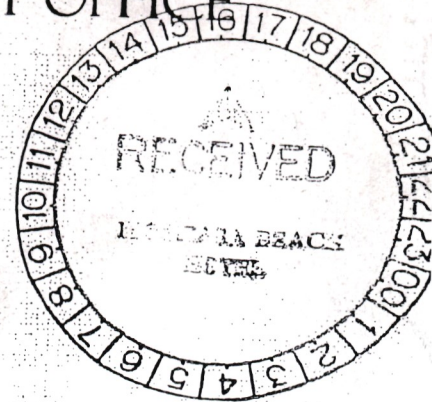
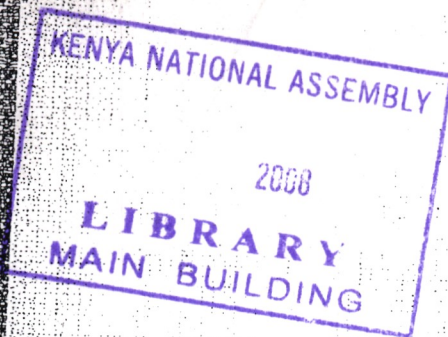


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REPUBLIC OF KENYA



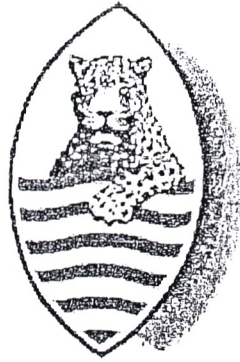
KENYA NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA SAFARI LODGES AND HOTELS LIMITED FOR THE YEAR ENDED 30 JUNE 2006



KENYA NATIONAL AUDIT OFFICE  
**RECEIVED**

No:.....  
REGISTRY HEADQUARTERS  
NAIROBI

**KENYA SAFARI LODGES  
AND HOTELS LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2006**

KENYA SAFARI LODGES AND HOTELS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2006

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25<sup>th</sup> September 2006

The Controller and Auditor – General,  
Kenya National Audit Office,  
P.O. Box 30084 – 00100,  
Nairobi.

Dear Sir,

**RE: STATEMENT OF DIRECTORS RESPONSIBILITIES REPORT FOR  
YEAR ENDED 30<sup>TH</sup> JUNE 2006**

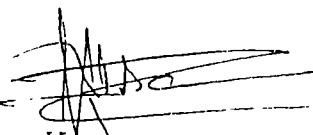
The Companies Act requires the Directors to prepare financial statements for each financial year that gives a true and fair view of the state of the Company as at the end of the financial year of its operation results.


It also requires the Directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept the responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments of the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial statements, as well as adequate systems of internal financial control.

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

Yours faithfully,  
Kenya Safari Lodges & Hotels Ltd,

  
Kungu Gatabaki  
DIRECTOR

  
S. Kiragu  
GENERAL MANAGER

# KENYA SAFARI LODGES AND HOTELS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2006

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June, 2006 which show the state of the company's affairs.

### PRINCIPAL ACTIVITY

The principal activity of the company is that of a hotelier.

### RESULTS

The results of the company are shown in details on page 3.

### DIVIDENDS

The Directors do not recommend the payment of dividend this year.

### DIRECTORS

The Directors who served during the year were:-

M P.Nzoka (as Chairman up to 13.5.2005 and as member up to 27.10.2005)

Hamisi O Mboga (Chairman from 13.05 2005)

O.Kajumbi (from 27.10.2005)

P S Tourism & Wildlife

K Gatabaki

E M Wamae

S M Mutisya (up to 03.11.2005)

L. Kitheka (Ms.) 24.02.2006)

C Igeria-Oduor (Mrs.) 24.02.2006)

R. Maina (from 24.02.2006)

J. Kipngetich (18.2.2005)

A. Odero (up to 02.06.2006) (Alternate)

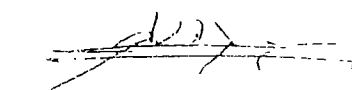
F. Fondo (from 02.06.2006) (Alternate)

A M Shehe (Mrs.)

### AUDITORS

The Company's auditors, were Controller and Auditor General of P.O. Box 30084 - 00100, Anniversary Towers Nairobi in accordance with the Public Audit Act of 2003.

### BY ORDER OF THE BOARD



SECRETARY

26/02/2007



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA SAFARI LODGES AND HOTELS LIMITED FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of Kenya Safari Lodges and Hotels Limited for the year ended 30 June 2006 in accordance with the provisions of Section 14 of the Public Audit Act, 2003. 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. The financial statements are in agreement with the books of account.

