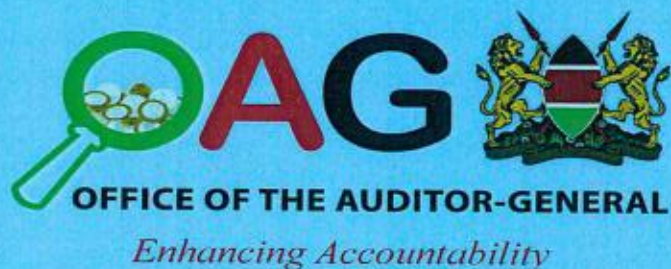


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY PAPERS LAIN	
DATE: 22 FEB 2023	DAY:
TABLED BY:	HON. DWEN BAYA, MP DEPUTY LEADER OF MAJORITY
CLERK AT THE TABLE:	CHRISTINE NDIRITU

REPORT

OF

THE AUDITOR-GENERAL

ON

SUNSET HOTEL LIMITED

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

SUNSET HOTEL LIMITED



REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021

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

TABLE OF CONTENTS

Contents	Page
TABLE OF CONTENTS	i
KEY COMPANY INFORMATION	ii
THE BOARD OF DIRECTORS	iv
MANAGEMENT TEAM.....	viii
CHAIRMAN'S STATEMENT	ix
REPORT OF THE GENERAL MANAGER	x
STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021	xi
CORPORATE GOVERNANCE STATEMENT	xiii
MANAGEMENT DISCUSSION AND ANALYSIS	xviii
ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxiii
REPORT OF DIRECTORS.....	xxv
STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxvi
REPORT OF THE INDEPENDENT AUDITORS ON SUNSET HOTEL LIMITED.....	xxviii
STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021	1
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021	2
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021	3
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021	5
NOTES TO THE FINANCIAL STATEMENTS	7
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	36

SUNSET HOTEL LIMITED

Annual Reports and Financial Statements For the financial year ending 30 June 2021

KEY COMPANY INFORMATION

Sunset Hotel Limited ("SHL", "The Company") was incorporated under the Kenya Companies Act (Cap 486) in 1976. The shareholders of SHL are Tourism Finance Corporation (TFC, formerly Kenya Tourist Development Corporation (KTDC) and Kisumu County (formerly Kisumu Municipal Council). TFC is the majority shareholder in SHL with a direct controlling stake of 95.4% shares with Kisumu County shareholding of 4.6%. TFC shareholding has since been transferred to Kenya Development Corporation (KDC) effective 2nd July 2021 vial Legal Notice No.113 pursuant to the Kenya Development Corporation Limited vesting order, 2021 published by the Cabinet Secretary for National Planning. From the management perspective, SHL is classified as a Commercial State Corporation by virtue of being a subsidiary of TFC. The shareholders through the Directors are responsible for the general policy and strategic direction of the Hotel.

Principal Activities

The principal activity of the Company is operation of the hotel facility mainly focusing on provision of accommodation and conference facilities.

Our Vision

To be the preferred choice for customers positioned to providing personalized, diversified and exceptional service.

Our Mission

To continuously create value in every encounter with our customers, owners and associates as we provide a choice of excellent hospitality products that offer good value for money while assuring a good return to shareholders and inspiration to employees through sustainable use of environmental resources and corporate social responsibility.

Directors

1.	Mr.Odongo Okeyo	Director	Chairperson
2.	Prof. Peter Anyang Nyong'o	Director	H.E the Governor -Kisumu County
3.	Ms. Judith Kerich	Director	Director TFC
4.	Mr. Abraham Koech	Director	Representative, National Treasury
5.	Mr. Jonah T. Orumoi	Director	Managing Director TFC
6.	Mr. Peter Chemwile	Director	Director TFC

Corporate secretary

Mr. John Karia
Kenya Development Corporation Ltd
Uchumi House, 17th Floor
P O Box 12665-00100
Nairobi
Email: info@kdc.go.ke

Registered Office

Sunset Hotel Limited Aput Lane,
Impala walk P. O. Box 215 – 40100
Kisumu Kenya
Tel. (254)057-2023482,2021490
Email: info@sunsethotel.co.ke
Website: www.sunsethotel.co.ke

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

Corporate Headquarters

Kenya Development Corporation

Uchumi House, 17th Floor

Agha Khan Walk

P O Box 12665-00100

Nairobi

Corporate Contacts

Telephone: +254 20 2229213

E-Mail: info@kdc.go.ke

Website: www.kdc.go.ke

Corporate Bankers

1. National Bank of Kenya Limited

Oginga Odinga Street

P.O Box 1152-40100

Kisumu

2. Kenya Commercial Bank

Oginga Odinga Street

P.O Box 17-40100

Kisumu

Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

Principal Legal Advisers

1. The Attorney General

State Law Office



Harambee Avenue

P.O Box 40112

City Square 00200

Nairobi, Kenya

SUNSET HOTEL LIMITED**Annual Reports and Financial Statements****For the financial year ending 30 June 2021****THE BOARD OF DIRECTORS**

DIRECTOR	KEY PROFESSIONAL/ ACADEMIC QUALIFICATIONS	WORK EXPERIENCE
 Prof. Peter Anyang Nyong'o	<p>PhD Political Science, University of Chicago, USA.</p> <p>M.A Political Economy, University of Chicago, USA.</p> <p>Degree in Political Science, University of Chicago, USA.</p> <p>BA, Political Science & Philosophy; 1st Class Honors, Makerere University, Uganda.</p>	<p>Prof. Peter Anyang Nyong'o is the current Governor of Kisumu County. He has vast experience spanning over 30 years in the political field. He was previously the Senator of Kisumu County. He was the Minister of Medical Services from the year 2008 to 2013 and Member of Parliament for Kisumu Rural from 2003 to 2013.</p> <p>He was nominated to parliament from 1998-2002 after having been elected to parliament from 1993-1997 representing Kisumu Rural. He was also the very able minister of Planning and National Development from 2003 to 2005.</p> <p>Between the year 1977 and 1981, before joining the political arena, Prof. worked as the Head of Programs of African Academy of Sciences, Associate Professor of University of Addis Ababa, Ethiopia, Visiting Research Officer of El Colegio De Mexico and as a Lecturer and Senior Lecturer at University of Nairobi.</p>
 Orumoi. T. Jonah	<p>Mr. Orumoi holds a Master of Science in Finance and Investment (Merit) from Queen Mary University of London, UK and is FACCA qualified. He is a graduate of BA (Hons) in Accounting & Finance of the East London University, UK.</p>	<p>Mr. Orumoi is the Managing Director of Tourism Finance Corporation and was previously the Head of Finance & ICT at the Kenya Tourism Board. He has previously worked as Finance & Leasing Contracts Manager/ acting Head of Procurement at G4S and as a Senior Principal Finance Officer, Thurrock Council, UK.</p>

SUNSET HOTEL LIMITED

Annual Reports and Financial Statements

For the financial year ending 30 June 2021



Mark Odongo Okeyo
(Chairperson)

Mr. Okeyo is an Advocate of the High Court of Kenya with over thirty-one (31) years' experience in the Insurance sector and is a Life Member of the Institute of Certified Secretaries. He previously Senior Manager, Strategy and Business Development at Kenya Reinsurance Company Limited during which period he led the team and was in charge of the process that privatized Kenya Reinsurance Corporation. He is currently the Managing Partner of Odongo Okeyo & Co. Advocates and a Director at the CDF Board and of Tourism Finance Corporation.

Mr. Okeyo has a track record of service to the country and the local society and was the Lead Legal adviser for the CDF Board on the re-alignment of Act to the Constitution 2010, he chaired and led the CDF Board Management and Parliamentary Committee on the re-drafting of the CDF Act 2013 and has been involved in the water sector since 2004 by providing water to local communities and promoting free environment and consulting for Transparency International on Water Governance issues. Mr. Okeyo also serves as a Board Member of Migori Boys Secondary School and a Patron of Kaolika SDA Church Development and Construction Committee.

Mr. Okeyo is dedicated to professionalism and Corporate Governance and during his career introduced Corporate Governance in the Insurance sector, has been among the team of consultants that assesses companies on Corporate Governance for the COG Award on behalf of Institute of Certified Secretaries. He has also carried out Civic Education and Governance on run up to the General Elections and has fought corruption consistently; both privately and publicly.

SUNSET HOTEL LIMITED

Annual Reports and Financial Statements

For the financial year ending 30 June 2021



Judith Kerich

Ms. Judith holds Master of Business Administration (MBA / Strategic Management) & Master in Public Policy Management from Strathmore Business School.

She also holds a Bachelor of Commerce Degree (Human Resources Option) from Catholic University of Eastern Africa (CUEA), HND Human Resources Management from Institute of Human Resource Management, Certificate in Project Management from Georgetown University Washington DC, Certificate in Public Policy from New York University USA, Diploma in Airport Operations from Airports Council International and Global Strategy from IESE Business School Spain.

She is the Deputy Project Coordinator for World Bank Financed projects in the Transport Sector in Kenya with value added board-level experience and strategic decision-making expertise, notably at the National Transport & Safety Authority and Kenya Airports Authority.

She has vast wealth of experience having previously worked as the Director Corporate Support Services - National Transport & Safety Authority, Kenya. She also worked as the Manager Human Resource Services (Senior HR Management) at Kenya Airports Authority prior to which she had worked as Human Resources Officer at Jomo Kenyatta International Airport (KAA) as well as Assistant Corporate Management Representative.

Earlier on she had worked as the Executive Assistant to ACI President (Africa Region) - Airports Council International (Africa Region) and Executive / Personal Assistant to General Manager / Finance Director - Sigison Freight

SUNSET HOTEL LIMITED

Annual Reports and Financial Statements

For the financial year ending 30 June 2021



John Karia
Company Secretary

Mr. John holds a Master degree in Law (LLM) from the University of Exeter (UK), a Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws degree (LL.B) from University of Nairobi.

He is the Company Secretary. John is an Advocate of the High Court of Kenya and a Certified Secretary. He is an active Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and an Associate Member of the Chartered Institute of Arbitrators (Kenya Branch).

John is a seasoned legal and governance professional with wide and varied experience gained in the financial services industry and has previously worked for Kenindia Assurance Co. Ltd and the Laptrust/CPF Group where he was the Legal Services Manager.



Abraham Kipkorir Koech

Mr Koech holds an MBA in Strategic Management from Jomo Kenya University of Agriculture and Technology (JKUAT) and B.A Hons, Upper Second from University of Nairobi

Mr Koech has immense wealth of experience in Policy and Financial Analysis, Project Management, Strategic Management, Corporate Governance and Quality Management Systems.

He has previously represented the National Treasury as an Alternate Director in the Boards of various State Corporations.

He previously worked as AM/ Strategy and Change, Postbank after rising through the ranks.

SUNSET HOTEL LIMITED

Annual Reports and Financial Statements

For the financial year ending 30 June 2021

MANAGEMENT TEAM

Accountant



Holds a Bachelor of
Commerce (B.com.)
Finance, CPA (K),
Diploma in
Accounting

Over 15 years'
experience

Risper Chichole

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

CHAIRMAN'S STATEMENT



On behalf of my fellow Board Members, the Management and myself I hereby present to you Financial Statements of Sunset Hotel Ltd for the Financial Year

2020/2021.

