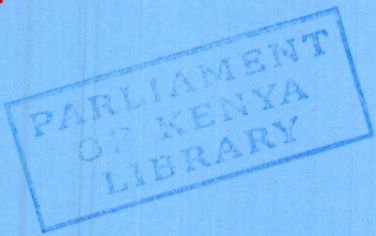


REPUBLIC OF KENYA

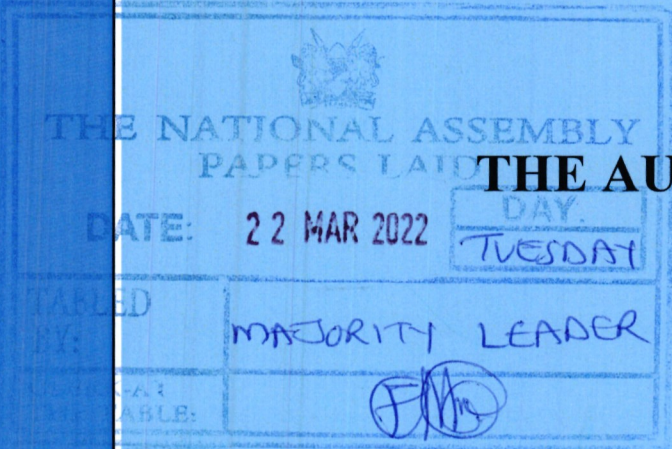


*Enhancing Accountability*



**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**BOMAS OF KENYA LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**REGISTRY**

21 APR 2021

**RECEIVED**



**B O M A S**  
OF KENYA LTD

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**BOMAS OF KENYA LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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

**Bomas of Kenya Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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## **1. KEY INFORMATION ABOUT BOMAS OF KENYA LIMITED**

### **Background information**

Bomas of Kenya Limited was established, under the Kenya Companies Acts Cap 486 of the laws of Kenya, on 11th September, 1970. At cabinet level, the Cabinet Secretary, Ministry of Tourism and Wildlife represents the entity at Cabinet level and, is responsible for the entity's general policy and strategic direction. Bomas of Kenya Limited is domiciled in Kenya.

### **Principal Activities**

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

### **Directors**

The Directors who served the entity during the financial year ending 30 June 2020 year were as provided on pages iv-viii.

### **Registered Offices**

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

### **Corporate Contacts**

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

### **Corporate Bankers**

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

### **Independent Auditors**

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

### **Principal Legal Advisers**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

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

## **2. BOARD OF DIRECTORS**



**Mr. Josiah K. Magut (67) OGW,  
EBS, Chairman**

Mr. Magut was appointed Chairman of the Board of Directors in April 2015 for a period of one year and subsequently re-appointed in May 2016. He has previously served as Chairman of the Board of Directors at the Local Authorities Providence Fund and at the Association for Local Government Authorities of Kenya (ALGAK). He served as the Mayor of Eldoret Municipal Council, which, coupled with the other leadership roles that have previously been bestowed on him, have endowed him with vast experience and knowledge in the area of business planning and management.



**Mr. Quresh H. Ahmed,(60)  
Retired General Manager  
Retired on 23/09/2019**

He has over 30 years of experience in cultural tourism. Joined Bomas of Kenya Limited in 1982 as an Accountant then rose to Finance Manager and General Manager. He holds Executive Masters in Business Administration from Jomo Kenyatta University of Science and Technology and is a Certified Public Accountant of Kenya and has attended various local and international courses. He served as the Vice Chairperson for International Federation of Arts Councils and Culture Agencies (IFACCA) from 1997 for six years.



**Mr. Peter Gitaa Korira**  
**Ag. General Manager/Chief Executive Officer**  
**Appointed on 29<sup>th</sup> October 2019**

Mr. Gitaa is an innovative, purpose-driven, and results-oriented manager with over 15 years of leadership and service in various organizations and institutions, particularly within the hospitality, tourism, and education sectors. He has notably served as the Hospitality Manager at the Kenya Utalii College, Banqueting/Events Manager at the Kenya Utalii College and as Deputy General Manager at Utalii Hotel and at the Alliance Naro Moru River Lodge. He also served as the Marketing Executive at the Conqueror Tours and Safaris.




He is a holder of a Master of Arts Degree in Diplomacy and Foreign Policy from Moi University, a Bachelor’s Degree in Commerce from Kenyatta University and a four-year Diploma in Hotel Management from the Kenya Utalii College. Mr. Gitaa has also benefited from various professional trainings and short courses, including in Education Network in Sustainable Tourism (Bologna University), Tourism Resources Planning and Development (Heilongjiang university), Corporate Governance Training for Directors and Strategic Leadership (Maseno University), and Customer Service Management, among others. He is an Alumni of Riomego Secondary School.



**Hon. Safina Kwekwe Tsungu**  
**Principal Secretary, State Department for Tourism**

Hon. Tsungu has served in various organizations and institutions both in civil society and the Public sector. Notably, she served as the Principal Secretary for Gender in the Ministry of Public Service, Youth and Gender (March 2018- January 2020). She worked as the County Executive Committee Member for Trade and Co-operative Development in Kwale County, worked with Action Aid International –Kenya for more than 8 years as a women’s rights coordinator. Hon. Tsungu also served the East African Community as a legislator in the second East African Legislative Assembly (EALA) and chaired the Parliamentary Standing Committee on Agriculture, Tourism and Natural Resources for two and a half years. Hon. Tsungu pioneered the establishment of the EALA Women’s Parliamentarian’s Forum which she chaired for 5 years. She is a holder of a Master’s degree in International Trade Policy and Trade Law from Lund University, Sweden, and a Bachelor of Commerce degree from The University of Nairobi. She is an Alumni of Alliance Girls High School.

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 <p><b>Mr. Francis Nkoitoi</b>  <b>Director</b></p>	<p>Mr. Nkoitoi is Conservationist and Administrator with over 30 years experience in advocating for the protection and preservation of the environment and wildlife in Kenya. He was a Principal of Secondary school for a period of over 20 years prior to joining Bomas of Kenya, on 17<sup>th</sup> April 2015, as a member of the Board of Directors. He holds Bachelors of Education (Science) degree from Kenyatta University.</p>
 <p><b>Robert Kariuki (59)</b>  <b>Director</b></p>	<p><b>Mr.</b> Mr. Kariuki joined Bomas of Kenya Limited as Director on 20<sup>th</sup> September 2018. He is an Architect by profession with special interests in Urban Design. He teaches and is also in the practice of Architecture. Mr. Kariuki holds a Master of Architecture (Urban Design) from the University Nairobi and, a Bachelor of Arts degree as well as a Bachelors of Landscape Architecture degree from the University of Canada.</p>
 <p><b>Mr. William O. Osewe (54)</b>  <b>Director</b></p>	<p>Mr. Omamo was appointed a member of the Board of Directors of Bomas of Kenya Limited on 20<sup>th</sup> September, 2018. He has over 20 years experience in the hospitality industry with expertise in the operations. He is a Swiss-trained Hotel Management expert that has worked with such world class brands as Mc Donald's (South Africa) and Innscor (Kenya), among others. Mr. Omamo holds a Diploma in Performance Enhancement Systems and a as well as in Hotel Management and Administration from Crans- Montana, Switzerland.</p>

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**Ms. Beth Syengo, HSC  
 Director**

Ms. Syengo Joined the Board of Directors of Bomas of Kenya Limited on 20<sup>th</sup> September 2018. She is a leading facilitator of Strategic Planning, Policy and Budget Development, and Global Operations Leadership for organizations. She has strong organizational skills which she puts to use in her leadership of such institutions as “Maendeleo ya Wanawake” Organization and the Kenya Network of Grassroots Women. Ms. Syengo holds a Bachelors of Education degree from Kenyatta University and a Diploma in Guidance and Counseling from the University of Nairobi.



**Mrs. Layi Khamisi Jaber (46)  
 Director**

Mrs. Layi was appointed a member of the Board of Directors of Bomas of Kenya Limited on 8<sup>th</sup> February 2019. She has vast experience, knowledge, and expertise in business management. This derives from her over 20 years of business management practice in both public and private spheres. Mrs. Layi has exceptional probity skills that are valuable in mitigating risks in business planning and management.



**Jonah T. Orumoi, (42),  
 MD – Tourism Finance  
 Corporation**

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

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**Kenneth Karani (45),  
Rep- Cabinet Secretary, The  
National Treasury**


Mr. Karani was appointed member of the Board of Directors of Bomas of Kenya Limited on 17<sup>th</sup> April 2015 as the Alternate of the Cabinet Secretary, the National Treasury. He is a specialist in the area of procurement and has over 15 years experience in management in both private and public sectors. Mr. Karani holds Masters Degree in Procurement and Logistics and a Bachelor of Arts in Economics & Business Administration from the Jomo Kenyatta University of Science and Technology and Kenyatta University, respectively.



**Mr. Stephen Njoroge Muthuma  
Rep- Principal Secretary, Ministry  
of Sports, Culture & Heritage**

Mr. Muthuma has worked for civil service for 28 years since 1992 after graduating from the UNIVERSITY OF NAIROBI in 1991 with a Bachelor of Commerce degree. He has worked in civil service in various capacities and is currently the Head of Finance in the State Department. Other Ministries and State Departments that he has worked in include; Immigration and Registration, Interior and State Department of sports Development. He has been a Director representing the Principal Secretary sport in ADAK and currently the Principal Secretary representative at the Bomas of Kenya Board of Directors.