#### Respective Responsibilities of the directors and the Controller and Auditor General

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Hotel and of its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

#### Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### 1. Going Concern

During the year under review, the Hotel made a profit of Kshs.28,799,000 which reduced the cumulative deficit of Kshs.370,396,000 in the previous year to Kshs.334,971,000. Further, the balance sheet reflects a negative working capital of Kshs.109,406,000 (2005 - Kshs.189,551,000). The financial statements have therefore been prepared on a going concern on assumption of continued financial support from trade creditors and borrowing from Kenya Tourist Development Corporation (KTDC).

## 2. Kenya Tourist Development Corporation Loan Kshs.247,342,000

The non-current liabilities of Kshs.252,079,000 as at 30 June 2006 includes loan balance of Kshs.247,342,000 as indicated in note 16 to the accounts owed to Kenya Tourist Development Corporation advanced in 1999 (initial loan Kshs.64,267,195) to pay pressing creditors who wanted to place the Hotel under receivership. However, the balance sheet figure of Kshs.247,342,000 differs with the general ledger and trial balance figures of Kshs.208,333,994 and Kshs.217,245,389 respectively. In the circumstances, I am unable to confirm that the non-current liabilities are fairly stated in these financial statements.

## 3. Debtors and Prepayments

The debtors and prepayments figure of Kshs.113,701,000 as at 30 June 2006 includes debtors with credit balance of Kshs.9,818,982 and debtors of Kshs.6,794,000 who were not supported by any verifiable documents. In the circumstances, I am not able to confirm that the debtors and prepayments figure of Kshs.113,701,000 is fairly stated.

## 4. Cash in Hand and Bank

As disclosed in note 18 to the financial statements, the cash and bank balance stood at Kshs.18,653,000 as at 30 June 2006. However, there was no cash certificate in support of cash on hand nor bank statements in support of bank balance produced for audit review. It was further observed that the cash book reflected cash balance of Kshs.8,922,982 while the trial balance reflected a negative cash and bank balance of Kshs.78,218,181. In the circumstances, it was not possible to confirm that the cash and bank balance figure of Kshs.18,653,000 is fairly stated in these financial statements.

## 5. Non - Current Assets

The balance sheet as at 30 June 2006 reflects Kshs.352,066,000 under Property Plant and Equipment. According to note 12 to the financial statements, the amount includes the balance brought forward of Kshs.592,719,000 plus additions of Kshs.1,287,000 and net accumulated depreciation of Kshs.241,940,000. However, the balances were not supported by Fixed Assets register as the register had not been updated. Further, details in support of additions of Kshs.1,287,000 in relation to Plant and Machinery were not produced for audit verification. Consequently, it was not possible to confirm the propriety of the non-current assets figure of Kshs.352,066,000 as at 30 June 2006.

## 6. Creditors and Accruals

Although the creditors' and accruals balance stood at Kshs.182,216,000 as at 30 June 2006, the list of creditors produced for audit review reflected an amount of Kshs.463,911,303, resulting in creditors not reflected in the balance sheet of Kshs.281,695,303. The Hotel has not explained the exclusion of creditors

balance of Kshs.281,695,303 from the financial statements. Further, there was no verifiable evidence in support of the accruals figure of Kshs.20,508,000 as disclosed in note 17 to the financial statements. In the circumstances, it is not possible to ascertain the validity and accuracy of the creditors and accruals figure of Kshs.182,216,000 as at the year end.

### Opinion

Except for the adjustments which may be necessary arising from the foregoing reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Hotel as at 30 June 2006 and of its profit and cash flows for the year then ended and comply with the Companies Act, Cap 486 of the laws of Kenya.



**P. N. KOMORA**  
**CONTROLLER AND AUDITOR GENERAL**

Nairobi

13 March 2007

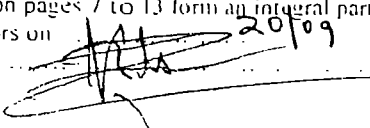
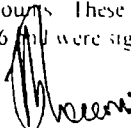
KENYA SAFARI LODGES AND HOTELS LTD  
 INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006

