

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

DATE: 12 MAR 2024 TUESDAY
Hon Owen Baya, MP
Deputy Leader, Majority Party
Inzoga mwale

THE AUDITOR-GENERAL

ON

MT. ELGON LODGE LIMITED

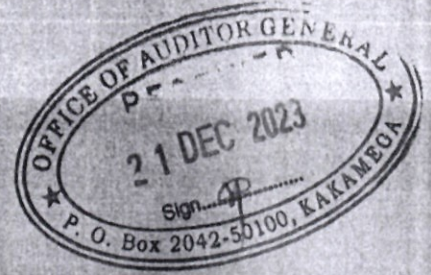
**FOR THE YEAR ENDED
30 JUNE, 2023**

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MT ELGON LODGE LIMITED



ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2023

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

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2023

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Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2023

KEY LODGE INFORMATION

Background information

Mt. Elgon Lodge Limited was incorporated in 1974 and is governed by the Companies Act 2015. It is a subsidiary of Kenya Development Corporation (KDC), a parastatal of the Ministry of Trade and Industry. It is a limited liability company with 72.91% shareholding to Kenya Development Corporation and 27.09% shareholding by the County Government of Kakamega. The shareholders, through the directors, are responsible for the general policy and strategic direction of the Hotel.

Principal Activities

The principal activity of Mt. Elgon Lodge Limited is the provision of accommodation and conference facility services.

Directors

The Directors who served the Hotel during the year ending 30 June 2023 were as follows:

- | | | | |
|----|----------------------|-----------------------|----------------------------|
| 1. | Ms. Anne Gitau | -Chairman | - Appointed January 2023 |
| 2. | Ms. Gumato Abudo | - Ag. Chief Executive | - Appointed September 2021 |
| 3. | Ms. John Karia | | - Appointed January 2023 |
| 4. | Ms. Mr. Richard Limo | | - Appointed January 2023 |
| 1. | Mr. David Chemonges | - Chairman | - Left On December 2022 |
| 2. | Christopher Huka | | - Left On December 2022 |

Corporate Secretary

Kenya Development Corporation
P.O. Box 126665-00100, Nairobi

Registered Office

Mt. Elgon Lodge Limited.
Mt. Elgon National Park
P.O. Box 7, ENDEBESS KENYA

Corporate Headquarters

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

Corporate Bankers

Kenya Commercial Bank
Kitale Branch
P.O. BOX 1974-30200

Independent Auditors

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

Principal Legal Advisors

Office of the Attorney General
Sheria House
P.O. Box 40112, GPO 00100, Nairobi, Kenya

THE BOARD OF DIRECTORS



Mrs. Anne Gitau is the Deputy Director Debt Management. She has over 30 years' experience in finance and accounting gained while working at IDB Capital Ltd where she rose through the ranks to the position of Manager Finance and Accounts. She is a holder of a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi and is a Certified Public Accountant and Secretary, (CPA-K, CPS- K) and is a member of ICPAK

Richard Limo is the Deputy Director ICT, responsible for the overall functions of the ICT Department at Kenya Development Corporation. He is a dedicated and professional technology expert with over 10 years of experience in ICT within the Banking and Higher Education sectors. He previously worked as ICT Manager at IDB capital, Lecturer of Information Science, Information Technology and Computer Science at Moi University and the University of Eldoret, Corporate Relationship Manager and Senior credit officer at Corporative Bank of Kenya. He holds an M.Sc. Degree in Information Technology (Business Intelligence) from Strathmore University and a B.Sc. Degree in Information Technology from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a professional member at ICTA, CSK and ISACA.

Ms. Gumato Abudo is the Ag. Chief Executive Officer. She holds a Degree in Management and Leadership from Management University of Africa, A degree in Hotel and Hospitality Management from Moi University and a Diploma in Hotel & Catering from Mt Kenya University. She has undertaken her Senior Leadership Development Programme (SLDP) from the Kenya school of Government. She also has certified trainings in CBA Negotiation and Job Evaluation from the Kenya School of Government. Ms. Gumato is currently pursuing her Master's in Management & Leadership. She holds a wide range of experience in Hospitality Management, having worked in the field of for over 15 years.

Mr. John Karia is the Deputy Director Legal services at Kenya Development Corporation. He 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, Laptrust/CPF Group and Tourism Finance Corporation where he was the Head of Legal Services and Corporation Secretary. Mr. Karia 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). He holds a Master's 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 (LLB) from University of Nairobi.

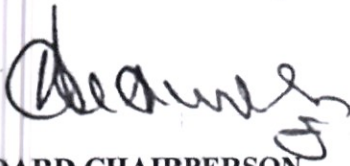
CHAIRPERSON'S STATEMENT

On behalf of my fellow Board Members, the Management and myself I hereby present the Financial Statements of Mt. Elgon Lodge Limited for the Financial Year 2022/2023.

During the financial year 2022/2023 the lodge was closed for renovations. The Lodge however had a few operational activities still ongoing and it was also able to lease land and Grounds for the financial year 2022/2023.

