22. (a) TRADE AND OTHER RECEIVABLES

Trade receivables (note 22 (b))	30,186,264	16,545,883
Deposits	310,000	310,000
Prepayments (<i>insurance & DSTV</i>)	3,283,680	-
VAT recoverable	3,401,371	3,289,841
Staff receivables (note 22 (c))	181,630	298,965
Mt. Elgon Receivable	2,212,643	1,701,543
Kabarnet Receivable	390,300	390,300
Sunset Receivable	3,517,570	3,517,570
Mt. Lodge Serena Receivable	143,500	-
PDQ Receivable (<i>KCB, Equity, Spire, Barclays</i>)	11,000	60,500
Gross trade and other receivables	<u>43,637,958</u>	<u>26,114,602</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Kshs	2020 Kshs
22(b) TRADE RECEIVABLES		
Gross trade receivables	34,108,372	20,164,346
Provision for doubtful receivables	(3,223,564)	(3,223,564)
Unknown Bank Deposits as at 30 th June 2021	(698,544)	(394,899)
	<u>30,186,264</u>	<u>16,545,883</u>

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

Less than 30 days	5,121,147	(203,610)
Between 30 and 60 days	2,927,656	(218,128)
Between 61 and 90 days	2,459,588	(776,985)
Between 91 and 120 days	2,448,390	(134,557)
Over 120 days	21,151,589	21,497,628
	<u>34,108,372</u>	<u>20,164,346</u>

22(c) STAFF RECEIVABLES

Gross staff loans and advances	181,630	298,965
Provision for impairment loss	(-)	(-)
	<u>181,630</u>	<u>298,965</u>
Less: Amounts due within one year	(181,630)	(298,965)
Amounts due after one year	<u>-</u>	<u>-</u>

22. (d) Bad Debt Provision

Balance at beginning of the Year 2020/2021	3,223,564	3,010,414
Current Year Provision	-	213,150
Balance as at end of the year	<u>3,223,564</u>	<u>3,223,564</u>

23. BANK AND CASH BALANCES

Cash in hand (<i>M-Pesa & Petty cash</i>)	22,390	88,781
Cash at bank KSHS (A/C) KCB 1101729023	23,809,660	24,136,613
Cash at bank KSHS A/C KCB 1101729597	-	-
Cash at bank USD A/C KCB 1222758385 (USD 32,899.16@ CBK Closing Rate 107.75)	3,544,884	3,318,640
	<u>27,376,934</u>	<u>27,544,034</u>

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, at 30 June 2021* and respective gain/loss recognised in the statements of comprehensive income. Unknown Bank Deposits represents monies received in the Hotels Approved Bank account but Deposit details were not available as at the close of the financial year for allocation.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Kshs	2020 Kshs
24. 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
	=====	=====

25. 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 as depicted below. Revaluation surpluses are not distributable.

Date	Num	Memo	Debit	Balance
Revaluation Surplus				497,890,147.56
06/30/2021	2905	BEING TRANSFER OF EXCESS DEPRECAION OF REVALUATION SURPLUS ON BUILDING FOR THE YEAR 2020/2021	2,077,688.88	495,812,458.68
06/30/2021	2905	BEING TRANSFER OF EXCESS DEPRECAION OF REVALUATION SURPLUS ON LAND FOR THE YEAR 2020/2021	6,672,131.16	489,140,327.52
06/30/2021	2905	BEING TRANSFER OF EXCESS DEPRECAION OF REVALUATION SURPLUS ONMVEHICLE FOR THE YEAR 2020/2021	200,000.00	488,940,327.52
Total Revaluation Surplus			8,949,820.04	488,940,327.52
TOTAL			8,949,820.04	488,940,327.52

26. 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.

At start of year	5,000,000	497,890,147	126,504,755.88	629,394,903
Prior Year Excess Dep Adj.			(1,887,931.00)	(1,887,931)
Deferred Tax on Excess Depreciation		(8,949,820)	8,949,820.04	0
Taxation			(3,136,722.11)	(3,136,722)
P&L 2020/2021			5,352,987.62	5,352,988
At end of year	5,000,000	488,940,327	135,782,910.43	629,723,237

27. BORROWINGS

Balance at beginning of the year Loan I	13,249,219	13,249,219
Balance at beginning of the year Loan II	3,991,319	4,948,470
Repayments during the year (Loan II)	(1,929,357)	(1,237,212)
Balance at end of the year	15,311,181	16,960,797

