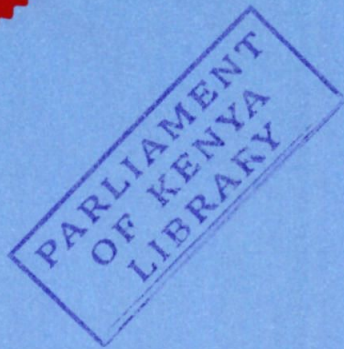


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 APR 2024	DAY: TUES
TABLED BY:	DEPUTY LEADER OF THE MAJORITY PARTY
CLERK-AT THE-TABLE:	P MUGA

OF

THE AUDITOR-GENERAL

ON

MT. ELGON LODGE LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2024**



MT ELGON LODGE LIMITED



ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2024

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

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1. ACRONYMS AND GLOSSARY OF TERMS

IFRS	International Financial Reporting Standards
CEO	Chief Executive Officer
NT	National Treasury
PFM	Public Finance Management.
KDC	Kenya Development Corporation
GHL	Golf Hotel Limited
MEL	Mt Elgon Lodge Limited
Govt.	Government
PSASB	Public Sector Accounting Standards Board
CPA-K	Certified Public Accountant Kenya
CPS- K	Certified Public Secretary Kenya
ICPAK	Institute of Certified Public Accountants Kenya
IHRM	Institute of Human Resource Management
FCIPS-UK	Fellow of the Chartered Institute of Procurement and Supply

2. KEY LODGE INFORMATION

a) 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 Trans-Nzoia. The shareholders through the directors are responsible for the general policy and strategic direction of the Lodge.

b) Principal Activities

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

c) Directors

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

- | | | | |
|----|------------------|-----------------------|----------------------------|
| 1. | Ms. Anne Gitau | -Chairman | - Appointed January 2022 |
| 2. | Ms. Gumato Abudo | - Ag. Chief Executive | - Appointed September 2021 |
| 3. | Mr. Richard Limo | | - Appointed January 2022 |
| 4. | Mr. John Karia | | - Appointed January 2022 |