In the year under review the Lodge was able to generate turnover of Kshs. 1.0 million with an expenditure of 1.7 and a resulting loss before tax of 0.7 million as compared to last year's loss of Kshs. 1.5 million.

On behalf of the Board of Directors, Management and 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



BOARD CHAIRPERSON

ANNE GITAU

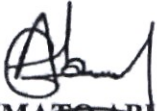
REPORT OF THE CHIEF EXECUTIVE OFFICER

On behalf of the management team of Mt. Elgon Lodge Limited, I am pleased to present to you the Lodge's Annual Report and Financial statements for the year ended 30th June 2023.

As you are well aware the Lodge was closed for renovations in May 2020. This has translated to the fact that we have not had much in terms of revenue generation save for earnings from land lease and ground hire. The total revenue of the Lodge was Kshs. 1,002,244.

The Lodge is undergoing a brand transformation owing to the ongoing refurbishment, with keen efforts to retain the historical facade and antique features. Furniture and equipment are also to be overhauled in an effort to restore the lost glory and make it a going concern once again.

I wish to convey my appreciation to the Board of Directors for their committed support during the year ended 30th June 2023, , the Golf Hotel Management team for their valuable input and other stakeholders for their efforts.



GUMATO ABUDO
AG. CHIEF EXECUTIVE OFFICER

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY
2022-2023**

During the year under review, the lodge did not have an approved Strategic Plan that had identified focus areas aimed at increasing the Lodges profitability. For this it was not able to measure its performance against its Predetermined objectives for subsequent reporting

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The lodge has remained sensitive towards improving and preserving the environment in which it operates. Responsible management of natural resources in its operations has been a part of our business.

During the year the Lodge leased out its land for farming to ensure food security and employment of the people around the facility. This has led to the improvement of the livelihood of the community that depend on the leased land for their food provisions annually.

COMPLIANCE

The Lodge was not compliance to statutory requirements as it was not operational during the year under review.

EMPLOYEE WELFARE

The lodge was able to provide annual salaries payments for the three staff at the lodge but is still yet to settle accrued salaries for the staff on compulsory leave

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In the year under review the Lodge did not do much of corporate social responsibility due to poor business performance.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance comprises the rules, practices and processes by which lodge is operated and controlled. It also provides the framework for attaining our objectives in a manner that adds value and benefits all our stakeholders. The Board and Management of Mt. Elgon Lodge Limited is responsible for the lodge's Governance. Both the Board and Management of the lodge are committed to the highest levels of Corporate Governance, which it considers critical in achieving the lodge's mandate. Accordingly, the lodge therefore fosters a culture that values and rewards the highest ethical standards and personal and corporate integrity.

The lodge is also in compliance with tenets of the Code of Governance for State Corporations (Mwongozo Code of Governance) which offers a corporate governance code for all state corporations. The lodge has also endeavoured to incorporate the governance standards set by the Kenya Association of Hotel Keepers and Caterers (KAHC) wherever possible. In addition to the Forgoing, the lodge continues to participate in the Associations peer review to gauge its level of compliance with the association's governance and compliance standards.

Board Charter

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

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

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

The Board's mandate is to define the lodge's strategies, objectives and values and ensures that its procedures and practices ensures effective control over strategic, financial, operational and compliance issues.

The Board is committed to ensuring that good Corporate Governance are obeyed throughout the lodge. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day activities to the Management through the General Manager. The Board nonetheless is responsible for the overall stewardship of the lodge and assumes responsibility for effective direction and control.

Board Composition

The Corporation's Board is made up of three (3) members comprising of three directors representing Kenya Development Corporation. No Director was nominated from the Trans- Nzioa County during the year under review. The composition of the Board is as outlined in the Companies Act and the Company's Articles of Association.

The Directors who held office during the year under review to the date of this report are listed under the Board of Directors section in this report.

The Corporation Secretary who as the custodian of corporate governance within the institution, works closely with the Board and the Management. In this regard, the Corporation Secretary facilitates all Directors to have full and timely access to all relevant information, ensures that the correct board

procedures are followed, convenes meetings and advises the Board on all Corporate Governance matters and prevailing statutory requirements.

Board Meetings

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

Committees of the Board

The Board did not have any Board committee during the year under review.

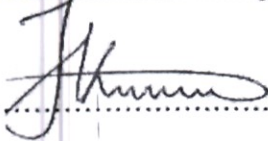
BOARD ACCOUNTABILITY

Conflict of Interest

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

Board of Management Emoluments

The Board of Management are entitled to a sitting and other allowances (where applicable) for every meeting attended, within the set Government guidelines. The aggregate amount of emoluments paid to the Board Members during the financial year for services rendered are disclosed in the accounts.



.....
JOHN KARIA
COMPANY SECRETARY

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Lodge's affairs.

PRINCIPAL ACTIVITIES

The principal activities of the Lodge are the operation of Mt. Elgon Lodge Limited mainly providing accommodation and conference services to customers.

