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REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS  
OF MOUNT ELGON LODGE LIMITED FOR THE YEAR ENDED 30 JUNE 1991

MOUNT ELGON LODGE LIMITED

FINANCIAL STATEMENTS AS AT 30 JUNE 1991

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MOUNT ELGON LODGE LIMITED

DIRECTORS: MR. D. N. NAMU - CHAIRMAN  
MR. E. M. MUSYOKA  
MR. J. M. AMADI  
MR. C. O. GIKONGE  
MR. R. MASINDET  
MR. J. J. WAIKWA

COMPANY SECRETARY: MRS. S. M. GITHEGI

REGISTERED OFFICE: UTALII HOUSE  
UHURU HIGHWAY  
P. O. BOX 42013  
NAIROBI.

LODGE: MOUNT ELGON LODGE LIMITED  
P. O. BOX 7  
ENDEBESS

AUDITORS: AUDITOR GENERAL (CORPORATIONS)  
P. O. BOX 49384,  
NAIROBI.

BANKERS: BARCLAYS BANK OF KENYA LTD  
P. O. BOX 30616  
NAIROBI

BARCLAYS BANK OF KENYA LTD  
P. O. BOX 162  
KITALE

MOUNT ELGON LODGE LIMITED

The Directors have pleasure in submitting their report together with the Audited Financial Statements for the year ended 30 June 1991.

1. PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the operation of the Lodge in Mount Elgon National Park.

2. RESULTS FOR THE YEAR

The results for the year are set out on page 4-6. During the year, the Company incurred a net loss of KShs 655,922. The Directors therefore propose to carry forward the balance of the accumulated losses amounting to KShs 4,901,862.

3. DIVIDEND

The Directors do not recommend the payment of any dividend.

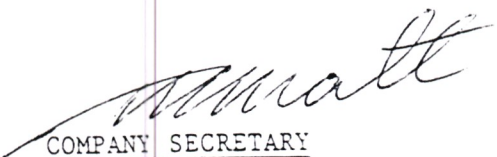
4. DIRECTORS

The names of the Directors who served during the year are set out on Page 1.

5. AUDITORS

The Auditor-General Corporations continues in office in accordance with Section 14(3) of the State Corporations Act Cap 446.

BY ORDER OF THE BOARD

  
COMPANY SECRETARY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS  
OF MOUNT ELGON LODGE LIMITED FOR THE YEAR ENDED 30 JUNE 1991

I have examined the accounts of Mount Elgon Lodge Limited for the year ended 30 June 1991 in accordance with Section 29(2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations which were considered necessary for the purpose of the audit. Proper books of account have been maintained and the accounts which have been prepared under the historical cost convention are in agreement therewith and comply with the Companies Act, (Cap 486).

Subject to the reservations, set out herebelow, in my opinion, the accounts when read together with the notes thereon, present a true and fair view of the financial state of affairs of the Lodge as at 30 June 1991 and of its loss and the source and application of funds for the year then ended.

1. GOING CONCERN

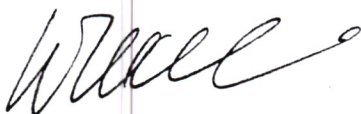
The Lodge made a loss of Kshs.655,922 during the year under review which brought the cumulative losses to Kshs.4,901,862 as at 30 June 1991. These cumulative losses have wiped out the shareholders' funds into a negative balance of Kshs.3,056,082. The Balance Sheet also reflects a negative working capital of Kshs.1,261,311. The Lodge has further been unable to repay the loans totalling Kshs.2,793,024 which it obtained from the Kenya Tourist Development Corporation and which include interest accruing thereon amounting to Kshs.1,675,366. The Lodge is, therefore, technically insolvent and these accounts have been prepared on a going concern basis assuming that the Lodge will continue to receive the financial support from its shareholders, creditors and lenders.

2. FIXED ASSETS

The Balance Sheet Assets figure of Kshs.998,253 includes Kshs.120,000 in respect of the value of a house plus approximately 175 acres of land as in November 1972. The land has, however, not been transferred from the vendor, the Agricultural Development Corporation, to the Lodge. Until the land is transferred from the vendor to the Lodge and its title deed issued, the correctness of the value of the land and the building which is included in the Balance Sheet Fixed Assets figure cannot be vouched.

3. DEBTORS AND PREPAYMENTS

The Balance Sheet Debtors and Prepayments figure of Kshs.291,409 includes cash shortages totalling Kshs.61,775 made up of Kshs.22,043 which was for 1989/90 and Kshs.39,732 for the year under review. The Lodge has not explained the action it has taken to recover the amounts from its three employees who were responsible for the cash shortages.