d) Corporate Secretary

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

e) Registered Office

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

f) Corporate Headquarters

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

g) Corporate Bankers

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

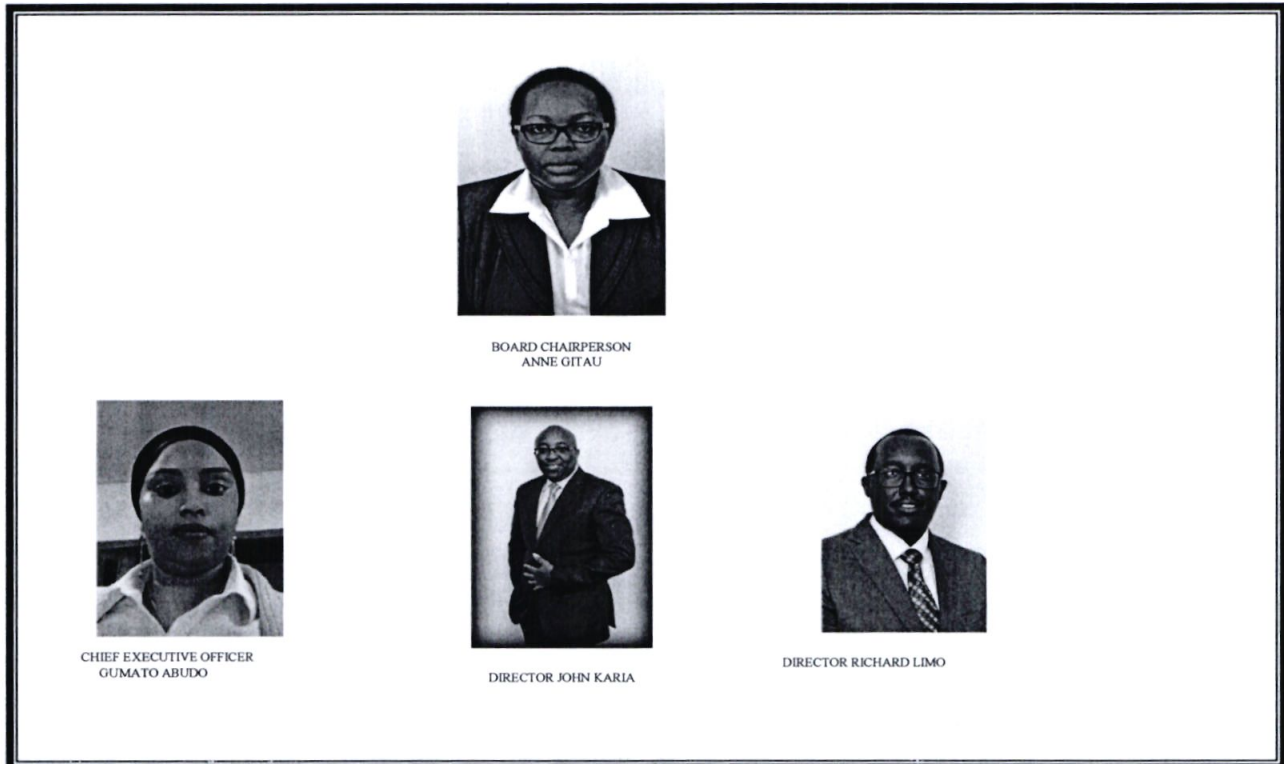
h) Independent Auditors

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

i) Principal Legal Advisors

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

3. THE BOARD OF DIRECTORS



1. **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
2. **MR 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.
3. **MR. JOHN KARIA** is 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 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.
4. **MS. GUMATO ABUDO** is the Ag. Chief Executive Officer. She holds a Degree in Management and Leadership from Management University of Africa 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.

4. KEY MANAGEMENT TEAM



1. **MS. GUMATO ABUDO** is the Chief Executive Officer of Golf hotel limited. She holds a Degree in Management and Leadership from Management University of Africa and a Diploma in Hotel & Catering from Mt Kenya University. She also holds a Certificate in 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. She was born in April 1985.



2. **MS. HELLEN CHILLA** is the Manager Hotel Planning and Marketing for Golf Hotel Limited. She has a Master's in Business Administration, Strategic Management option from Jomo Kenyatta University, A Degree in Economics & Sociology from the University of Nairobi and a Diploma in Front Office Operations from Kenya Utalii College. She has undertaken a course in Senior Management (SMC) from the Kenya School of Government and is a member of Tourism Professional Association (TPA). Hellen has over 20 years' wealth of working experience in operations management, planning and marketing in the hospitality industry and was born on 28 June 1977.



3. **CPA MUGADIA LEENA** is the Manager Finance and ICT for Golf Hotel Limited. She is a holder of Master's in Business Administration Finance Option from Jomo Kenyatta University, Degree in Business Management - Accounting from Masinde Muliro University, a Certified Public Accountant (CPA-K), and Distinction Certificate in Senior Management Course from the Kenya School of Government. She is member of the Institute of Certified Public Accountants (ICPAK No. 14454) and has also acquired certified trainings in CBA Negotiation and Job Evaluation from the Kenya School of Government. She holds a wide range of experience in Finance Accounting and ICT, having worked in the field for over 12 years. Ms. Mugadia was born on 16 November 1987.



4. CHRPS NJURU MAUREEN serves Golf Hotel Limited as a Manager, Human Resource and Administration. She holds an MBA in Human Resource Management from the University of Nairobi, a Bachelor of Science in Human Resources Management from the Maasai Mara University and is a Certified Human Resource Professional (CHRP-K) from College of Human Resource Management. Ms. Njuru has over 8 years' experience and a wealth of knowledge in Human Resources Management in both Private and Public Service having worked for Enashipai Resort & Spa. She is a Full Member of the Institute of Human Resource Management and has attended several trainings and seminars in pursuit for knowledge and skills in Human Resource Management. She was Born in 1990.



5. CPA ROBERT KIPLANGAT ROTICH serves Golf Hotel Limited as a Manager, Internal Audit. He holds Bachelor of Commerce Accounting option from Egerton University. He is also CPA (K) and a member of ICPAK (member no 15137) and has also completed a course in Senior Management (SMC) from the Kenya School of Government. Mr. Rotich is currently pursuing Masters in Business Administration from Kenyatta University. Robert has valuable experience of over 11 years in Internal Audit Management, Finance and Accounting, Risk Management, Governance and Compliance, Project Management and Strategic planning both in Private and Public Organization and was born on 11th June 1985.



6. EUNICE RUTO is the Manager Supply Chain Management. She holds a Master's degree in Business Management (Strategic Management) and Bachelors of Business Management (Purchasing and Supplies Management). She is also a member of Kenya Institute of Supplies Management (Member No 77892). Eunice has wide experience in Supply Chain Management having worked in the field for 7 years

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2024

5) FIDUCIARY MANAGEMENT

During the year ended June 2024, Golf Hotel Limited was by contract referred to as the Manager of Mt Elgon Lodge Limited. It is responsible for providing oversight and Management Services for Mt. Elgon Lodge Limited on request and as provided for in the terms of Engagement. The Key Management Team reports to the Board of Mt. Elgon Lodge and the following were the key management personnel who held office during the financial year ended 30th June 2024 at Golf Hotel Limited:

No.	Designation	Name
1.	CEO GOLF HOTEL LIMITED (GHL)	Gumato Abudo
2.	Head of Finance (GHL)	CPA Leena Mugadia
3.	Head of Planning and Marketing (GHL)	Hellen Chilla
4.	Head of Human Resource & Administration (GHL)	CHRPS Maureen Njuru
5.	Head of Procurement (GHL)	Eunice Ruto
6.	Head of Audit (GHL)	CPA Robert Rotich

6) FIDUCIARY OVERSIGHT ARRANGEMENTS

The Lodge has a Board of Directors who oversee internal and external reports of the Lodge drawn from the Kenya Development Corporation and County Government of Trans-Nzoia. During the year under review, there were no other Committees appointed by the Chief Executive Officer or The Board of Mt. Elgon Lodge limited for Oversight and Internal control of the Lodge.