RESULTS

The results of the Lodge for the year ended June 30, 2023 are set out on page 1-29

DIVIDENDS

The Directors do not recommend payment of dividends due to poor performance of the Lodge

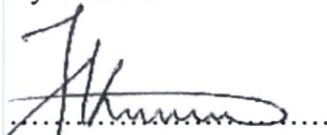
DIRECTORS

The members of the Board of Directors who served during the year are shown on page (i) in accordance with Regulation of the company's Articles of Association.

AUDITORS

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

By Order of the Board



JOHN KARIA

SECRETARY TO THE BOARD

DATE: 21/12/2023



...in the heart and mind of our stakeholders...

**Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2023**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

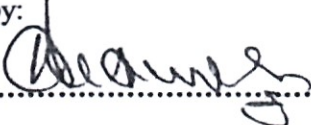
Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Board to prepare financial statements in respect of Mt. Elgon Lodge Limited, which give a true and fair view of the state of affairs of the lodge at the end of the financial year/period and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

The Directors are responsible for the preparation and presentation of the lodge's financial statements, which give a true and fair view of the state of affairs of the lodge for and as at the end of the financial year ended on June 30, 2023. 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 lodge; (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 lodge's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors confirm that the lodge's financial statements give a true and fair view of the state of lodge's transactions during the financial year ended June 30, 2023, and of the lodge's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the lodge, which have been relied upon in the preparation of the lodge's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

Golf Hotel's financial statements were approved by the Board on 21/12 2023 and signed on its behalf by:

Signature 

Name

Chairperson of the Board

Signature 

Name.....

Accounting officer

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON MT. ELGON LODGE LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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 the 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 Mt. Elgon Lodge Limited set out on pages 1 to 29, which comprise of the statement of financial position as at

Report of the Auditor-General on Mt. Elgon Lodge Limited for the year ended 30 June, 2023

30 June, 2023, 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 Mt. Elgon Lodge Limited as at 30 June, 2023, 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 Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Unsupported Ordinary Share Capital

The statement of financial position reflects a balance of Kshs.1,845,780 in respect of ordinary share capital which, as disclosed in Note 22 to the financial statements, is made up of 92,289 ordinary shares of Kshs.20 each. However, share certificates, Articles and Memorandum of Association were not provided to support the balance.

Under the circumstances, the accuracy, rights and obligations of the ordinary share capital balance of Kshs.1,845,780 as at 30 June, 2023 could not be confirmed.

2. Trade and other Payables

The statement of financial position reflects a balance of Kshs.27,719,200 in respect of trade and other payables as disclosed in Note 26 to the financial statements. The balance comprises of amounts relating to five (5) items and which have remained largely unchanged for the last three (3) financial years, with minimal and insignificant changes in 2022/2023.

In the circumstances, the accuracy, completeness and fair valuation of the trade and other payables balance of Kshs.27,719,200 as at 30 June, 2023 could not be confirmed.

3. Material Uncertainty Relating to Going Concern

The Company reported a deficit of Kshs.536,572 (2021/2022: Kshs.1,064,977). The accumulated losses depleted retained earnings from Kshs.(43,812,169) in 2021/2022 to Kshs.(44,578,699) in the year under review. Further, the Company reported nil sales income for the last three (3) financial years in a row. In addition, the statement of financial position reflects current liabilities amounting to Kshs.27,719,200 while current assets amounted to Kshs.4,079,673 resulting to a negative working capital of Kshs.23,639,527. The company was, therefore, unable to meet its financial obligations as and when they fall due.

In the circumstances, the Company is technically insolvent and its continued operations as a going concern will depend on the support from the Government, donors and creditors, as disclosed under Note 33 to the financial statements.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Approved Budget

During the year under review, the Company operated without an approved budget. This was contrary to Section 11(1) of the State Corporations Act Cap. 446 which requires a state corporation to submit its annual estimates to the parent Ministry and the National Treasury for approval by the end of February, four months before the start of the financial year to which the annual estimates relate.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the 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 controls, risk management and governance.

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company'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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 January, 2024

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Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2023

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023


	Note	2022/2023 Kshs	2021/2022 Kshs
REVENUES,			
Sales Income	11(a)	-	-
Other Income	11(b)	1,002,244	1,473,556
TOTAL REVENUES		<u>1,002,244</u>	<u>1,473,556</u>
COST OF SALES	12	-	20,160
GROSS PROFIT		<u>1,002,244</u>	<u>1,453,396</u>
OPERATING EXPENSES			
Administration Costs	13(a)	993,776	2,143,392
Selling and Distribution Costs	14	-	56,400
Depreciation of property, plant and equipment	18	775,000	775,000
TOTAL OPERATING EXPENSES		<u>1,768,776</u>	<u>2,974,792</u>
OPERATING LOSS	15	<u>(766,531)</u>	<u>(1,521,395)</u>
NET LOSS		<u>(766,531)</u>	<u>(1,521,395)</u>
INCOME TAX CREDIT	16(b)	229,959	456,418
PROFIT AFTER TAXATION		<u>(536,572)</u>	<u>(1,064,977)</u>
Earnings per share – basic and diluted	16 (a)	<u>(6)</u>	<u>(12)</u>
Dividend per share	17	<u>-</u>	<u>-</u>


Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2023

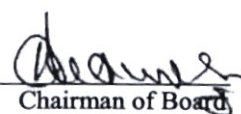
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2022/2023 Kshs	2021/2022 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	18	56,902,169	57,582,358
Total Non-Current Assets		<u>56,902,169</u>	<u>57,582,358</u>
Current Assets			
Inventories	19	5,355	5,355
Trade and other receivables	20	4,074,153	3,574,144
Bank Balances	21(a)	165	159,001
Cash at hand Balance	21(a)	-	-
Total Current Assets		<u>4,079,673</u>	<u>3,738,499</u>
NET ASSETS		<u><u>60,981,842</u></u>	<u><u>61,320,857</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	22	1,845,780	1,845,780
Revaluation reserve	23	53,070,705	53,070,705
Retained earnings	24	(44,578,699)	(43,812,169)
Capital and Reserves		<u>10,337,786</u>	<u>11,104,316</u>
Non-Current Liabilities			
Borrowings	25	22,924,855	22,924,855
Total Non-Current Liabilities		<u>22,924,855</u>	<u>22,924,855</u>
Current Liabilities			
Trade and other payables	26	27,719,200	27,291,685
Total Current Liabilities		<u>27,719,200</u>	<u>27,291,685</u>
TOTAL EQUITY AND LIABILITIES		<u><u>60,981,842</u></u>	<u><u>61,320,856</u></u>

The financial statements were approved by the Board on 21/12 2023 and signed on its behalf by:


 Ag. Chief Executive Officer
 Name: Ms. Gumato Abudo


 Ag. Finance Manager
 Name: Ms. Leena Mugadia


 Chairman of Board
 Name: Ms. Anne Gitau

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STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023

	Ordinary share capital (92289 Shares@20)	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2021	1,845,780	53,070,705	-	(42,134,178)	-	12,782,307
Total comprehensive income	-	-	-	(1,521,395)	-	(1,521,395)
At June 30, 2022	1,845,780	53,070,705	-	(43,812,169)	-	11,104,316
At July 1, 2022	1,845,780	53,070,705	-	(43,812,169)	-	11,104,316
Total comprehensive income	-	-	-	(766,531)	-	(766,531)
At June 30, 2023	1,845,780	53,070,705	-	(44,578,699)	-	10,337,785

Mt. Elgon Lodge Limited
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STATEMENT OF CASH FLOWS AS AT 30 JUNE 2023

	Note	2022/2023 Kshs	2021/2022 Kshs
OPERATING ACTIVITIES			
Cash generated from / (used in) operations	27	(64,026)	346,178
Adj. for Payables overstatement 2021/2022 Bfwd.	26(b)	(156,596)	
Net cash generated from/(used in) operating activities		<u>(220,621)</u>	<u>346,178</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	(94,810)	(5,386,899)
Net cash generated from/(used in) investing activities		<u>(94,810)</u>	<u>(5,386,899)</u>
FINANCING ACTIVITIES			
Loan financing		-	4,111,298
Net cash generated from/(used in) financing activities		<u>-</u>	<u>4,111,299</u>
INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS		<u>(315,431)</u>	<u>(1,621,778)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21	315,594	1,937,372
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	<u><u>165</u></u>	<u><u>315,594</u></u>

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS							
AS AT 30TH JUNE 2023							
	Budget	Actual		Budget	Actual		Explanation of material variances
0	JUNE - 23	JUNE - 23	Variance	Cumulative to date	Cumulative to date	Variance	Variance
	Shs	Shs	Shs	Shs	Shs	Shs	
Revenue							
Sales		1,002,244	1,002,244	-	1,002,244	1,002,244	
Other income	-	-	-	-	-	0	
Total Revenues	-	1,002,244	1,002,244	-	1,002,244	1,002,244	
Cost of sales	-	-	-	-	-	0	
Gross profit	-	1,002,244	1,002,244	-	1,002,244	1,002,244	
Expenses							
Administration costs		992,776	992,776	-	992,776	-992,776	
Selling and distribution costs			-	-	-	0	
Depreciation of PPE		775,000	775,000	-	775,000	-775,000	
Total operating expenses	-	1,767,776	1,767,776	-	1,767,776	-1,767,776	
Operating profit/(loss)	-	- 765,531	- 765,531	-	- 765,531	-765,531	
Finance income	-	-	-	-	-	0	
Finance costs			-	-	-	0	
Profit/(loss) before taxation	-	- 765,531	- 765,531	-	- 765,531	-765,531	
Income tax expense(credit)	-	229,659	229,659	-	229,659	0	
Profit/(loss) after taxation	-	535,872	535,872	-	535,872	-535,872	
Explanatory notes							
The Lodge Budget for 2022/2023 though presented to the board of the lodge, it was not approved by the national treasury given the lodge was closed for renovations							

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Mt. Elgon Lodge Limited is established by and derives its authority and accountability from PFT Act 2012. The Lodge is wholly owned by the Government of Kenya both national and county and is domiciled in Kenya. The Lodge’s principal activity is Accommodation and Conferencing services.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the lodge’s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 10.