I am pleased to report that despite the turbulence witnessed in the industry during the year as a result of the Covid-19 pandemic, the hotel defied all odds and posted a relatively impressive performance for the first time in a very long time. For a number of years the performance of the Hotel has been wanting; with the poor performance being attributable to a number of factors inter alia the downturn of the tourism sector in the country, the state of the facility and the increase in the number of high end facilities within Kisumu County that provided stiff competition for the hotel.

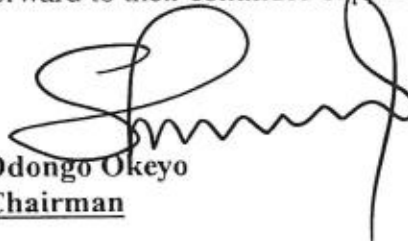
In the Year under review the hotel posted a profit of Kshs. 10.08 Million against the expected Profit of Kshs. 1.38 Million; thus slightly reducing the accumulated losses to Kshs. 172.97 Million.

It is apparent that the restructuring measures previously taken by the board are starting to bear fruit, by stemming the continued accumulation of losses. Despite the evident improvement it is not lost to the board the

need to strategically reposition the hotel. The hotel's improvement on the backdrop of the harsh environment under which it operated during the period serves to underscore the huge potential that this iconic hotel possesses. With continued concerted efforts, the hotel should be able to become self-sufficient as we continue to explore means and ways of putting it back on track and forestalling the accumulation of further losses and safeguarding the investment of the shareholders.

The current Board has shown a lot of goodwill and I believe this will go a long way in assisting the hotel in making the revolutionary change required to salvage it as it can already be seen. I would like to record my sincere gratitude to the Board for their invaluable support, commitment and dedication which has helped steer the hotel's strategic thinking to new altitudes.

Finally, on behalf of the Board of Directors, Management & Staff I would like to express my sincere gratitude to our customers for their patronage over the Years and look forward to their continued support in future.


Odongo Okeyo
Chairman

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

REPORT OF THE GENERAL MANAGER



On behalf of management of Sunset Hotel Limited, I am pleased to present to you the Annual Report and Financial Statements of the company for the year ended 30th June 2021.

Kisumu County has in the recent past experienced a serious upsurge of new hotels that have created a serious scramble for clients coming to the region. This has indeed brought about serious competition that is certainly good for the industry. On the other hand, this entry of new hotels has 'disadvantaged' the old hotels and has created a challenge that the old hotels must quickly address and deal with in order to remain competitive and relevant. Apparently, this is the fate that has befallen Sunset Hotel Kisumu.


The hotel is however advantaged in the sense that it has reasonably built a name over the years and is strategically located and that this must be used to the benefit of the hotel.

During the year 2021, the hotel achieved a net turnover of Kshs 50 million (2020: Kshs 18 million) representing an increase of 178 % and a profit of Kshs. 10.08 million (2020: Kshs -9.9 million) thus 201% increase. This was partly occasioned by the reduction of staff costs after the redundancy exercise the previous year. The hotel was also identified and used as a Covid-19 quarantine Centre for the County medical personnel at the initial stages of the pandemic.

Of the reported sales, Kshs.10 million was generated from the use of the hotel as a quarantine Centre thus going a long way in helping the hotel to remain a float.

The management has for a longtime now been pursuing the refurbishment agenda with the board and it remains hopeful that the agenda will be actualized sooner than later in order to help reclaim the hotel's glory. It is envisaged that more efforts will be directed towards increasing operational efficiency and implementing strategies such as increasing accommodation capacity, marketing, advertising and promotions that are directed towards securing more business.

Finally, on behalf of management and staff of Sunset Hotel Ltd, I wish to express our sincere appreciation to the Board of directors for their committed support during the year ended 30th June 2021. I equally wish to express my gratitude to the shareholders; National Government and the County Government of Kisumu, customers and other valuable stakeholders for their support and we indeed look forward to a better future.


Risper Chichole
Ag. General Manager

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Sunset Hotel has four main strategic issues within the current Strategic Plan for the FY 2019- FY 2023. These strategic issues are as follows:

1. Reinforcement of trust and recognition for Sunset Hotel in the industry
2. Increasing sales revenue.
3. Reinvestment and payment of dividends to shareholders
4. Human Resource Development and Management

Sunset Hotel develops its annual work plans based on the above four Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hotel partly achieved its performance targets set for the FY 2020/2021 period for its strategic issues, as indicated in below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Reinforcement of trust and recognition for Sunset Hotel in the industry	To reinforce the hotel's position in the market as a recognized and trusted hotel	Customer loyalty and maximized profits	<ul style="list-style-type: none"> Renovation and refurbishing of hotel rooms to modern standards. Rebranding the hotel. Implement use of ICT in hotel recognition and image improvement. 	Process of sourcing for refurbishment funds initiated and in progress.
Increasing sales revenue.	To achieve a 20% growth rate in sales for the next 5 years in order to enhance and sustain financial resources for Sunset Hotel.	Increased sales and patronage	<ul style="list-style-type: none"> Diversification of services and products. Focus on conference tourism to attain average space occupancy of 75%. Investment in cottages and tents Implement proper financial control systems 	Revenue target surpassed by 30% while profit was over and above the budget by 630%.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

			<ul style="list-style-type: none"> • Continual improvement of services, products and environment • Pay debts on time • Mobilize resources from external sources • Improve efficiency and effectiveness of resource utilization. 	
Reinvestment and payment of dividends to shareholders	To achieve a 20% growth rate in the levels of profits sufficient to yield returns to shareholders	Declaration of dividends and plough backs	i) Renovation and refurbishment of the property ii) Diversification of services and products iii) Reduction of operating costs iv) Focus on quality service and customers satisfaction	Projects to improve the hotel from internally generated funds ear marked for implementation as outsourced funds are awaited
Human Resource Development and Management	To attract, develop and retain competent and motivated staff	Improved Customer service, Increased productivity	i) Developing a Human Resource Manual ii) Upgrading skills in the workforce iii) Improving the work environment iv) Rationalizing staff capacity	Developed the relevant HR Instruments for approval

CORPORATE GOVERNANCE STATEMENT

Corporate Governance comprises the rules, practices and processes by which the company is directed and controlled. It also provides the framework for attaining the company's objectives. The Board of Directors has embraced Governance as the mode of engagement and interaction between the Corporation's Board, Management, Stakeholders and Regulators for the sustainable benefit of the hotel.

Sunset Hotel Ltd is committed to realizing profits and growth while complying with all legal Requirements and maintaining business ethics. The above are realized through:

a) Board of Directors

The Board provides leadership of the Company with the framework that upholds the core values underpinning good Corporate Governance.

The board's duties and responsibilities include;

- Setting the Strategic Direction of the hotel and putting in place appropriate policies, systems and structures for their successful implementation;
- Establishing and maintaining the hotel's overall systems of planning, accounting and internal controls that facilitate prudent risk management;
- Setting policy guidelines for management and ensuring competent management of the business including selection, supervision, and remuneration of Senior Management
- Ensuring the business of the hotel is conducted in compliance with relevant laws and regulations
- Monitoring the hotel's performance and reporting this to the shareholders.

There exists a formal procedure to the appointment of directors. Key elements such a conflict of interests and multiple directorships are considered during this exercise. Towards the end, the company has consistently formulated successive 5 years strategic plan.

b) Board Composition

The Board believes that to achieve good corporate governance, there is need for strong presence of the non- executive directors in the Board. During the year under review, the Board had six Directors of all whom were non-executive Directors. The General Manager attended the Board meetings in his capacity as General Manager.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

The Board Chairman has the overall responsibility of leading the Board. He oversees the operations and effectiveness of the Board and ensures that the Boards' discussions are conducted in a manner that promotes open participation.

The Directors who held office during the year under review is as listed under the Board of Directors; afore section in this report.

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

c) Board Meetings

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

During the year, The board held a total of five (5) meetings; two (2) special and three (3) regular board meetings respectively.

The time, date, venue and Agenda of the meeting are communicated in advance. Attendance of the Board Members to full Board meeting, Special Board meeting over the year is set as below:

	Name	Details	Regular Meeting	Special Meeting	Total Meetings
1	Achie Alai	Alternate to the Governor	2	2	4
2	John Karia	Company Secretary	2	2	4
3	Jonah Orumoi	MD TFC		2	2
4	Judith Kerich	Director	1		1
5	George Okongo	Alternate to the Governor	1	1	2
6	Odongo Okeyo	Director	3	2	5
7	Peter Chemwile	Director	2		2
8	Frank Onyango	Alternate to MD - TFC	2		2
9	Kenneth Otieno	Alternate to the Governor	1		1
10	Abraham Koech	Representative-Treasury	3		3
11	Anjelita Wamuyu	Alternate-Company Secretary	1		1
12	John Mukuna	Alternate to MD - TFC	1		1

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

d) Company Policy on Directors Remuneration

Company Directors are entitled to sitting allowances for each Board Meeting. Directors are entitled to transport and meal allowance when attending Board Meetings outside their regular areas of residence.

These are payable at the following rates:-

Title	Directors Sitting Allowance Per Sitting	Lunch Allowance Per Sitting	Air ticket per director	Subsistence Claim
Board Chairman	20,000	2,000		18,200
Directors	20,000	2,000	As per travel	18,200

e) General Terms of Service

Directors serve a 3 years term service from the date they are appointed into office. They are eligible for re-appointment for one second term of 3 years.

f) Conflict of Interest

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

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

Directors Remuneration Paid During the Year ended June 2021

No.	Name	Details	Paid Allowances	Accrued Allowances	Total Allowances
			(Kshs.)	(Kshs.)	(Kshs.)
1	Odongo Okeyo	Director	100,000		100,000
2	Achie Alai	Alternate to the Governor	80,000		80,000
3	Judith Kerich	Director	20,000		20,000
4	Peter Chemwile	Director	40,000		40,000
6	Frank Onyango	Alternate to MD - TFC	40,000		40,000
8	Jonah Orumoi	MD TFC	40,000		40,000
9	Kenneth Otieno	Alternate to the Governor	20,000		20,000
10	Abraham Koech	Representative-Treasury	60,000		60,000
11	George Okongo	Alternate to the Governor	40,000		40,000
12	John Mukuna	Alternate to MD - TFC	20,000		20,000
		S.Totals	560,000		460,000
		Expenses(Meals, Refreshments ,Airticket&Subsistance)			240,888
		G.Totals			700,888

Directors Remuneration Paid During the Year ended June 2020

No.	Name	Details	Paid Allowances	Accrued Allowances	Total Allowances
			(Kshs.)	(Kshs.)	(Kshs.)
1	Frankline Ndii	Director	20,000		20,000
2	Achie Alai	Alternate to the Governor	40,000	40,000	80,000
3	Judith Kerich	Director(Chairman)	60,000		60,000
4	Yunis Ibrahim	Director	40,000		40,000
5	Nerry Achar	Alternate to the Governor		20,000	20,000
6	Patricia Njambi	Alternate to MD - TFC	20,000		20,000
7	Jonah Orumoi	MD TFC	80,000		80,000
8	David Jakaiti	PS Representative	60,000		60,000
9	Jonah Kinama	PS Representative	40,000		40,000
10	George Okongo	Alternate to the Governor	20,000		20,000
		Totals	380,000	60,000	440,000
		Expenses(Meals,Refreshments &Airticket)			55,265
		G.Totals			495,265

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

The day to day running of the business of Sunset Hotel Ltd is delegated by the Board to the Hotel General manager who implements Board decisions in a manner that adds value to the hotel.

a) Revenue/Profitability

During the year under review, the hotel achieved a net turnover of Kshs 50 million against a budget of Kshs 38 million. This represented a favorable variance of 30%. Net profit stood at Kshs. 10.08 million against the projected profit of Kshs.1.38 million as shown below. This was a great improvement compared to the previous years' partly due to the support from the County Government of Kisumu which used the hotel as a quarantine Centre for medical staff for six months with a total of Kshs.10 million being generated therefrom.