7) CHAIRMAN'S STATEMENT

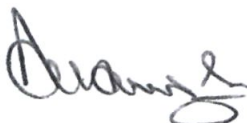
On behalf of my fellow Board Members and the Management, I hereby present the Financial Statements of Mt. Elgon Lodge Limited for the Year ended 30 June 2024.

During the year, the lodge remained closed as the process of renovations was yet to be completed. This was attributed to the ongoing privatization process that saw the freeze of capital projects within the Lodge.

The Lodge however had a few activities still ongoing that enabled it generate revenue from the lease of land and Grounds.

The Lodge generated a turnover of Kshs. 1,427,120 for the year 2023/2024 as compared to Kshs. 1,002,244 in the year 2022-2023 with an expenditure of 6.8million largely being management fee levied by Golf Hotel Limited for the period October 2016 to June 2024 under Management Services which has been recognised in the current year ended June 2024. This resulted to a loss of Kshs. 5,409,436 as compared to last year's loss of Kshs. 766,531.

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 CHAIRMAN

CPA. ANNE GITAU

8) REPORT OF THE CHIEF EXECUTIVE OFFICER

On behalf of the management team of Mt. Elgon Lodge Limited, I present to you the Lodge's Annual Report and Financial statements for the year ended 30th June 2024.

The Lodge was closed for renovations in May 2020 and since then its normal operations of hospitality services are yet to resume as at the end of the financial year 2024. This has translated to the fact that the lodge was not able to record revenue from Accommodation and Food sales except for earnings from land lease and ground hire.

The total revenue of the Lodge as at 30 June 2024 was Kshs. 1,427,120 from lease of land for farming activities. This enabled the lodge settle its current salaries for its three staff that were present during the year 2023/2024. The Lodge's administration was overseen through the assistance of Golf Hotel Kakamega under the approval of the Boards of Both Companies.

The Lodge was undergoing privatization process for the better part of the year ended 30 June 2024 and the process still remained uncompleted as at the close of the year 2023/2024

I wish to convey my appreciation to the Board of Directors of Mt Elgon Lodge for their committed support during the year ended 30th June 2024, the Golf Hotel Board and Management team for their valuable input and other stakeholders for their efforts.



GUMATO ABUDO
AG. CHIEF EXECUTIVE OFFICER

**9) STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2023-2024**

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. As a result of 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. Six staff were sent home on unpaid leave in May 2020 as a result of closure of the lodge for renovation and due to the reduced business from the effects of COVID-19

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In the year under review the Lodge did not do much of corporate social responsibility being that the lodge was still closed from operations.

10) 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 meetings at least once every three (3) months and special meetings may be called when necessary. However, during the year under review the lodge held one main board meeting and two special meetings.

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.



.....
WAMUYU KARIUKI
COMPANY SECRETARY

11) MANAGEMENT DISCUSSION MANAGEMET DISCUSSION AND ANALYSIS

Annual Report and Financial Statements for the year ended 30 June 2024.

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 2024 and these have been presented in the following reports.

Net Sales for the year ending 2023/2024 majorly Lease of land recorded Kshs. 1,427,220 as compared to Kshs. 1,002,244 for the year 2022-2023. There was no Cost of sales for the year ending 30 June 2024. Operating Expenditure recorded for the ending 30 June 2024 amounted to Kshs. 6,836,556 as compared to Kshs. 1,768,776 for the year 2022-2023. Out of this Management fee for the period October 2016 to June 2024 levied by Golf Hotel Ltd amounted to Kshs. 4,755,452.

Net loss before tax for the year ending 30 June 2024 recorded Kshs. (3,786,606).

12) COMPLIANCE WITH STATUTORY REQUIREMENTS

Mt Elgon Lodge is not fully compliant with all the relevant statutory requirements. There are outstanding payments for statutory Liabilities due to the liquidity challenges of the Lodge being non Operational. isn't any major non-compliance that may expose the hotel to any contingent liabilities as at date.

13) REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Lodge's affairs.

i) PRINCIPAL ACTIVITIES

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

ii) RESULTS

The results of the Lodge for the year ended June 30, 2024 are set out on page 1-29

iii) DIVIDENDS

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

iv) 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.

v) 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



.....
WAMUYU KARIUKI
SECRETARY TO THE BOARD

DATE: 27/SEPT/2024

**Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2024**

14) 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, 2024, 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.

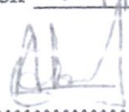
Approval of the financial statements

Mt. Elgon Lodge Ltd financial statements were approved by the Board on 27 SEPT 2024 and signed on its behalf by:

Signature.....

NameAnne Gilray.....