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

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

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

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023*

TITLE	DESCRIPTION	EFFECTIVE DATE
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023.



Mt. Elgon Lodge Limited
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TITLE	DESCRIPTION	EFFECTIVE DATE
	<i>The Lodge Does not issue insurance contracts. The adoption of IFRS 17 has not had the effects in the Financial statements presented.</i>	
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. <i>The lodge has adopted the new definition of accounting estimates that has helped the hotel properly distinguish between its accounting policies and changes in accounting estimates</i>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. <i>The lodge has discloses material accounting policy information in its financial statements</i>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. <i>Management evaluated the standard and determined it does not have material implication in its reporting</i>	The amendments are effective for annual periods beginning on or after January 1, 2023.
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The lodge Does not issue insurance contracts. The adoption of IFRS 17 has not had the effects in the Financial statements presented.</i>	Effective for annual periods beginning on or after 1 st January 2023.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

TITLE	DESCRIPTION	EFFECTIVE DATE
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

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

ii. Early adoption of standards

The Lodge did not early – adopt any new or amended standards in the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. MANAGEMET DISCUSSION AND ANALYSIS

Annual Report and Financial Statements for the year ended 30 June 2023.

Mt Elgon Lodge Ltd was officially closed down for renovations in May 2020. However, a number of activities were transacted during the year ending 30 June 2023 and these have been presented in the following reports.

Net Sales for the year ending 2022/202 majorly Lease of land recorded Kshs. 1,002,244
There was no Cost of sales for the year ending 30 June 2022. Operating Expenditure recorded for the ending 30 June 2023 amounted to Kshs. 1,768,776

Net loss before tax for the year ending 30 June 2023 recorded Kshs. (766,531).

SUMMARY OF ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Lodge and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Lodge's activities, net of value-added tax (VAT), Service charge and catering levy, where applicable, and when specific criteria have been met for each of the Lodge's activities as described below.

- a. **Revenue from the sale of goods and services** is recognised in the year in which the Lodge delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- b. **Finance income** comprises interest receivable from bank deposits and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- c. **Other income** is recognised as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the Lodge in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Lodge includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuer.

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

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

4. SUMMARY OF ACCOUNTING POLICIES (Continued)

d) Depreciation and impairment of property, plant and equipment

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land Buildings and civil works	2.5% 25 Yrs. of Unexpired Lease Period
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

Depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal on a time proportion basis.

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

e) Intangible assets

Intangible assets are initially recognized at cost. The cost of intangible assets is their fair value at the date of the transaction. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) Amortisation and impairment of intangible assets

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

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

g) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value Through profit or loss.

5. SUMMARY OF ACCOUNTING POLICIES (Continued)

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on First in First out. Net realizable value is estimate of the selling price in the ordinary course of business less selling expenses.

g) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

h) Taxation

Current Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Lodge operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Lodge 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.

6. SUMMARY OF ACCOUNTING POLICIES (Continued)

h) Taxation (Continued)

Deferred tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

j) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

7. SUMMARY OF ACCOUNTING POLICIES (Continued)

k) Trade and other payables

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

l) 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. 360 per employee per month.

m) Provision for gratuity, leave and retirement benefits

The total liability for employee's accrued annual leave and compensatory off days as at the end of the financial year is recognised as an accrual with the respective movement in the balances passing through the statement of comprehensive income accordingly.

n) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Lodge operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such Transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

o) Budget information

The original budget for FY 2022/2023 was not approved by the National Treasury due to the lodge not being in an operational status. The board of the Lodge However approved the proposed budget in December 2022. Accordingly, the Lodge has recorded no additional appropriations on the 2022-2023 budget.

The Lodge's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

8. SUMMARY OF ACCOUNTING POLICIES (Continued)

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

10. SUMMARY OF ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

In the process of applying the company's accounting policies, the directors make some judgements and estimates. Such estimates and judgements are based on historical experience among other factors that are deemed reasonable under the prevailing circumstances. The judgements are evaluated each financial year to ensure that they remain reasonable under the circumstances and based on available information. The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities when reporting. The judgements made in the process of applying the company's accounting policies that have the most significant effect on the amounts reported in the financial statements include:

u) Property, Plant and equipment

The company's management makes estimates in determining the depreciation rates for PPE. The rates used are as set out in accounting policies note 5.

v) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Lodge
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

w) Revaluation of PPE

The company carries Land and buildings of PPE at fair value, with changes in fair value being recognised in the comprehensive income and revaluation reserves respectively.

x) Receivables

Estimates and judgements are made when determining the recoverable amount of receivables. Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

y) Contingent liabilities

In the course of day to day running of the company's affairs, the company is exposed to contingent liabilities including public liability and legal cases. The status of these exposures are evaluated by the management from time to time to ascertain the likelihood of the liabilities crystalizing. Provisions are subsequently made in the financial statements where an obligation has been established. Judgements are required in determining the amount of financial obligation on the company.