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% (2019:9%) per annum to be repaid within 10 years. Principal repaid during the year amounts to Kshs. 1649616 and an interest of Kshs. 279,741.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020 Kshs	2019 Kshs
a) Domestic Borrowings		
Kenya Shilling loan from TFC	15,311,181	16,960,797
Total balance at end of year	<u>15,311,181</u>	<u>16,960,797</u>
28. TRADE AND OTHER PAYABLES		
Trade payables	6,370,038	4,199,737
Accrued expenses (<i>Audit fee, Rates, Central charges</i>)	484,144	334,144
Other payables (<i>Payroll liabilities,</i>)	11,639,995	8,422,436
	<u>18,494,177</u>	<u>12,956,317</u>

29. LEAVE PROVISIONS

Balance at beginning of the year	1,176,561	2,494,519
Increase in provision for the year	1,018,097	540,919
Payment during the year	(139,337)	(1,858,877)
Balance at end of the year	<u>2,055,321</u>	<u>1,176,561</u>

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.

30. (a) DIVIDENDS PAID

There was no declaration of dividends for the year ending 30 June 2020.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2021 Kshs	2020 Kshs
Operating profit/ (loss)	5,352,987	(9,317,403)
Depreciation	13,841,186	14,766,478
Operating profit/ (loss) before working capital changes	19,194,174	5,449,074
(Increase)/decrease in inventories	(235,242)	547,401
(Increase)/decrease in trade and other receivables	(17,523,356)	8,719,300
Increase/ (decrease) in trade and other payables	5,537,860	(2,711,806)
Increase/ (decrease) in Corporate Tax Claim	(543,183)	(2,311,275)
Increase/ (decrease) in provision for staff leave pay	878,760	(1,617,959)
Increase/ (decrease) in provision for Deferred Tax	(1,581,758)	352,744
Cash generated from/ (used in) operations	<u>5,727,255</u>	<u>8,427,479</u>

During the Year 2019/2020 An amount of Kshs. 394,899 which represents unallocated debtor payment as at 30 June 2020 was reported as a net off from the bank balance Note 23. This treatment has however been amended in the financial statement of 2020/2021 and reported under Trade receivable Note 22(b) for the period under review pending allocation after correct debtor confirmation.

In the Financial statements of 2020/2021 to correct the error of misstatement the brought forward balance of Kshs. 394,899 has the following adjustments; on the cashflow it has been amended by restating back Kshs. 394,899 to the Cash and bank balance Bfwd Note 23, and netting off from Trade and other receivable Kshs. 394,899 under note 22(b) with the subsequent adjustments being made in the cashflow statement and the treatment being extended in the subsequent year 2021/2022.

(b) Analysis of changes in loans

Balance at beginning of the year	16,960,797	18,198,009
Repayments during the year	(1,649,616)	(1,237,212)
Balance at end of the year	<u>15,311,181</u>	<u>16,960,797</u>

(c) Analysis of interest paid

Interest on loans (note 16)	279,741	461,202
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year	(-)	(-)
Interest paid	<u>279,741</u>	<u>461,202</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. 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 2020 was as follows:

	2021	2020
	Kshs	Kshs
Due from directors	-	-
Due from other staff	181,630	298,965
	<u>181,630</u>	<u>298,965</u>
(c) Directors' expenses		
Sitting allowance (<i>Inclusive of PAYE & Lunch Allowance, Flight, Taxi & Night Out</i>)	1,998,622	2,269,888
	<u>1,998,622</u>	<u>2,269,888</u>

Directors remuneration during the year includes; Night Out Allowance at the rate of Kshs. 18,200 per night, Sitting Allowance at the Rate of 20,000 per sitting which is also subject to 30% PAYE.

(d) Borrowing from TFC

The following are the balance for the related party relationship between Golf Hotel and TFC as at 30 June 2021 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)

34. 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 2021 is as shown below:

30 June 2021	Neither past due nor impaired Kshs	Past due but not impaired Kshs	Impaired Kshs	Total Kshs
Trade receivables	12,956,782	21,151,589	(3,223,564)	30,884,808
Due from related parties	181,630	-	-	181,630
	<u>13,138,412</u>	<u>21,151,589</u>	<u>(3,223,564)</u>	<u>31,066,438</u>
30 June 2020	Neither past due nor impaired Kshs	Past due but not impaired Kshs	Impaired Kshs	Total Kshs
Trade receivables	(1,333,282)	21,497,628	(3,223,564)	20,164,346
Due from related parties	298,965	-	-	298,965
	<u>1,034,317</u>	<u>21,497,628</u>	<u>(3,223,564)</u>	<u>20,463,311</u>