Chairman of the Board

Signature.....

Name.....Gwinn Abud.....

Chief Executive Officer

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MT. ELGON LODGE LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 28, which comprise the statement of financial position as at 30 June, 2024

Report of the Auditor-General on Mt. Elgon Lodge Limited for the year ended 30 June, 2024

and the statement of profit or 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, 2024 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. Anomalies in the Annual Report and Financial Statements

Review of the annual report and financial statements submitted for audit revealed the following anomalies:

- i. The statement of directors' responsibilities on page xv was indicated as at the end of the financial year ended 30 June, 2023 instead of 30 June, 2024.
- ii. Under the statement of profit and loss and other comprehensive income, the current financial year is indicated as 2022/2023 while the comparative year is indicated as 2021/2022 instead of 2023/2024 and 2022/2023 respectively.
- iii. Under the statement of cash flows, an amount of Kshs.456,827 relating to loan financing from Kenya Development Corporation (KDC) was not supported by disclosure Note to the financial statements.
- iv. Under the statement of cash flows, the comparative balance for cash and cash equivalents at the beginning of the year is indicated as Kshs.315,431 instead of Kshs.315,594 as in previous year audited financial statements for the year ended 30 June, 2023.
- v. Under the statement of comparison of budget and actual amounts, the top of the page indicates 'Mt. Elgon Lodge financial statements for the quarter ended 30 June, 2024', which should not be part of the statement.
- vi. Under summary of accounting policies on page 14, the budget information erroneously indicates that the proposed budget was approved in December, 2022.
- vii. Under statement of changes in equity for the year ended 30 June, 2024 the opening balance date is indicated as at July 1, 2022 and not July 1, 2023. Similarly, the closing balance is shown as at June 30, 2023 and not 30 June, 2024.

In the circumstances, the annual report and financial statements have not prepared in accordance with prescribed Public Sector Accounting Standards Board reporting requirements for the year ended 30 June, 2024.

2. 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. No share certificates were provided to support the existence and ownership of the shares reported in the financial statements.

Further, the Articles and Memorandum of Association were not provided for audit review.

In the circumstances, the accuracy, completeness, rights and obligations of the ordinary share capital balance of Kshs.1,845,780 as at 30 June, 2024 could not be confirmed.

3. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.4,134,153 as disclosed under Note 20 to the financial statements. Included in the trade and other receivables balance is an amount of Kshs.1,941,040 relating to trade receivables and Kshs.2,193,113 relating to staff advance. The provided aging analysis revealed that the receivables were over 365 days. Further no provision for bad debts was made during the year under review.

In the circumstances, the accuracy, completeness, recoverability and fair valuation of the trade and other receivables balance of Kshs.4,134,153 could not be confirmed.

4. Unsupported Borrowings

The statement of financial position reflects a balance of Kshs.23,381,681 in respect of borrowings as disclosed in Note 25 to the financial statements. The balance includes a total of Kshs.12,993,599 comprising of Kshs.3,527,222 relating to KDC salary loan brought forward and Kshs.9,466,377 relating to KDC salary payment loan 2. However, no documents were provided to support the total amount of Kshs.12,993,599.

In the circumstances, the accuracy and completeness of the borrowings balance of Kshs.12,993,599 could not be confirmed.

5. Unsupported Trade and Other Payables

The statement of financial position reflects a balance of Kshs.32,182,546 in respect of trade and other payables as disclosed in Note 26 to the financial statements. However, no supporting documents were provided for audit purposes to support the balance. It was not explained how the Lodge will meet this obligation as it has not been in operation since 2020, and its continuity as a going concern is uncertain.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.32,182,546 could not be confirmed.

6. Unexplained Payment of Management Fee to Golf Hotel Limited

The statement of profit and loss and other comprehensive income reflects an amount of Kshs.6,061,557 in respect of administration costs as disclosed in Note 13(a) to the financial statements. Included in this, is an amount of Kshs.4,755,452 relating to management fee paid to Golf Hotel Limited, referred to as Manager. It was not explained why the Manager had to charge for the management fee yet the Lodge has not been operating since the year 2020.

In the circumstances, the accuracy, completeness and propriety of the management fee expenditure of Kshs.4,755,452 could not be confirmed.

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

Emphasis of Matter

Material Uncertainty Relating to Going Concern

The Company reported a deficit of Kshs.3,786,606 (2022/2023: Kshs.536,572). The accumulated losses depleted retained earnings from Kshs.(44,578,699) in 2022/2023 to Kshs.(49,988,135) in the year under review. Further, the Company reported nil sales income for the last four (4) years in a row. In addition, the statement of financial position reflects current liabilities amounting to Kshs.33,979,287 while current assets amounted to Kshs.4,365,411 resulting to a negative working capital of Kshs.29,613,876. 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, creditors, and completion of privatization process by the Kenya Development Corporation as disclosed in Note 33 to the financial statements.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for the delay in resolving the issues.