**3. MANAGEMENT TEAM**

	<p><b><u>Retired General Manager</u></b></p> <p>He has over 30 years of experience in cultural tourism. Joined Bomas of Kenya Limited in 1982 as an Accountant then rose to Finance Manager and General Manager. He holds Executive Masters in Business Administration from Jomo Kenyatta University of Science and Technology and is a Certified Public Accountant of Kenya and has attended various local and international courses. He served as the Vice Chairperson for International Federation of Arts Councils and Culture Agencies (IFACCA) from 1997 for six years.</p>
<p><b>Quresh H. Ahmed, (60)</b>  <b>Retired General Manager</b>  <b>Retired on 23/09/2019</b></p>	
	<p>Mr. Gitaa is an innovative, purpose-driven, and results-oriented manager with over 15 years of leadership and service in various organizations and institutions, particularly within the hospitality, tourism, and education sectors. He has notably served as the Hospitality Manager at the Kenya Utalii College, Banqueting/Events Manager at the Kenya Utalii College and as Deputy General Manager at Utalii Hotel and at the Alliance Naro Moru River Lodge. He also served as the Marketing Executive at the Conqueror Tours and Safaris.</p>
<p><b>Mr. Peter Koria Gitaa</b>  <b>Ag. General Manager/Chief Executive Officer</b>  <b>Appointed on 29<sup>th</sup> October 2019</b></p>	<p>He is a holder of a Master of Arts Degree in Diplomacy and Foreign Policy from Moi University, a Bachelor’s Degree in Commerce from Kenyatta University and a four-year Diploma in Hotel Management from the Kenya Utalii College. Mr. Gitaa has also benefited from various professional trainings and short courses, including in Education Network in Sustainable Tourism (Bologna University), Tourism Resources Planning and Development (Heilongjiang university), Corporate Governance Training for Directors and Strategic Leadership (Maseno University), and Customer Service Management, among others. He is an Alumni of Riomego Secondary School.</p>

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**Mr. David K. Rono (49)**  
**Finance & Administration**  
**Manager**  
**Exited 31<sup>st</sup> October, 2020**

Mr. Rono has been in the service of Bomas of Kenya Limited for over 15 years and holds Executive Masters Degree in Business Administration (Finance) from Moi University), an international Diploma in Financial Management from Illinois University, and is a Certified Public Accountant (CPA-K). Prior to his appointment as Manager in charge of Finance and Administration at Bomas of Kenya Limited, Mr. Rono worked as Senior Accountant in the same institution.



**CPA Nixon Mugilwa (36)**  
**Ag. Finance and**  
**Administration Manager**  
**Appointed on 1<sup>st</sup> November**  
**2020**

CPA Mugilwa is a passionate senior management professional with strong expertise and experience in finance, auditing, taxation, financial advisory and corporate governance among other allied matters in the field of finance and accounting for over 10 years. Mugilwa is a Certified Public Accountant of Kenya (CPAK). He holds a Masters of Science in Finance with specialty in Finance and Investment from the University of Nairobi and a Bachelor of Commerce (Finance), Kenya. He is currently a Doctoral Candidate under which he is pursuing Doctor of Philosophy in business administration at the University of Nairobi. Prior to his appointment as Ag. Manager in charge of Finance and Administration at Bomas of Kenya Limited, Mugilwa was the Chief Accountant.

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**Mr. Jimmy Okindiang'i (39)**  
**Human Resource Officer**

Mr, Okidiang'i has over 10 years' experience in the management of human capital. He holds Bachelor of Business Administration in Human Resource Management and a Higher National Diploma in Human Resource Management. He is the current head of Bomas of Kenya Limited's Human Resource Department.



**Mr. Thedius Bwire Ojiambo,**  
**HSC (55)**  
**Production Manager**

Mr. Bwire is a career Choreographer with over 30 years' experience. Prior to joining Bomas of Kenya Limited, he served as Advisor and Adjudicator drama festivals organized at National School and College levels. He has a Master of Arts degree from the University of Nairobi (2005) and a Bachelor of Esucarion degree from Kenyatta University (1989). Mr. Bwire is the current head of the Production Department at Bomas of Kenya Limited and the Lead Person in the institution's presentation of traditional dances, cultural practices, and overall display of arts.



**Mr. Joseph W. Njoroge**  
**Kamau (41)**  
**Property Manager**

Mr. Njoroge has over 10 years experience in Property Management and Construction. He holds Diploma in Building Technology and a Bachelor of Arts degree in Quantity Surveying from Technical University of Kenya. He is the current head of the Property Department at Bomas of Kenya Limited.

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**Mr. John Swenson Ekahl (50)**  
**Ag. Food and Beverage**  
**Manager**

Mr. Ekahl has over 20 years experience in hotel, hospitality, and events management. Before joining Bomas of Kenya Limited, he served as Restaurant Manager at All Africa Conference of Churches in Nairobi and at Keekorok Lodge in Maasai Mara. He holds Diploma in Food and Beverage Service and Sales and a Bachelor degree in Hospitality from Moi University. He is the current head of the Food and Beverage Department at Bomas of Kenya Limited.



**Mr. Benard Ongeru (47)**  
**Public Relations and**  
**Communications Officer**

Mr. Ongeru joined Bomas of Kenya Limited in 1997 and is the current head of the Public Relations and Communication Department. Prior to his appointment as Senior Public Relations and Communications Officer, he served as the institution's Information Officer. He has over 15 years experience in Customer Relation Management and holds Diploma in Public Relations, Certificate in Purchasing and Supplies, and a Bachelor degree in Public Relations from University of Nairobi.



**Mrs. Everlyne Lusweti Sitawa**  
**(46)**  
**Marketing and Corporate**  
**Communication Manager**

Mrs. Sitawa is a devoted, skilled marketing and corporate sales specialist with over 18 years of practical experience in working with leading media houses in Kenya and Tanzania. She has led marketing and sales teams at the Nation Media Group (Kenya), Standard Media Group (Kenya) and at IPP Media Group (Tanzania). She is apt in client relationship management, training on selling processes, industry focus and boosting of financial growth in business enterprises. She has a corporate customer service drive and possesses strong sense of urgency in delivering client satisfaction. She holds a Master of Business Administration degree in Strategic Management from the University of Nairobi and a Bachelor of Arts Degree in Communication and Business Administration from Daystar University. She also has various certifications in marketing, management, and leadership

#### **4. CHAIRMAN'S STATEMENT**

##### **4.1 INTRODUCTION**

We are pleased to share with you our Annual Reports and Financial Statements for the year ended 30 June 2020. To begin with, I welcome Mr. Peter Gitaa Koria to the family of Bomas of Kenya Limited. Peter joined us at a challenging period during the financial year in focus when resource inflows were low as the institution was not receiving development-related budgetary support from the Exchequer. I and fellow members of the board have worked with Peter in navigating the low inflow of finances and the complete dip in the institution's Appropriations-in-Aids (A-in-A) owing to the COVID-19 pandemic.

##### **4.2 FINANCIAL RESULTS**

The balance sheet of Bomas of Kenya Limited remains steady and is poised for growth despite the challenges faced due to COVID-19. Closure of businesses and activities owing to the pandemic negatively affected the performance of the institution, resulting in the deficit that was witnessed at the end of the financial year under focus. Decline in grants from the Government equally affected the institution's profits during the year under review compared to the previous financial year.

##### **4.3 CORPORATE GOVERNANCE**

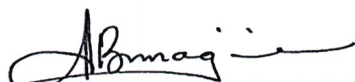
During the year under review, the term of the then General Manager/Chief Executive Officer, Mr. Quresh Ahmed, expired. I take this opportunity to thank Mr. Quresh for his work at the institution during his tenure. Mr. Peter Gitaa Koria has been appointed in acting capacity pending recruitment.

##### **4.4 FUTURE OUTLOOK**

Tourists will continue to look out for innovative and authentic tourism products and experiences. Cultural products and experiences will make Kenya stand out, which is why the National Tourism Blueprint 2030 (NTB2030) has elevated Culture and Heritage as the 3rd Unique Selling Point (USP) for the country's tourism. Given these realities, the future outlook for Bomas of Kenya Limited is very bright because it is the institution mandated to preserve, maintain, and promote the diverse cultures of Kenya for tourism development. Bomas of Kenya will have to innovate to reap from the foreseen future outlook.

##### **4.5 APPRECIATION**

I sincerely thank our clients and stakeholders whose trust and confidence has made our achievements possible. I am especially grateful to the leadership of the Ministry of Tourism and Wildlife and The National Treasury, and the Government of Kenya as a whole for the unwavering support. I also thank our Management team and all members of our staff for the efforts made during the financial year 2019/2020. Finally, I appreciate fellow members of the Board for their selfless service, loyalty, and commitment to duty in the service of the company.



**JOSIAH K. MAGUT, OGW, EBS**  
**CHAIRMAN OF THE BOARD**

## **5. REPORT OF THE CHIEF EXECUTIVE OFFICER**

### **5.1 INTRODUCTION**

Bomas of Kenya Limited has a unique role in the development of tourism in Kenya. It is the institution that carries the mandate to preserve, maintain, and promote the diverse cultures of Kenya for tourism development. The place of culture and heritage in Kenya's tourism is emphasized in the country's National Tourism Blueprint 2030 (NTB2030). NTB2030 positions culture and heritage as the third Unique Selling Point (USP) for Kenya's tourism. It calls for the integration of culture and heritage in all tourism plans, products, and experiences so as to make them authentic. The role of Bomas of Kenya in this is clear – to be the catalyst for the mainstreaming of culture and heritage into the country's tourism plans, products, and experiences. This role is important now more than ever because of the situation the tourism sector has found itself in owing to the COVID-19 pandemic. The pandemic negatively impacted tourism businesses because travel was affected. As an entity that relies on tourism numbers to grow its Appropriations-in-Aid (A-in-A), Bomas of Kenya's income plummeted. Gradual recovery in tourism has been predicted, with the domestic and regional markets expected to play leading roles in the recovery. It has also been predicted that tourists will continue to seek for cultural products and experiences, hence need to place emphasis on culture and heritage. Bomas of Kenya Limited has made significant learnings from the effect of COVID-19 on tourism and, has begun to re-imagine itself in the 'new normal' by putting in place mechanisms to ensure that tourists and lovers of culture and heritage products and experiences can sample them in their comfort zones through digital media. This new way of thinking is expected to enhance the position Bomas of Kenya Limited as the catalyst for authentic Kenyan tourism. Supportive cash flow is essential to this.