Particulars	Budgeted	Actuals	Variance	% age Variance	Remark
	2020-2021	2020-2021	2020-2021	2020-2021	
Revenue	Kshs	Kshs	Kshs	Kshs	
Sales	38,731,955	50,159,565	11,427,610	30%	F
Other Income	-	-	-	-	
Total Revenues	38,731,955	50,159,565	11,427,610	30%	F
Cost of sales	8,050,782	10,550,904	-2,500,122	-31%	U
Gross Profit	30,681,173	39,608,661	8,927,488	29%	F
EXPENSES					
Administration Costs	21,225,669	18,430,948	2,794,721	13%	F
Selling and distribution Costs	575,922	207,963	367,959	64%	F
Depreciation Costs	2,348,720	2,046,329	302,391	13%	F
Total Operating expenses	24,150,311	20,685,240	3,465,071	14%	F
Operating Profit/(Loss)	6,530,862	18,923,421	12,558,559	190%	F
Finance Costs	5,150,384	8,836,187	-3,685,803	-72%	U
Profit/(Loss) before taxation	1,380,478	10,087,234	8,706,756	630%	F
Income tax expenses (credit)	-	-	-	-	-
Net Profit /(Loss) after taxation	1,380,478	10,087,234	8,706,756	630%	F

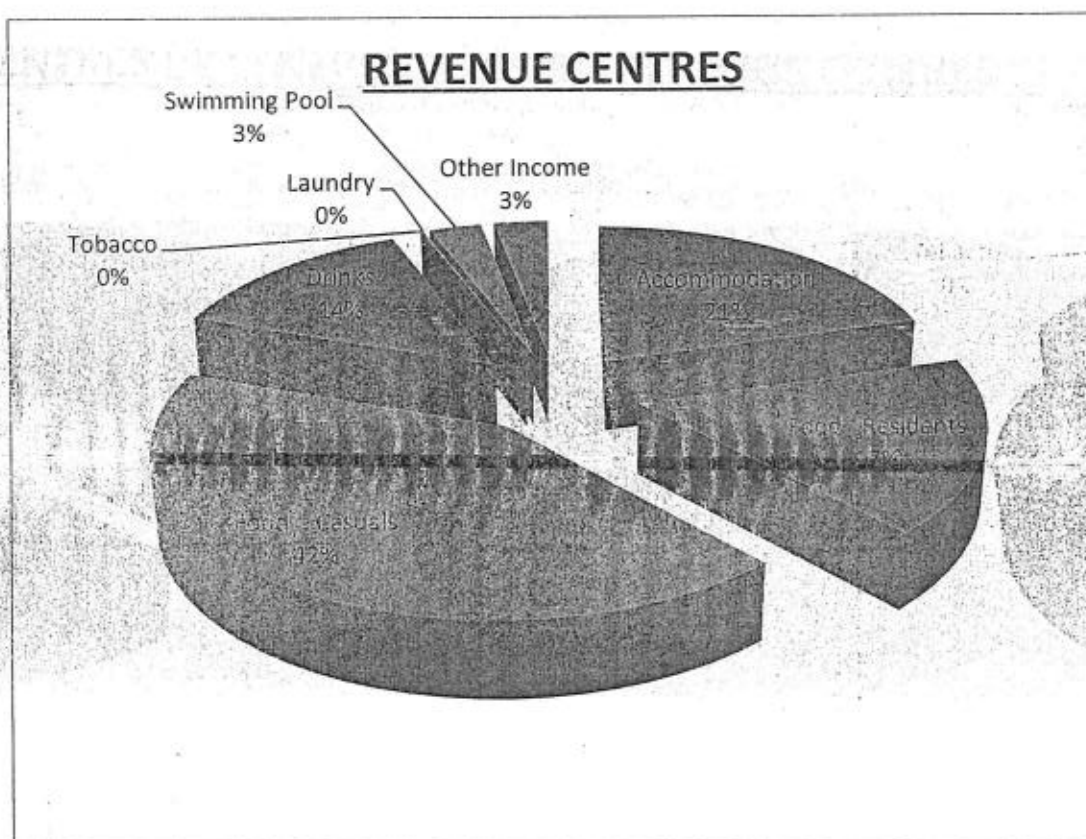
SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
for the financial year ending 30 June 2021

Revenue center's performance:

The Hotel's current amenities include; 50 standard rooms with 100 bed capacity, restaurant, lounge bar, pool bar, swimming pool and conference facilities. The respective centers performed as below:

Revenue Centre	Amount
Accommodation	10,416,715
Food - Residents	8,786,831
Food - Casuals	21,153,918
Drinks	6,858,748
Tobacco	28,428
Laundry	39,079
Swimming Pool	1,400,629
Other Income	1,475,217
Total	50,159,565

- 1) Food Residents -Food sales from resident/in-house guests
- 2)Food Casuals-Food sales from seminars and walk-in clients
- 3)Other Income-This includes revenue from hall hire, stationery, video/photo session, ground hire etc



SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

Room and bed occupancy for the period was as below:

Particulars	Budget			
	Actual	Budgeted	Full Capacity	Achieved
Room Occupancy %	37%	15%	100%	247%
Bed Occupancy %	21%	11%	100%	191%
Number of Rooms Occupied	6,757	2,672	13700	253%
Number of Beds Occupied (Guests)	7,497	4,099	27,400	183%
Average Rate - Room	1,542	3,506	4,000	44%
Average Rate - Bed	1,389	2,286	2,000	61%

The Hotel's key strength is its strategic location and ownership structure with the major challenges being its poor state of facility, high cost of operations and increased competition. The visible decline in sales over the years is due to stiff competition which has hit the Hotel hard thus calling for tough decisions to be made for the hotel to remain a float.

However, the management strongly believes that the Hotel has immense potential which if tapped through carefully thought out turn around strategies will certainly reclaim the Hotel's fast fading glory; this is already underway with discussions between the management, the directors/shareholders regarding the same having commenced.

As one of the turnaround strategies, the hotel declared all staff redundant in May 2019 and paid off their dues with funds borrowed from the shareholders. This certainly eased the burden of salaries on the hotel and it was expected that going forward the hotel would be able to breakeven. Unfortunately, after the redundancy exercise, the hotel suffered bad publicity with the exercise being construed to mean the hotel had closed down. This saw the hotel's revenue shrink further as customers stayed away. The hotel endeavored to counter the bad publicity and the efforts had started to bear fruits when unfortunately Covid-19 pandemic hit us from March, the hotel's performance was further affected. The hotel was identified as a quarantine Centre for the Kisumu County Medical staff which helped the hotel to remain a float during the period. The hotel has since then endeavored to build on the gains made during that period to continually improve its performance despite a myriad of challenges. The efforts paid off and indeed saw the hotel's performance improve greatly in the year under review with the hotel reporting some profit after a long period of loss making.

b) Administration Costs

The overall vote was within the budget with a favorable variance of 14%.

c) Finance Costs

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

This relates to Interest on loans disbursed to the hotel by TFC at an interest rate of 11%. The increment of the expense was due to the loan of Kshs.30M disbursed to the hotel in 2019 for settling staff redundancy costs after the lapse of the one year moratorium in June 2020.

d) Depreciation

Most of the Hotel's assets are fully depreciated and need to be revalued. It had been hoped that some of them would be replaced in the current financial year. However, that is yet to be effected thus the variance.

e) Liquidity Position

As a result of the above adverse revenue variance and general dismal performance over time, the Hotel has continued to default on meeting its obligations as and when they fall due. However, with the restructuring measures having been put in place, the liquidity position of the hotel has improved and the hotel is now able to meet its current obligations while offsetting the previous outstanding liabilities.

f) Compliance with Statutory Requirements

Sunset Hotel is fully compliant with all the relevant statutory requirements. The required returns are filed as and when due. However, the hotel has in the past faced serious financial constraints which made the hotel to lag behind on making remittances to the relevant organs e.g KRA and NSSF. The hotel has since cleared the NSSF principal arrears save for the penalty which it hopes to obtain some waiver. The hotel has also engaged KRA and agreed on a payment plan for the tax arrears.

g) Key Projects and Investment Decisions Implemented by the Entity

Due to the current financial situation, the hotel has no ongoing projects but hopes to initiate when the cash flows allow.

h) Financial Probity and Serious Governance

There are no major financial improbity reported by internal audit, external audit or other national government agencies providing oversight, neither are there serious governance issues among the board or member of the board and top management including conflict of interest.