Other Information

Management is responsible for the other information set out on page iii to xv which comprise of Key Lodge Information and Management, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Compliance with Statutory Requirements, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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 year to which the annual estimates relate.

In the circumstances, Management was in breach of law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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. Information given in the directors' report on pages xiv is consistent with the financial statements; and
- iii. The auditable part of the directors' remuneration report on page 17 has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 Lodge's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention liquidate the Lodge 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 comply 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 Lodge'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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

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16) STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024


	Note	2022/2023 Kshs	2021/2022 Kshs
REVENUES,			
Sales Income	11(a)	-	-
Other Income	11(b)	1,427,120	1,002,244
TOTAL REVENUES		<u>1,427,120</u>	<u>1,002,244</u>
COST OF SALES	12	-	-
GROSS PROFIT		<u>1,427,120</u>	<u>1,002,244</u>
OPERATING EXPENSES			
Administration Costs	13(a)	6,061,557	993,776
Selling and Distribution Costs	14	-	-
Depreciation of property, plant and equipment	18	775,000	775,000
TOTAL OPERATING EXPENSES		<u>6,836,556</u>	<u>1,768,776</u>
OPERATING LOSS	15	<u>(5,409,436)</u>	<u>(766,531)</u>
NET LOSS		<u>(5,409,436)</u>	<u>(766,531)</u>
INCOME TAX CREDIT	16(b)	1,622,830	229,959
PROFIT AFTER TAXATION		<u><u>(3,786,606)</u></u>	<u><u>(536,572)</u></u>
Earnings per share – basic and diluted	16 (a)	<u>(41)</u>	<u>(6)</u>
Dividend per share	17	<u>-</u>	<u>-</u>

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17) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	2023/2024 Kshs	2022/2023 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	18	57,923,908	56,902,169
Total Non-Current Assets		<u>57,923,908</u>	<u>56,902,169</u>
Current Assets			
Inventories	19	5,355	5,355
Trade and other receivables	20	4,134,154	4,074,153
Bank Balances	21(a)	225,902	165
Cash at hand Balance	21(a)	-	-
Total Current Assets		<u>4,365,411</u>	<u>4,079,673</u>
NET ASSETS		<u>62,289,319</u>	<u>60,981,842</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	(49,988,135)	(44,578,699)
Capital and Reserves		<u>4,928,350</u>	<u>10,337,786</u>
Non-Current Liabilities			
Borrowings	25	23,381,681	22,924,855
Total Non-Current Liabilities		<u>23,381,681</u>	<u>22,924,855</u>
Current Liabilities			
Trade and other payables	26	32,182,546	27,719,200
Contingency – Fencing Liability	26(c)	1,796,740	-
Total Current Liabilities		<u>33,979,287</u>	<u>27,719,200</u>
TOTAL EQUITY AND LIABILITIES		<u>62,289,319</u>	<u>60,981,842</u>

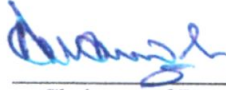
The financial statements were approved by the Board on 27/SEPT 2024 and signed on its behalf by:


 Ag. Chief Executive Officer

Name: Ms. Gumato Abudo


 Ag. Finance Manager

Name: Ms. Leena Mugadia


 Chairman of Board

Name: Ms. Anne Gitau

18) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	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, 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
At July 1, 2022	1,845,780	53,070,705	-	(44,578,699)	-	10,337,785
Total comprehensive income	-	-	-	(5,409,437)	-	(5,409,437)
At June 30, 2023	1,845,780	53,070,705	-	(49,988,135)	-	4,928,350

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19) STATEMENT OF CASH FLOWS AS AT 30 JUNE 2024

	Note	2023/2024 Kshs	2022/2023 Kshs
OPERATING ACTIVITIES			
Cash generated from / (used in) operations	27	(231,090)	(64,026)
Adj. for Payables overstatement 2021/2022 bfwd.	26(b)	-	(156,596)
Net cash generated from/(used in) operating activities		<u>(231,090)</u>	<u>(220,621)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	-	(94,810)
Net cash generated from/(used in) investing activities		<u>-</u>	<u>(94,810)</u>
FINANCING ACTIVITIES			
Loan financing (Salary Advance KDC)		456,827	-
Net cash generated from/(used in) financing activities		<u>456,827</u>	<u>-</u>
INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS		225,737	(315,431)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21	165	315,431
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	<u>225,902</u>	<u>165</u>

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20) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2024