### **5.2 PERFORMANCE OVERVIEW**

During the financial year that ended 30th June 2020, Bomas of Kenya Limited realized Kshs. 51.1 Million internally generated revenue and received Kshs. 195.7 Million as grants from the Government of Kenya. The targets that had been set for internally generated revenues were missed by a bid margin because of the suspension of operations due to COVID-19.

### **5.3 EMPLOYEE RETENTION AND MOTIVATION**

As at 30th June 2020, Bomas of Kenya Limited had a staff establishment of 176 compared to 184 at the end of the previous financial year. The reduction in staff members was mainly due to staff that had retired in the month of December 2019 as well as two members of staff, namely, Ms. Rose Raballa (Production Department) and Mr. Geoffrey Ndeto (Property Department) who passed on.

#### **5.4 CONCLUSION AND FUTURE OUTLOOK**

Bomas of Kenya Limited has re-imagined its role and effectiveness in the ‘new normal’ and plans to integrate the thinking in its Strategic Plan 2018-2022 during mid-term review. It is expected that the re-engineering that is envisaged will improve the institution’s financial performance and help to retain and motivate our staff more. The future looks promising with the imagined transformation.

#### **5.5 APPRECIATION**

I thank the Board, Management, and other members of staff of Bomas of Kenya for dedicating their time and efforts toward the delivery of the achievements realized during the financial year 2019/2020 despite challenges like COVID-19 that were experienced.



**PETER GITAA**

**AG. GENERAL MANAGER / CHIEF EXECUTIVE OFFICER**

## **6. CORPORATE GOVERNANCE STATEMENT**

### **6.1 INTRODUCTION**

The Board of Directors of Bomas of Kenya Limited strives to ensure that the institution meets high standards of safety, performance, legal compliance, business ethics, and governance at all levels of the institution. The Board appreciates that it is indebted to the institution's shareholders, customers, and employees, as well as to the communities in which the institution operates. It therefore endeavors to design policy thrusts that bring harmony in its inter-relations with them.

The Board has ultimate authority and oversight over the institution. It considers good corporate governance as a critical pillar in the achievement of the institution's objectives. The Board also ensures that the institution complies with the laws and regulations that underpin the businesses and operations of the institution, while managing and mitigating any emergent risks.

As part of its efforts to manage and mitigate risks, the Board constantly reviews the framework of the institution's internal controls and assesses the processes that Management puts in place for the realization of this goal. Toward this, it has adopted a number of policies, procedures, and regulations to guide Management in running the institution and established committees to help it discharging its duties effectively while ensuring the sustainability of the institution.

### **6.2 COMMITTEES OF THE BOARD OF DIRECTORS**

The Board of Directors of Bomas of Kenya Limited has established four committees to help it in processing of issues before their ultimate submission to the full board. The committees are: -

- a) The Finance and Human Resource Committee;
- b) The Audit Committee;
- c) The Development and Investments Committee; and
- d) The Operations Committee

### **6.3 RISK MANAGEMENT**

Bomas of Kenya Limited recognizes risk management as an integral part of the institution's internal control system. The Board ensures that measures are put in place to manage risks associated with the operations and functions of the institution, so as to guarantee the institution's sustainability. The measures include, routine monitoring through internal systems, evaluation of projects done by external resource persons, development of codes of practice regarding corporate accountability, reporting on the risks associated with projects, promoting independent and objective oversight, and

review information presented by the management to identify potential risk areas and developing/reviewing policies and strategies to mitigate the risks.

#### **6.4 OPERATIONAL RISKS**

Operational risks are risks associated with losses arising from the failure of systems, human error, fraud, or external events. When controls fail to deliver intended results, operational risks set in and cause damage to the reputation of the institution and also lead to financial losses. Indeed, Bomas of Kenya Limited cannot practically eliminate all the operational risks associated with the institution and its operations, but can manage them through control frameworks and by monitoring and dealing with potential risks. The controls that the institution has put in place to minimize possible operational risks include: -

- a) Segregation of duties;
- b) Training of staff;
- c) Definition of authorization levels;
- d) Periodic assessment of risks;
- e) Internal auditing; and
- f) Implementation of access controls.

#### **6.5 CREDIT RISK**

Credit risk is a risk that arises from trade and other receivables where debtors are not able to meet their obligation as expected. Bomas of Kenya Limited does not have a significant concentration of credit risk. This is because the finance department assesses the credit worthiness of each client that the institution deals with, including his or her financial position, experience, and other related factors. Further, the institution's debtors are usually given a credit period of 30 days

## **7. DISCUSSION AND ANALYSES BY MANAGEMENT**

### **7.1 GENERAL**

The Board outsourced the management and operationalization of the Utamaduni Restaurant to Kenya Utalii College (KUC) during the financial year ending 30 June 2020. This was to ensure that Bomas of Kenya Limited concentrates on its key mandate of preserving, maintaining, and promoting the diverse cultures of Kenya for tourism development. However, owing to the COVID-19 pandemic, KUC faced challenges related to the restaurant's operations. They closed the facility in the month of April 2020. Management will work out modalities for the operationalization of the restaurant in the financial year 2020/2021.

### **7.2 COMPLIANCE WITH STATUTORY REQUIREMENTS**

During the financial year that ended on 30 June 2020, Bomas of Kenya Limited fully complied with the statutory requirements that are relevant to the institution and its operations. The requirements included those from Kenya Revenue Authority (KRA), the National Hospital Insurance Fund (NHIF), and National Social Security Fund (NSSF), among others. Due to the challenges posed on the institution due to COVID-19, however, the compliance regarding remittance of revenues and other statutory deductions was oftentimes made in arrears because of budgetary constraints.

### **7.3 MAJOR SOURCES OF INCOME**

During the financial year that ended on 30 June 2020, the operations of Bomas of Kenya Limited heavily depended on grants given by the Government of Kenya. This was mainly because the institution's income-generating ventures were greatly affected by the COVID-19 pandemic.

## **9. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended 30 June 2020, which show the state of the corporation's affairs.

### **Principal activities**

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

### **Results**

The results of the entity for the financial year ending June 30, 2020 are set out on page 1 to 2.

### **Dividends**

Bomas of Kenya Limited does not pay dividends. All the institution's surpluses are reinvested into programmes undertaken in development of existing cultural products.

### **Directors**

During the financial year ending 30 June 2020, the Directors that served on the Bomas of Kenya Limited Board are indicated on page v-ix.

### **Auditors**

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

### **By Order of the Board**



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Date 29<sup>th</sup> MARCH, 2021

## **10. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Corporation's financial statements that give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2020. This responsibility includes:

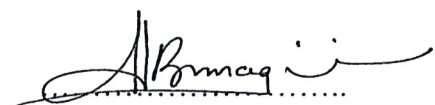
- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii) Designing, implementing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

The Directors accept responsibility for the Corporation's financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2019, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

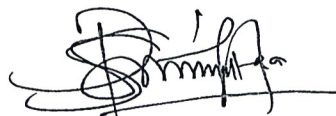
Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

The Corporation's financial statements were approved by the Board on 23<sup>RD</sup> SEPT, 2020 and signed on its behalf by:



Chairman of the Board.



Chief Executive Officer.

## **8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING**

### **8.1 CORPORATE SOCIAL RESPONSIBILITY - GENERAL**

Bomas of Kenya Limited actively engages in corporate social responsibility. During the year that ended on 30 June 2020, the institution participated in mobilizing neighboring communities to clean the surrounding environment. The institution also supported youths from the host community and its environs space to put up a car wash and assisted them to acquire equipment to commence a car washing business. Bomas of Kenya Limited has also provided space where young people from the neighboring community meet to play football. Children from schools in the informal settlements that are in close proximity to Bomas of Kenya Limited are also allowed to use the institution's facilities as well as sample the products and services offered by the institution free of charge.

### **8.2 SUSTAINABILITY STRATEGY AND PROFILE**

Bomas of Kenya Limited has embarked on a journey to ensure that it puts in place mechanisms to guarantee sustainability of its operations. The institution plans to work closely with all Kenya's 47 counties so that the counties embrace culture as a tool for tourism development at those levels. Indeed, the institution recognizes that counties are the homes of Kenya's tourism products and experiences, hence, working closely with the counties will ensure that authenticity is guaranteed during their development of tourism products and experiences. Besides working closely with counties, Bomas of Kenya realizes that its establishment in Nairobi was to ensure that visitors that would not be able to visit and sample all the country's cultural experiences and ways of life could have a feel of the same at the institution. This is why cultural performances and showcasing of the country's traditional homesteads and artifacts is dear to the institution. To sustain these, the institution charges reasonable fees for visitors wishing to watch the cultural performances and sample the traditional homesteads and artifacts.

Bomas of Kenya has also made a deliberate choice to use technology, particularly the use of social media, mobile applications, and other forms of digital media to promote its products and services. This will ensure that suspension of services, as was the case when COVID-19 interrupted the institution's operations, does not completely affect the operations going forward. The institution is also working hard to increase its revenue streams, including through enquiring on donors that could support some of its programs.

### **8.3 ENVIRONMENTAL PERFORMANCE**

Bomas of Kenya Limited is in the process of developing its environmental policy to guide the organization. Through the policy the institution will put measures in place to ensure that it manages biodiversity and waste appropriately. At present, the institution has a number of solid waste collection bins that are strategically positioned across the compound for purposes of easing waste collections.

### **8.4 EMPLOYEE WELFARE**

Bomas of Kenya Limited has put in place a number of employee welfare mechanisms that are aimed at providing better life and health to its employees, making them happy and satisfied, relieving them from industrial fatigue, and improving their intellectual, cultural, and material conditions of living. The mechanisms include having an in-house clinic that caters for emergency staff health needs besides having them enrolled into the group medical cover that is operated by the institution; provision of meals and transport to non-management level staff; and provision of opportunities for staff training and participation in exposure visits to communities and other institutions.