NOTES TO THE FINANCIAL STATEMENTS

	2022/2023	2021/2022
	Kshs	Kshs
11		
(a) SALES INCOME		
Gross sales of goods	-	-
Less: Service Charge on gross sales	-	-
Less: Catering Levy on gross sales	-	-
Less: Value added tax on gross sales	-	-
Net Sales	<u>-</u>	<u>-</u>
11		
(b)		
Other Income		
Land Rent	1,224,000	1,068,000
Ground Hire	-	544,800
Camping	28,736	-
Disposal	-	229,145
Less: Service Charge	(70,097)	(103,149)
Less: Catering Levy	(20,044)	(29,471)
Less: Value added tax	(160,350)	(235,769)
Net Sales	<u>1,002,245</u>	<u>1,473,557</u>
<p>Sales are reported net of 16% VAT, 7% Service charge & 2% Catering levy. The gross sales above therefore include all the relevant taxes/charges.</p>		
12. COST OF SALES		
Food/ Drinks	-	-
	<u>-</u>	<u>-</u>
13(a) ADMINISTRATION COSTS		
Staff costs (note 13b)	639,132	695,219
Directors' emoluments	56,000	256,400
Electricity and water	112,376	16,309
Transportation, travelling and subsistence (<i>Travel expenses</i>)	30,200	-
Bank charges and commissions (<i>Bank charges & Commission on Visa cards</i>)	5,268	9,621
Consultancy fees	150,800	813,229
Other operating expenses (<i>Fuel & gas, Cleaning, Toilet requisites, Vehicle operating, Licenses, Laundry, KRB, Guest supplies, Rent & rates, Delivery, Donations, Flowers & deco & Security</i>)	-	24,600
	<u>993,776</u>	<u>2,143,392</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022/2023	2021/2022
	Kshs	Kshs
(b) STAFF COSTS		
Salaries and allowances of permanent employees (Salaries, Housing, Medical & Entertainment allowance)	626,172	672,951
Wages of temporary employees (Casual wages)	-	-
Compulsory national health insurance schemes	-	-
Compulsory national social security schemes	12,960	15,768
Other pension contributions	-	-
Leave Provision and gratuity provisions	-	-
Staff welfare (Meals & welfare)	-	-
	<u>639,132</u>	<u>695,219</u>
The average number of employees at the end of the year was:		
Permanent employees – Management	-	-
Permanent employees – Union	3	3
Temporary and contract employees	-	-
	<u>3</u>	<u>3</u>
Female employees – 1(33%)		
Male Employees – 2 (67%)		
14. SELLING AND DISTRIBUTION COSTS		
Marketing and promotional (Marketing & Advertising)	-	56,400
Sales commissions (Agents commission)	-	-
	<u>-</u>	<u>56,400</u>
15. OPERATING PROFIT/(LOSS)		
The operating profit is arrived at after charging;		
Staff costs (note 13b)	639,132	695,219
Depreciation of property, plant and equipment	775,000	775,000
Directors' emoluments	56,000	256,400
Auditors' remuneration - current year fees	-	-
Other Operating Expenses (note 13a)	298,644	614,976
Against the Gross Profit for the period under review		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. (a) EARNINGS PER SHARE

The earnings per share is calculated by dividing the loss after tax by the average number of ordinary shares.

16. (b) CURRENT TAXATION

	2022/2023	2021/2022
Current taxation based on the adjusted profit/loss 30% (30% 2022)	229,959	456,418
	<u>229,959</u>	<u>456,418</u>

17. DIVIDEND PER SHARE

As at the close of the financial year dividend had not been declared.

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

	Land	Motor vehicles	Furniture and fittings	Computers	Buildings	Plant and Equipment	Capital In Progress	Total
Property, plant and equipment								
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2021	23,000,000	-	827,357	-	31,000,000	815,638	-	55,642,995
Additions	-	-	-	-	-	-	-	-
At June 2022	23,000,000	-	827,357	-	31,000,000	815,638	-	55,642,995
Additions	-	-	-	-	73,060	21,750	12,200,844	12,295,654
Disposals	-	-	-	-	-	-	-	-
At end of Yr - June 2023	23,000,000	-	827,357	-	31,073,060	837,388	12,200,844	67,938,649
Depreciation and impairment								
At 1 July 2021	-	-	675,523	-	5,676,790	658,272	-	7,010,585
Depreciation	-	-	151,834	-	2,941,697	157,366	-	3,250,896
Impairment	-	-	-	-	-	-	-	-
At June 2022	-	-	827,357	-	8,618,486	815,638	-	10,261,481
Depreciation	-	-	-	-	775,000	-	-	775,000
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30 June 2023	-	-	827,357	-	9,393,486	815,638	-	11,036,481
At 30th June 2023	23,000,000	-	0	-	21,679,574	21,750	12,200,844	56,902,168
At 30th June 2022	23,000,000	-	0	-	22,381,514	0	12,200,844	57,582,358