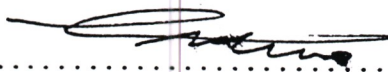
W. K. KEMEI  
AUDITOR-GENERAL (CORPORATIONS)

25 September 1997.

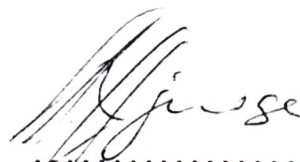
MOUNT ELGON LODGE LIMITEDBALANCE SHEET AS AT 30 JUNE 1991  
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	NOTES	1991 <u>KShs</u>	1990 <u>KShs</u>
<u>FIXED ASSETS</u>	2	998,253	1,000,293
<u>CURRENT ASSETS</u>			
Stocks		3,472	5,628
Debtors & Prepayments		291,409	221,809
Cash in Hand and at Bank		68,737	62,138
		<u>363,618</u>	<u>289,575</u>
		=====	=====
<u>CURRENT LIABILITIES</u>			
Creditors accruals & Provisions		924,995	1,453,036
African Tours & Hotels		699,934	699,934
		<u>1,624,929</u>	<u>2,152,970</u>
		=====	=====
<u>NET CURRENT LIABILITIES</u>		(1,261,311)	(1,863,395)
<u>TOTAL NET ASSETS</u>		<u>(263,058)</u>	<u>(863,102)</u>
		=====	=====
<u>FINANCED BY:</u>			
Share Capital	3	1,845,780	1,845,780
Profit & Loss Account		(4,901,862)	(4,245,326)
		<u>(3,056,082)</u>	<u>(2,399,546)</u>
K.T.D.C Loan	4	2,793,024	1,536,444
		<u>(263,058)</u>	<u>(863,102)</u>
		=====	=====

These Financial Statements were approved by Board of  
Directors on: .....

  
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D I R E C T O R

  
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D I R E C T O R

PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 30 JUNE 1991

	NOTES	1991 <u>KShs</u>	1990 <u>KShs</u>
TURNOVER		791,768	765,288
Operating Loss for the year After charging (Crediting)		<u>(655,922)</u>	<u>(391,339)</u>
Audit Fees		62,773	62,773
Depreciation		2,040	2,040
Directors emoluments		11,724	4,009
Loan Interest		298,843	206,360
Taxation		-	-
Loss for the year		(655,922)	(391,339)
Accumulated Loss Brought Forward		(4,245,326)	(3,465,739)
Prior Period Adjustment		(614)	(388,248)
Accumulated Loss Carried Forward		<u><u>(4,901,862)</u></u>	<u><u>(4,245,326)</u></u>

MOUNT ELGON LODGE LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED JUNE 1991

	<u>1991</u> <u>KShs</u>	<u>1990</u> <u>KShs</u>
Profit/(Loss) for the year	(655,922)	(391,339)
Adjustment for items not involving movement of funds:		
Depreciation	2,040	2,040
Prior Period Adjustment	(614)	(388,248)
Total generated from operations	<u>(654,496)</u>	<u>(777,547)</u>
<u>FUNDS FROM OTHER SOURCES</u>		
Loan from K.T.D.C	60,000	-
Loan interest Capitalised	1,196,580	315,012
	602,084	(462,535)
<u>APPLICATION OF FUNDS</u>		
	-	-
	<u>602,084</u>	<u>(462,535)</u>
	=====	=====
<u>MOVEMENT IN WORKING CAPITAL</u>		
Increase/(Decrease) in stocks	(2,156)	502
Increase/(Decrease) in debtors	69,600	(158,815)
(Increase)/Decrease in creditors	528,041	(273,183)
	<u>595,485</u>	<u>(431,496)</u>
<u>MOVEMENT IN NET LIQUID FUNDS</u>		
Increase/(Decrease) of Cash and Bank	6,599	(31,039)
	<u>602,084</u>	<u>(462,535)</u>
	=====	=====



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 1991

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention.

- (b) The turnover represents gross revenue net of taxes levies and service charge receivable during the year.

(c) Depreciation

The Company's policy regarding depreciation is to write off the cost of fixed assets in equal instalments over their estimated useful lives at the following rates:-

Land	Nil
Buildings	2½%
Motor Vehicles	25%
Furniture & Fittings	12½%

(d) Stocks

Stocks are valued at the lower of cost and net realisable value.

(e) Foreign Currencies

Transactions during the year in foreign currencies are converted at the rate ruling at the date of the transactions. Gains and losses on exchange are dealt with in the Profit and Loss Account.

NOTES TO THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 1991 CONT.....