i) Five year performance

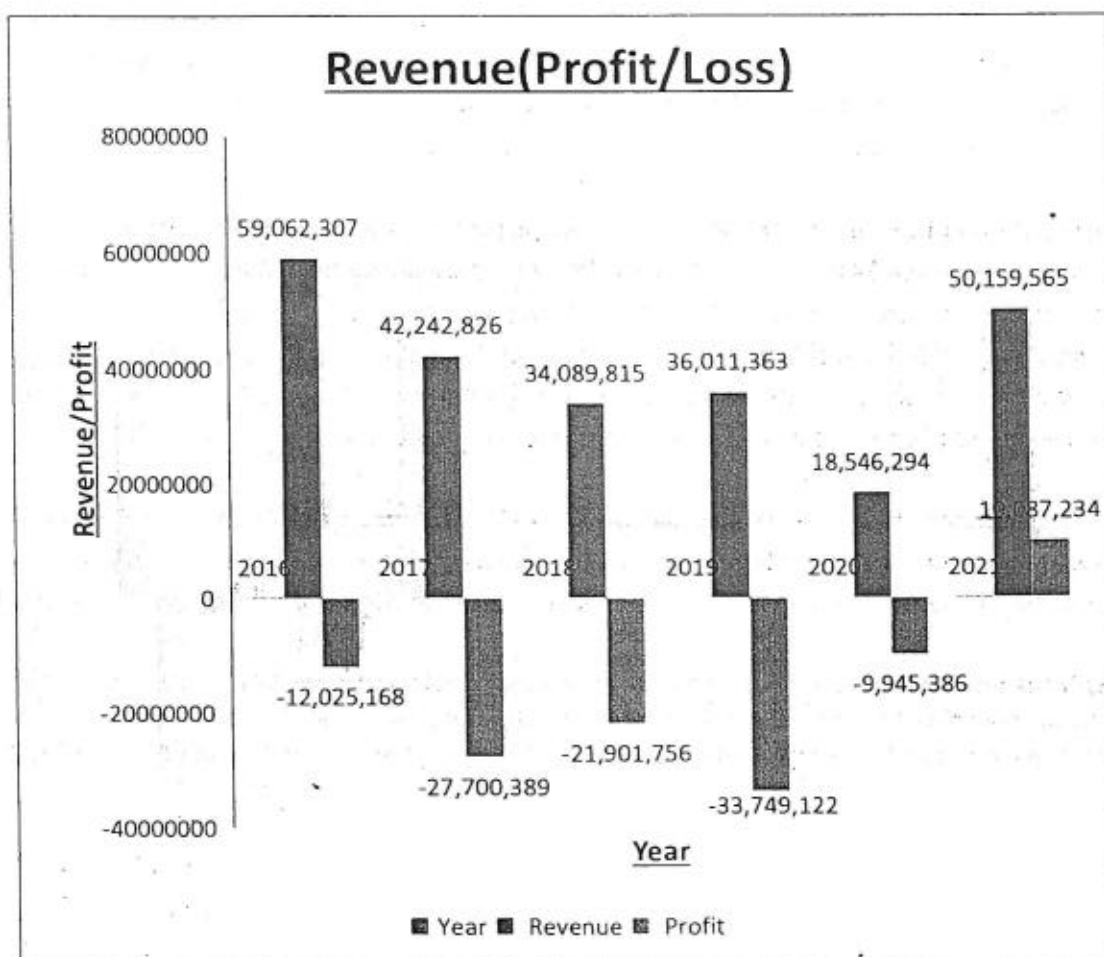
The hotel's performance has been on a downward trend due to its dilapidated state, having been built 40 years ago and with no meaningful refurbishment having taken place. The hotel is in dire need of a facelift in order to bring back its lost glory. As aforementioned, the hotel's potential cannot be underestimated.

The hotel's comparative performance over the last five years is as follows:

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

Year	Revenue	Profit
2021	50,159,565	10,087,234
2020	18,546,294	(9,945,386)
2019	36,011,363	(33,749,122)
2018	34,089,815	(21,901,756)
2017	42,242,826	(27,700,389)
2016	59,062,307	(12,025,168)

The above performance is graphically shown as below:



SUNSET HOTEL LIMITED

Annual Reports and Financial Statements

For the financial year ending 30 June 2021

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

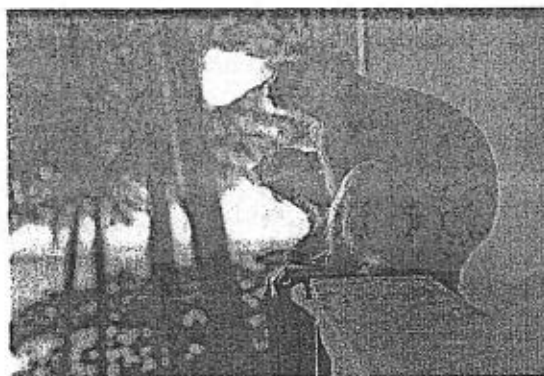
Corporate Social Responsibility (CSR), Environmental Conservation and Sustainability means corporate culture for Sunset Hotel, a culture which holds the Company's responsibility not only for making profit, but also for the conditions under which profits are made. Finding a balance between financial successes, social responsibility and protecting the environment is a fundamental approach that lies at the heart of Sunset Hotel corporate culture and is reflected in our corporate values. Below is an outline of the organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile

Sustainability is a key pillar of our company strategy and has always played a fundamental role within our business. We continue to strive to combine a powerful business sense and a strong sense of social responsibility towards our stakeholders which has over decades of existence been created, managed and sustained through long-term relationships, marked by mutual respect and trust.

ii) Environmental performance

From Environmental perspective, our guiding principles and approach has continued to evolve in an ethical manner through various partnerships so as to widen our footprint with an increased emphasis on quality, value addition and visible measures of impact and success within the ecosystem and communities in which we operate. The importance of an ever clean, green and healthy environment cannot be over-emphasised. The hotel collaborates with other partners e.g. Kenya Wildlife Services (KWS) who are the hotel's immediate neighbours in conserving the environment. The hotel boasts of a wide variety of indigenous trees within its premises thus playing a key role in conservation. The hotel also has a proper waste management policy in place.



Interaction with Nature at Sunset Hotel

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

iii) Employee welfare

The hotel has properly documented and approved Human resource instruments which guide all the HR related matters including hiring and staff relations. The HR Manual is the Primary Policy document in Management of the Sunset Hotel Human Resource. The Manual acts as a reference document for the Hotel, and forms the basis upon which the Hotel's work culture and environment develops.

It guides the Hotel and employees of the Hotel on matters of policy and practice. The Manual incorporates provisions of relevant legislations which are applicable on matters of Human Resource Management and Development and is largely aligned to the Constitution and Employment Act and is periodically revised as and when necessary. The hotel is an equal opportunity employer. The hotel is fully compliant with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

a) Responsible competition practice.

The hotel embraces best commercial practices, ethical and International standards in dealing with stakeholders.

Sunset hotel ensures responsible competition practices by operating within and cultivating a corruption free environment, responsible political involvement, fair competition and respect for competitors at all times.

b) Responsible Supply chain and supplier relations

The hotel ensures fairness in all the procurement processes by adhering to the relevant procurement regulations and endeavours to pay the suppliers within the stipulated time frames while maintaining clear, transparent, open communication channels and mechanisms.

c) Responsible marketing and advertisement

Sunset hotel at all times applies and maintains ethical marketing practices by ensuring a level playing ground and being sensitive to the competitors at all times as well as operating within healthy marketing principles.

d) Product stewardship

All undertakings of the hotel are geared towards customer satisfaction. The hotel maintains positive communication with both the internal and external customers and has a robust feedback mechanism in place. This ultimately safeguards consumer rights and interests in the long run.

Corporate Social Responsibility / Community Engagements

Our Sustainable approach towards sourcing and production helps us to create value for a wide group of stakeholders from farmers to community groups to customers. Sunset Hotel continues to give priority to the local communities and farmers living around our areas of operation where possible so as to ensure economic independence. The Hotel occasionally hires local performers to entertain

SUNSET HOTEL LIMITED

Annual Reports and Financial Statements

For the financial year ending 30 June 2021

guests through dance and music thus enhancing guest experience by exposing them to the diverse range of local cultures and ethnic groups whilst economically empowering the local people. The hotel is largely engaged in supporting education specifically by offering internships and attachment to students and allowing the students to tour the facility as a way of gaining practical experience especially for hospitality students.

Occasionally, the Hotel also supports some charitable causes and community initiatives. These take many forms: financial, supply of foodstuffs or clothing, hosting of community events. Due to financial constraints, the hotel did not make any cash donations during the year but was able to donate firewood to children's home.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statement for the year ended June 30, 2021 which shows the state of Sunset Hotel Ltd affairs.

Principal activities

The principal activity of the company is provision of accommodation and conferencing facilities.

Results

The results of the entity for the year ended June 30, 2021 are set out on pages 1- 41

Dividend

Owing to the loss recorded in the year, the directors do not recommend payment of dividend.

Reserves

The Directors propose to carry forward the balance of accumulated losses amounting to Kshs. 172,975,512.

Directors

The members of the Board of Directors who served during the year to date of this report are set out on page iv-vii in accordance with Regulation 2(b) of the Sunset Hotel Ltd Articles of Association.

Auditors

The Auditor General is responsible for the statutory audit of the Sunset Hotel Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General continues in office in accordance with Section 35 of the Public Audit Act 2015.

By Order of the Board



John Karia

Company Secretary

Kenya Development Corporation

P O Box 42013-00100

Nairobi

Date.....

SUNSET HOTEL LIMITED

Annual Reports and Financial Statements
For the financial year ending 30 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Hotel's financial statements, which give a true and fair view of the state of affairs of the Hotel for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management policies and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Hotel; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Directors accept responsibility for the Hotel's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors confirm that the Hotel's financial statements give a true and fair view of the state of Hotel's transactions during the financial year ended June 30, 2021, and of the Hotel's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Hotel, which have been relied upon in the preparation of the Hotel's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Sunset Hotel's financial statements were approved by the Board on 14/09/2021 and signed on its behalf by:

Signature:

Name:

Chairperson of the Board

Signature:

Name:

Accounting Officer

REPUBLIC OF KENYA

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



Enhancing Accountability

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Sunset Hotel Limited set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2021,

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 Sunset Hotel Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non-Disclosure of Material Uncertainty Relating to Going Concern

The statement of financial position reflects current liabilities totalling to Kshs.132,761,243 which exceeds current assets totalling to Kshs.28,717,160 resulting to a negative working capital of Kshs.104,044,083. This casts significant doubt on the company's ability to continue as a going concern. However, this material uncertainty to continue as a going concern has not been disclosed in the financial statements.

In the circumstances, the financial statements have been prepared on the assumption that the Hotel will continue to receive financial support from the Government and its creditors.

2. Unsupported Loans from the Tourism Finance Corporation

As previously reported, the statement of financial position reflects non-current liabilities in respect of loans from Tourism Finance Corporation totalling to Kshs.89,314,135. Further, the statements also reflects accrued loan principal of Kshs.42,873,481 and accrued loan interest totalling to Kshs.46,440,654. However, a confirmation of the loan balances due to Tourism Finance Corporation was not provided and the hotel has not been servicing the loans resulting in the continued accumulation of interest.

In the circumstances, the completeness and accuracy of the loan balances due to Tourism Finance Corporation of Kshs.89,314,135 could not be confirmed.

3. Missing Share Certificate

The statement of financial position reflects ordinary share capital amount of Kshs.12,000,000 which comprise of ordinary share capital for Tourism Finance Corporation and County Government of Kisumu of Kshs.11,450,000 and Kshs.550,000 respectively. However, no evidence to confirm the County Government's ownership was provided for audit.

In the circumstances, the ownership and accuracy of the share capital balance of Kshs.550,000 could not be confirmed.

4. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.22,741,868 which is net of provisions for bad and doubtful receivables totalling to Kshs.3,567,457 as disclosed in Note 16 (a) to the financial statements. Included in balance are debts amounting to Kshs.23,452,218 owed by Government institutions.

In the circumstances, the accuracy and existence of trade and other receivables balance of Kshs.22,741,868 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.38,731,955 and Kshs.50,159,565 respectively resulting to an over collection of Kshs.11,427,610 or 30% of the budget. Similarly, the Hotel expended Kshs.20,685,240 against an approved budget of Kshs.24,150,311 resulting to an under-expenditure of Kshs.3,465,071 or 14% of the budget.