### **8.5 MARKET PLACE PRACTICES**

Bomas of Kenya Limited has policies and procedures that guide its market practices. This helps the institution to offer more, learn more, and sell more. Each department has operational procedures that guide its operations. At the level of corporate governance, the institution uses the Mwongozo Code of Conduct for State Corporations and government circulars to guide its operations. The institution also has a proactive HIV/AIDS intervention program comprising of testing, care, and support. This was borne out of the realization that a large number of its performing artists had contracted the virus.

### **8.6 COMMUNITY ENGAGEMENTS**

Bomas of Kenya Limited engages the community around its location through organized clean up of the surrounding area.

# REPUBLIC OF KENYA



*Enhancing Accountability*

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## REPORT OF THE AUDITOR-GENERAL ON BOMAS OF KENYA LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Bomas of Kenya Limited (the Company) set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2020 and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bomas of Kenya Limited as at 30 June, 2020 and 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 relevant records and information, as explained in the following paragraphs:

##### 1.0 Revenue

The statement of profit or loss and other comprehensive income reflects revenue for the year under review totalling Kshs.52,281,632 as further disclosed in Note 6 to the financial statements. However, the balance contains the following anomalies:

##### 1.1 Unrecognized Revenue

Records provided for audit indicated that Bomas of Kenya Limited on 01 May, 2018 entered into a contract with Kenya Utalii College on management of catering and hospitality services for a period of five (5) years. Clause 5.4 of the contract required Kenya Utalii College to pay 10% of the gross sales per month on food and beverages net of tax to the Company. However, examination of the accounting records indicated that income

due from the College was not included in the financial statements for the year under review.

Further, sales records for food and beverages including bar sales, which formed the basis for determining the revenue due, were not provided for audit review.

## **1.2 Rental Income**

Note 6 to the financial statements reflects rental income totalling Kshs.439,571 for the year under review. No explanation was provided for the decrease amounting to 4,417,046 or 91% in the year, against Kshs.4,856,617 collected in the previous year.

In view of these issues, the revenue totalling Kshs.52,281,632 reflected in the statement of profit and loss and other comprehensive income may not be fairly stated.

## **2.0 Cost of Sales**

The statement of profit and loss and other comprehensive income reflects cost of sales balance totalling Kshs.5,556,950 explained by Management as payments to Kenya Utalii College under the service contract cited in this report. However, the respective invoices and related records were not provided for audit verification.

Consequently, the measurement and validity of the expenditure totalling Kshs.5,556,950 could not be confirmed.

## **3.0 Administration costs**

The statement of profit or loss and other comprehensive income reflects expenditure totalling Kshs.308,727,337 incurred on administration costs. However, records on expenditure totalling Kshs.6,116,496 were not provided for audit and as a result, the occurrence and propriety of the payments could not be confirmed.

## **4.0 Trade and Other Payables**

The statement of financial position reflects a trade and other payables balance totalling Kshs.62,197,389 which however contains the following anomalies:

### **4.1 Long Outstanding Payables**

Trade payables totalling Kshs.42,552,992 had as at 30 June, 2020 been outstanding for more than one year. No explanation was provided for the failure to settle the bills.

### **4.2 Un-Recognized Invoices**

Kenya Utalii College invoiced Bomas of Kenya Limited Kshs.3,965,870 under the service contract cited in this report. However the debt payable was not recognized in the Company's books.

In view of these issues, the trade and other payables balance totalling Kshs.62,197,389 as at 30 June, 2020 may not be fairly stated.

## **5.0 Trade and Other Receivables**

The statement of financial position reflects a trade and other receivables balance totalling Kshs.65,047,281 as further disclosed in Note 13 to the financial statements. However, the balance contains the following anomalies:

### **5.1 Long Outstanding Debtors**

Note 13(a) to the financial statements reflects long outstanding debtors totalling Kshs.5,844,308. As previously reported, the balance has remained outstanding for several years in spite of recommendations made by the Public Investment Committee that the Company enforce collection of the debts.

### **5.2 Receivables from Ministry of Tourism on Little Theatre and Ushanga Kenya Initiative**

Note 13(a) to the financial statements also reflects receivables totalling Kshs.51,897,978 due from a community organization, Ushanga Kenya Initiative (Kshs.14,315,363) and Little Theatre (Kshs.37,582,615) as at 30 June, 2020 .

Records provided for audit indicated that the Ministry of Tourism and Wildlife vide a letter Ref: MT 1/11 of 10 June, 2018 requested the Coordinator, Ushanga Kenya Initiative to reimburse the Company Kshs.14,315,363 incurred on its operationalization but the amount had not been reimbursed as at 30 June, 2020.

The receivable due from Little Theatre increased by Kshs.2,324,371 in the year under review but records explaining the increase were not provided by Management. As a result, and for the reasons explained in Section 9.0 of this report, the validity of the change and the outstanding balance totalling Kshs.37,582, as at 30 June 2020 could not be confirmed.

### **5.3 Long Outstanding Trade Debtors and Staff Debtors**

The ageing analysis schedule provided for audit indicated that trade debtors totalling Kshs.12,684,840 had as at 30 June 2020 remained outstanding for more than four months (120 days) contrary to the Company's credit policy. Management did not provide evidence of efforts made to recover the debts.

In addition, staff debtors totalling Kshs.661,462 included balances totalling Kshs.112,014 which had been outstanding since the year 1995. No evidence was provided to indicate

Management's effort to recover the debts, or to have the amounts written off. Further, an analysis and supporting records for the remainder balance totalling Kshs.549,448 was not provided for audit.

### **5.4 Paid Deposits**

Deposits paid to various entities totalling of Kshs.1,183,500 include Kshs.1,000,000 indicated as paid to the defunct Nakumatt Holdings Limited. However Management did not provide evidence on the purpose of the deposit. With Nakumatt Holdings Limited

having been put under liquidation, recoverability of the deposit is doubtful. However, no bad or doubtful debt provision has been made to recognize the debts 'uncertain nature.

In view of these anomalies, the extent of recoverability of trade and other receivable balances totalling Kshs.65,047,281 as at 30 June, 2020 could not be confirmed.

## 6.0 Cash and Cash Equivalents

The statement of financial position as at 30 June, 2020 reflects a net debit cash and cash equivalents balance totalling Kshs.5,081,135. However, the balance contains the following anomalies:

- (i) Balances reflected in the financial statements in respect to two bank accounts, namely current account open air and current account main differ from those reflected in respect to the accounts in the cashbook as highlighted in following table:

Account	Financial Statement Balance (Kshs.)	Cash Book Balance (Kshs.)	Variance (Kshs.)
Current Account Open Air (1108986668)	146,411	402,652	256,241
Current Account - Main (1108985580)	4,821,962	28,080,895	23,258,933

- (ii) Opening balances for the accounts differ from those reflected in the audited 2017/18 financial statements as follows:

- The closing balance for the Main Account for the year 2018/2019 was recorded at Kshs.3,190,241 while the opening balance in the cash book for the year under review was Kshs.3,175,932 resulting to an unreconciled and unexplained variance of Kshs.14,309.
- Open Air Account audited closing balance for the year 2018/2019 was Kshs.14,452,369 while the opening balance for the year under review was Kshs.17,279,655 resulting to unreconciled variance of Kshs.2,827,286.

In view of these anomalies, accuracy and validity of the cash and cash equivalent balance totalling Kshs.5,081,135 reflected in the statement of financial positions at 30 June, 2020 could not be confirmed.

## 7.0 Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance totalling Kshs.2,364,344,292 as at 30 June, 2020. The balance contains the following anomalies:

## **7.1 Revaluation of Non-Current Assets**

As similarly reported in the previous year, the last revaluation of the assets was conducted 24 years previously in 1996. As a result, the values of the assets carried in the books of the Company as at 30 June, 2020 may not match their replacement or market values. The omission was contrary to International Accounting Standard No.16 which recommends that property, plant and equipment should be revalued after every five years.

## **7.2 Work-in-Progress**

Note 10 to the financial statements reflects capital work-in-progress totalling Kshs.663,323,319. However, the respective works certificates were not provided for audit verification. As a result, it was not possible to confirm whether the work-in-progress balance was accurate and valid and whether the public obtained value for money from the expenditure totalling Kshs.663,323,319 reported to have been spent on the works.

## **7.3 Acquisition of Assets**

The property, plant and equipment balance totalling Kshs.2,364,344,292 as at 30 June, 2020 includes additions totalling Kshs.21,522,398 made during the year under review. However, supporting documents including Local Purchase Orders (LPOs), invoices and delivery notes for additions totalling Kshs.19,347,849.98 were not provided for audit and as a result, their occurrence, validity and valuation could not be confirmed.

## **7.4 Unconfirmed Land Ownership**

Included in the property, plant and equipment balance totalling Kshs.2,364,344,292 as at 30 June, 2020 is Kshs.76,950,000 being the value of the Company's plot of land. However, the original title deed for the land was not provided for audit verification and as a result, its ownership by the Company could not be confirmed.

In view of these anomalies, the accuracy, valuation and ownership of the property, plant and equipment balance totalling Kshs.2,364,344,292 as at 30 June, 2020 could not be confirmed.

## **8.0 Unpaid Compensation for Compulsory Land Acquisition**

As previously reported Kenya Urban Roads Authority(KENHA) in 2013 compulsorily acquired 0.8055 hectares (2-acres) of Plot L.R.No.12066 owned by the Company in 2013. The acquisition was to facilitate rehabilitation and upgrading the Section of Langata Road between the Kenya Wildlife Service (KWS) Head Office and Company's premises. KENHA was to pay Kshs.85 million as compensation for the acquisition following valuation of the land done by a professional firm. However, records provided for audit indicated that the compensation had not been paid as at 30 June, 2020.