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
At 30 June 2021:				
Trade payables	5,890,476	1,772	480,766	6,373,014
Parent company funding	-	-	15,311,181	15,311,181
	<u>5,890,476</u>	<u>1,772</u>	<u>15,791,947</u>	<u>21,684,195</u>
	Less than 1 month Kshs	Between 1- 3 months Kshs	Over 3 months Kshs	Total Kshs
At 30 June 2020:				
Trade payables	1,403,701	2,307,276	488,760	4,199,737
Parent company funding	-	-	16,960,797	16,960,797
	<u>1,403,701</u>	<u>2,307,276</u>	<u>17,449,557</u>	<u>21,160,534</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. CAPITAL MANAGEMENT

Internally imposed capital requirements:

The objective of the Hotel'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:

	2021	2020
	Kshs.	Kshs.
Revaluation Reserve	488,940,328	497,890,147
Retained Earnings	135,782,911	126,504,755
Capital Reserve	5,000,000	5,000,000
Total Equity	629,723,238	629,394,902
Total Borrowing	15,311,181	16,960,797
Less: Cash and Bank Balances	<u>(27,376,934)</u>	<u>(27,544,034)</u>
Net Debt/ (Excess Cash and Cash Equivalent)	(12,065,753)	(10,583,237)
Gearing	-0.02%	-0.02%

36. INCOPORATION

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

37. EVENTS AFTER THE REPORTING PERIOD

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

38. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW-UP OF AUDITORS RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

4.1	<p>Note-12 (a) on Administrative Costs reflects staff cost figure of ksh 45,354,813 as disclosed under note 13b. However, note 13b has not been reflected in the financial statements and that staff costs are under note 12b to the financial statements.</p> <p>ii) Note 13 on Statement of comprehensive income reflects selling and distribution costs figure of ksh 1,496,515 while the note reflects 1,499,284 leading to a variance of ksh 2769.</p> <p>iii) Note 12(a) on Statement of comprehensive income reflects Administrative costs figure of ksh 69,402,604 while the note reflects 69,399,837 leading to a variance of ksh 2767.</p> <p>iv) Note 22 (a) on Trade and other receivables indicates Trade Receivables figure of Kshs 16,940,782 and staff receivables figure of Kshs 1,701,543 as disclosed under note 24b and 24c respectively. However, note 24b and 24c have not been reflected in the financial statements and that these ought to have been disclosed under note 22b and 22c as shown in the financial statements.</p> <p>v) Note 20c refers to note 22a and note 21a instead of note 20a.</p>	<p>Management noted the recommendations in the presentation of accounts and has since made necessary adjustment to the Final Financial statements that were presented for Audit review.</p>	<p>Leena Mugadia Hotel Accountant</p>	<p>Resolved</p>	<p>November 2020</p>

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4.2	<p>Included in the figure of Kshs. 26,509,501 for trade and other receivables is an amount of Kshs.21,497,628 being an amount accrued for over 120 days from different debtors. Though the entity has prepared the debtors aging analysis, it was however noted that the credit limits were not stated against each debtor in the credit aging analysis as stipulated in the Accounting Finance Manual</p>	<p>Management noted the findings of the Audit team and the provisions of the Hotels finance manual, The Accounting system we are using to report debtors does not provide for inclusion of this limits in the ageing report but it's given as a separate collection report</p>	<p>Leena Mugadia Hotel Accountant</p>	<p>Resolved</p>	<p>November 2020</p>
		<p>attached herein as Annex (III) for audit verifications.</p>			
4.3	<p>During the year under review, the hotel budgeted to collect revenue totaling Kshs 71,843,920. However actual collection amounted to Kshs 98,480,408 resulting in a deficit of Kshs 73,363,512 which is equivalent to about 43% of the total budget. Further analysis of the budget also indicates that the hotel budgeted to spend Kshs 101,337,157 in the year under review. However, actual expenditure for the year was Kshs 85,665,597 resulting to an under expenditure of sh.15,671,560(15%) In addition, the profits after taxation reflect an estimate of ksh20,640,043 as compared to the realized profits of Kshs.6,538,681 resulting in (132%) adverse variance. It was also noted that last year profit after tax was Kshs.8,756,131 as compared to this year's loss after tax of Kshs (6,538,681). Actual Finance costs were Kshs 461,202 against budgeted amount of Kshs 4,461,602 resulting to a variance of Kshs 4000,400(90%) Further scrutiny of the budget revealed that some individual budget line items had adverse variance</p>	<p>Management noted this. The variances in sales came as a result of decline in sales from the negative effects of the Covid-19 Pandemic on the economy at large. This saw our monthly revenue drop by over 98% up until the close of the financial year. Though the impact on sales was largely arising from external factors management has put in place necessary strategic actions to ensure recovery of these losses and better performance in the year 2020/2021. We also noted the items of expenditures that had adverse variance and we are committed to ensuring that we observe budget provisions going forward.</p>	<p>Leena Mugadia Hotel Accountant</p>	<p>Resolved</p>	<p>November 2020</p>

