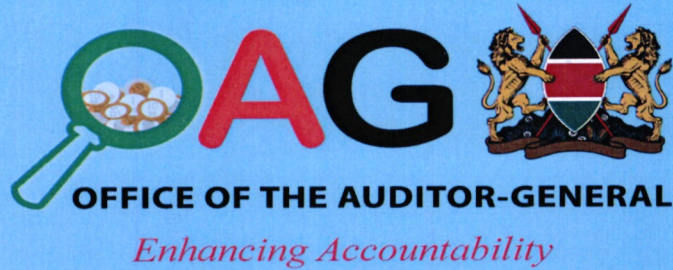


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REPORT

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TABLED
BY:

Hon Naomi Wago, MP
Deputy Majority Party Whip

OF
THE TABLE:

A. Shubuku

THE AUDITOR-GENERAL

ON

**KENYA SAFARI LODGES
AND HOTELS LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**

- MOMBASA Beach Hotel
- NGULIA Safari Lodge
- VOI Safari Lodge

DAF 2



KSLH

A Must *Experience!*



KENYA SAFARI LODGES & HOTELS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2022**

**Prepared in accordance with the Accrual Basis of Accounting Method under the
International Financial Reporting Standards (IFRS)**

KENYA SAFARI LODGES & HOTELS LTD

Head Office - Mombasa
P.O. Box 90414 – 80100 Mombasa, Kenya
t- +254 41 471861-5/+254 722 203143/4
e- info@kenya-safari.go.ke
w- www.safari-hotels.com

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P.O. Box 42013 Nairobi, Kenya
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Reservations: +254 784 500000



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Erustus Njoroge	Director	12 th August 2021		
Kabuga Kariithi	Director	23 rd June 2020		
Edwin Wanyonyi	- KWS/Director	9 th October 2015		
Stephen Mbatia	Director- Inspectorate of State Corporations	7 th March 2022		

- d) **Corporate Secretary**
 John Saitoti Karia
 Corporation Secretary
 Kenya Development Corporation
 P.O. Box 42013-00100
 Nairobi.
- e) **General Manager of the Company- KSLH**
Registered Office
 Mombasa Beach Hotel
 Mt. Kenya Road, Nyali
 P.O. Box 90414, 80100
 Mombasa.
- f) **Corporate Headquarters**
 P.O. Box 90414, 80100
 Mombasa Beach Hotel
 Mt. Kenya Road, Nyali
 Mombasa.
- g) **Corporate Contacts**
 Tel: 041-471861-5/ +254 722 203143/4
 Email: info@kenya-safari.go.ke
 Website: www.safari-kenya.com

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I. KEY ENTITY INFORMATION

a) Background information

Kenya Safari Lodges & Hotels Ltd (“KSLH”, “The Company”) was incorporated under the Kenya Companies Act (Cap 486) in 1966. The shareholders of KSLH are Kenya Development Corporation (KDC,) Mountain Lodges Ltd and Kenya Wildlife Services (KWS). Kenya Development Corporation is the majority shareholder in KSLH with a direct controlling stake of 82.45% shares. From a management control perspective, KSLH is classified as a State Corporation by virtue of being a subsidiary of KDC. The company operates three units namely; Mombasa Beach hotel, Ngulia Safari Lodge and Voi Safari Lodge.

b) Principal Activities

The Principal activity of the Kenya Safari Lodges and Hotels is ownership and operation of hotel and lodge facilities in Kenya. KSLH vision is to provide premiere hospitality experiences in Kenya; the mission is to enhance customer value by offering premiere Hospitality experiences with an African heritage and core values are Integrity Service excellence Discipline Team work Innovation Social responsibility Dedication and commitment

c) Directors

The Directors who served the entity during the year/period were as follows:

NAME OF DIRECTOR	POSITION	DATE OF APPOINTMENT	ALTERNATE DIRECTOR	DATE OF APPOINTMENT
Antony Kingi	Chairman	24 th Sept 2020-11 th August 2021		
Oromoi T.Jonah	Managing Director TFC	1 st February 2016-11 th August 2021	Ms.Norah Ratemo	13 th Sept 2017
Fridah Njeru	Director	14 th June 2019-11 th August 2021		
Brigadier (Retired) John Waweru	Director General KWS	13 th March 2009	Edwin Wanyonyi	9 th October 2015
Hon.Safina Kweke Tsungu	PS State department for Tourism Director	14 th January 2020-11 th August 2021	Dr.Peter Chimwele	
Abraham Koech	Rep.National Treasury			
Christopher Huka	Chairman and Director General	12 th August 2021		
Norah Ratemo	Director	12 th August 2021		



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h) Corporate Bankers

1. Kenya Commercial Bank
Treasury Square
P.O. Box 90254-80100
Mombasa.

2. Barclays Bank
Nkrumah Road, Mombasa
P.O. Box 90182 – 80100
Mombasa.

i) Independent Auditors

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

j) Principal Legal Advisers

The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112- 00200
Nairobi.


