

## CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

### BUSINESS:

The hotel operates under the School of Hospitality and Tourism of Chinhoyi University of Technology. The purpose of the hotel is to advance the provision of knowledge through hands on experience to students from the School of Hospitality and Tourism.

### BOARD OF TRUSTEES

Prof D.J. Simbi	Chairperson
Prof Z. Muranda	Vice Chairperson
Dr O. Chikuta	Dean, School of Hospitality and Tourism
Dr B.T. Bhebhe	Secretary
Dr O. Sifile	Treasurer
Dr L. Chasakara	Non-Executive Member
Dr T.D. Mutungamiri	Non-Executive Member
Dr T. Muzuva	Non-Executive Member
Mr W. Mutikani	Non-Executive Member
Mr P.T. Kavayi	Non-Executive Member
Mr H. Matemera	Non-Executive Member

### GENERAL MANAGER

Mr I. Manyera

### OFFICE:

78 off Harare-Chirundu Road  
P Bag 7724  
**CHINHOYI**

### AUDITORS

AMG Global Chartered Accountants (Zimbabwe)  
3 Elcombe Avenue, Belgravia  
**HARARE**

### BANKERS

CBZ Bank Limited  
10 Magamba Way  
P.O Box 500  
**CHINHOYI**

ZB Bank Corporation  
47 Magamba Way  
P.O Box 399  
**CHINHOYI**

### ATTORNEYS

Ziumbe and Mutambanengwe Legal Practitioners  
18 Fletcher Road  
Mount Pleasant  
P.O Box MP 1194  
**HARARE**

## INDEX TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## **TRUSTEES' RESPONSIBILITY STATEMENT**

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Trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Hotel as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

Trustees acknowledge they are ultimately responsible for the system of internal financial controls established by the Hotel and places considerable importance on maintaining a strong control environment. To enable them to meet these responsibilities, Trustees set standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Hotel and all employees are required to maintain the highest ethical standards in ensuring the Hotel's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Hotel is on identifying, assessing, managing and monitoring all known forms of risk across the Hotel. While operating risk cannot be fully eliminated, the Hotel endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Trustees are of the opinion, based on the information and explanations given by management that the system of internal controls provide reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

The Trustees have assessed the ability of the Hotel to continue operating as a going concern and believe that the preparation of the financial statements on a going concern basis is still appropriate.

The external auditors are responsible for independently auditing and reporting on the Hotel's financial statements. The financial statements and related notes have been examined by the Hotel's external auditors and their report is presented on pages 2 and 4.

These financial statements were prepared under the supervision of Dr O. Sifile, PHD in Accounting and an Associate of the Institute of Chartered Secretaries and Administrators of Zimbabwe.

The financial statements and the related notes set out on pages 5 to 23, which have been prepared on the going concern basis, were approved by Trustees and were signed on its behalf by:

..... (Chairperson)

..... (Treasurer)

..... (General Manager)

**30 May 2018**

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CHINHOYI HOTEL OF TECHNOLOGY**

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We have audited the financial statements of Chinhoyi University of Technology Hotel (“the Hotel”), set out on pages 5 to 23, and comprising the following:

- The statement of financial position as at 31 December 2017;
- The statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year ended 31 December 2017;
- A summary of the significant accounting policies applied by the Hotel during the year ended 31 December 2017; and
- Related financial statements notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Hotel as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hotel in accordance with the Institute of Chartered Accountants of Zimbabwe (“ICAZ”) Code of Professional Conduct, which is consistent with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We consider it that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Going concern**

The Hotel’s financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless the Trustees either intends to liquidate the Hotel or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that the Trustees’ use of the going concern basis of accounting in the preparation of the Hotel’s financial statements is appropriate.

The Trustees have not identified a material uncertainty that may cast significant doubt on the Hotel’s ability to continue as a going concern, and accordingly none is disclosed in the financial statements.

Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither the Trustees nor the auditor can guarantee the Hotel’s ability to continue as a going concern.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. Key audit matters are selected from the matters communicated with the Trustees, but are not intended to represent all matters that were discussed with them.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b><i>Valuation and existence of property and equipment (“PE”)</i></b>	
<p>PE is the most significant line item on the Hotel’s statement of financial position. As at December 2017, the carrying amount of PE was US\$207 482. The determination of useful lives, residual values and impairment losses are significant estimates in nature.</p> <p>The materiality of PE resulted in us considering this to be a key audit matter.</p>	<p>Our audit approach was focused on verifying the existence and valuation of PE through the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• We reviewed the opening balances of assets and verified whether they were accurately brought forward from prior year;</li> <li>• We vouched significant additions to supporting documents;</li> <li>• We reviewed and considered the appropriateness of depreciation rates and residual values;</li> <li>• We independently recalculated the depreciation charges during the year;</li> <li>• We physically verified the existence of assets on a sample basis, by tracing them from the floor to the registers and vice versa;</li> <li>• We also reviewed the legal ownership of motor vehicles against the registration books;</li> <li>• We verified write offs against supporting documents and reviewed the PPE registers to confirm accuracy of derecognition;</li> <li>• We reviewed management’s assessment of impairment as at 31 December 2017; and</li> <li>• We verified the disclosures relating to PE presented per note 4 in the annual financial statements.</li> </ul> <p>We were satisfied with the results of our procedures and the disclosures made in notes to the financial statements.</p>
<b><i>Occurrence, accuracy and completeness of revenue</i></b>	
<p>Revenue consists of rooms hire, bar sales, restaurant sales, takeaway sales and conferences revenue. The Hotel’s revenue is the most quantitatively significant amount in the financial statements and also a significant component of its operations.</p> <p>Accordingly, the occurrence, accuracy and completeness of revenue was assessed to be a key audit matter.</p>	<p>Our approach focused on assessing the validity, accuracy and completeness of revenue and our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Verifying the adequacy of the operating effectiveness of internal controls which ensure the validity, accuracy and completeness of revenue transactions; and</li> <li>• Detailed vouching of revenue transactions to supporting documents on a test basis.</li> </ul> <p>We were satisfied with the results of our procedures and the disclosures made in notes to the financial statements.</p>

## **Trustees' responsibility for the financial statements**

The Trustees of the Hotel are responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, as well as for such internal control the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustees are responsible for overseeing the Hotel's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our 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 issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hotel's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees; and
- 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.

We are required to communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Trustees with a statement that we 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 our independence, and where applicable, related safeguards.

## **Report on other legal and regulatory requirements**

In our opinion, the financial statements have been properly drawn up so as to comply, in all material respects, with the disclosure and presentation requirements of the Chinhoyi University of Technology Act (Chapter 25:23).

The engagement partner on the audit resulting in this independent auditor's report is Tariro Mhuka (PAAB No. 0423).

**AMG Global  
Harare**

**30 May 2018**

**CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL**

**STATEMENT OF FINANCIAL POSITION  
as at 31 December 2017**

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	172 981	167 188
<b>Current assets</b>			
Inventories	5	42 310	29 182
Trade and other receivables	6	207 482	157 424
Bank and cash balances	7	50 982	28 137
		<u>300 774</u>	<u>214 743</u>
<b>Total assets</b>		<u><u>473 755</u></u>	<u><u>381 931</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Capital contribution from University		163 796	163 796
Accumulated fund/ (loss)		13 401	(33 401)
		<u>177 197</u>	<u>130 395</u>
<b>Current liabilities</b>			
Trade and other payables	9	296 558	251 536
<b>Total liabilities</b>		<u>296 558</u>	<u>251 536</u>
<b>Total reserves and liabilities</b>		<u><u>473 755</u></u>	<u><u>381 931</u></u>

.....  
**Board of Trustees Chairperson**

.....  
**Treasurer**

.....  
**General Manager**

**30 May 2018**

CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

year ended 31 December 2017

	Note	2017 \$	2016 \$
Revenue	10	1 370 629	1 024 512
Cost of sales	11	(352 397)	(262 209)
Gross profit		<u>1 018 232</u>	<u>762 303</u>
Grant from the University		-	54 500
Other income		32 790	3 362
Operating expenses	12	(1 004 220)	(811 686)
Profit before tax		<u>46 802</u>	<u>8 479</u>
Income tax	13	-	-
Profit for the year		<u>46 802</u>	<u>8 479</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<u><u>46 802</u></u>	<u><u>8 479</u></u>





**CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL**

**STATEMENT OF CHANGES IN RESERVES**  
**year ended 31 December 2017**

	<b>University capital contribution</b> \$	<b>Non distributable reserves</b> \$	<b>Accumulated fund/(loss)</b> \$	<b>Total</b> \$
Balance as at 31 December 2015	163 796	-	(41 880)	121 916
Total comprehensive income for the period	-	-	8 479	8 479
Balance as at 31 December 2016	163 796	-	(33 401)	130 395
Total comprehensive income for the period	-	-	46 802	46 802
Balance as at 31 December 2017	163 796	-	13 401	177 197

**CUT Hotel**  
*exhilarating experience*





# CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

## STATEMENT OF CASH FLOWS year ended 31 December 2017

	Note	2017 \$	2016 \$
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating cash flows</b>			
Profit before tax		46 802	8 479
Adjustments for:			
Depreciation		43 549	42 850
Loss on equipment write off		3 861	-
Net operating cash flows before working capital changes		94 212	51 329
<b>Changes in working capital</b>			
(Increase)/ decrease in inventories		(13 128)	13 225
Increase in trade and other receivables		(50 058)	(71 156)
Increase in trade and other payables		45 022	54 270
Net cash flows from operations		76 048	47 668
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment		(53 203)	(29 756)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		22 845	17 912
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		28 137	10 225
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		50 982	28 137



# CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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### 1. GENERAL INFORMATION

#### 1.1 Nature of operations

The Hotel operates under the School of Hospitality and Tourism of Chinhoyi University of Technology. The purpose of the Hotel is to advance the provision of knowledge through hands on experience to students in the School of Hospitality and Tourism. It derives its revenue from offering accommodation and venues for business and social meetings.

#### 1.2 Functional and presentation currency

The Hotel's functional and presentation currency is the United States dollars ("US\$"). The following considerations were made in determining the Hotel's functional currency.

##### Determination of the functional currency

The acute shortage of cash and foreign currency in the country saw the emergence of different modes of payment for goods and services such as settlement via Real time Gross Settlement (RTGS), Point of sale (POS) and mobile money.

In addition:

- Products and services were being priced differently during the year depending on the mode of payment with the actual USD (cash) being the cheapest alternative and RTGS the most expensive;
- The significant unavailability of the USD in cash and in nostro accounts made processing of payments to foreign suppliers and creditors extremely difficult for businesses during the year;
- New legislation in the form of Statutory Instruments 133 of 2016 and 122a of 2017 which prescribed bond notes and coins as currency was promulgated.

As a result of these and other factors management had to make an assessment of whether the use of the United States dollar as the Hotel's functional currency was still appropriate. In doing this management considered the following factors:

- The currency that mainly influences sales prices for goods and services;
- The currency of the competitive forces and regulations that mainly determine the sales prices of goods and services;
- The currency that mainly influences labour, material and other costs of providing goods or services;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

The United States dollar remained the primary driver for most of the factors above. Therefore management concluded that it is still the Hotel's functional currency.

### 2. ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The principal accounting policies adopted in the preparation of financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations. The financial statements are based on statutory records that are maintained under the historical cost convention.

The preparation of the financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Hotel's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

## CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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#### 2.2 Changes in accounting policy and interpretations

(a) *New standards, interpretations and amendments effective from 1 January 2017, and that have not had a material impact on the Hotel*

The Hotel has adopted the following standards and amendments for the first time in their annual reporting period commencing 1 January 2017:

- Amendments to IAS 12 'Income Taxes', recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after 1 January 2017; and
- Amendments to IAS 7 'Statement of Cash Flows' disclosure initiative, effective for annual periods beginning on or after 1 January 2017.