No plausible explanation was provided by KENHA for the failure to pay compensation for the land.

## **9.0 Infrastructure Improvement at Little Theatre Club, Mombasa**

As previously reported, in 2017, the Company awarded a contract for infrastructure improvement works at Little Theatre Club, Mombasa at a contract sum of Kshs.48,739,204. The Cabinet Secretary for the Ministry of Tourism and Wildlife had indicated vide letter Ref: MOT/3/17 dated 23 November, 2016 that the Ministry would remit Kshs.50,000,000 drawn from tourism recovery funds, to reimburse the Company the expenditure spent on the project.

A report prepared by Management dated 10 August, 2020 indicated that there was a disputed variation to the contract amounting to Kshs.18,163,134 which the main contractor claimed arose after the State Department of Public Works issued new instructions on the project. The variation was equivalent to 37.2 % of the original contract sum and therefore was more than the 25% threshold for contract variations prescribed in Section 139(6) of the Public Procurement and Disposal Act, 2015.

Records on the project included several requests for payment of the sum sent by the Company to the Ministry. However, no record was provided for audit to confirm receipt of the funds and further, the financial statements for the year under review do not reflect any receivable amount from the Ministry of Tourism.

A site visit done in January, 2021 indicated that the works were handed-over to the Theatre's management in June, 2019 after which the final certificate was reportedly issued 15 October, 2019.

Management did not provide for audit verification, records indicating whether the project was eventually handed over to the Ministry of Tourism. Further, the report on its status and the contractor's final certificate were not provided for audit. As a result the total amount incurred on the project could not be confirmed.

In view of the foregoing, it is not possible to confirm that the Little Theatre Club receivable balance totalling Kshs.37,582,615 was fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bomas of Kenya 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.

### **Emphasis of Matter**

#### **Delayed Delinking from Tourism Finance Corporation**

As indicated in Note 15 to the financial statements, the Company is fully owned by Tourism Finance Corporation (formerly Kenya Tourist Development Corporation) through 254,000 ordinary shares of Kshs.20 each with a book value of Kshs.5,080,000.

Company records indicate that the Company has since 1992 been earmarked for delinking from Tourism Finance Corporation so that it may become an independent parastatal with effective management and investment policies that would make it self-sustaining. Following a request made by Management, the Board of the defunct Kenya Tourist Development Corporation in its meeting of 17 June, 1992 resolved to delink the Company from the Corporation.

In 1994, the Public Investment Committee and the Parliamentary Accounts Committee, similarly recommended that the two be delinked. In 2002, the Office of the Attorney-General had, in their legal interpretation on the matter, also concluded that one Government parastatal cannot own another. However, in spite of these interventions over the years, no discernible progress had been attained on the matter as at 30 June, 2020 eighteen years after the process was initiated.

As a result, the Company faces operational and legal challenges in meeting its obligations given its continuing existence as a unit of the Tourism Finance Corporation.

In addition, the Company was incorporated in 1970 under the Companies Act, Cap 486. However there has been no Act of Parliament enacted to define the Company's mandate and objectives. In the absence of an enabling Act, the Company operates with an unclear enabling framework which may constrain its operations and mandate.

### **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. I have determined that there are no Key Audit Matters to communicate in my report.

### **Other Matter**

#### **1.0 Budgetary Control and Performance**

##### **1.1 Under-Collection of Revenue**

The statement of comparison of budget and actual amounts for the year under review reflects budgeted sales totalling Kshs.103,000,000. However, the Company only realized Kshs.52,281,632 in the year resulting to a shortfall of revenue totalling Kshs.50,718,368 equivalent to 49% of the gross estimated revenues.

Management attributed the shortfall to low business as a result of the Covid-19 pandemic and reduction in Government grants.

##### **1.2 Expenditure Budget Variances**

The statement of comparison of budget and actual amounts reflects budgeted expenditure totalling Kshs.298,700,000 and actual expenditure totalling 314,284,287 resulting in over-expenditure totalling Kshs.15,584,287.

## **Prior Year Issues**

The audit report for the previous year highlighted several issues on balances reflected in the financial statements, lawfulness and effectiveness in use of public resources and effectiveness of internal control, risk management and governance. Progress made in resolving the issues will be confirmed after they are discussed by the National Assembly.

## **Other Information**

The Directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report, which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **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 matters 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**

#### **1.0 Irregular Renewal of Insurance Contract**

Expenditure records indicated that the Company procured a one year medical insurance contract commencing 01 March, 2018 at a contract sum of Kshs.20,590,268. The contract was renewed for a further period of one (1) year from 01 April, 2019 to 31 March, 2020 at a contract sum of Kshs.22,861,626. No explanation was provided for the failure to subject procurement of the service to competitive bidding on expiry of the contract.

In addition, the Company continued to procure general insurance services from the same Company without competitive bidding over the years. In the year under review, premiums totalling Kshs.4,781,343 were paid to the insurer. However, the original contract entered

into between the insurer and the Company for the period under review were not provided for audit review, and as a result, the actual services procured could not be confirmed. The end date of the renewed contract was extended to November 2020 reportedly due to non-payment of premiums. Expenditure incurred on the contract as at 30 June 2020 totalling Kshs.16,123,722.

In the circumstances, the propriety and value for money on expenditure totalling Kshs.20,905,065 incurred on insurance services could not be confirmed.

## **2.0 Irregular Procurement of Goods and Services**

Review of procurement records indicated that contrary to Section 103(2) of the Public Procurement and Disposal Act, 2015, the Company used direct procurement method to buy items totalling Kshs.1,080,635 that should have been procured competitively. Further records on procurements totaling Kshs.4,234,214 made during the year under review were not provided for audit. As a result, the occurrence and validity of the expenditure could not be confirmed.

The records further indicated that the Company procured fifteen (15) iPads from a local shop at Kshs.1,947,000. The spending was higher than the lowest priced bid totalling Kshs.1,914,000 and therefore contravened Section 106(3) of the Public Procurement and Asset Disposal Act, 2015. The law prescribes that the successful quotation shall be the quotation with the lowest price that meets the requirements set out in the request for quotations. Therefore, the procurement may have resulted in irregular expenditure totalling Kshs.33,000.

## **3.0 Delay in Completion of Enterprise Resource Planning (ERP) System**

Available records indicated that the Company in July, 2017 procured Enterprise Resource Planning (ERP) software at a cost of Kshs.1,985,990. The software included the following modules and subsystems applications:

- MS Dynamic NAV License five (5).
- User Information System Accounting (general ledger, and core finance general ledger, budget, accounts receivable and payable and fixed assets modules).
- Procurement Management.
- Human Resource/Payroll system.
- Inventory Management (point of sale system).

Although records provided for audit indicated that implementation of the system was ongoing in the year under review, Management failed to provide the following information for audit verification:

- Status report on the implementation of the system
- Documentation on the system including Users and user access rights.
- Evidence of training provided to the system's users.

In addition, Management did not provide satisfactory reasons for the slow implementation of the system.

In the circumstance, it was not possible to confirm that the system procured met user requirements and value for money was obtained on the expenditure incurred.

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1.0 Governance Structure**

Review of records on the Board of Directors indicated that contrary to the Mwongozo Code on operations for State Corporations, the Board did not have a Charter to guide its operations. In addition, the Board's Annual Work Plan for the financial year under review was not provided for audit and as a result, its existence could not be confirmed.

#### **2.0 Employees in Acting Capacity**

Examination of personnel records indicated that three senior managers may have been working in acting capacity irregularly as explained below: The acting General Manager was appointed on 12 November, 2019 for a period of three months but was still acting in June, 2020 even though there was no evidence of his contract having been renewed.

In addition, Section 4.2.6 of the Company's Human Resource Management Manual of 2016 states that only employees in Grade BOK 5 to Grade BOK 12 shall be eligible for acting allowance.

However, the Acting General Manager was deemed to be in a scale higher than BOK 5 and therefore payment to him of the acting allowance totalling Kshs.742,113 may have been irregular.

Similarly, the Food and Beverage Manager was appointed in acting capacity on February 2013 and had as at 30 June, 2020 acted for over seven years. In the year under review, the Officer was paid acting allowances totalling Kshs.291,960.

Further, the Chief Accountant was, reportedly, verbally requested to assume the role of the General Manager in June, 2018. A total of Kshs.257,292 paid to him as acting allowance in the year under review.

Failure to confirm the employees or advertise their posts was irregular and may have hampered effective management of the Company's affairs.

### **3.0 Information Communication Technology Control Environment**

Audit review of the Company's use of Information Communication Technology (ICT) indicated that Management had not put in place the following;

- ICT governance structures including ICT Strategy Committee, ICT Strategic Plan, defined roles and responsibilities for each ICT function and a training program to build ICT capacity.
- Physical access controls to computers, operations and storage areas, network rooms and air conditioning systems.
- ICT service continuity - ICT continuity plan and disaster recovery plan including, storage of backups at secure offsite storage facility.
- Documented user-management standards and procedures, review of user access rights on the system.
- Program change management and documented and approved processes to manage upgrades made to all financial and performance information systems.

In the absence of a strategy and properly established system documentation and controls, the risk of ineffective use of ICT assets was high.