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INVENTORIES	2022/2023	2021/2022
Food	2,085	2,085
Drinks & Tobacco	3,270	3,270
	<u>5,355</u>	<u>5,355</u>
20 TRADE AND OTHER RECEIVABLES		
Trade receivables	1,941,040	2,802,831
Staff Advance	2,138,113	-
	<u>4,079,153</u>	<u>2,802,831</u>
21(a) BANK AND CASH BALANCES		
Un surrendered Petty cash/Sales	-	(249)
Bank Balance	<u>165</u>	<u>159,249</u>
	<u>165</u>	<u>159,001</u>

Cash at bank was held at Kenya Commercial Bank, the Lodge's main bankers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022/2023	2021/2022
	Kshs	Kshs
22.ORDINARY SHARE CAPITAL		
Authorised:		
92289 ordinary shares of Kshs.20 par value each	1,845,780	1,845,780
Issued and fully paid:		
92289 ordinary shares of Kshs.20 par value each	1,845,780	1,845,780

23.REVALUATION RESERVE

The revaluation reserve relates to the revaluation of Land and Building.

	Revaluation reserve	Total
	Kshs	Kshs
At July 1, 2021	53,070,705	53,070,705
At June 30, 2022	53,070,705	53,070,705
At July 1, 2022	53,070,705	53,070,705
At June 30, 2023	53,070,705	53,070,705

24.RETAINED EARNINGS

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

	Retained earnings	Total
	Kshs	Kshs
At July 1, 2021	(42,134,178)	(42,134,178)
Total comprehensive income 2021/2022	(1,521,395)	(1,521,395)
At June 30, 2022	(43,812,169)	(43,812,169)
At July 1, 2022	(43,812,169)	(43,812,169)
Total comprehensive income 2021/2022	(766,531)	(766,531)
At June 30, 2023	(44,578,699)	(44,578,699)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. BORROWINGS	2022/2023	2021/2022
KDC salary loan beginning of the year	3,527,222	3,527,222
KDC salary payments Loan 2	9,466,377	9,466,377
KDC Refurbishment Loan	9,931,256	9,931,256
Balance at end of the year	<u>22,924,855</u>	<u>22,924,855</u>

The lodge has a loan from KDC of Kshs. 22,924,855. No repayment had been done during the year for this loan.

26. TRADE AND OTHER PAYABLES

Trade payables	2,900,810	3,362,917
Accrued expenses	2,562,508	2,562,508
Other payables (<i>Terminal dues</i>)	1,867,687	1,711,091
Statutory Payables (<i>Clt. Service charge, Vat Nssf penalties, Withholding</i>)	11,164,408	10,630,433
Payroll liability (<i>Net pay, nhif. Nssf, paye, union dues</i>)	9,223,788	9,024,735
	<u>27,719,200</u>	<u>27,921,685</u>

26 (b) ADJUSTED TRADE AND OTHER PAYABLES

Other payables (<i>Terminal dues</i>) Bfwd	1,711,091
Terminal Due under statements 2020/2021	<u>156,596</u>
Adjusted terminal Dues balance	<u>1,867,687</u>

Adjusting Error carried to cash flow statement on Movement in Trade Payables Brought forward Kshs. 156,596

27. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2023	2022
	Kshs	Kshs
Operating profit/ (loss)	(766,531)	(1,521,395)
Depreciation	775,000	775,000
Operating profit/ (loss) before working capital changes	<u>(8,469)</u>	<u>(746,396)</u>
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(500,009)	(771,313)
Increase/ (decrease) in trade and other payables	427,515	1,171,531
Cash generated from/ (used in) operations	<u>(64,026)</u>	<u>346,178</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Kenya through Kenya Development Corporation is the principal shareholder of Mt. Elgon Lodge Limited, holding 72.91% of the equity interest with the remaining 27.09% being held by the County government of Trans-Nzioa.

(b) Directors' expenses	2022/2023	2021/2022
Sitting allowance (<i>Inclusive of PAYE & Lunch Allow</i> <i>, Flight, Taxi & Night Out</i>)	56,000	256,400
	<u>56,000</u>	<u>256,400</u>

Directors remuneration during the year includes; Night Out Allowance at the rate of Kshs. 18,200 per night, Sitting Allowance at the Rate of 20,000 per sitting which is also subject to 30% PAYE. Meal allowance at the rate of Kshs. 2,000 per sitting and Flight and Taxi payable at the current service providers Rate.