The adoption of these amendments did not have any material impact on the current period and is not likely to affect future periods.

b) *New standards, interpretations and amendments not yet effective and not early adopted, and that will not have a material impact on the Hotel*

The standards listed below were issued but not yet effective as at the date of issuance of the Hotel's financial statements but the Hotel reasonably expects them to be applicable at a future date and, as such, intends to adopt them when they become effective.

The Hotel expects that the adoption of these standards in most cases will not have a significant impact on the Hotel's financial position and performance in the period of initial application but additional disclosures will be required. The impact of these standards on the Hotel's financial statements on adoption in future is not known and cannot be reasonably estimated as of now.

#### *IFRS 9 Financial Instruments*

Sets out the principles for the recognition, derecognition, classification and measurement of financial assets and financial liabilities together with requirements relating to the impairment of financial assets and hedge accounting. The standard is applicable for financial periods beginning on or after January 2018.

#### *IFRS 15 Revenue from Contracts with Customers*

Establishes when revenue should be recognised, how it should be measured and what disclosures about contracts with customers are needed. The standard is applicable for financial periods beginning on or after 1 January 2018.

#### *Clarifications to IFRS 15: Revenue from contract with Customers*

Clarifies some requirements and provides additional transitional relief to reduce cost and complexity for entities applying the standard for the first time. Effective beginning on/or after 1 January 2018.

#### *IFRS 16 Leases*

Establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The standard is applicable for financial periods beginning on or after 1 January 2018.

#### *IFRIC 22 Foreign Currency Transactions and Advance Considerations*

Clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation is applicable for financial periods beginning on or after 1 January 2018.

## CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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#### 2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises sale of rooms, food and beverages and services relating to hotel operations.

##### 2.3.1 Revenue from rendering of services

Revenue from the rendering of services is recognised on accrual basis, as customers consume the services.

##### 2.3.2 Grant income

Grants from Chinhoyi University of Technology and donations are accounted for on a receipt basis.

#### 2.4 Property and equipment (“PE”)

##### Recognition

Items of PE are recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the entity; and
- The cost of the item can be measured reliably.

##### Measurement

Property and equipment is initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Subsequent costs are included in the asset’s carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the entity and the costs can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the period in which they are incurred. Property and equipment is subsequently measured at cost less accumulated depreciation and impairment losses.

##### Depreciation

Depreciation is provided on items of property and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Computer equipment	4 years
Motor vehicles	5 years
Furniture and fittings	10 years
General equipment	10 years
Leaseholds improvements	40 years

##### Impairment

The carrying amounts of the Hotel’s assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets’ recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

### *Calculation of recoverable amount*

The recoverable amount of items of property and equipment is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

### *Reversal of impairment*

Any impairment losses previously recognised are reversed if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount of an asset due to a reversal of an impairment loss should not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

### **De-recognition of PE**

PE is de-recognised when the asset is disposed of or retired from use and/or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal is included in the profit or loss in the period the PE item is de-recognised.

### **2.5 Leasehold improvements**

Leasehold improvements are depreciated on a straight line basis over the estimated useful life of the improvements. Leasehold improvements do not include maintenance and repairs done in the normal course of business. Improvements made in lieu of rent are expensed in the period incurred.

### **2.6 Operating leases**

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

### **2.7 Inventories**

Inventories are initially measured at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average cost method. Net realisable value represents the estimated selling price for all inventories less all estimated costs of completion and costs necessary to make the sale.

### **2.8 Employee retirement benefits**

Contributions to defined contribution pension schemes are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

### **2.9 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short term highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and-for the purpose of the cash flow statement it includes bank overdraft.

## 2.10 Financial instruments

### Recognition

Financial assets and financial liabilities are recognised in the Hotel's statement of financial position when the Hotel becomes a party to the contractual provisions of the financial instrument.

### Measurement

Financial instruments are initially measured at fair value, which includes transactions costs and recognized in the financial statements when the Hotel becomes part to the contractual provisions of the instrument. Subsequent to initial recognition of these instruments, they are measured as set out below:

### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

### Derecognition of financial assets

Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Hotel has also transferred substantially all risks and rewards of ownership. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the financial assets are derecognized or impaired, as well as through the amortisation process.