MT.ELGON LODGE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30TH JUNE 2024 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30TH JUNE 2024							
	Budget	Actual		Budget	Actual		Explanation of material variances
0	JUNE - 24	JUNE - 24	Variance	Cumulative to date	Cumulative to date	Variance	Variance
	Shs	Shs	Shs	Shs	Shs	Shs	
Revenue							
Sales	30,679,444	1,427,120	- 29,252,324	30,679,444	1,427,120	-29,252,324	-95%
Other income	-	-	-	-	-	0	0%
Total Revenues	30,679,444	1,427,120	- 29,252,324	30,679,444	1,427,120	-29,252,324	-95%
Cost of sales	4,815,658	-	4,815,658	4,815,658	-	4,815,658	100%
Gross profit	25,863,786	1,427,120	- 24,436,666	25,863,786	1,427,120	-24,436,666	-94%
Expenses							
Administration costs	18,136,141	6,061,557	12,074,584	18,136,141	6,061,557	12,074,584	67%
Selling and distribution costs	310,000	-	310,000	310,000	-	310,000	100%
Depreciation of PPE	3,479,056	775,000	2,704,056	3,479,056	775,000	2,704,056	78%
Total operating expenses	21,925,197	6,836,556	15,088,641	21,925,197	6,836,556	15,088,641	69%
Operating profit/(loss)	3,938,589	- 5,409,436	- 1,470,847	3,938,589	- 5,409,436	-9,348,025	-237%
Finance income	-	-	-	-	-	0	0%
Finance costs	- 520,000	-	- 520,000	- 520,000	-	520,000	-100%
Profit/(loss) before taxation	3,418,589	- 5,409,436	- 8,828,025	3,418,589	- 5,409,436	-8,828,025	-258%
Income tax expense(credit)	- 1,025,577	1,622,831	- 2,648,408	1,025,577	- 1,622,831	- 2,648,408	-258%
Profit/(loss) after taxation	2,393,012	- 3,786,605	- 11,476,433	4,444,166	- 3,786,605	- 6,179,618	-139%
<i>Explanatory notes (a) and (b)</i>							
The hotel remained closed in 2023-2024 thus no revenue being generated apart from lease of land							
The Budget could not be achieved due to unavailability of sufficient Revenue							

21) 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 2024

The following amendments became effective during the period:

TITLE	EFFECTIVE DATE
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback	beginning on or after 1st January 2024
Amendments to IAS 1 titled Non-Current Liabilities with Covenants	beginning on or after 1st January 2024

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, clarify a criterion in

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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.

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 Hotel's financial statements.

Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2:

Inventories. The amendments also clarify the meaning of "testing whether an asset is functioning properly". IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the Statement of Comprehensive Income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the Statement of Comprehensive Income include(s) such proceeds and cost.

The amendments do not have a material impact on the Hotel as there are no items of property and equipment relevant as defined under the amendments.

Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The Hotel currently assessing the impact of the amendments to determine the impact they will have on the Hotel's accounting policy disclosures.

Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications: • A change in accounting estimate that results from new information or new developments is not the correction of an error. • The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The IASB added two examples (Examples 4–5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. The amendments are not expected to have a material impact on the Hotel, but management will continue to assess the impact up to the point of initial application, with earlier application permitted.

Amendments to IAS 12: Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Hotel is currently assessing the impact of these amendments. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

4. 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 2024.

IFRS 18 Presentation and Disclosure in Financial statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity’s assets, liabilities, equity, income and expenses. The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

TITLE	EFFECTIVE DATE
IFRS 18 Presentation and Disclosure in Financial statements	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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)

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.

5. 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 Throughprofit or loss.

6. 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.

7. 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.

8. 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 2023/2024 was approved by the Board of the Lodge in December 2022. Accordingly, the Lodge has recorded no additional appropriations on the 2023-2024 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.

9. 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, 2024.

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

	2023/2024	2022/2023
	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	1,764,000	1,224,000
Ground Hire	-	-
Camping	19,900	28,736
Disposal	-	-
Less: Service Charge	(99,898)	(70,097)
Less: Catering Levy	(28,542)	(20,044)
Less: Value added tax	(228,339)	(160,350)
Net Sales	<u>1,427,120</u>	<u>1,002,245</u>
	=====	=====
Sales are reported net of 16% VAT, 7% Service charge & 2% Catering levy. The gross sales above therefore include all the relevant taxes/charges.		
12. COST OF SALES		
Food/ Drinks	-	-
	<u>-</u>	<u>-</u>
	=====	=====
13(a) ADMINISTRATION COSTS		
Staff costs (note 13b)	1,095,184	639,132
Directors' emoluments	-	56,000
Electricity and water	70,616	112,376
Transportation, travelling and subsistence (<i>Travel expenses</i>)	135,625	30,200
Bank charges and commissions (<i>Bank charges & Commission on Visa cards</i>)	4,680	5,268
Management Fee	4,755,452	150,800
Other operating expenses (<i>Fuel & gas, Cleaning, Toilet requisites, Vehicle operating, Licenses, Laundry, KRB, Guest supplies, Rent & rates, Delivery, Donations, Flowers & deco & Security</i>)	-	-
	<u>6,061,557</u>	<u>993,776</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023/2024	2022/2023
	Kshs	Kshs
(b) STAFF COSTS		
Salaries and allowances of permanent employees (<i>Salaries, Housing, Medical & Entertainment allowance</i>)	626,172	626,172
Wages of temporary employees (<i>Casual wages</i>)	-	-
Compulsory national health insurance schemes	-	-
Compulsory national social security schemes	12,960	12,960
Other pension contributions	-	-
Leave, Terminal Dues, gratuity provisions	456,052	-
Staff welfare (<i>Meals & welfare</i>)	-	-
	<u>1,095,184</u>	<u>639,132</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%) The lodge staff were sent on unpaid leave during the year 2020 and the three staff are two security guards and one Care taker who are in-charge of taking care of the lodge during its closure.		
14. SELLING AND DISTRIBUTION COSTS		
Marketing and promotional (<i>Marketing & Advertising</i>)	-	-
Sales commissions (<i>Agents commission</i>)	-	-
	<u>-</u>	<u>-</u>
15. OPERATING PROFIT/(LOSS)		
The operating profit is arrived at after charging;		
Staff costs (note 13b)	1,095,184	639,132
Depreciation of property, plant and equipment	775,000	775,000
Directors' emoluments	-	56,000
Auditors' remuneration - current year fees	-	-
Other Operating Expenses (note 13a)	4,996,373	298,644
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 profit/loss after tax of Kshs. (3,786,606) (2022: Kshs .(536,572) by the average number of ordinary shares of 250,000 (2022: 250,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