The under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Remit Statutory Deduction

The statement of financial position reflects trade and other payables balance of Kshs.43,447,108 as disclosed in Note 22 to the financial statements. Included in the amount is unremitted taxes totalling to Kshs.29,907,796 relating to Value Added Tax (VAT), Pay As You Earn (PAYE) and Withholding taxes of Kshs.12,740,356, Kshs.15,706,356 and Kshs.1,461,084 respectively. This is contrary to Section 37(1) of the Income Tax Act Chapter 470 and Section 5(1) Part III of the Value Added Tax Act, 2013 (Revised 2018) Further disclosed in Note 25 to the financial statements is a contingent liability of Kshs.33,512,049 arising from National Social Security Fund (NSSF) penalties and Notice of Distress for outstanding tax arrears by Kenya Revenue Authority (KRA) amounting to Kshs.28,980,240.

In the circumstances, Management was in breach of law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Understaffing

Examination of human resource records revealed existence of only one member of staff who is employed on permanent and pensionable basis. Lack of sufficient employees is contrary to the staff establishment and the hotel is operating below its full potential.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Sunset Hotel Limited, so far as appears from the examination of those records; and,
- iii. The Company's Financial Statements agree 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 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hotel's ability to continue as a going concern, disclosing, as applicable, matters related to using the going concern basis of accounting unless Management is aware of the intention to liquidate the Hotel 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.

Board of Directors is responsible for overseeing the Hotel's financial reporting process, reviewing the effectiveness of how Management 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 Hotel's 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hotel's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hotel to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hotel to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2022

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021


	Note	2021 Kshs	2020 Kshs
REVENUES			
Sales/ Turnover	6(a)	50,159,565	18,546,294
TOTAL REVENUES		50,159,565	18,546,294
Cost of Sales	6(b)	10,550,904	4,002,365
GROSS PROFIT		39,608,661	14,543,929
OPERATING EXPENSES			
Administration Costs	7(a)	18,430,948	16,710,378
Selling and Distribution Costs	8	207,963	321,642
Depreciation of Property, plant and equipment	14	2,046,329	2,127,509
TOTAL OPERATING EXPENSES		20,685,240	19,159,529
OPERATING PROFIT/(LOSS)		18,923,421	(4,615,600)
Finance Costs	10	8,836,187	5,329,786
PROFIT/(LOSS) BEFORE TAXATION	11(b)	10,087,234	(9,945,386)
INCOME TAX EXPENSES/ (CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION	11(b)	10,087,234	(9,945,386)
Earnings per share – basic and diluted	12	16.81	(16.58)
Dividend per share	13	-	-

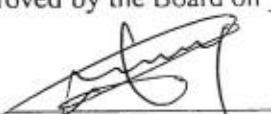
SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

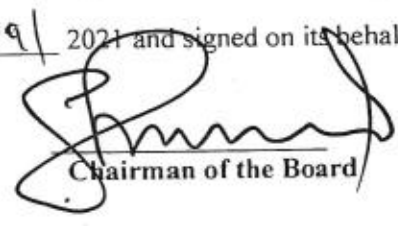
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2021 Kshs	2020 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	86,031,801	87,268,989
Total Non-Current Assets		86,031,801	87,268,989
Current Assets			
Inventories	15	212,997	86,724
Trade and other receivables	16(a)	22,741,868	14,655,074
Bank and cash balances	17(a)	5,762,295	1,041,467
Total Current Assets		28,717,160	15,783,265
Total Assets		114,748,961	103,052,254
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	18	12,000,000	12,000,000
Revaluation reserve	19	79,262,476	79,262,476
Retained earnings		(172,975,512)	(183,062,746)
Proposed dividends			
Capital and Reserves		(81,713,036)	(91,800,270)
Non-Current Liabilities			
Shareholders loan advanced		1,431,286	1,431,286
TFC Loans Principle balance	21	59,769,468	64,193,108
Advance from TFC		2,500,000	2,500,000
Total Non-Current Liabilities		63,700,754	68,124,394
Current Liabilities			
Trade and other payables	22	43,447,108	50,673,822
Accrued Loan Principal	23(b)	42,873,481	38,449,841
Accrued Loan interest	23(b)	46,440,654	37,604,467
Total Current Liabilities		132,761,243	126,728,130
TOTAL EQUITY AND LIABILITIES		114,748,961	103,052,254

The financial statements were approved by the Board on 14/09/2021 and signed on its behalf by:


Ag. General Manager
 Risper Chichole


Head of Finance
 Risper Chichole
 CPAK M/NO: 8320


Chairman of the Board

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary share capital	Revaluation reserve	Retained earnings	Total
	Kshs	Kshs	Kshs	Kshs
At July 1, 2019	12,000,000	79,262,476	(173,117,360)	(81,854,884)
Revaluation gain	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-
Capital/Development grants received during the year	-	-	-	-
Profit/(Loss) for the year			(9,945,386)	(9,945,386)
At June 30, 2020	12,000,000	79,262,476	(183,062,746)	(91,800,270)
At July 1, 2020	12,000,000	79,262,476	(183,062,746)	(91,800,270)
Revaluation gain	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-
Capital/Development grants received during the year	-	-	-	-
Profit/(Loss) for the year			10,087,234	10,087,234
At June 30, 2021	12,000,000	79,262,476	(172,975,512)	(81,713,036)

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Kshs	2020 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from /(used in) operations	23(a)	5,529,973	(4,359,983)
Interest received		-	-
Interest paid		-	-
Taxation paid		-	-
Net cash generated from/(used in) operating activities	23(a)	5,529,973	(4,359,983)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	809,145	(44,800)
Proceeds from disposal of property, plant and equipment		-	-
Net cash generated from/(used in) investing activities		809,145	(44,800)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from TFC	23(b)	-	4,671,101
TFC Repayment of borrowings		-	-
Net cash generated from/(used in) financing activities		-	4,671,101
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,720,828	266,318
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23(c)	1,041,467	775,149
Effects of foreign exchanges rate fluctuations		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23(c)	5,762,295	1,041,467

SUNSET HOTEL LIMITED**Annual Reports and Financial Statements****For the financial year ending 30 June 2021****STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021**

Particulars	Original Budget	Adjustments	Final Budget	Actual Comparable Basis	Performance Difference	% age Variance	Remark
	2020-2021	2020-2021	2019-2021	2020-2021	2020-2021	2020-2021	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Sales	38,731,955	-	38,731,955	50,159,565	11,427,610	30%	F
Other Income	-	-	-	-	-	-	
Total Revenues	38,731,955	-	38,731,955	50,159,565	11,427,610	30%	
Cost of sales	8,050,782	-	8,050,782	10,550,904	-2,500,122	-31%	U
Gross Profit	30,681,173	-	30,681,173	39,608,661	8,927,488	29%	F
EXPENSES							
Administration Costs	21,225,669	-	21,225,669	18,430,948	2,794,721	13%	F
Selling and distribution Costs	575,922	-	575,922	207,963	367,959	64%	F
Depreciation Costs	2,348,720	-	2,348,720	2,046,329	302,391	13%	F
Total Operating expenses	24,150,311	-	24,150,311	20,685,240	3,465,071	14%	F
Operating Profit/(Loss)	6,530,862	-	6,530,862	18,923,421	12,392,559	190%	F
Finance Costs	5,150,384	-	5,150,384	8,836,187	-3,685,803	-72%	U
Profit/(Loss) before taxation	1,380,478	-	1,380,478	10,087,234	8,706,756	630%	F
Income tax expenses (credit)	-	-	-	-	-	-	
Net Profit /(Loss) after taxation	1,380,478	-	1,380,478	10,087,234	8,706,756	630%	F

Key: U- Unfavorable

F- Favorable

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE (*continued*)

Explanatory notes:-

- a) The hotel surpassed its revenue target by 30%. This being as a result of the boost received from Covid-19 quarantine services offered by the hotel for a couple of months during the year. Even though, the hotel's performance has steadily been improving due to management's concerted efforts to re-position the hotel. However the dilapidated state of the hotel remains the greatest impediment. The hotel's performance has been on a downward trend due to its poor state having been built 40 years ago. If given a slight facelift, the hotel will easily bring back its lost glory. It has immense potential given its very prime location.
- b) Cost of sales had a negative variance of 31% with this being due to the relatively higher sales recorded during the period as compared to what was budgeted.
- c) Administration costs were below the budgeted figure i.e. a positive variance of 14% due to cost control measures put in place by the hotel.
- d) Selling and distribution costs were equally within the budgeted figure.
- e) There was minimal capital expenditure in the period thus the favourable variance for depreciation. This is a provision made in the books for depreciable assets. Notably a number of assets also happen to be fully depreciated thus the reduction in depreciation. The hotel intends to revalue all its assets in the near future.
- f) Finance costs deviated from the budgeted figure by 72%. This was as a result of interest due on the loan of Kshs.30M disbursed to the hotel in 2019 for settling staff redundancy costs after the lapse of the one year moratorium in June 2020. The hotel had anticipated extension of the moratorium by the lender but unfortunately that did not happen.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sunset Hotel Limited was established and derives its authority and accountability from the Kenya Companies Act (cap 486). It was established in 1976. It is 95.4% owned by the Government of Kenya through Tourism Finance Corporation under the Ministry of Tourism and 4.6% by the County Government of Kisumu and is domiciled in Kenya. TFC shareholding has since been transferred to Kenya Development Corporation (KDC) effective 2nd July 2021 vial Legal Notice No.113 pursuant to the Kenya Development Corporation Limited vesting order, 2021 published by the Cabinet Secretary for National Planning. The hotel's principal activity is provision of accommodation and conference facilities.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, 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 judgment in the process of applying the hotel's accounting policies.

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

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

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

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

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

Amendment/Interpretation to a standard	Effective date	Impact
IFRS 16- Leases	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.
IFRS 7- Financial Instrument Disclosures	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.
IFRS 4- Insurance Contracts (Superseded)	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.
IAS 39- Financial Instruments: Recognition and Measurement	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.

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

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Amendment/Interpretation to a standard	Effective date	Impact
IAS 1 - Presentation of Financial Statements	Annual periods beginning on or after January 1, 2023. Earlier application is permitted.	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.
IAS 12 - Income Taxes	Annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.	IAS 12 , "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.
IAS 16 - Property, Plant and Equipment	Annual periods beginning on or after January 1, 2022. Early application is permitted.	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its
IAS 37 - Provisions, Contingent Liabilities and Contingent Assets	Annual periods beginning on or after January 1, 2022. Early application is permitted.	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).
IFRS 1 - First-time Adoption of International Financial Reporting Standards	Annual periods beginning on or after January 1, 2022. Early application is permitted.	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

Amendment/Interpretation to a standard	Effective date	Impact
		reporting period.
IFRS 3 - Business Combinations	Annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.
IFRS 17 - Insurance Contracts	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. (The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

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

c) Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.;

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

b) In-kind contributions

These are donations made to the hotel in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the hotel includes such value in the statement of comprehensive income both as revenue and as expense in equal opposite amounts; otherwise the contribution is not recorded.

c) Property Plant and Equipment

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

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

All other property Plant and Equipment is stated at historical cost less Depreciation.