### Impairment of financial assets

A financial asset is deemed to be impaired when its carrying amount is greater than its estimated receivable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the financial statements.

### Financial liabilities

The Hotel classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

#### *Fair value through profit or loss*

This category comprises financial liabilities that are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

#### *Other financial liabilities*

Other financial liabilities includes trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.



### **2.11 Taxation**

Income tax on profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised as equity.

Current income tax is tax payable on the taxable income for the period, calculated using the rates enacted or substantially enacted as at the statement of financial position date, and any adjustments to tax payable in respect of previous periods.

Deferred income tax is provided using the financial position method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is provided based on the expected manner of recovery or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantially enacted as at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related benefits will be realised.

Deferred tax assets and liabilities are offset when the Hotel has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same authority.

### **2.12 Foreign currencies**

Monetary assets and liabilities as at year end are translated into United States Dollars currency at rates of exchange ruling at the year-end. Transactions during the year are converted at the rates of exchange ruling at the dates of the transactions. Exchange rate differences arising on the translation of monetary assets and liabilities are included in the statement of comprehensive income.

### **2.13 Borrowing costs**

Borrowing costs are expensed in the year in which they are incurred.

### **2.14 Provisions**

Provisions are recognised when the Hotel has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## **3. SIGNIFICANT JUDGEMENTS IN APPLYING THE HOTEL'S ACCOUNTING POLICIES**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgments include:

### **(a) Impairment of trade receivables**

The Hotel assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Hotel makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.



**(b) Impairment testing of property and equipment**

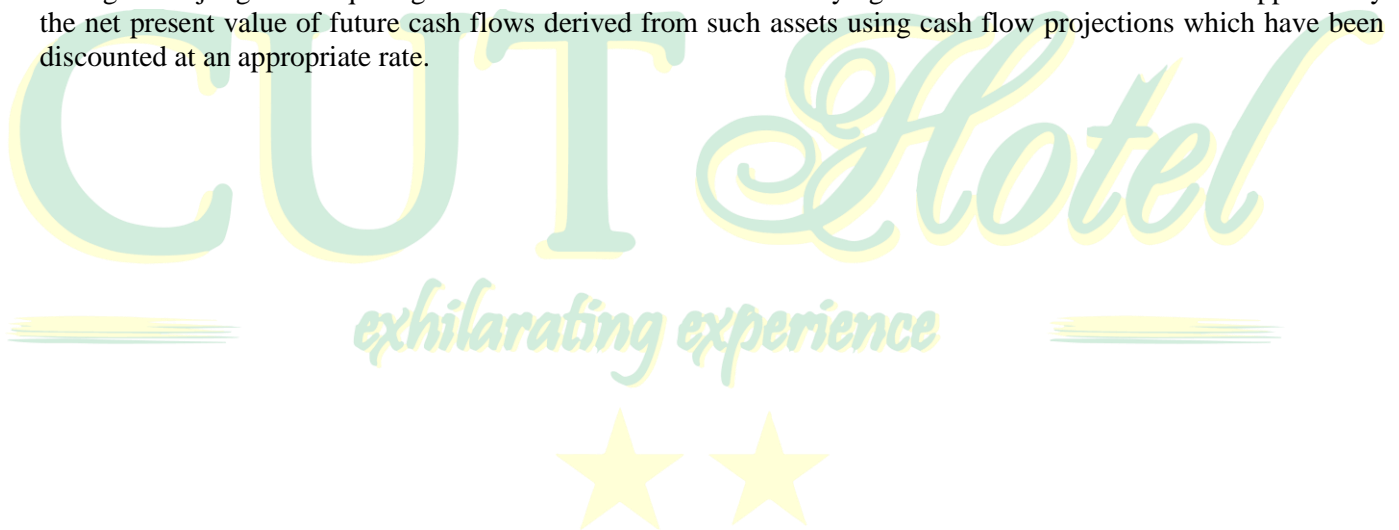
The Hotel reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

**(c) Residual values and useful lives**

The Hotel is required to assess residual values and the remaining useful lives of its property and equipment on an annual basis. This affects the amount of depreciation that is recognized in the statement of profit or loss and other comprehensive income. Management assessed residual values at nil for all assets as it intends to use the assets until the end of their economic useful lives.