	2023/2024	2022/2023
Net Loss After Tax (A)	(3,786,606)	(536,572)
Ordinary Shares (B)	92289	92289
Earnings Per share (A)/ (B)	(41)	(6)

16. (b) CURRENT TAXATION

	2023/2024	2022/2023
Current taxation based on the adjusted profit/loss 30% (30% 2022)	(1,622,831)	(229,959)
	<u>(1,622,831)</u>	<u>(229,959)</u>
	=====	=====

17. DIVIDEND PER SHARE

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

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 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
At June 2023	23,000,000	-	827,357	-	31,073,060	837,388	12,200,844	67,938,649
Additions - Fencing Contingency	-	-	-	-	-	-	1,796,740	1,796,740
Disposals	-	-	-	-	-	-	-	-
At end of Yr - June 2024	23,000,000	-	827,357	-	31,073,060	837,388	13,997,583	69,735,388
Depreciation and impairment								
At 1 July 2022	-	-	827,357	-	8,618,486	815,638	-	10,261,481
Depreciation	-	-	-	-	775,000	-	-	775,000
Impairment	-	-	-	-	-	-	-	-
At June 2023	-	-	827,357	-	9,393,486	815,638	-	11,036,481
Depreciation	-	-	-	-	775,000	-	-	775,000
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
At 30 June 2024	-	-	827,357	-	10,168,485	815,638	-	11,811,480
At 30th June 2024	23,000,000	-	0	-	20,904,575	21,750	13,997,583	57,923,908
At 30th June 2023	23,000,000	-	0	-	21,679,574	21,750	12,200,844	56,902,168

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INVENTORIES	2023/2024	2022/2023
Food	2,085	2,085
Drinks & Tobacco	3,270	3,270
	<u>5,355</u>	<u>5,355</u>
	<u>=====</u>	<u>=====</u>
 20 TRADE AND OTHER RECEIVABLES		
Trade receivables	1,941,040	1,941,040
Staff Advance	2,193,113	2,138,113
	<u>4,134,153</u>	<u>4,079,153</u>
 21(a) BANK AND CASH BALANCES		
Un surrendered Petty cash/Sales	-	-
Bank Balance	<u>225,902</u>	<u>165</u>
	<u>225,902</u>	<u>165</u>
	<u>=====</u>	<u>=====</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023/2024	2022/2023
	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
	=====	=====

Shareholding for Mt Elgon Lodge is distributed as follows; 67,288 shareholdings to the Kenya Development Corporation, 1(one) share Holding Yuda Komora to and 25,000 to the County Government of transzoia

23.REVALUATION RESERVE

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

	Revaluation reserve	Total
	Kshs	Kshs
At July 1, 2022	53,070,705	53,070,705
At June 30, 2023	53,070,705	53,070,705
At July 1, 2023	53,070,705	53,070,705
At June 30, 2024	53,070,705	53,070,705

There was no movement in revaluation reserve during the year ended June 2024. The reserve will be updated once revaluation of the existing assets has been carried out.

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, 2022	(43,812,169)	(43,812,169)
Total comprehensive income 2022/2023	(766,531)	(766,531)
At June 30, 2023	(44,578,699)	(44,578,699)
At July 1, 2023	(44,578,699)	(44,578,699)
Total comprehensive income 2023/2024	(5,409,436.52)	(5,409,436.52)
At June 30, 2024	(49,988,135.52)	(49,988,135.52)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. BORROWINGS	2023/2024	2022/2023
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
KDC Salary Loan	456,827	-
Balance at end of the year	<u>23,381,682</u>	<u>22,924,855</u>

Borrowing of Kshs. 3,527,222 and Kshs. 9,466,377 relates to prior years salary support paid by KDC to the lodge staff. Loan. The Loan of Kshs. 9,931,256 relates to refurbishment loan which was approved at Kshs. 20,000,000 and the remaining balance still remains undisbursed and with the Kenya Development Corporation. The Loan of Kshs. 456,827 was utilised out of the approved Kshs, 20,000,000 refurbishment loan to pat for the lodge staff salary while it's still not in operation The lodge has not made any repayment to the loans during the year 2023-2024.