(c) Borrowing from KDC

The following are the balance for the related party relationship between Mt. Elgon Lodge Limited and KDC as at 30 June 2023 in relation to a loan acquired Amounting to Kshs. 22,924,855

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of the industry and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance and the internal audit departments under policies approved by the Board of Directors. The Board provides principles for overall risk management.

a) Market risk

Foreign exchange and interest risk

The Lodge notes that foreign currency and exchanges rates exposes it to market Risks. However, during the year under review no transactions were carried out in foreign currency nor were there any interest accrued for the loans outstanding.

b) Credit risk

Credit risk arises from cash and cash equivalents as well as trade receivables and balances due from related parties. Bank balances are held with creditable financial institutions and are fully performing. Trade receivables are due from customers with good credit rating.

c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The company manages this risk by maintaining adequate cash balances in the bank, maintaining banking facilities and by continuously monitoring forecast and actual cash flows.

30.INCOPORATION

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

31.EVENTS AFTER THE REPORTING PERIOD

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

32.CURRENCY

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

33.GOING CONCERN

The lodge is undergoing privatization process and the going concern of the Lodge is dependent on the completion of the privatization process by Kenya Development corporation.

APPENDIX 1: PROGRESS ON FOLLOW-UP OF AUDITORS RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Trade and other Payables The statement of financial position reflects a balance of Kshs. 27,921,685 in respect of trade and other payables as disclosed in note 26 to the financial statements. The Balances comprises of Kshs. 3,362,917, Kshs. 2,562,508, Kshs. 1,711,091 and Kshs. 10,630,433 relating to trade and other payables, accrued expenses and other payables and statutory payables which have remained the same since the previous years. No Explanation was provided for failure to settle the long outstanding liabilities	Management noted the finding and the pending bills will be settled as soon at the privatization of the Lodge process has been completed	Ag. CEO	Not Resolved	Privatization
2	Lack of Updated Asset register Management did not provide an updated asset register. In the circumstance the accuracy, completeness and fair valuation of the PPE balances of Kshs. 52,582,358 as at 30 June 2022 could not be confirmed	Management noted the finding and valuation of the PPE including creation of an asset register will be done as soon at the privatization process of the Lodge process has been completed	Ag. CEO	Not Resolved	Privatization

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3	<p>Unsupported work In Progress</p> <p>The PPE balance of Kshs. 52,582,358 included WIP of Kshs. 12,200,844. However no documentation including schedules were provided to Support the Balance.</p>	<p>Management Noted the findings and has since forwarded the project file that includes all the supporting schedules for the PPE WIP</p>	<p>Manager Finance</p>	<p>Resolved</p>	<p>December 2022</p>
4	<p>Unsupported Ordinary share capital</p> <p>The statement of financial position reflects a balance of Kshs. 1,845,780 in respect of Ordinary share capital which as disclosed in note 22 to the financial statements, is made up of 92,289 ordinary share of Kshs. 20 each. However the share certificates, articles of association and memorandum of association were not provided to support the balance</p>	<p>Management is working closely with the shareholder and have requested for the documents to be shared for audit verification</p>	<p>Manager Finance</p>	<p>Not Resolved</p>	<p>October 2023</p>
5	<p>Unsupported Borrowings</p> <p>The statement of financial position reflects a balance of Kshs. 22,924,855 in respect of borrowings as disclosed in note 25 to the financial statement, related to loan acquired from KDC, However the loan agreement loan repayment schedules and loan ledger were not provided to support the balances</p>	<p>Management is working closely with the shareholder and have requested for the documents to be shared for audit verification</p>	<p>Manager Finance</p>	<p>Not Resolved</p>	<p>October 2023</p>

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6	<p>Material uncertainty Related to going concern</p> <p>The company reported a deficit of 1,064,977 as compared to a deficit of 783,054 reported the previous year. The total accumulated depleted retained earnings from -43,134,178 to -43,812,169 in the year under review. Further the company reported nil sales as was the case of the previous period. In addition, the statement of financial position reflects current liability of 27,291,685 while current assets amounted to 3,735,099 resulting to a negative working capital of 23,556,586 the company was therefore unable to meet its financial obligation as and when they fell due. In the circumstance, the company is technically insolvent and its continued operations as on going concern will depend on the support from government, donors and creditors</p>	<p>Management noted the findings and will follow up with the shareholder for the completion of the privatization of the lodge which is currently ongoing</p>	<p>Ag. CEO</p>	<p>Not Resolved</p>	<p>Privatization</p>
7	<p>Lack Of approved budget</p> <p>During the year under review the company operated without an approved budget. This is contrary to the provisions of section 11(1) of the state corporations Act, 2012. In the circumstance management is in breach of the law</p>	<p>Management noted the audit findings and could not get an approved budget despite presenting the same to the national treasury due to the closed state of the Lodge</p>	<p>Ag. CEO</p>	<p>Not Resolved</p>	<p>Privatization</p>

Ag. Accounting officer

Mt Elgon Lodge

Sign..... 

Date. 21/12/2023