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 recognized in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

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 on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life as follows:-

The annual rates in use are:

- | | |
|---|----------|
| a) No depreciation is charged on the Leasehold land | |
| b) Building | - 2.5% |
| c) Property, Plant & Machinery | - 12.5% |
| d) Furniture, Fittings and Equipment | - 12.5% |
| e) Motor Vehicle | - 25.0% |
| f) Computers | - 33.0 % |

Depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal on pro-rata basis.

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

e) Intangible assets

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

f) Amortization and impairment of intangible assets

Amortization 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use- are not subject to amortisation and are tested annually for impairment. Assets that are

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

g) Inventories

Inventory is valued at the lower of cost and net realizable value. The Cost is determined by first in, first out (FIFO) method. Inventories are held for sale as raw materials for kitchen production supplies. Specific provisions are made for obsolete, slow moving and defective inventories.

h) Turnover

Turnover represents amounts received and receivable for services provided net of government taxes and levies.

i) Trade & other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are carried at anticipated realizable value. An estimate is made for doubtful Receivables based on a review of all outstanding amounts at year end. Bad debts are written off when all reasonable steps to recover them have failed.

j) 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.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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 reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

SUNSET HOTEL LIMITED

Annual Reports and Financial Statements

For the financial year ending 30 June 2021

k) 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 authorized officers which were not surrendered or accounted for at the end of the financial year.

l) Borrowing

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 amortized cost using the effective interest rate method. Amortized 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 capitalized as part of the cost of the project.

m) Trade and other payables

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current Liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are measured at amortised cost using the effective interest method. Payables are derecognised when extinguished.

n) 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 Kshs.1080.00 per employee per month. A contributory pension scheme is also in

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

place with employer/employee contributions set at 10% of the employees' basic pay.

o) Provision for staff leave pay

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

p) 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 recognized in profit or loss.

q) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on 30th July 2020. No subsequent revisions or additional appropriations were made to the approved budget. Any revisions if any are made in accordance with specific approvals from the appropriate authorities.

The hotel'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 page 5 of these financial statements.

r) Comparatives

Comparative figures have been adjusted to conform to the changes in the presentation in the current year.

s) Subsequent events

Since the end of the year 2020/2021, no events have become known or have occurred that may lead to significant changes to these financial statements.

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.

Critical accounting estimates and judgments in applying the entity's accounting policies

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Useful lives of property, plant and equipment

The company's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The rates used are set out in (d) above.

Recoverability of trade and other receivables

Management has made Judgment in estimating the amounts that may not be recovered based on experience and efforts expended in the attempt to recover the outstanding balances.

ii) Critical judgments in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made judgments in determining:

- The classification of assets into current and non-current
- Whether assets are impaired

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

Provisions

Provisions were raised and management determined an estimate based on the information available; specifically provision for bad debts which was estimated at 1.23% of the total budgeted revenue for the period.

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.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

6. (a) SALES /TURNOVER

	2021	2020
	Kshs.	Kshs.
Gross sales of Services	58,673,733	22,078,908
Less :taxes on gross sales	8,514,168	3,532,614
	50,159,565	18,546,294
(Taxes :14%/16% VAT,2% CLT)		
Accommodation	10,416,715	3,416,991
Food-Casuals	21,153,918	7,381,764
Food-Residents	8,786,831	2,653,121
Drinks	6,858,748	2,908,466
Tobacco	28,428	19,559
Swimming	1,400,629	1,006,582
Laundry	39,079	9,147
Other Income	1,475,217	1,150,664
Total	50,159,565	18,546,294
(b)Cost of sales		
Food	7,877,897	2,761,372
Beverage	2,648,875	1,225,428
Tobacco	24,132	15,565
Total	10,550,904	4,002,365

7. (a) ADMINISTRATION COSTS

Staff costs note(7b)	5,873,547	8,225,650
Directors & Secretarial emoluments	800,888	595,265
Electricity and water	4,468,452	1,927,310
Transportation, travelling and subsistence	85,325	116,557
Printing, stationary and photocopy	586,389	176,046
Insurance costs	4,520	4,520
Bank charges and commissions	59,545	75,717
Office and general supplies and services	32,807	41,703
Auditors remunerations	300,000	300,000
Legal & Consultancy fees	150,000	5,000
Repairs and maintenance	1,788,595	2,504,229
Provision for Bad and doubtful debts	477,294	507,288
Other Operating Costs	3,803,586	2,231,093
Total	18,430,948	16,710,378

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

(b) STAFF COSTS

	2021	2020
	Kshs.	Kshs.
Salaries and allowances of permanent employees	1,394,640	4,214,184
Wages of temporary employees	3,330,486	910,794
Compulsory national social security schemes	191,145	134,092
Terminal dues/Pension Contributions	126,792	967,597
Leave Pay and gratuity provisions	-	-
Staff travel and other related expenses	830,484	1,998,983
Total	5,873,547	8,225,650

The average number of employees:

Permanent employees- Management	1	1
Permanent employees- Unionisable	nil	nil
Temporary and contract employees	15	10
Total	16	11

8. SELLING AND DISTRIBUTION COSTS

Advertising, marketing and promotional	-	-
Sales commission	-	-
Sales discounts and rebates	-	-
Other selling and distribution costs	207,963	321,642
Total	207,963	321,642

9. OPERATING PROFIT/(LOSS)

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

Staff cost (note 7(b))	5,873,547	8,225,650
Depreciation of property, plant and equipment	2,046,333	2,127,509
Provision for bad doubtful debts	477,294	507,288
Directors emoluments -Fees	560,000	540,000
-Expenses	140,888	55,265
Secretarial Fees	100,000	-
Auditors remuneration- current year fees	300,000	300,000
Interest on loan	8,836,187	5,329,786
Land rent & rates	334,032	1,484,791
Total	18,668,281	18,570,289

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

	2021	2020
	Kshs.	Kshs.
10. FINANCE COSTS		
Exchange losses on short term bank deposits	-	-
Exchange losses on cash and bank balances	-	-
Interest expenses on loans	8,836,187	5,329,786
Interest expenses on bank overdrafts	-	-
TOTAL	8,836,187	5,329,786

11. INCOME TAX EXPENSES / (CREDIT)

(a) Current taxation

Current taxation based on the adjusted profit	-	-
Current tax :prior year under / (over)provision	-	-
Current year deferred tax charge	-	-
Prior year under – provision for deferred tax	-	-
TOTAL	-	-

(b) Reconciliation of tax expenses/ (credit) to the Expected tax based on profit

Profit before taxation	10,087,234	(9,945,386)
Allowable B/forward Losses	(93,296,653)	
Tax at applicable tax rate of 30%	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax	-	-
Tax effect of income not taxable	-	-
Tax effects of excess capital allowances over	-	-
Deferred tax prior year over - provision	-	-
Total	-	-

12. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit/(loss) after tax of Kshs.10,087,234 (2020: Kshs. -9,945,386) by the average number of ordinary shares in issue during the year of 600,000 (2020: 600,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

13. DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). No interim dividend was declared and/or paid during the year neither is it expected that any dividends will be declared because of the recurrent losses.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT

2021	LEASEHOLD LAND	BUILDING	WORK IN PROGRESS	PROPERTY PLANT & EQUIPMENT	FURNITURE & FITTING	MOTOR VEHICLE	TOTAL
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 01-07-2020	15,000,000	75,000,000	26,911,576	12,021,529	15,969,234	295,000	145,197,339
Additions	-	-	-	183,062	626,083	-	809,145
As at 30-06-2021	15,000,000	75,000,000	26,911,576	12,204,591	16,595,317	295,000	146,006,484
DEPRECIATION							
As at 01.07.2020	-	30,000,000	-	11,904,821	15,728,529	295,000	57,928,350
Charge for the year	-	1,875,000	-	32,775	138,558	-	2,046,333
As at 30-06-2021	-	31,875,000	-	11,937,596	15,867,087	295,000	59,974,683
NET BOOK VALUE							
As at 30-6-2020	15,000,000	45,000,000	26,911,576	116,708	240,705	-	87,268,989
As at 30-6-2021	15,000,000	43,125,000	26,911,576	266,995	728,230	-	86,031,801

Work in progress relates to building renovation/extensions works for roof top bar and restaurant which are yet to be completed or commissioned.

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

	Cost or valuation	Normal annual Depreciation charge
Plant & machinery	11,819,056	1,477,382
Motor vehicle	295,000	73,750
Office equipment, furniture & equipment	15,398,321	1,924,790
	27,512,377	3,475,922

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

2020	LEASEHOLD LAND	BUILDING	WORK IN PROGRESS	PROPERTY PLANT & EQUIPMENT	FURNITURE & FITTING	MOTOR VEHICLE	TOTAL
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 01-07-2019	15,000,000	75,000,000	26,911,576	11,976,729	15,969,234	295,000	145,152,540
Additions	-	-	-	44,800	-	-	-
As at 30-06-2020	15,000,000	75,000,000	26,911,576	12,021,529	15,969,234	295,000	145,197,339
DEPRECIATION							
As at 01.07.2019	-	28,125,000	-	11,815,132	15,565,709	295,000	55,800,841
Charge for the year	-	1,875,000	-	89,689	162,820	-	2,127,509
As at 30-06-2020	-	30,000,000	-	11,904,821	15,728,529	295,000	57,928,350
NET BOOK VALUE							
As at 30-6-2019	15,000,000	46,875,000	26,911,576	161,597	403,525	-	89,351,698
As at 30-6-2020	15,000,000	45,000,000	26,911,576	116,708	240,705	-	87,268,989

Work in progress relates to building renovation/extensions works for roof top bar and restaurant which are yet to be completed or commissioned.

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

	Cost or valuation	Normal annual Depreciation charge
Plant & machinery	11,517,806	1,439,725
Motor vehicle	295,000	73,750
Office equipment, furniture & equipment	15,171,950	1,896,494
	26,984,756	3,409,969

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2021	2020
	Kshs.	Kshs.
15. INVENTORIES		
Food store	88,842	33,918
Bar stock & Tobacco	124,155	52,806
TOTAL	212,997	86,724

16 (a) TRADE AND OTHER RECEIVABLES

Trade receivables (note b)	25,763,216	17,366,141
Deposits and prepayments	546,109	379,096
VAT recoverable	-	-
Staff receivables	-	-
Gross trade and other receivables	26,309,325	17,745,237
Provisions for Bad and doubtful receivables)	(3,567,457)	(3,090,163)
Net trade and other receivables	22,741,868	14,655,074

(b) TRADE RECEIVABLES

Gross trade receivables	25,763,216	17,366,141
Other : Provisions for Bad and doubtful receivables)	(3,567,457)	(3,090,163)
Net trade and other receivables	22,195,759	14,275,978
At June 30, the ageing analysis of the gross trade receivables was as follows :		
Less than 30days	2,871,724	2,703,765
Between 30 and 60days	858,086	311,983
Between 61 and 90 days	1,253,245	-
Between 91 and 120 days	-	1,435,039
Over 120 days	20,780,161	12,915,354
	25,763,216	17,366,141

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2021	2020
	Kshs.	Kshs.
17 (a) BANK AND CASH BALANCES		
Cash at bank	5,679,805	1,007,490
Cash at hand	82,490	33,977
	5,762,295	1,041,467
(b) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash at Hand:		
Petty cash	33,840	17,377
Mpesa	42,150	13,100
Credit Cards	6,500	3,500
	82,490	33,977
Cash at Bank(Current Accounts)		
National bank-A/c No.01020023525100	5,544,703	901,399
KCB- A/c No. 1108232736	135,102	106,091
	5,679,805	1,007,490

The bulk of the cash was held at National bank
the main banker

18. ORDINARY SHARE CAPITAL

	2021	2020
	Kshs.	Kshs.
Authorized , issued and fully paid		
572,500 Ordinary Shares @ Kshs.20/= (TFC)	11,450,000	11,450,000
27500 Ordinary Shares @ Kshs 20/=	550,000	550,000
(Kisumu County)	12,000,000	12,000,000

19. REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation to retained earnings.

- i) These reserves shown in the Statement of changes in Equity arose due to valuation of the

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

hotels building and land in the year 2004.