26. TRADE AND OTHER PAYABLES		
Trade payables	6,553,722	2,900,810
Accrued expenses	2,562,508	2,562,508
Other payables (<i>Terminal dues</i>)	2,323,738	1,867,687
Statutory Payables (<i>Clt. Service charge, Vat Nssf penalties, Withholding</i>)	11,521,188	11,164,408
Payroll liability (<i>Net pay, nhif, Nssf, paye, union dues</i>)	9,221,391	9,223,788
	<u>32,182,547</u>	<u>27,719,200</u>

The lodge has long outstanding unpaid statutory obligations, Payroll and Taxes which have not been paid to date amounting to Kshs. 32,182,547 due to liquidity challenges and given the lodge has been closed since 2020. The same will however be settled out of privatization proceeds in case the lodge is not operationalised in subsequent periods.

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>

26 (c) CONTIGENCY LIABILITY

Contingency Liability Fencing	1,796,740	-
	<u>1,796,740</u>	<u>-</u>

The Lodge has an ongoing Court case related to the fencing work that was done in the year 2018 and is yet to be paid due to lack of Signed Contract between the Lodge and the MC before the contractor moved to site. The contractor moved to court to sue the Lodge for non-payment in the year 2020 and to date the matter is yet to be settled. The lodge has since provided for Contingency Liability of the on-going case pending the ruling of the Court. The work was valued at 51% Complete out of the Awarded contract of Kshs. 3,349,120 which resulted to a work done Valued at Kshs. 1,796,740. The Contractor Suite However is for the whole contract sum of Kshs. 3,349,120

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. NOTES TO THE STATEMENT OF CASH FLOWS

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

Operating profit/ (loss)	(5,409,436)	(766,531)
Depreciation	775,000	775,000
Operating profit/ (loss) before working capital changes	(4,634,437)	(8,469)
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(60,000)	(500,009)
Increase/ (decrease) in trade and other payables	4,463,367	427,515
Cash generated from/ (used in) operations	(231,090)	(64,026)

The Lodges cash flow from operating activities reflected a negative movement as a result of it not being in operation with the only income having been revenue from lease of land for farming activities. The lodge also recognised a charge of Management fee levied by the Manager Golf Hotel Limited in the period ended June 2024.

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	2023/2024	2022/2023
Sitting allowance (<i>Inclusive of PAYE & Lunch Allow</i>) , <i>Flight, Taxi & Night Out</i>)	-	56,000
	-	56,000

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. During the year due to the closure of the lodge there was no accrual on director Expenses

(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 2024 in relation to a loan acquired Amounting to Kshs. 23,381,682

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. INCORPORATION

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 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	<p>Unsupported Ordinary Share Capital</p> <p>Included in the Statement of Financial position as reported in Note 22 to the Financial Statements is 92,289 ordinary shares of Kshs.20 par value each, translating to Kshs. 1,845,780 ordinary share capital. 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.</p>	<p>Management noted the findings. We have the matter raised with the Legal office of the Kenya Development Corporation Once this is done we will share with the audit Office for verification.</p>	Ag. CEO	Not Resolved	Privatization
2	<p>Trade and other Payables.</p> <p>The statement of financial position reflects a balance of Kshs. 12,719,200 in respect of trade and other payables as disclosed in Note 26 of the financial statements. The balance comprises of amounts relating to five items which have remained largely unchanged for the last three 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</p>	<p>Management noted the audit findings. Due to the lodge being closed since 2020 it has not been generating enough funds to facilitate the settlement of all pending bills. However the lodge is under privatization process and though this the matter of unpaid trade and other payables will be fully addressed</p>	Ag. CEO	Not Resolved	Privatization

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<p>3</p>	<p>Material Uncertainty Relating to Going Concern</p> <p>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 years in arrow. 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, was 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.</p>	<p>Management noted the audit findings. Due to the lodge being closed since 2020 it has not been generating enough funds to enable the smooth operations of the Lodge. However the lodge is under privatization process to address the matter of going concern for the lodge</p>	<p>Ag. CEO</p>	<p>Not Resolved</p>	<p>Privatization</p>
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Reports and Financial Statements
For the year ended 30 June, 2024

4	<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 has since acquired approval for the Mt. Elgon account on GIMIS. The Budget was presented for approval through GIMIS to the national treasury</p>	<p>Manger Finance</p>	<p>Resolved</p>	<p>January 2024</p>

Ag. Chief Executive Officer

Mt Elgon Lodge

Sign.....

Date.....27/SEPT/2024