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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) in my opinion, adequate accounting records have been kept by the Company so far as appears from the examination of those records; and,

(iii) the Company's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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 Company'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 Company, or 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Company 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 Company 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 Company'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 Company 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 Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**11 February, 2022**

**12. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020**

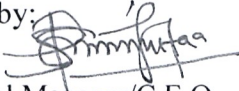
	Note	2019-2020	2018-2019
		KShs.	KShs.
<b>REVENUES</b>			
Revenue	6	52,281,632	137,184,282
Cost of sales	7	(5,556,950)	(35,717,137)
Gross profit		<b>46,724,682</b>	<b>101,467,145</b>
Grants from the National Government	8	252,093,830	259,598,737
<b>TOTAL REVENUES</b>		<b>298,818,512</b>	<b>361,065,882</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	9	308,727,337	346,530,985
<b>TOTAL OPERATING EXPENSES</b>		<b>308,727,337</b>	<b>346,530,985</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(9,908,825)</b>	<b>14,534,897</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>		-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(9,908,825)</b>	<b>14,534,897</b>

**Bomas of Kenya Limited**  
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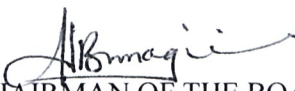
**13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	<u>NOTE</u>	<b>2020</b>	<b>2019</b>
		<u>Kshs.</u>	<u>Kshs.</u>
<b>ASSETS</b>			
<b>Non –current assets</b>			
Property plant & equipment	10	2,364,344,292	2,399,215,724
Staff receivables due after one year		-	-
<b>Total Non-Current Assets</b>		<b>2,364,344,292</b>	<b>2,399,215,724</b>
<b>CURRENT ASSETS</b>			
Trade and other Receivables	13	65,047,281	72,652,794
Bank and Cash balance	14	5,081,135	18,623,457
<b>TOTAL CURRENT ASSETS</b>		<b>70,128,416</b>	<b>91,276,251</b>
<b>TOTAL ASSETS</b>		<b><u>2,434,472,708</u></b>	<b><u>2,490,491,975</u></b>
		-	-
<b><u>EQUITY AND LIABILITIES:</u></b>			
Share Capital	15	5,080,000	5,080,000
Revaluation Reserve	16	124,896,132	126,136,644
Retained Earnings	18	215,468,309	224,136,622
Deferred capital grant		2,026,830,878	2,083,224,708
		-	-
<b>CAPITAL AND RESERVES</b>		<b><u>2,372,275,319</u></b>	<b><u>2,438,577,974</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability		-	-
<b>TOTAL NON -CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>Current Liabilities</b>			
Trade and other payables	19	62,197,389	49,867,748
Deferred VAT Tax Income		-	2,046,253
Bad and doubtful debts provision			
Provision for leave pay			
<b>TOTAL CURRENT LIABILITIES</b>		<b>62,197,389</b>	<b>51,914,001</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b><u>2,434,472,708</u></b>	<b><u>2,490,491,975</u></b>

The financial statements were approved by the Board on 21<sup>st</sup> APRIL, 2021 and signed on its behalf by:

  
 Ag. General Manager/C.E.O  
 Name: PETER GITAA

HEAD OF FINANCE  
 Name: NIXON MUGWAZA  
 ICPAK M/NO: 11710

  
 CHAIRMAN OF THE BOARD  
 Name: JOSIAH MAGUT

Bomas of Kenya Limited  
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**14. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020**

	Ordinary share capital	Revaluation reserve	Retained earnings	Capital/ Development Grants/Fund	Total
<b>At July 1, 2018</b>	5,080,000	127,408,965	208,329,404	2,143,001,445	2,483,819,814
Revaluation gain	-	(1,272,321)	1,272,321	-	-
Net surplus/(Deficit) for the year 30th June, 2019	-	-	14,534,897	-	14,534,897
Transfer of Depreciation from capital funds to retained earnings	-	-	-	(59,776,737)	(59,776,737)
<b>Capital Grant</b>	-	-	-	-	-
<b>At June 30, 2019</b>	5,080,000	126,136,644	224,136,622	2,083,224,708	2,438,577,974
<b>At July 1, 2019</b>	5,080,000	126,136,644	224,136,622	2,083,224,708	2,438,577,974
Revaluation gain	-	(1,240,512)	1,240,512	-	-
Net surplus/(Deficit) for the year 30th June, 2020	-	-	(9,908,825)	-	(9,908,825)
Transfer of Depreciation from from capital funds to retained earnings	-	-	-	(56,393,830)	(56,393,830)
<b>Capital Grant</b>	-	-	-	-	-
<b>At June 30, 2020</b>	5,080,000	124,896,132	215,468,309	2,026,830,878	2,372,275,319

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**15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	<b>2020</b>	<b>2019</b>
	Kshs.	Kshs.
<b>OPERATING ACTIVITIES</b>		
Cash Generated from /(used in) Operations	<b>(9,908,825)</b>	<b>14,534,897</b>
Provision for Depreciation	56,393,830	59,776,737
Capital grants realized	(56,393,830)	(59,776,737)
	<u>-</u>	<u>-</u>
Net cash generated from/(used in) operating activities	<b>(9,908,825)</b>	<b>14,534,897</b>
<b>Add: Changes in Working Capital:</b>		
Decrease in Receivables	7,605,512	(15,451,321)
Increase in Payables	10,283,389	(6,418,533)
	<b>17,888,901</b>	<b>(21,869,854)</b>
<b>Cash generated from Operations</b>	7,980,076	(7,334,957)
<b>Net Cash from Operating Activities</b>	<b>7,980,076</b>	<b>(7,334,957)</b>
<b>INVESTING ACTIVITIES.</b>		
Purchase of Fixed Assets/Work in progress/BICEC	(21,522,398)	(148,263,465)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Development Grants	-	-
Net Increase/(Decrease) in Cash and Cash equivalents	(13,542,322)	(155,598,422)
<b>Add: Beginning Balance of Cash and Cash Equivalents</b>	<u>18,623,457</u>	<u>174,221,879</u>
<b>ENDING BALANCE OF CASH &amp; CASH EQUIVALENTS</b>	<b><u>5,081,135</u></b>	<b><u>18,623,457</u></b>

**Bomas of Kenya Limited**  
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**16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED  
30 JUNE 2020**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Variance in Percentage		Remarks
	2019-2020	KShs.	2019-2020	KShs.	2019-2020	KShs.	2019-2020	KShs.	2019-2020	KShs.	2019-2020	Percentage	
<b>Revenue</b>													
Sale of goods	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of services	103,000,000	-	-	-	103,000,000	52,281,632	(50,718,369)	(49.5%)	(i)				
Transfers from the Government	195,700,000	-	-	-	195,700,000	195,700,000	-	-	-				
Capital Grant realized	-	-	-	-	-	56,393,830	56,393,830	100%	(vi)				
<b>Total income</b>	<b>298,700,000</b>	-	-	-	<b>298,700,000</b>	<b>304,375,462</b>	<b>(50,718,369)</b>						
<b>Expenses</b>													
Cost of Sales	5,000,000.00	-	-	-	5,000,000.00	5,556,950	(556,950)	(1.11%)	(ii)				
Compensation of employees	<b>204,303,833</b>	-	-	-	204,303,833	160,826,214	(43,477,619)	21.5%	(iii)				
Boards Emoluments	<b>14,900,400</b>	-	-	-	14,900,400	9,564,372	(5,336,028)	64%	(iv)				
Administration expenses	<b>74,495,766</b>	-	-	-	74,495,767	81,942,921	7,447,154	(9.9%)	(v)				
Depreciation charge	-	-	-	-	-	56,393,830	56,393,830	100%	(i)				
CAPITAL	-	-	-	-	-	-	-	-	-				
NAICEC Project	-	-	-	-	-	-	-	-	-				
<b>Total expenditure</b>	<b>298,700,000</b>	-	-	-	<b>298,700,000</b>	<b>314,284,287</b>	<b>(9,908,825)</b>						
Surplus / Deficit for the period	-	-	-	-	-	-	-	-	-				

**BUDGET VARIANCES**

The over-expenditure / Under expenditure (negative variances) reflected in recurrent budget vote-lines were due to the following as referenced under notes column:

**i) Sale of services**

Bomas of Kenya Ltd AIA is raised majorly from gate collections and parties and reception thus closure of the institution in the month of March 2020 due to the Covid-19 pandemic negatively affected the performance.

**ii) Cost of Sales**

This item had not been budgeted for mainly because previously the operations of the Restaurant was being handled by Kenya Utalii College.

**iii) Compensation of employees**

This is due to the fact that the demand for casual employees went down since the institution had been closed as a result of Covid-19 pandemic in the third and fourth quarters of the financial year.

**iv) Boards Emoluments**

Board meetings are done quarterly, due the impact of Covid-19, this had a retrogressive effect since some of the meetings were done virtually while some were not done majorly due to resource constrains as seen under (i)

**v) Administration Expenses**

The increase of 9.9 % is majorly due to various activities undertaken relating covid-19 compliance since the pandemic was announced in March 2020.

**vi) Depreciation realised**

This relates to realization of Capital grant as expenses under the depreciation so as to have a fair value of the net capital grant in the books. Depreciation is further shown as unbudgeted item since the item does not involve movement of cash.

## **17. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

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

### **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 entity's accounting policies.

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

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

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

#### **i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

##### ***IFRS 16: Leases***

The new standards for annual reports, which were effective from 1st January 2019, introduce a new lessee accounting model. Under the model, a lessee is required to recognise assets and liabilities for all leases that are of a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

## 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 2020 (Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Bomas of Kenya is not affected by this standard.

#### *IFRIC 23: Uncertainty Over income tax treatments*

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

#### *Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)*

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure pre-payable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

#### *Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

#### *Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.*

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

**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 2020**

*Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests.

*Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

*Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

*Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)*

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

## 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 2020

##### *Amendments to IAS 1 and IAS 8 Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

#### ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

##### *IFRS 17 Insurance Contracts (Issued 18 May 2017)*

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

##### *Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)*

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

### 4. 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 entity 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 entity's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the entity's activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

#### b) In-kind contributions

In-kind contributions are donations that are made to the entity 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 entity 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 valuers.

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

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

#### d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation is calculated on the reducing balance method except for buildings which is depreciated at cost.

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

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

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.

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

### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **e) Intangible assets**

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

#### **f) Amortisation and impairment of intangible assets**

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

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

#### **g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

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

#### **h) Leases**

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

#### **i) 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)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

#### k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

#### l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

#### m) 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.

#### n) 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 not in the statement of financial performance.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### n) Taxation (Continued)

##### *Current income tax (Continued)*

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### n) Taxation (Continued)

##### *Deferred tax (Continued)*

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.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### o) 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.