NOTE 2 - SCHEDULE OF FIXED ASSETS

	Land & Buildings KShs	Furniture & Fittings KShs	Machinery KShs	Motor Vehicle KShs	TOTAL KShs
<u>COST</u>					
At 1 July 1990	988,055	201,936	226,511	116,010	1,532,512
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
	988,055	201,936	226,511	116,010	1,532,512
<u>DEPRECIATION</u>					
At 1 July 1990	-	189,698	226,511	116,010	532,219
Charge for the Year	-	2,040	-	-	2,040
	-	191,738	226,511	116,010	534,259
<u>NET BOOK VALUE</u>					
At 30 June 1991	988,055	10,198	-	-	998,253
At 30 June 1990	988,055	12,238	-	-	1,000,293



NOTES TO THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 1991 CONT.....

NOTE 3 - SHARE CAPITAL

	Shares	Authorised KShs	Issued KShs
K.T.D.C.	67,289	1,345,780	1,345,780
Municipal Council of Kitale	12,500	250,000	250,000
Nzoia County Council	12,500	250,000	250,000
Un Issued Shares	22711	454,220	-
	115,000	2,300,000	1,845,780

Each ordinary share is valued at KShs 20/=.

Un-called share capital amounts to KShs 454,220/=.

NOTE 4 - KENYA TOURIST DEVELOPMENT CORPORATION LOAN

The loan from Kenya Tourist Development Corporation is not secured formally and charging of interest has been deferred effective 1st. July 1991. This follows KTDC Investments Guidelines of February 1991 which required investments to be stated on the bases of their earning power and realistic values.

The loan is restructured as follows:-

	Principal Loan	Deferred Interest	Total Outstanding
	1,596,444	1,196,580	2,793,024
Restructuring Adjustment	( 478,786)	478,786	-
Restructured loan balance c/f	1,117,658	1,675,366	2,793,024

MANAGEMENT INFORMATION  
SCHEDULE A

TRADING PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 1991

	<u>1991</u> <u>KShs</u>	<u>1990</u> <u>KShs</u>
Sales	791,768	765,288
Cost of sales	296,677	224,115
Gross Profit	495,091	541,173
Other Income	35,172	28,582
Total Income	530,263	569,755
<hr/>		
<u>EXPENDITURE</u>		
Salaries & Wages	358,091	301,831
Staff Expenses	121,245	92,809
Staff Travel	67,939	42,259
Property Upkeep & Expenses	12,844	57,792
Repairs & Renewals	45,229	22,420
Operating Costs	141,829	92,699
Office Expenses	17,030	24,662
Administration Expenses	72,348	74,429
Advertising & Promotion	34,811	31,330
General Charges	2,212	8,458
Interest & Other Charges	310,567	210,369
Depreciation	2,040	2,040
	1,186,185	961,094
<hr/>		
Loss for the year	(655,922)	(391,339)
<hr/>		
<u>STATEMENT OF RETAINED PROFIT/(LOSS)</u>		
Balance B/Forward	(4,245,326)	(3,465,739)
Prior Year	(614)	(388,248)
Loss Re-stated	(4,245,940)	(3,853,987)
Profit/(Loss) for the year	(655,922)	(391,339)
Retained Profit/(Loss) c/Forward	4,901,862	(4,245,326)

MOUNT ELGON LODGE LIMITEDMANAGEMENT INFORMATION  
SCHEDULE B

	1991 <u>KShs</u>	1990 <u>KShs</u>
<u>SALES</u>		
Accommodation	353,706	325,146
Food	233,934	209,461
Beverage	195,341	220,985
Tobacco	8,787	9,696
	<hr/> 791,768	<hr/> 765,288
	=====	=====
<u>COST OF SALES</u>		
Food	161,277	83,042
Beverage	124,991	133,743
Tobacco	10,409	7,330
	<hr/> 296,677	<hr/> 224,115
	=====	=====
<u>OTHER INCOME</u>		
No Show Fees	6,300	-
Gain on Foreign Exchange	401	-
Misc. Income	10,268	8,168
Laundry	1,674	360
Camping Fees	14,230	17,715
Telephone	2,299	2,339
	<hr/> 35,172	<hr/> 28,582
	=====	=====
<u>SALARIES &amp; WAGES</u>		
Administration	156,350	95,138
Rooms	51,371	52,669
Bar	24,346	16,800
Food	64,835	67,640
Maintenance	50,286	60,465
NSSF Lodge contribution	10,903	9,119
	<hr/> 358,091	<hr/> 301,831
	=====	=====
<u>STAFF EXPENSES</u>		
Meals & Food Allowances	89,645	63,165
Medical Expenses	2,980	795
Staff Housing & Welfare Exp.	28,620	28,849
Workmen's Compensation	-	-
Personal Accident Insurance	-	-
	<hr/> 121,245	<hr/> 92,809
	=====	=====