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4.4	Included in the cost of sales figure of Kshs 19,901,864 reflected in the statement of comprehensive income is a figure of Kshs 13,457,276 in respect of food expenses, beverage expenses figure of Kshs 4,993,129. However, the procurement records such as tender opening minutes, quotations, tender evaluation minutes, professional opinion, notification of award and signed contracts were not provided for audit review.	Management noted the findings availed original documents indicating the procurement records were available and supporting the years expenditure on cost of sales of Kshs. 19,901,864 hereby forwarded to the Audit Office for verification.	Leena Mugadia Hotel Accountant	Resolved	November 2020
4.5	Note 19(a) to the financial statements reflect a figure of Kshs 604,166,432 as non-current assets. However, the individual balances of the various classes of non-current assets differed with the general ledger balances	Management noted this and has since amended this interchange error in allocation. We have also separated The Hotel ERP system from fixed asset and accounted for as Intangible asset.	Leena Mugadia Hotel Accountant	Resolved	November 2020

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	Included in the administration costs of Kshs.69, 402,604 is an amount of Kshs. 841,270 in respect of	Management noted this finding; there was mix-up in the printed evaluation sheets that the committee members we using to evaluate thus resulting in the interchange of numbering of the tenderers for medical insurance. As per Annex IV(a,b,c) attached			
4.6	insurance costs paid to G.A Insurance Ltd. During the tendering stage a total of 8 quotations were received Bidder numbers 1, 4 and 6 passed the first mandatory stage and proceeded to the next stage of technical evaluation where Kenya Alliance Insurance Ltd and CIC Group Kakamega were to proceed to the financial evaluation stage. However; i)The financial evaluation stage report was not availed to establish which bidder had the financial capability to offer the insurance services. ii) G.A Insurance was finally awarded the contract despite being dropped out during the technical stage and being not the cheapest in terms of quoted price. iii) Alterations were done on the technical evaluation report in favour of G.A Insurance .	shows that Bidder 1 was Resolution Insurance quoting Ksh.855, 004 and scored 80% in the technical evaluation, Bidder 6 was CIC quoting Kshs. 892,906 and scored 60% in the technical evaluation and bidder 4 was GA insurance quoting Kshs. 841,417 and scoring 100% in the technical evaluation. Attached as annex V is also the minutes of the evaluation committee with the financial analysis for verification. The tender was awarded to the lowest bidder 4 of Kshs. 841,417 as per the minutes on the evaluation committee attached Annex V.	Leena Mugadia Hotel Accountant	Resolved	November 2020
4.7	As reported in the previous years, the	We noted the long	Leena	On	November

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	statement of Financial Position reflects trade and other payables figure of Kshs. 12,956,317 which in turn includes central charges figure of ksh 7,385,000 incurred between 2005/2006 and 2011/2013 financial years These were levies charged for services like, directors fees, management fees and secretarial services charges which were centrally offered by the then head office. Although the amounts have been analyzed, relevant support documents like payment certificates, request for payments have not been produced for audit review.	outstanding payable of Kshs. 7,385,000 on our payables was as a result of central services being offered by TFC and has never been demanded for payment though accrued by the hotel. We have however requested for TFC to support this amount failure to which	Mugadia Hotel Accountant	Going	2020
		management through the board of Golf will move to The National treasury to assist in the write off of this amount.			
4.8	Included in the statement of financial position is figure of Kshs 16,960,797 respect of two loans from Kenya Tourist Development Corporation. A scrutiny of the underlying records for the two loans revealed that the first loan had a balance of kshs 14,046,846 as per the letter reference number TDC/4/135 of 11th October 2011 while the second loan had a balance of Kshs 3,330,676.55 bringing total borrowings to a figure of Kshs 17,377,522.55. This therefore resulted to an unexplained variance of Kshs. 416,725.55.	Management noted the finding of the Audit team on the loan carried in the books of the hotel for loan 1 the loan balance accrued in the hotels book is Kshs. 13,249,219 and Kshs. 13,046,846 reflecting in the correspondences from TFC as attached in Annex VI. Attached as Annex VI is the letter of TFC and a supporting loan schedule for Loan II. We have however requested from TFC for the loan agreement for Loan I and will avail this to the office of the auditor general as soon as	Leena Mugadia Hotel Accountant	On Going	November 2020