	NOTES	2006 Ksh.'000	2005 Ksh.'000
TURNOVER	2	325,868	276,101
COST OF SALES	4	-76,232	-70,100
GROSS PROFIT		249,636	206,001
OTHER INCOME	3	8,358	7,174
TOTAL INCOME		257,994	213,175
OPERATING COSTS	5	67,461	62,625
STAFF COSTS	6	78,876	82,840
ADMINISTRATIVE COSTS	7	14,437	16,096
REPAIRS AND MAINTENANCE		15,757	15,737
ADVERTISING AND PROMOTION		6,161	8,437
GENERAL EXPENSES	8	6,430	13,845
DEPRECIATION AND AMORTIZATION		9,856	10,544
FINANCE COSTS	9	30,217	31,063
TOTAL EXPENSES		229,195	272,250
EARNINGS BEFORE EXTRA ORDINARY ITEMS		28,799	-28,012
PROFIT BEFORE TAX		28,799	-28,012
TAXATION CORPORATION TAX		-	-
DEFERRED TAX	11	6,626	6,626
PROFIT AFTER DEFERRED TAX		35,425	-21,386

30<sup>TH</sup> JUNE KENYA SAFARI LODGES AND HOTELS LTD  
BALANCE SHEET AS AT 2006

	NOTES	2006 KSHS'000	2005 KSHS'000
<u>ASSETS</u>			
<u>NON-CURRENT ASSETS</u>	12	352,066	381,591
<u>CURRENT ASSETS</u>			
Inventories	1	9,999	9,987
Debtors and prepayment	13	113,701	80,396
Cash in hand and bank	18	<u>18,653</u>	<u>15,887</u>
<b>Sub-total</b>		<b>142,353</b>	<b>106,270</b>
		=====	=====
<u>TOTAL ASSETS</u>		494,419	487,861
		=====	=====
<u>OWNERS' EQUITY AND LIABILITIES</u>			
<u>OWNERS' EQUITY</u>			
Share Capital	14	9,319	9,319
Revaluation Reserve	15	316,233	337,189
Profit and Loss Account		<u>(334,971)</u>	<u>(370,396)</u>
<b>Sub-total</b>		<b>( 9,419)</b>	<b>( 23,888)</b>
		-----	-----
<u>NON-CURRENT LIABILITIES</u>			
Deferred tax	11	4,737	11,363
Borrowings long-term	16	<u>247,342</u>	<u>204,565</u>
<b>Sub-total</b>		<b>252,079</b>	<b>215,928</b>
		-----	-----
<u>CURRENT LIABILITIES</u>			
Creditors and accruals	17	182,216	209,937
Other payables	22	63,930	63,930
Bank overdraft	18	0	0
Borrowings (Current portion)		0	17,039
Dividend payable	24	<u>5,613</u>	<u>4,915</u>
<b>Sub-total</b>		<b>251,759</b>	<b>295,821</b>
		=====	=====
<u>TOTAL OWNERS' EQUITY AND LIABILITIES</u>		494,419	487,861
		=====	=====

Notes on pages 7 to 13 form an integral part of these accounts. These accounts were approved by the Board of Directors on 14/11/09 2006 and were signed on its behalf by:  
..... and ..... DIRECTORS

 and 

KENYA SAFARI LODGES AND HOTELS LTD

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2006

	Ordinary Shares Ksh.'000	Revaluation Reserve Ksh.'000	Profit and Loss account Ksh.'000	Total Ksh.'000
As at 30th June 2003	9,319	379,101	-308,342	80,078
Prior year Adjustment (Note 9)			1,561	1,561
As Restated	9,319	379,101	-306,781	81,639
Balance as at 1st July 2003	9,319	379,101	-306,781	81,639
Net Profit for the year			-48,855	-48,855
Transfer of depreciation equivalent		-20,956	6,626	-14,330
As at 30th June 2004	9,319	358,145	-349,010	18,454
Balance as at 1st July 2004	9,319	358,145	-349,010	18,454
Net Profit for the year			-28,012	-28,012
Transfer of depreciation equivalent		-20,956	6,626	-14,330
As at 30th June 2005	9,319	337,189	-370,396	-23,888
Balance as at 1st July 2005	9,319	337,189	-370,396	-23,888
Net Profit for the year			28,799	28,799
Transfer of depreciation equivalent		-20,956	6,626	-14,330
As at 30th June 2006	9,319	316,233	-334,971	-9,419

**KENYA SAFARI LODGES & HOTELS LTD**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2006**

	2006	2005
	<u>Kshs.'000</u>	<u>Kshs.'000</u>
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax	28,799	-28,012
Adjustments for:-		
Depreciation	9,856	10,544
Prior year adjustments	-16,341	3,657
Cash flow from/(used in) operations before	22,314	-13,811
Working capital changes:		
Inventories	-12	-714
Debtors and prepayments	-33,305	-5,148
Creditors and accruals	-27,721	24,249
Sub-total	-61,038	18,387
Net cash flow from operating activities	-38,724	4,576
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-1,287	-3,146
Proceeds from sale of fixed assets	<u>0</u>	<u>0</u>
Net cashflow from investing activities	-1,287	<u>-3,146</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Payment of dividends	-	
Movement in loan account	<u>42,777</u>	<u>20,270</u>
Net cashflow from financing activities	<u>42,777</u>	<u>20,270</u>
<b>NET CASHFLOW FOR THE YEAR 2006</b>	2,766	21,700
Cash and cash equivalents at the beginning of the year	<u>15,887</u>	<u>-3,991</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>18,653</u>	<u>17,709</u>