- ii) Land and building were initially taken at a value of Kshs. 178,013 and 10,559,511 respectively. However on revaluation, the values came to Kshs. 75,000,000 for Building and 15,000,000 for leasehold land.
- iii) This therefore resulted in reserves of Kshs. 64,440,489 for Building and 14,821,987 for leasehold land respectively. A total of Kshs. 79,262,476.

20. RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the hotel's shareholders. Undistributed retained earnings if any are utilized to finance the hotel's activities. However, the hotel has retained losses as at date.

21. BORROWINGS

	2021 Kshs	2020 Kshs
Balance at beginning of the year	64,193,108	62,412,207
External borrowings during the year	-	-
Domestic borrowings during the year	-	4,671,101
Repayments of external borrowings during the year	-	-
Repayments of domestics borrowings during the year	4,423,640	2,890,200
Balance at end of the year	59,769,468	64,193,108
Less: Amounts due within one year (current portion)	(4,423,640)	(2,890,200)
Amounts due after one year (non-current portion)	55,345,828	61,302,908
Accrued Loan Principal(current portion)	42,873,481	38,449,841
Accrued Loan Interest(current portion)	46,440,654	37,604,470
Total loan and Accrued Interest	144,659,963	137,357,219

The above borrowing is from TFC, one of the shareholders at an interest rate of 11%, with the respective loans being as follows:

Particulars	Loan 1	Loan 2	Loan 3	loan 4	Loan 5	Loan 6	Loan 7	TOTAL
Balance B/Forward	14,092,760	10,004,022	271,475	1,982,732	3,171,018	30,000,000	4,671,101	64,193,108
Additions	-	-	-	-	-	-	-	-
Repayment	-	-	(271,475)	-	(2,238,432)	(1,913,733)	-	(4,423,640)
Totals	14,092,760	10,004,022	-	1,982,732	932,586	28,086,267	4,671,101	59,769,468

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

22. TRADE AND OTHER PAYABLES

		2021	2020
		Kshs	Kshs
Trade Creditors		10,386,569	11,889,128
Value Added Tax		12,740,358	12,709,065
Service Charge		-	-
CLT		83,299	69,712
Deposits Payable		670,928	670,928
Payroll Control		259,568	207,941
P.A.Y.E		15,706,356	17,334,633
Staff Insurance Deductions		-	-
N.S.SF		35,742	2,335,820
N.H.I.F		11,900	9,050
Union dues		-	173,933
Pension		21,132	84,528
Sunset Sacco		-	-
Accrued Expenses-Audit Fees	900,000		3,732,738
-Directors fees	723,800		
-Terminal Dues	300,000		
-Linen & Uniforms	146,372	2,070,172	3,732,738
Withholding Tax		1,461,084	1,456,346
		43,447,108	50,673,822

Included in Trade Creditors above is Kshs.4,736,000 being outstanding audit fee owed to the Kenya National Audit Office.

23. NOTES TO THE STATEMENT OF CASHFLOWS

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

Operating profit/(loss)	10,087,234	(9,945,386)
Depreciation	2,046,333	2,127,509
Interest Charged	8,836,187	5,329,786
Operating profit/(loss) before working capital changes	20,969,754	(2,488,091)
(Increase)/decrease in inventories	(126,273)	100,747
(Increase)/decrease in trade and other receivables	(8,086,794)	1,398,724
Increase/(decrease) in trade and other payables	(7,226,714)	(3,371,363)
Cash generated from/(used in) operations	5,529,973	(4,359,983)

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

(b) Analysis of changes in loans

	2021	2020
	Kshs	Kshs
Balance at beginning of the year	64,193,108	62,412,207
Receipts during the year	-	4,671,101
Repayments during the year	(4,423,640)	(2,890,200)
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	46,440,654	37,604,470
Accrued Principal	42,873,481	38,449,841
Balance at end of the year	149,083,603	140,247,419

(c) Analysis of cash and cash equivalents

Cash at bank	5,679,805	1,007,490
Cash in hand	82,490	33,977
Balance at end of the year	5,762,295	1,041,467

24. PROVISIONS

	2021	2020
	Kshs	Kshs
Balance at the beginning of the year	1,211,112	1,211,112
Additional provision for the year	-	-
Leave paid out or utilized during the year	1,211,112	-
Balance at the end of the year	-	1,211,112

Related party transactions

The hotel has two shareholders namely Tourism Finance Corporation (TFC) and Kisumu County Government. Tourism Finance corporation owns 95% of Sunset Hotel Limited shareholding while Kisumu County owns 5%.

Sales and Purchases

During the year, the hotel provided accommodation, conference and catering services to the Kisumu County Government valued at Kshs. 10M while Tourism Finance Corporation did not hold any business with the hotel in the financial year.

Sunset Hotel incurred Land rent & rates amounting to Kshs. 334,029 for land leased to

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

the hotel for 99 Years by Kisumu County Government; this was fully paid by the hotel.

Transactions with related parties

	2021 Kshs	2020 Kshs
a) Loans received from the shareholders		
Loans from TFC	Nil	4,671,101
Loans from Kisumu County Government	Nil	Nil
Total	Nil	4,671,101
b) Key management compensation		
Directors' emoluments	700,888	595,265
Compensation to key management	1,394,640	3,221,086
Total	2,195,528	3,816,351

25. CONTINGENT LIABILITIES

	2021 Kshs	2020 Kshs
NSSF Penalties	4,531,809	-
Notice of Distress for outstanding tax arrears(KRA)	28,980,240	31,344,951
Total	33,512,049	31,344,951

Explanatory notes:

At close of previous year, the hotel had NSSF arrears totaling to Kshs.2,244,940. The hotel was able to settle the amount during the financial year under review. However, this has since attracted a penalty of Kshs.4,531,809 as demanded by NSSF. Negotiations to have the penalty waived if not reduced are ongoing and the hotel remains hopeful for a positive outcome.

Kenya Revenue Authority previously issued a demand notice for outstanding principal tax arrears of Kshs. 31,344,951. The management appealed to the shareholders to intervene on behalf of the hotel to assist in payment of the principal amount with the hope that the interests will be waived. Meanwhile, the hotel has agreed on a payment plan for the principal amount of Kshs.21,514,294 with KRA; to pay the amounts in instalments until such a time when cash flows will improve enough to offset the entire amount. The hotel is currently honoring the agreement and is up to date with the current taxes.

26. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

a) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total	Fully Performing	Past due	Impaired
30-Jun-21	Kshs	Kshs	Kshs	Kshs
Trade receivables	25,763,216	4,983,055	17,212,704	3,567,457
Due from related parties	-	-	-	-
Bank balances	5,762,295	5,762,295	-	-
Total	31,525,511	10,745,350	17,212,704	3,567,457

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2019 is as shown below:

30-Jun-20	Total Kshs	Fully Performing Kshs	Past due Kshs	Impaired Kshs
Trade receivables	17,366,141	3,196,015	11,079,963	3,090,163
Due from related parties	-	-	-	-
Bank balances	1,046,012	1,046,012	-	-
Total	18,412,153	4,242,027	11,079,963	3,090,163

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from county governments.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

	Less than 1 month Kshs	Between 1- 3 months Kshs	Over 3 months Kshs	Total Kshs
At 30 June 2021:				
Trade payables	783,748	136,894	9,447,926	10,368,568
Current portion borrowings	-	-	89,314,134	89,314,134
Provisions	-	-	1,043,227	5,183,556
Deferred income	-	-	-	-
Employee benefit obligation	21,132	300,000	-	321,132
Total	893,183	150,210	87,015,859	105,187,390
At 30 June 2020:				
Trade payables	422,232	150,210	13,510,739	14,083,181
Current portion borrowings	-	-	67,834,325	67,834,325
Provisions	-	-	5,183,556	5,183,556
Deferred income	-	-	-	-
Employee benefit obligation	470,951	-	337,029	807,980
Total	893,183	150,210	86,865,649	87,909,042

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

i) Foreign exchange risk

The company does not undertake any major transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations are minimal. Any Foreign currency transactions during the year are converted into Kenya Shillings at Rates ruling at the transaction date. The resulting differences from conversion and Translation are dealt with in the Profit and Loss Statement in the year in which they arise.

ii) Interest rate risk

This is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

To mitigate this risk, the hotel tries to bank and only deal with banks/institutions that are well established and offer favorable interest rates.

Fair Value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year.

b) Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

d) Capital Risk Management

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

Particulars	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	79,262,476	79,262,476
Retained earnings	-172,975,512	-183,062,746
Capital reserve	12,000,000	12,000,000
Total funds	-81,713,036	-91,800,270
Total borrowings	59,769,468	64,193,108
Less: cash and bank balances	-5,762,295	-1,041,467
Net debt/(excess cash and cash equivalents)	54,007,173	63,151,641
Gearing	166%	168%

27. CURRENCY

The financial statement is presented in Kenya shillings. (Kshs.)

28. EVENTS AFTER CLOSING PERIOD

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

29. INCORPORATION

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

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the Auditor General on the previous year's statements and the management comments that were provided to the auditors. The 2018/2019 & 2019/2020 audit reports had not been received as at the date of preparing these statements; the issues are therefore as per what was raised in the auditor's draft report of 2019/2020. The hotels nominated focal persons to resolve the various issues and associated time frame with which the issues are expected to be resolved.