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		we have been furnished with the same.			
4.9	The hotel provided for the increase in provision for leave and gratuity amounting to ksh 1,317,961 instead of accruing total provision for leave and gratuity during the year ended June 2020.	Management Noted the error in Note 29. on the provision for leave and has since corrected the Leave Movement. Increase in leave for the period was Kshs. 540,1919 and leave payments made during the 1,858,877 making the leave provision	Leena Mugadia Hotel Accountant	Resolved	November 2020
		balance to Kshs. 1,176,561 as supported by Annex Xi			
4.10	The General Manger was interviewed by the board of the hotel and was given a letter of offer for employment for the position of General Manager for Golf Hotel Limited by the Chairman of the Board on 27th October 2016. He accepted the offer and was confirmed after six months' probation effective 2nd May 2017. However, there was no Details of the terms of employment except for the payment he is entitled to.	Management Noted the findings on the Terms of employment for the General Manager and the finding on the non-existence of the contract of the General Manager. This matter had been presented and discussed at board level and we await the signed contract of employment which we will forward to the OAG for verification once availed to the Hotel, attached Annex Xii(d) An extract of the board Minutes with the discussion on the Contract for the General Manager.	Maureen Njuru Human Resources Officer	Ongoing	November 2020
4.11	Note 12 to the financial statements, expenditure on director's emoluments for the year ended 30 June 2020 amounted to Kshs 2,269,888. Although the Hotel had	Management Noted the over absorption of 14% on director's allowance. This	Leena Mugadia Hotel	Resolved	November 2020

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	budgeted to spend Kshs.1,998,000 on director's emoluments, actual expenditure was Kshs2,269,888 thereby occasioning an over expenditure of Kshs 271,888 (14%) on the budget item.	came as a result of inclusion of Board sittings for Audit committee which were 3 sittings in the year under review. The Audit Committee was constituted in June 2019. The same had not been included in the budget of 2019/2020 at the time budget was being prepared in October 2018. Management is	Accountant		
		committed on ensuring that enough budget provision on director's allowance is made going forward and maintain spending's within budget provisions.			
4.12	Payments amounting to Kshs. 483,870.00 were made to Densy Tours in respect of procurement of air tickets. However, it was noted that the supplier was among the non-responsive suppliers and it is not established how the supplier was identified, selected and awarded the tender since no evidence was availed to indicate that a competitive procurement was done.	Management is in agreement that Densy tours was found unresponsive during the tender evaluation stage of 2019/2020 among other bidders. Being that there was no responsive bidder under this category the hotel proceeded to prequalify Densy tours who was a prequalified supplier with Tourism Finance Corporation as per PPAD Act Provisions, the Hotels Head office for its air ticketing. Densy Tours was	Theophilus Laboso Procurement Officer	Resolved	November 2020

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		Prequalified through the continuous supplier registration process carried out by the hotel for categories of tenders that were non responsive during the evaluation stage			
		Management noted the instances where 1/3 rule was not observed for some of the staff in the			
4.13	Analysis of the permanent employee's muster roll indicates that the entity didn't comply with residual one third of basic salary rule as stated in the employment act.	hotels payroll and will ensure that the 1/3 rule is compiled by all staff as per employment act as presented in the employment Act.	Maureen Njuru Human Resources Officer	Resolved	November 2020
4.14	A scrutiny of the payroll revealed that 10 employees were receiving a basic pay more than that given in the circular of ref no SRC/TS/JE/CSSC/3/33/2Vol.III(64). It was also not clear why the employees were receiving uniform allowance of Kshs 25,000 as this was not provided for in the salary structure	Management has since circulated to the Auditor General the banding doe the 10 staff that shows each was paid within the Approved SRC salary band	Maureen Njuru Human Resources Officer	Resolved	November 2020
4.15	The following audit issues raised in the prior financial years were not disclosed in the financial statements for the year 2019/2020 as required; 1. Management of services apportioned to other hotels for shared staff. 2.Long outstanding trade and other payables from TFC. 3.Unsettled Receivables from Karbanet hotel,Mt elgon lodge and Sunset hotel 4.Purchased Motor vehicle No	Management Noted the Prior Year Audit Finding and these Matters were presented to the board for Further guidance	Hellen Chilla Ag. General Manager	On Going	November 2020

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KCL063P above Government approved Engine CC. 5.Unapproved human resource instruments 6.Issues on uncompleted work in progress (Laundry and executive rooms). 7.Budget overrun on director's allowance. 8.Self payment of leave allowance by Former hotel Manager				
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Accounting officer

Golf Hotel Ltd

Sign.....

Date..... 6/1/2022