KENYA SAFARI LODGES AND HOTELS LIMITED

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2006

1. ACCOUNTING POLICIES

The accounts are prepared in accordance, and comply with International Accounting Standards. Where applicable comparative figures have been restated to conform to this standard.

a) Basis of preparation

The accounts are prepared under historical cost convention as modified by the revaluation of certain fixed assets.

Turnover represents billings to guests and casual customers for accommodation, food and other services provided, less commissions and taxes.

b) Property, Plant and Equipment

All Property, Plant and Equipment are stated at cost or revaluation less depreciation. The Mombasa Beach Hotel lease is for a term of 9,999 years while leases for Voi and Ngulia Safari Lodges are for a term of 50 years up to 2018 and 2019 respectively.

Property, Plant and Equipment acquired under finance lease agreement are capitalised at the date of the agreement. The interest element of each instalment is charged to the profit and loss account in the period in which each instalment falls due.

Depreciation on assets other than land is calculated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. While the value of land is amortized over the lease period.

The annual rates used are as follows:-

Buildings	2.50
Plant, Machinery, Furniture & Fittings	10% - 15%
Vehicles	25%
Computers	33.3%

c) Inventories

Inventories are stated at the lower of cost and net realizable value.

NOTES TO THE ACCOUNTS (cont'd)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2006

d) Foreign Currency

Transactions during the year are converted into Kenya currency at the rate ruling at transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya currency at rates ruling at that date. The resulting differences from conversion and translations are dealt with in the profit and loss account in the year in which they arise.

e) Income recognition

Revenue has been measured at the fair value of the consideration receivable and recognized only to the extent of the expenses recognized that are recoverable.

2 TURNOVER

	2006 <u>KSHS.'000</u>	2005 <u>KSH.'000</u>
Accommodation	128,392	106,538
Food	162,119	130,203
Drinks	33,205	27,590
Tobacco	773	744
Laundry	555	486
Telephone	368	609
Shop	-	5,617
Petrol and oil	258	413
Sporting Facilities	-	3,712
Business Centre	<u>198</u>	<u>189</u>
	<u>325,868</u>	<u>276,101</u>

3. OTHER INCOME

Rent	1,030	0
Profit on sale of fixed assets		
Other Income	7,328	<u>7,174</u>
	<u>8,358</u>	<u>7,174</u>

4 COST OF SALES

Food	62,793	55,600
Drinks	12,630	10,796
Tobacco	584	509
Telephone	111	183
Shop	-	2,883
Petrol and Oil	52	96
Others	62	35
	<u>76,232</u>	<u>70,102</u>

NOTES TO THE ACCOUNTS (cont'd)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2006

	2006	2005
	K.shs.'000	K.shs.'000
5 <u>OPERATING COSTS</u>		
Electricity	19,529	16,104
Fuel and gas	15,565	14,962
Water	8,814	10,018
Laundry & cleaning	6,537	6,769
Vehicle operating costs	2,274	4,000
Guest entertainment	1,451	2,682
Others	<u>13,291</u>	<u>8,090</u>
	67,461	62,625
6. <u>STAFF COSTS</u>		
Salaries and Wages	46,932	43,658
Pension Fund	1,346	1,802
Meals and Food	6,994	7,290
Staff Housing	8,853	8,080
Medical	1,777	2,152
Staff Welfare	481	313
Staff Insurance	12	12
Staff Training	175	119
Leave transport and traveling	107	5,278
Terminal pay	2,027	10,682
Others	<u>10,172</u>	<u>3,454</u>
	<u>78,876</u>	<u>82,840</u>
7. <u>ADMINISTRATIVE COSTS</u>		
Office expenses	9,410	9,361
Legal expenses	1,198	1,488
Secretarial expenses	708	679
Audit expenses	440	440
Directors expenses	2,085	3,165
Others	<u>596</u>	<u>963</u>
	<u>14,437</u>	<u>16,096</u>
8. <u>OTHER EXPENSES</u>		
Insurance		798
Subscription		409
Sanitation	1,189	2,154
Security	224	10,484
Others	2,735	-
	<u>2,282</u>	<u>-</u>
	<u>6,430</u>	<u>13,845</u>