**(d) Going concern assessment**

The Hotel assesses its going concern at each reporting date. Going concern assessment is an area involving management judgment requiring assessment as to whether the carrying amount of the assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.



CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY AND EQUIPMENT

	Leasehold improvements \$	Motor vehicles \$	Furniture and fittings \$	Computer equipment \$	General equipment \$	Total \$
<b>4.1 COST</b>						
As at 31 December 2015	4 050	35 483	148 015	34 080	159 906	381 534
Additions	4 240	-	9 865	1 346	14 305	29 756
At 31 December 2016	8 290	35 483	157 880	35 426	174 211	411 290
Additions	-	28 000	14 718	350	10 135	53 203
Write off	(4 050)	-	-	-	-	(4 050)
At 31 December 2017	4 240	63 483	172 598	35 776	184 346	460 443
<b>4.2 DEPRECIATION</b>						
As at 31 December 2015	-	16 713	91 826	24 466	68 247	201 252
Charge for the year	189	4 896	15 491	6 056	16 218	42 850
At 31 December 2016	189	21 609	107 317	30 522	84 465	244 102
Charge for the year	-	6 296	16 578	2 797	17 878	43 549
Write off	(189)	-	-	-	-	(189)
At 31 December 2017	-	27 905	123 895	33 319	102 343	287 462
<b>4.3 NET BOOK VALUES</b>						
As at 31 December 2017	4 240	35 578	48 703	2 457	82 003	172 981
As at 31 December 2016	8 101	13 874	50 563	4 904	89 746	167 188
As at 31 December 2015	4 050	18 770	56 189	9 614	91 659	180 282

**CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2017**

	2017 \$	2016 \$
<b>5 INVENTORIES</b>		
Consumables	42 310	29 182
<b>6 TRADE AND OTHER RECEIVABLES</b>		
<b>6.1 Analysis</b>		
Trade	227 507	167 193
Staff debtors	6 110	5 361
Other debtors	552	-
	234 169	172 554
Allowance for credit losses	(26 687)	(15 130)
	207 482	157 424
6.2	The carrying value of the trade and other receivables classified as loans and receivables approximates fair value. As at 31 December 2017, there are no trade receivables that were past due but not impaired.	
6.3	As at 31 December 2017 trade and other receivables of \$26 687 (2016:\$15 130) were past due and fully impaired. The age analysis of these receivables is shown below:	
	3 to 6 months	-
	6 to 12 months	10 438
	Balance at the end of the year	4 692
	26 687	15 130
6.4	Movements on the Hotel's allowances for credit losses are as follows:	
	Balance at the beginning of the year	15 130
	Increase during the year	10 438
	Balance at the end of the year	4 692
	26 687	15 130

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

**7 CASH AND CASH EQUIVALENTS**

7.1 Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. In 2016 the central bank, through Exchange Control Operational Guide 8 (ECOGAD8), introduced a prioritisation criterion which has to be followed when making foreign payments. Any foreign payments which are made from the bank balances above are ranked based on the central bank's prioritisation criteria and paid subject to the Hotel's bankers having adequate funds with their foreign correspondent banks. In terms of the Directive, most of the Hotel's foreign payments are categorized in Priority Three (Low).

Also included in cash and cash equivalents are bond notes and coins which are bearer instruments that are pegged at 1:1 with the United States Dollar ("USD"). USD and bond notes and coins transactions are maintained in the same bank account.

CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

	2017 \$	2016 \$
<b>8 DEFERRED TAX</b>		
<b>8.1 Analysis of deferred tax</b>		
Vehicles and equipment	27 038	26 726
Leave pay provision	-	(4 889)
Assessed tax loss	(27 038)	(21 837)
Balance at the end of the year	<u>-</u>	<u>-</u>
<b>8.2 Reconciliation</b>		
Balance at the beginning of the year	-	-
Recognised through profit or loss	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>
<b>8.3 A deferred tax asset has not been recognised for the following:</b>		
Unused tax losses	971 643	1 053 793
<b>8.4 The ageing of unused tax losses is as follows</b>		
2017	-	-
2016	-	-
2015	77 016	77 016
2014	72 615	72 615
2013	85 052	85 052
2012	736 960	819 110
	<u>971 643</u>	<u>1 053 793</u>
<b>9 TRADE AND OTHER PAYABLES</b>		
Trade	163 555	118 731
Other	90 913	113 551
Statutory obligations	42 090	19 254
	<u>296 558</u>	<u>251 536</u>

CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

	2017	2016
	\$	\$
<b>10 REVENUE</b>		
Rooms revenue	518 018	407 153
Bar revenue	124 285	92 128
Restaurant revenue	640 358	436 886
Takeaway revenue	39 869	33 780
Conferences and revenue	34 707	22 899
Rent	5 452	4 885
Other services	7 940	26 781
	<u>1 370 629</u>	<u>1 024 512</u>
<b>11 COST OF SALES</b>		
Rooms	32 285	20 149
Bar	62 051	52 676
Restaurant	258 061	187 354
Hire of equipment	-	2 030
	<u>352 397</u>	<u>262 209</u>
<b>12 OPERATING EXPENSES</b>		
Administration expenses	306 219	236 606
Depreciation	43 549	42 850
Electricity, water and rates, generator fuel and gas	108 300	81 129
Employment costs	455 068	364 071
Maintenance and repairs	34 853	26 875
Marketing	19 521	23 032
Purchase of small equipment	-	767
Rent	36 710	36 356
	<u>1 004 220</u>	<u>811 686</u>
<b>13 INCOME TAX</b>		
Current	-	-
Deferred	-	-
	<u>-</u>	<u>-</u>
<b>Tax reconciliation</b>		
Accounting profit	46 802	8 479
Tax at 25.75%	12 052	2 183
<b>Tax effect of:</b>		
Provision for doubtful debts movement	2 976	1 208
Penalties	5 411	17
Leave pay provision movement	1 273	-
Donations	153	-
Interest	-	(20)
Unused tax loss not recognised	(21 865)	(3 388)
	<u>-</u>	<u>-</u>

**CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>14 CAPITAL EXPENDITURE COMMITMENTS</b>		
Authorised and contracted for	-	-
Authorised but not yet contracted for	72 000	72 000
	<u>72 000</u>	<u>72 000</u>

Capital expenditure will be financed through University grants and the Hotel's savings.

**15 RELATED PARTY INFORMATION**

**15.1 Related parties**

<b>Related party</b>	<b>Nature of relationship</b>
Chinhoyi University of Technology	Controlling party

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>15.2 Related party receivables</b>		

The following are the related party balances which are included in trade and other receivables as at year end:

Chinhoyi University of Technology	38 226	-
	<u>38 226</u>	<u>-</u>

**15.3 Related party payables**

The following are the related party balances which are included in trade and other payables as at year end:

Chinhoyi University of Technology	72 703	33 203
	<u>72 703</u>	<u>33 203</u>

**15.4 Related party transactions**

The Hotel entered into transactions with related parties in the normal course of business. Details of significant transactions with related parties are shown below:

<b>Name of related party</b>	<b>Nature of transaction</b>		
Chinhoyi University of Technology	Grants from University	-	54 500
	Rentals charge by the University	30 000	60 000
	Hire of conference facilities, accommodation and meals by the University	233 672	169 451

# CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

### 16 RETIREMENT BENEFITS

#### 16.1 Chinhoyi University of Technology Pension Fund

Employees are members of Chinhoyi University of Technology Pension Fund, a defined contribution scheme administered by Old Mutual under which the retirement benefit is determined by reference to the employee's contributions. Employees contribute 6.5% and the Hotel contributes 7.5% of the basic salary.

#### 16.2 National Social Security Scheme

All employees are members of the National Social Security Scheme which is a defined contribution pension scheme. The scheme is administered by the National Social Security Authority. The scheme was promulgated under the National Social Security Act of 1989. The Hotel's obligations under the Scheme are limited to specific contributions as legislated from time to time and are currently 3.5% of the pensionable emoluments up to a maximum of \$24.50 per month per employee.