MANAGEMENT INFORMATION  
SCHEDULE C

	1991 <u>KShs</u>	1990 <u>KShs</u>
<u>STAFF TRAVEL</u>		
Leave Passage	2,430	5,445
Travelling Expenses	45,341	15,201
Transport Allowances	19,568	21,613
	<u>67,939</u>	<u>42,259</u>
<u>PROPERTY UPKEEP &amp; EXPENSES</u>		
Ground Rent	864	864
Rates	492	468
Building Maintenance	8,773	55,780
Gardens & Grounds	2,715	680
	<u>12,844</u>	<u>57,792</u>
<u>REPAIRS &amp; RENEWALS</u>		
Glassware Cutlery & Holloware	1,866	-
Crockery	6,311	-
Uniforms	1,770	606
Kitchen Utensils	3,253	4,626
Furniture & Equipment	1,179	-
Plant & Machinery	14,475	11,231
Vehicle repairs	14,910	4,407
Miscellaneous Elect. & Tools	1,465	1,550
	<u>45,229</u>	<u>22,420</u>
<u>OPERATING COSTS</u>		
Fuel & Gas	83,929	59,559
Water & Sanitation	-	270
Laundry	701	1,026
Cleaning Materials	11,540	3,375
Toilet Requisites	8,759	2,780
Kitchen, Restaurant & Bar Sundries	2,107	2,925
Guest Supplies	419	741
Guest Entertainment	2,700	-
Vehicle Operating	13,674	12,543
Licences	18,000	9,480
	<u>141,829</u>	<u>92,699</u>
<u>OFFICE EXPENSES</u>		
Telephone & Postage	1,133	15,077
Printing & Stationery	10,169	7,549
Office Miscellaneous	5,728	2,036
	<u>17,030</u>	<u>24,662</u>

MANAGEMENT INFORMATION  
SCHEDULE D

	<u>1991</u> KShs	<u>1990</u> KShs
<u>ADMINISTRATION EXPENSES</u>		
Audit Fees	62,773	62,773
Bank Charges	9,575	4,526
Legal Expenses	-	7,130
	<hr/>	<hr/>
	72,348	74,429
	=====	
<u>ADVERTISING &amp; PROMOTION</u>		
Advertising & Marketing	1,845	-
Entertainment	12,000	5,973
Complimentaries	315	-
Agents Commission	20,651	25,357
	<hr/>	<hr/>
	34,811	31,330
	=====	
<u>GENERAL CHARGES</u>		
Flowers & Decorations	2,112	120
Other Expenses	100	8,338
	<hr/>	<hr/>
	2,212	8,458
	=====	
<u>DEPRECIATION</u>		
Furniture & Fittings	2,040	2,040
	=====	
<u>INTEREST &amp; OTHER CHARGES</u>		
Interest on KTDC Loan	298,843	206,360
Directors Fees & Expenses	11,724	4,009
	<hr/>	<hr/>
	310,567	210,369
	=====	



MOUNT ELGON LODGE LIMITEDMANAGEMENT INFORMATION  
SCHEDULE E

	1991 <u>KShs</u>	1990 <u>KShs</u>
<u>STOCKS</u>		
Trade Stock	3,472	5,628
Consumables	-	-
Containers	-	-
	<u>3,472</u>	<u>5,628</u>
	=====	=====
<u>DEBTORS</u>		
Trade Debtors	256,446	256,446
Msafiri Debtors	32,621	18,778
Prepayments & Other Debtors	358,535	289,085
	<u>647,602</u>	<u>564,309</u>
Less: Transfer to AT&H -		
Related Debtors	(8,818)	(8,818)
Old Debtors 1984	(256,446)	(256,446)
Transfer to Msafiri Inns:		
Debtors	(30,942)	(18,778)
Collections	(58,458)	(58,458)
Refunds/Paid Outs	(915)	-
Cash Suspense	(614)	-
	<u>291,409</u>	<u>221,809</u>
	=====	=====
<u>CREDITORS &amp; PROVISIONS</u>		
Trade Creditors	-	-
Accruals & Other Creditors	924,995	2,152,970
	<u>924,995</u>	<u>2,152,970</u>
	=====	=====
<u>AFRICAN TOURS &amp; HOTELS</u>		
Current Accounts	882,533	882,533
Less Related Debts	(8,818)	(8,818)
Old Debts	(256,446)	(256,446)
Add Dormant Creditors	25,226	25,226
Old Trade Creditors	57,439	57,439
	<u>699,934</u>	<u>699,934</u>
	=====	=====
<u>PRIOR YEAR ADJUSTMENTS</u>		
KTDC Principal Loan	-	258,424
Interest	-	95,720
		<u>354,144</u>
Cash Suspense	614	-
Kitale A/c Opening Balance	-	30,702
Petty Cash Expenses	-	3,402
	<u>614</u>	<u>388,248</u>
	=====	=====