9. <u>FINANCE COSTS</u>	2006	2005
Long term interest	27,850	27,849
Short term loan interest		621
Bank Overdraft interest		289
Bank commissions and other charges	<u>2,367</u>	<u>2,304</u>
	<u>30,217</u>	<u>31,063</u>

10. PROFIT/(LOSS) BEFORE TAX

Profit before tax is stated after charging:

Depreciation	9,856	
Directors' fees		
Directors expenses	2,085	
Interest payable – Bank overdraft		
Long term loan	27,850	
Short term loan		
Auditors' remuneration	<u>440</u>	

11. TAXATION

a) Current Tax

Tax charge for year		
Deferred tax	<u>4,737</u>	<u>11,362</u>

There was no tax charge for the year due to accumulated tax losses

b) Deferred Tax

Deferred tax is provided for using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for financial reporting purposes. Deferred tax is provided for at the current enacted rate of 30% based on the original revaluation surplus of Kshs 463 million in 1999

KENYA SAFARI LODGES & HOTELS LTD

NOTES TO THE ACCOUNTS (cont'd)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2006

12. PROPERTY, PLANT AND EQUIPMENT

<u>COST/VALUATION</u>	LAND & BUILDINGS Kshs.'000	PLANT & MACHINERY Kshs '000	VEHICLES Kshs.'000	TOTAL Kshs.'000
At 01/07/2005	458,171	126,847	7,701	592,719
Additions	-	1,287	-	1,287
Disposals	-	-	-	0
At 30/06/2006	458,171	128,134	7,701	594,006

DEPRECIATION

At 30/07/2005	105,311	98,,116	7,701	211,128
Release on disposal/revaluation	-	-	-	-
Charge for the year	2,748	7,108		9,856
On valuation	12,471	8,485		20,956
At 30/06/2006	120,530	113,709	7,701	241,940

JET BOOK VALUE

As 30/06/2006	337,641	14,425		352,066
As 30/06/2005	352,860	28,731	-	381,591

KENYA SAFARI LODGES AND HOTELS LIMITED

NOTES TO THE ACCOUNTS (cont'd)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2006

13. DEBTORS AND PREPAYMENTS

	2006 KSHS.'000	2005 KSHS.'000
Trade debtors	272,996	242,285
Bad debts provisions	165,723	165,723
Other debtors and prepayments	6,428	3,834
	<u>113,701</u>	<u>80,326</u>

14 SHARE CAPITAL

Authorised, issued and fully paid 465,940 ordinary shares of Kshs. 20/= each.

KTDC	295,508	<u>9,319</u>	<u>9,319</u>
CDC	88,666		
KWS	100		
Mt Lodges	88,666		
	<u>465,940</u>		

15 REVALUATION RESERVE

Balance b/f	337,189	358,145
Adjustment during the year	-	
Depreciation transferred to retained earnings	-20,956	-20,956
Balance c/f	<u>316,233</u>	<u>337,189</u>

16 LONG TERM LOAN

Kenya Tourist Development Corporation (KTDC)	247,342	204,565
--	---------	---------

The terms for KTDC loan are being renegotiated.

17 CREDITORS

Trade creditors	161,708	130,020
Accruals	20,508	71,917
	<u>182,216</u>	<u>209,937</u>

KENYA SAFARI LODGES & HOTELS LTD

NOTES TO THE ACCOUNTS (cont'd)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2006

	2006 KSHS.'000	2005 KSHS.'000
18	<u>CASH AND CASH EQUIVALENTS</u>	
	Cash in hand and bank	18,653
		15,887
19	<u>COMPARATIVES</u>	
	Comparative figures have been adjusted to conform with changes in presentation in the current year.	
20	<u>INCORPORATION</u>	
	The Company is incorporated in Kenya under the Companies Act cap. 486.	
21	<u>CURRENCY</u>	
	These accounts are presented in thousands of Kenya Shillings (Kshs.'000)	
22	<u>OTHER PAYABLES</u>	
	Amount as at 30 <sup>th</sup> June	63,930
	Other payables represent value added tax, catering levy and PAYE liability which arose during the period when the company was under the management of African Tours & Hotels Limited.	63,930
23	<u>PENSION/NSSF</u>	
	Contributions to the defined contribution pension plans are recognized as an expense in the income statement as incurred	
24	<u>DIVIDENDS</u>	
	This represents dividends declared for the period 1994 to 1998 not yet paid.	