	2017	2016
	\$	\$
<b>16.3 Contributions for the year</b>		
The contributions were as follows:		
Chinhoyi University of Technology Pension Fund	5 633	6 000
National Social Security Authority Scheme	4 465	4 329
	<u>10 098</u>	<u>10 329</u>

### 17 FINANCIAL RISK MANAGEMENT

#### General risk management

The Hotel is exposed through its operations, to the following financial risks:

- Credit risk; and
- Liquidity risk.

In common with all other entities, the Hotel is exposed to risks that arise from its financial instruments. This note describes the Hotel's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantial changes in the Hotel's exposure to financial instrument risks its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

#### General objectives, policies and processes

The Board of Trustees has overall responsibility for the determination of the Hotel's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating the processes that ensure the effectiveness in implementation of the objectives and policies to the Hotel's finance function. The Hotel's internal auditors also review the risk management policies and processes and report the findings to the Finance and Audit Committee.



**Principal financial instruments**

The principal financial instruments used by the Hotel, from which financial instrument risk arises, are as follows:

- Trade and other receivables;
- Cash and cash equivalents; and
- Trade and other payables.

**Credit risk**

Credit risk is the risk of financial loss to the Hotel if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets that potentially expose the Hotel to concentration of credit risk consist of receivables, bank balances and cash. The Hotel's cash and cash equivalents are invested in reputable financial institutions. Adequate allowance for credit losses is made for trade and other receivables considered doubtful. Credit risk in respect of accounts receivable is limited because of the nature of major accounts receivable, that is, government departments which while they take time, eventually make payments.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below.

	<b>Carrying Value 2017</b>	<b>Maximum exposure 2017</b>	<b>Carrying value 2016</b>	<b>Maximum exposure 2016</b>
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	50 982	50 982	28 137	28 137
Trade and other receivables	207 482	234 169	157 424	172 554
	<u>258 464</u>	<u>285 151</u>	<u>185 561</u>	<u>200 691</u>

**Liquidity risk**

Liquidity risk arises from the Hotel's management of working capital. It is the risk of insufficient liquid funds being available to cover commitments as they fall due.

The Hotel manages liquidity risk by proper management of working capital and cash flows. Adequate banking facilities are maintained. In order to mitigate any liquidity risk that the Hotel faces, the Hotel's policy has been throughout the year ended 31 December 2017, to maintain substantial unutilised facilities and reserves as well as significant liquid resources. The Hotel monitors its risk to shortage of funds through the use of daily, weekly and monthly cash forecasts, enabling the Hotel's cash requirements to be anticipated. The Hotel prospectively assesses the need for funds to meet obligations and where necessary obtain funds from the University with no collateral. The following sets out contractual maturities of financial liabilities.

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 2 years</b>	<b>Over 2 years</b>
	\$	\$	\$	\$
<b>At 31 December 2017</b>				
Trade payables	163 555	-	-	-
Other payables	133 003	-	-	-
Accounts payable	<u>296 558</u>	<u>-</u>	<u>-</u>	<u>-</u>

## CHINHOYI UNIVERSITY OF TECHNOLOGY HOTEL

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

	Up to 3 months \$	Between 3 and 12 months \$	Between 1 and 2 years \$	Over 2 years \$
<b>At 31 December 2016</b>				
Trade payables	118 731	-	-	-
Other payables	132 805	-	-	-
	<u>251 536</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 18 MANAGEMENT OF CAPITAL

The Hotel's objective when managing capital is to safeguard its ability to continue operating as a going concern so that it can benefit stakeholders. The capital of the Hotel comprises of reserves. In order to maintain or adjust the capital structure, the Hotel may get contributions from Chinhoyi University of Technology.

#### 19 EVENTS AFTER REPORTING DATE

There were no significant events which occurred from the reporting date to the date of approval of these financial statements.

##### 19.1 Approval of financial statements

The financial statements were approved for issue on 30 May 2018 by the Hotel's Board of Trustees.

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**CHINHOYI UNIVERSITY OF TECHNOLOGY  
HOTEL**

**FINANCIAL STATEMENTS  
31 December 2017**

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