Ref. No.	Issue/observations from Auditor General	Management comments	Focal point person to resolve the issue	Status	Time Frame
1.	<p>Inaccurate Share Holding-Discrepancy in Share Certificate and Undisclosed Share Certificates</p> <p>Sunset Hotel was incorporated under the Kenya Companies Act (Cap 486) in 1976. The shareholders are Tourism Finance Corporation with 95.4% shareholding and Kisumu County Executive (formerly Municipal Council of Kisumu) with 4.6% shareholding. The shares held by the defunct Municipal council and TFC have not been transferred to the newly created entities as required by law.</p> <p>Further, share certificate provided for audit review amounted to Kshs. 17,000,000 while Financial statement reflects Kshs. 12,000,000. The difference of Kshs. 5,000,000 in capital as reflected in the share certificate was not explained. Further, the certificate of the defunct Municipal Council of Kisumu worth 4.6% shareholding was not made available for audit review</p>	<p>Initially as at 5th February 1976 the hotel had 250,000 shares of Kshs.20 each (TFC-202,500, Kisumu county-27,500, unallotted-20,000).</p> <p>On 15th March 1977, the board approved increase of shares to 600,000 of Ksh.20 each thus a total authorized capital of 12,000,000. The shareholding was then revised to 572,500 for TFC and 27,500 for Kisumu County. There have been no further changes since then. The share certificates provided for audit i.e certificate 1 and 3 are for 202,500 and 370,000 shares respectively thus totaling to Kshs.11,450,000 being TFC's total shareholding. Thus only one share certificate of 27,500 shares belonging to Kisumu County totaling to Kshs.550,000 is yet to be availed for audit review.</p>	Company Secretary	Partly resolved	On-going

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

2.	<p>Property, Plant and Equipment</p> <p>i. Fully Depreciated Assets</p> <p>It was observed that the statement of financial position reflects property, plant and equipment balance of Kshs.89,351,698 as at 30 June 2020. However, the Hotel had not depreciated assets whose original cost amounted to Kshs.26,984,756 since they had nil book values. These assets were still in use but had not been revalued to reflect current market value and no funds had been set aside to replace the fully depreciated assets. Further, although the Hotel maintains a fixed assets register, the assets cards are not properly numbered and not labelled in the hotels name. Physical verification revealed that all the fixed assets were not coded or assigned distinct identification tags as required. The assets are also not insured and therefore exposed to loss in case of fire or other insurable risks. Consequently, the validity and correctness of the fixed asset register could not be confirmed.</p>	<p>The fixed asset cards have since been numbered and labeled accordingly by indicating the name of the entity on each card. The management will also ensure that all the assets are physically coded as required. However, due to financial constraints the hotel is still in the process of having revaluation done. It's expected that the revaluation will be conducted sooner than later.</p> <p>As rightfully observed, the hotel does not have any general insurance cover and is therefore generally exposed. This has been as a result of the hotel's poor cash flow over the years.</p> <p>However, the management will try everything possible to at least have some insurance cover so as to reduce the risk.</p>	Maintenance /Accountant/ General Manager	Partly resolved	30 th June 2022
	<p>ii) Revaluation Reserve</p> <p>As observed in previous years, revaluation reserve balance of Kshs.79,262,476 reflected in the financial statements has remained constant since the assets were last valued in 2004. This contravenes International Accounting Standard No.16 which requires that the transfers be made to</p>	<p>The management is in the process of not only having the hotel assets revalued but also refurbishing the entire hotel altogether. It has engaged the shareholders to that effect and it's hoped that the exercise will be carried out soon.</p>	General Manager	On-going	30 th June 2022

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

	<p>the revenue reserves on an annual basis as the assets are depreciated. Further, although the standard requires that fixed assets be revalued periodically the last revaluation of the Hotel's assets was done 16 years ago. Consequently, the accuracy of property, plant and equipment balance of Kshs.87,268,989 as at 30 June 2020 cannot be confirmed.</p>	<p>The necessary adjustments and transfers will therefore be made once the current revaluation/refurbishment is done. This should hopefully take place by end of the current financial year.</p>			
	<p>iii) Capital Work in Progress</p> <p>It was observed that the statement of financial position reflects property, plant and equipment figure of Kshs.87,268,989 as at 30 June 2020 and included in this amount was work in progress of Kshs.26,911,576 on account of renovation, extension and refurbishment of the Hotel in regard to a contract entered into with a construction firm in July 2004. This resulted to cost overruns of Kshs.8,437,064 (46% increase) that had not been supported with necessary approvals and documentation. Further, no completion certificate for the renovations completed in June 2011 was availed for audit. Consequently, the accuracy of property, plant and equipment balance of Kshs.87,268,989 as at 30 June 2020 could not be confirmed.</p>	<p>The management is pursuing issue with a view of having the matter concluded between the parties and finalized once and for all.</p>	<p>General Manager</p>	<p>On-going</p>	<p>30th June 2022</p>
3.	<p>Cash and Cash equivalents</p> <p>It was noted that the statement of financial position reflected bank and cash balances figure of</p>	<p>true three cheques as shown below which were issued to the indicated payees had</p>	<p>Accountant/ General</p>	<p>Done</p>	<p>n/a</p>

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

<p>Kshs.1,041,467 as at 30 June 2020 and which included Kshs.901,399 balance held at the National bank A/c No.01020023525100. However, the bank reconciliation for the account had unrepresented cheques totaling Kshs.510,536 as at 30 June 2020 out of which cheques amounting to Kshs.73,524 were stale and had not been reversed in the cash book. Consequently, the accuracy and completeness of the reported cash and cash equivalents of Kshs.1,041,467 could not be confirmed as at 30 June 2020.</p>	<p>not been presented to the bank for clearance and were therefore part of the reconciliation.</p> <table border="1" data-bbox="399 728 590 1243"> <tr> <td>17/09/2018</td><td>017737</td><td>Naivas Limited</td><td>8,350</td></tr> <tr> <td>27/05/2019</td><td>019061</td><td>Zipporah Njoki Tourism Fund(CI.T)</td><td>3,800</td></tr> <tr> <td>04/06/2019</td><td>019098</td><td></td><td>61,374</td></tr> <tr> <td></td><td></td><td>Total</td><td>73,524</td></tr> </table> <p>The hotel has since written them back for new ones to be issued.</p>	17/09/2018	017737	Naivas Limited	8,350	27/05/2019	019061	Zipporah Njoki Tourism Fund(CI.T)	3,800	04/06/2019	019098		61,374			Total	73,524	<p>Manager</p>	
17/09/2018	017737	Naivas Limited	8,350																
27/05/2019	019061	Zipporah Njoki Tourism Fund(CI.T)	3,800																
04/06/2019	019098		61,374																
		Total	73,524																
<p>4. Trade and Other Receivables</p> <p>It was observed that the financial position reflected trade and other receivables balance of Kshs.14,655,074 as at 30 June 2020 which included debtors of Kshs.14,538,951 owed by Government institutions whose continued non-payment negatively affects the Company's working capital. Although a provision for bad and doubtful debts of Kshs.3,090,163 had been made, an additional provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements. Consequently, the accuracy of trade and other receivables could not be ascertained as at 30 June 2020.</p>	<p>It's true the hotel has previously faced serious challenges with collecting the debts owed by government entities more so county governments. However, the hotel remains hopeful that with clear and right documentation in place, the amounts remain collectable and will still be paid especially with the clarion call from National treasury to have pending bills paid by government entities; some of which have started paying. The hotel is making concerted efforts to collect the amounts from the counties and other government bodies. The hotel is also considering passing on some of the debts to KRA for direct collection from the respective debtors and channeling to the</p>	<p>Accountant/ General Manager</p>	<p>On-going</p> <p>n/a</p>																

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

		hotel's tax arrears account. The issue has already been discussed with KRA and they are principally in agreement with the proposal.			
5.	Non-Remittance of Tax Arrears It was observed that included in the statement of financial position is trade and other payables under Note 22 of Kshs.50,673,822 composed of PAYE, VAT and Withholding Tax of Kshs.17,334,633, Kshs.12,709,065 and Kshs.1,456,346 remitted to KRA as per the requirements. Consequently the continued operation of the Company is uncertain beside the risk of penalties and voidable interest charges.	As rightfully observed, the hotel at some point was unable to meet its tax obligations thus leading to accumulated tax arrears. This was as a result of the perennial poor performance of the hotel due to its relatively dilapidated state. This coupled with huge operating costs had taken a toll on the hotel's cash flows thus making the hotel to lag behind on the tax obligations. However, after the redundancy exercise in May 2019, the hotel is now up to date with all the statutory deductions and is currently settling the old arrears. For instance, the hotel has since paid Kshs.1,739,898 towards NSSF and Kshs.1,350,440 to KRA for PAYE arrears after entering into a payment plan with them. Payment slips availed.	Accountant/ General Manager	On-going	30 th June 2022
6.	Delayed Remittance of Other Statutory Deductions It was observed that included in the statement of financial position is trade and other payables of Kshs.50,673,822 is NSSF, NHIF and Union dues of Kshs.2,335,820, Kshs.9,050 and Kshs.173,933	NHIF amount of Kshs.9,050 was the contribution for the month of June 2020 and thus paid in July 2020. Apparently, the poor performance of the hotel coupled with huge operating costs had	Accountant/ General Manager	Done	n/a

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

	respectively. These payables have been outstanding since the year 2012. Consequently, the continued operation of the company is uncertain and the company risks payment of voidable penalties and interest charges.	taken a toll on its cash flows thus making the hotel to lag behind on some of the current obligations. However, after the redundancy exercise, the hotel is now up to date with all the statutory deductions and is currently settling the old arrears. The hotel has since paid the NSSF arrears of Kshs.2,335,820. However, the said payables had been outstanding from 2017 and not 2012 as indicated.			
7.	Audit Fee It was observed that included in the financial position is trade and other payables of Kshs.50,673,822. Included in this amount is trade creditors of Kshs.11,889,128 as indicated in note 22 to the financial statements which in turn includes outstanding audit fee of Kshs.4,736,000 which has accrued for the last 16 years and has not been paid as at 30 June 2020 as per the Public Audit Act 2015. As a result, the hotel is in breach of the law.	As rightfully observed, the hotel has indeed not paid audit fees for a long period of time due to the financial constraints it has been facing over time. However, with the restructuring measures being put in place, the hotel undertakes to start paying the current audit fee as it seeks means of settling the long outstanding arrears is sort.	Accountant/ General Manager	On-going	30 th June 2022
8.	Material Uncertainty Related to Going Concern It was observed that the company's accumulated losses increased from Kshs.173,117,360 as at 30 June 2019 to Kshs.183,062,746 as at 30 June 2020 occasioned by the loss realized in the year of Kshs.9,945,386. In addition, the current liabilities of Kshs.126,728,130 as at 30 June 2020 exceeded current assets of Kshs.15,783,265 by	It's true the hotel has been facing serious financial challenges over a period of time. However, the management together with the board of directors and shareholders are cognizant of the fact and are working on turn around strategies for the hotel. For instance the hotel declared	General Manager	On-going	30 th June 2022

SUNSET HOTEL LIMITED
Annual Reports and Financial Statements
For the financial year ending 30 June 2021

<p>Kshs.110,944,865 an indicator that the is facing financial challenges. Therefore, the financial statements have been prepared on a going concern basis on the assumption that the company will continue to receive support from the shareholders and its creditors. Consequently, in the absence of support from government and creditors, the ability of the company to continue as a-going concern is doubtful.</p>	<p>its entire staff redundant in May 2019. This has since enabled the hotel to cut on its costs/reduce the losses given that a significant part of the costs/losses were staff related. Plans to refurbish the hotel are underway and it's expected that with this, the hotel will turn around its fortunes.</p>			
--	--	--	--	--


 Ag. General Manager

Date..... 18/09/2021


 Chairman of the Board

Date..... 28/09/2021