#### p) 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)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### q) 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 entity or not, less any payments made to the suppliers.

#### r) Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at on a graduated tier scale i.e. I & II per employee per month.

#### s) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

#### t) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity 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.

#### u) Budget information

The original budget for FY 2019-2020 was approved by the Cabinet Secretary, Ministry of Tourism & Wildlife on 1st July, 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of less Kshs. 7,300,000 on the 2019-2020 budget following the governing body's approval.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### u) Budget information (Continued)

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, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. 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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section statement of budget and actual performance of these financial statements.

#### v) Service concession arrangements

The Entity 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

#### w) Comparative figures

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

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

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

**x) 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, 2019.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**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 Entity
- 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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 13. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

**6. REVENUE**

	2019/2020	2018/2019
a) SALES	KShs.	KShs.
Bar sales	-	9,455,051
Restaurant sales	72,860	8,960,715
Staff meals	-	-
Parties and Reception	32,981,307	79,108,047
Gate collection & playground	7,261,943	11,427,660
Hire of Dancers/halls	9,977,299	16,698,962
Rent Income	439,571	4,856,617
Income from KUC	-	6,154,004
Sundry Income	407,891	523,226
Gain on provision for bad debts	1,140,761	-
<b>Total sales</b>	<b>52,281,632.00</b>	<b>137,184,282.00</b>

**a) Gate Collections & Video Filming**

This is revenue from gate charges for entertainment i.e., watching traditional dances, touring the traditional villages, and video filming.

**b) Hire of Dancers, Hall/ Auditorium**

This is revenue that is received or is receivable for hire of dancers and auditorium hall

**c) Rent Income**

This is revenue that is received or is receivable from tenants that occupy part of the company facilities.

**d) Sundry Income**

This comprises of items that are neither regularly received nor included in the vote heads e.g. consultancy, adverts.

**7. COST OF SALES**

	2019/2020	2018/2019
	KShs.	KShs.
Purchases - Parties/ Reception	5,556,950	35,717,137
<b>Total</b>	<b>5,556,950</b>	<b>35,717,137</b>

**8. GRANTS FROM NATIONAL GOVERNMENT**

	2019/2020	2018/2019
	Kshs.	Kshs.
Recurrent grants received	195,700,000	199,822,000
Capital grants realized	56,393,830	59,776,737
<b>Total</b>	<b>252,093,830</b>	<b>259,598,737</b>

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs.	Amount deferred under deferred income Kshs.	Amount recognised in capital fund. Kshs.	Total grant income during the year Kshs.	2019-2020 Kshs.
Ministry of Tourism & Wildlife	195,700,000	-	-	195,700,000	195,700,000
<b>Total</b>	<b>195,700,000</b>	<b>-</b>	<b>195,700,000</b>	<b>195,700,000</b>	<b>195,700,000</b>

Government grants and donations related to the acquisition of capital assets are recognized as deferred grant income in the statement of financial performance on a systematic basis over the period in which depreciation of related assets are charged.

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**9. (a) ADMINISTRATION COSTS**

<b>Description</b>	<b>2019-2020 Kshs.</b>	<b>2018-2019 Kshs.</b>
Staff costs (9b)	160,826,214	162,661,604
Directors Emoluments (9c)	9,564,372	11,421,573
Motor Vehicle Running & transport	5,618,528	5,442,760
Traveling & Entertainment	3,181,567	12,322,260
Medical Expenses	16,123,722	16,920,318
Dancers Expenses	2,978,000	5,812,957
Food & Accommodation	5,982,556	6,812,399
Uniforms for Staff	320,200	2,034,853
Publicity & Promotion	3,159,346	3,111,620
Printing & Stationery	3,559,954	4,142,130
Telephone & Postage	2,507,243	2,432,700
Cleaning & laundry	2,669,283	6,538,330
Security Charges	4,610,200	7,292,124
Hiring Charges	4,404,510	8,890,387
Staff Training	2,900,931	4,149,198
Sundry Expenses	1,971,461	1,761,709
Interest & Bank Charges	193,688	191,173
Subscriptions & Donations	812,413	170,000
Insurance & Licenses	5,827,730	5,128,800
Legal & professional	728,601	670,137
Audit fee	232,000	232,000
Land Rates	403,240	403,240
Electricity & Water charges	6,648,506	8,910,603
Repairs & Maintenance	6,759,692	8,621,684
Diverse Cultural Project	349,550	-
Provisions for bad & doubtful debts	-	679,689
Depreciation Charge	56,393,830	59,776,737
<b>Total</b>	<b>308,727,337</b>	<b>346,530,985</b>

**9. (b) STAFF COSTS**

Salaries and allowances of permanent employees	131,494,782	129,505,742
Temporary Staff, Attachment and internships Wages	13,798,141	16,315,871
General Managers salary	3,420,258	5,210,088
Compulsory national health insurance schemes	2,105,250	-
Compulsory national social security schemes	4,237,536	2,496,838
Terminal Benefits / Gratuity	5,559,447	9,133,064
Provision for leave paid	210,800	-
<b>Total</b>	<b>160,826,214</b>	<b>162,661,604</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	7	19
Permanent employees – Unionisable	109	109
Temporary and contracted employees	60	56
<b>Total</b>	<b>176</b>	<b>184</b>

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**9. (c) DIRECTORS' EMOLUMENTS**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Chairman Honorarium	960,000	960,000
Sitting Allowance	3,029,147	2,683,663
Travel & Subsistence	5,575,225	7,777,910
<b>Total</b>	<b>9,564,372</b>	<b>11,421,573</b>

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

**10. PROPERTY, PLANT AND EQUIPMENT**

	FREEHOLD LAND	CAPITAL WORK IN PROGRESS	BUILDINGS & CIVILWORKS	MOTOR VEHICLES	FURNITURE FITTINGS & EQUIPMENT	COMPUTERS	LOOSE TOOLS	PUMPS & PIPES	TOTALS
<b>COST OR VALUATION</b>			2.5% on cost	0.25	0.125	0.30	0.50	0.2	
AT JULY 1, 2019	76,950,000	645,470,419	1,891,179,331	21,499,815	251,909,864	17,063,049	24,551,890	47,011,426	<b>2,975,635,795</b>
Additions	-	17,852,900	-	-	501,398	3,163,900	4,200	-	<b>21,522,398</b>
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
<b>AT JUNE 30 2020</b>	<b>76,950,000</b>	<b>663,323,319</b>	<b>1,891,179,331</b>	<b>21,499,815</b>	<b>252,411,262</b>	<b>20,226,949</b>	<b>24,556,090</b>	<b>47,011,426</b>	<b>2,997,158,193</b>
<b>DEPRECIATION</b>									
At July 1, 2019	-	-	325,491,488	17,149,781	159,983,187	11,572,573	24,071,394	38,151,647	576,420,070
Charge for the year- on profit & loss	-	-	39,142,196	1,087,509	11,553,509	2,596,313	242,348	1,771,956	56,393,830
Charge for the year- on revaluation surplus	-	-	-	-	-	-	-	-	1,240,512
Impairment loss	-	-	-	-	-	-	-	-	-
Elimination on disposal	-	-	-	-	-	-	-	-	-
At June 30, 2020	-	-	364,633,684	18,237,289	171,536,697	14,168,886	24,313,742	39,923,603	632,813,901
<b>NET BOOK VALUE AT JUNE 2020</b>	<b>76,950,000</b>	<b>663,323,319</b>	<b>1,526,545,647</b>	<b>3,262,526</b>	<b>80,874,566</b>	<b>6,058,063</b>	<b>242,348</b>	<b>7,087,823</b>	<b>2,364,344,292</b>

NOTE. The revaluation of the assets was done in August 1996 By Gatheru Irungu Mugo Co ltd. The total value of the assets was Kshs 194,020,600 as below:-

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

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**11. WORK IN PROGRESS**

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

	<b>2020</b>	<b>2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Work in progress analysis</b>		
Balance brought forward	645,470,419	504,542,784
Additions for the year	17,852,900	140,927,635
<b>Total balance carried forward</b>	<b>663,323,319</b>	<b>645,470,419</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**12. PROPERTY, PLANT AND EQUIPMENT (Continued)**

	FREEHOLD LAND	CAPITAL WORK IN PROGRESS	BUILDINGS & CIVIL WORKS	MOTOR VEHICLES	FURNITURE FITTINGS & EQUIPMENT	COMPUTERS	LOOSE TOOLS	PUMPS & PIPES	TOTALS
<b>COST OR VALUATION</b>			2.5% on cost	0.25	0.125	0.30	0.50	0.2	
AT JULY 1, 2018	76,950,000	504,542,784	1,890,362,049	21,499,815	248,042,084	15,585,063	24,166,519	46,224,016	<b>2,827,372,330</b>
Additions		140,927,635	817,282	-	3,867,780	1,477,986	385,371	787,410	<b>148,263,465</b>
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
<b>AT JUNE 30 2019</b>	76,950,000	645,470,419	1,891,179,331	21,499,815	251,909,864	17,063,049	24,551,890	47,011,426	<b>2,975,635,795</b>
<b>DEPRECIATION</b>									
At July 1, 2018	-	-	285,345,646	15,699,769	146,850,805	9,219,512	23,590,899	35,936,702	516,643,333
Charge for the year-on profit & loss	-	-	40,145,842	1,450,012	13,132,382	2,353,061	480,495	2,214,945	59,776,737
Charge for the year-on revaluation surplus			1,272,320	-	-	-	-	-	1,272,320
	76,950,000	504,542,784	1,605,016,403	5,800,046	101,191,279	6,365,551	575,620	10,287,314	2,310,728,997
Impairment loss	-	-	-	-	-	-	-	-	-
Elimination on disposal									
<b>At June 30, 2019</b>	-	-	325,491,488	17,149,781	159,983,187	11,572,573	24,071,394	38,151,647	<b>576,420,070</b>
<b>NET BOOK VALUE AT JUNE 2019</b>	<b>76,950,000</b>	<b>645,470,419</b>	<b>1,565,687,843</b>	<b>4,350,035</b>	<b>91,926,677</b>	<b>5,490,476</b>	<b>480,495</b>	<b>8,859,779</b>	<b>2,399,215,724</b>

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**13. (a) TRADE AND OTHER RECEIVABLES**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs.</b>	<b>KShs.</b>
Debtors- long outstanding	5,844,308	5,844,308
Trade Debtors	12,684,840	24,091,248
Staff Debtors	661,461	325,698
Deposits Paid	1,183,500	1,183,500
Little Theatre & Ushanga Kenya Receivables	51,897,978	49,573,607
<b>Total</b>	<b>72,272,087</b>	<b>81,018,361</b>
Provision for bad & Doubtful Debts-	-	-
-(10% of trade debtors)	(1,268,484)	(2,409,245)
-(100% of long outstanding debtors over 10 years)	(5,844,308)	(5,844,308)
Provision for ex- staff debtors	(112,014)	(112,014)
Provision for leave paid		
<b>Total</b>	<b>65,047,281</b>	<b>72,652,794</b>
<b>Provision for bad &amp; Doubtful Debts</b>		
Opening balance	2,409,245	1,729,556
Closing balance	1,268,484	2,409,245
Gain / Loss on Provisions	<b>1,140,761</b>	<b>(679,689)</b>

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

**13 (b) TRADE RECEIVABLES**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Gross trade receivables	12,684,840	24,091,248
Provision for doubtful receivables	(1,268,484)	(2,409,245)
	<u>11,416,356</u>	<u>21,682,003</u>
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	-	4,518,300
Between 30 and 60 days	-	5,702,027
Between 61 and 90 days	-	-
Between 91 and 120 days	-	2,869,171
Over 120 days	12,684,840	11,001,750
	<u>12,684,840</u>	<u>24,091,248</u>
	=====	=====

**13 (c) STAFF ADVANCES**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Gross staff loans and advances	111,615	99,233
Provision for impairment loss	-	-
	<u>111,615</u>	<u>99,233</u>
	<u>111,615</u>	<u>99,233</u>
Less: Amounts due within one year	111,615	99,233
	<u>-</u>	<u>-</u>
Amounts due after one year	-	-
	=====	=====

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

**14. (a) BANK AND CASH BALANCES**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Cash at bank - Current A/c No (1108986668)	146,411	14,452,369
Cash in bank – Current A/c No (1108985580)	4,821,962	3,190,241
M-Pesa - Account	33,002	796,347
Cash in hand	39,760	144,500
Cash Float	40,000	40,000
<b>Total</b>	<b>5,081,135</b>	<b>18,623,457</b>

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

**14 (b) BANK AND CASH BALANCES (Continued)**

The make – up of bank balances and short term deposits is as follows:

**Detailed analysis of the cash and cash equivalents**

		<b>2019-2020</b>	<b>2018-2019</b>
<b>Financial institution</b>	<b>Account number</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>a) Current account</b>			
Kenya Commercial bank		4,968,373	17,642,610
<b>Sub- total</b>		<b>4,968,373</b>	<b>17,642,610</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>c) Fixed deposits account</b>			
Kenya Commercial bank		-	-
		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>d) Staff car loan/ mortgage</b>			
Kenya Commercial bank		-	-
		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>e) Others(specify)</b>			
CashFloat		40,000	40,000
cash in hand		39,760	144,500
M pesa		33,002	796,347
<b>Sub- total</b>		<b>112,762</b>	<b>980,847</b>
<b>Grand total</b>		<b>5,081,135</b>	<b>18,623,457</b>

**15. ORDINARY SHARE CAPITAL**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Authorised:</b>		
254,000 ordinary shares of Kshs.20 par value each	<b>5,080,000</b>	<b>5,080,000</b>
	=====	=====
<b>Issued and fully paid:</b>		
254,000 ordinary shares of Kshs.20 par value each	<b>5,080,000</b>	<b>5,080,000</b>
	=====	=====

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

**16. REVALUATION RESERVE**

The revaluation reserve relates to the revaluation done in the year 1996 for selected items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance brought forward	126,136,644	127,408,965
Less:-depreciation surplus for the year	1,240,512	1,272,321
Balance carried forward	<u><b>124,896,132</b></u>	<u><b>126,136,644</b></u>

**17. FAIR VALUE ADJUSTMENT RESERVE**

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognized in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognized in profit or loss.

**18. RETAINED EARNINGS**

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities.

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Balance brought forward	<u><b>224,136,622</b></u>	208,329,404
Net Surplus / Deficit for the year	(9,908,825)	14,534,897
Total	<b>214,227,797</b>	<b>222,864,301</b>
Revaluation Reserve(amortization)	1,240,512	1,272,321
<b>Balance carried forward</b>	<u><b>215,468,309</b></u>	<u><b>224,136,622</b></u>

**19. TRADE AND OTHER PAYABLES**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Trade Payable	<b>48,073,467</b>	<b>46,202,948</b>
Other payables		
Auditor General	492,000	492,000
<b>Jaribu Credit Traders</b>	-	6,550
Deposit received from tenants	-	452,175
Withholding VAT	444,600	712,954
Deferred VAT Income	-	2,046,253
KUDHEIHA	146,340	-
Paymaster General	4,463,918	2,001,121
SACCO Payment	3,720,000	-
Bank Loan	3,314,114	-
NHIF	376,100	-
NSSF	1,166,850	-
<b>Total</b>	<b>14,123,92</b>	<b>5,711,053</b>
Total Payable	62,197,389	51,914,001
<b>Total Payable</b>	<b>62,197,389</b>	<b>51,914,001</b>

**20. DEFERRED CAPITAL GRANT**

	<b>2019-2020</b>	<b>2018-2019</b>
Balance for the year 2018/2019	2,083,224,708	2,143,001,445
Deffered Grant for the year 2019/2020	56,393,830	59,776,737
Balance Carried Forward	<b><u>2,026,830,878</u></b>	<b><u>2,083,224,708</u></b>

**21. TAXATION**

The company has been making losses over the years and therefore did not provide for tax in the financial statements. During the financial year ended 30 June 2020, the company realized a deficit of Kshs.9,908,825. A substantial amount of income during the year was grants from the Government. No provision for tax was therefore made.

**22. RELATED PARTY DISCLOSURES**

- a. The Government of Kenya is the principal Shareholder of Bomas of Kenya Limited. It holds 100% of the company's equity.
- b. Tourism Finance Corporation (TFC) has been keeping the Bomas of Kenya's title deed and was in the process of handing it over to the Ministry of Tourism and Wildlife for further action.

**23. INCORPORATION**

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

**24. EVENTS AFTER THE REPORTING PERIOD**

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

**25. CURRENCY**

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

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor and the comments that management provided to the auditor. Bomas of Kenya has nominated focal persons to help resolve the various issues. Below is a table indicating the issues and the time frame within which the issues were expected to have been resolved.

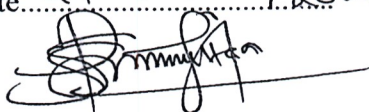
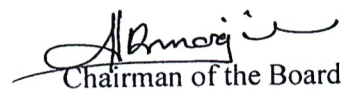
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<b>Trade and Other Receivables</b>	Management has requested the Board of Directors to get approval from the National Treasury to write off the long outstanding debts.	Mr. David Rono, Finance Manager	Not Resolved	One Year
	<b>Valuation of Assets</b>	Ministry of Tourism & Wildlife is working on a model to carry out valuation of State Corporation under it	Mr. Peter Gitaa General Manager	Not Resolved	One Year
	<b>Unpaid Compensation for Compulsory Land Acquisition</b>	The Matter has been referred to our Lawyer and now being pursued through a tribunal for settlement.	Mr. Peter Gitaa General Manager	Not Resolved	One Year

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

General Manager

Date: 29<sup>th</sup> March 2021

Chairman of the Board

Date: 29<sup>th</sup> March 2021

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by the State Corporation/ SAGA

**Status of Projects completion**

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to-date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	Nairobi International Convention & Exhibition Centre (NAICEC) – Transaction Advisory Services, Feasibility study and Masterplan Development	15,690,000,000	332,544,993.00	5			GOK
2	Equipping of the Convention Centre	210,700,000	210,700,000.00	100			GOK
3	Construction of Perimeter Fence	76,400,000	76,400,000.00	100			GOK

**Bomas of Kenya Limited**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

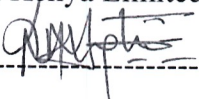
**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME:		BOMAS OF KENYA LIMITED		
Break down of Transfers from the State Department of TOURISM				
FY 2019/2020				
<b>a.</b>	<b>Recurrent Grants</b>			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Recurrent	8/8/2019	48,925,000.00	FY2019/2020
	Recurrent	11/4/2019	48,925,000.00	FY2019/2020
	Recurrent	2/3/2020	48,925,000.00	FY2019/2020
	Recurrent	5/15/2020	17,768,518.00	FY2019/2020
	Recurrent	6/8/2020	17,768,518.00	FY2019/2020
	Recurrent	6/29/2020	13,387,964.00	FY2019/2020
		<b>Total</b>	<b>195,700,000.00</b>	
<b>b.</b>	<b>Development Grants</b>			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	
<b>c.</b>	<b>Direct Payments</b>			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	
<b>d.</b>	<b>Donor Receipts</b>			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	

The above amounts have been communicated to and reconciled with the parent Ministry  
 Finance Manager

Bomas of Kenya Limited

Sign



Head of Accounting Unit  
 Ministry of Tourism & Wildlife

Sign-----