Kishore Nanji Advocates,
P.O Box 86878 – 80100,
Mombasa.

MMK Advocates,
Nkurumah road,
P.o Box 2419-80100,
Mombasa





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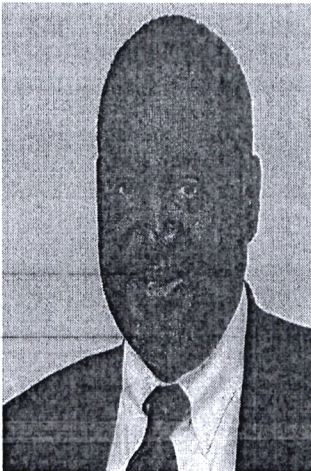
II. THE BOARD OF DIRECTORS

Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
1.Christopher Huka		<p>DOB 12/09/1967</p> <p>Mr. Huka holds a Master of Business Administration degree in Human Resources Management from the University of Nairobi, Bachelor of Education degree from Moi University, Diploma in Executive Coaching; Academy of Executive Coaching – UK, Higher National Diploma: HRM from Institute of Human Resource Management, Kenya and advanced Certificate in Strategic HR Management, Cornell University – USA</p> <p>Mr. Huka, is the Interim Director General of Kenya Development Corporation (KDC) and a Board Member. He was appointed on 17th May, 2021.</p> <p>With a long career in the private and public sectors, working at senior-executive level Mr Huka has an extensive work experience of over 25 years in Banking, Oil & Gas sectors. Presently, he is the Interim Director General at KDC mandated to manage the merger and transition of TFC, IDB Capital and ICDC into a single development finance institution entity.</p> <p>Previously he has held senior executive positions both in the public and private sector. Prior to this appointment he served as the Senior Technical Advisor to the Cabinet Secretary, National Treasury and Planning of the Republic of Kenya. He has served at Dubai Islamic Bank UAE, as Human Resource & Administration Director and Senior Business Partner at Barclays Bank of Kenya. Before joining Barclays, he worked in three senior managerial positions as Country Human Resources at Chevron (K) Ltd, (formerly Caltex), Human Resources Officer at Shell (K)Ltd and Senior Human Resources Officer at Post Bank.</p>

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Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
2. Ms. Norah Ratemo		<p>DOB: 10/03/1983</p> <p>Ms. Nora holds a Master's degree in Business Administration Finance option from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of commerce (Bcom) Accounting option. She is a Certified Public Accountant, CPA (K) and a member of the institute of certified public accountants (ICPAK) and Association of Women Accountants in Kenya</p> <p>She has over 13 years' experience in Credit Risk Management. She previously worked at Eco Bank Kenya as a Credit analyst, and before then, she was engaged as Assistant Manager, Securities and Documentation with Sidian bank. She currently serves on the board of Kenya Wines Agencies.</p>
3. Mr. Erustus Njoroge		<p>DOB: 3/05/1984</p> <p>Mr. Erastus is the Deputy director, Portfolio management.</p> <p>Mr. Erastus holds a Master's degree in Financial Economics as well as a Bachelor's Degree with specialization in Mathematics and Economics. He is a member of the Economist Association of Kenya.</p> <p>He is responsible for managing equities and loans portfolio with a view to maximizing returns and mitigating risks and achieves corporate objectives.</p> <p>Prior to this, he was the Chief of Credit at IDB Capital Ltd where he was in charge of Credit Management. Before joining IDB Capital Ltd, Erastus was a Senior Credit Manager at Equity Bank in Rwanda. He has previously held the roles of Senior Credit Analyst at Housing Finance, Credit Analyst at GT Bank Ltd (Formerly Fina Bank), Relations officer at Afrika Investment bank (AIB) as well as a part time lecturer at various institutions within Nairobi.</p>

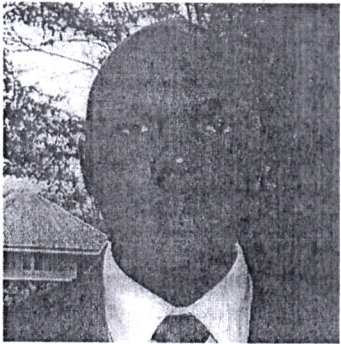
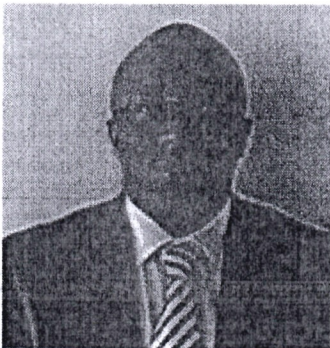
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Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
		<p>He is an experienced finance expert with a demonstrated history in the financial services sector. He has hands on experience on Credit Risk Management, Portfolio Management, Relationship Management, Business Development, Credit Analysis and Banking in general.</p>
<p>4. Mr. Kibuga Kariithi</p>		<p>DoB: 1963</p> <p>Mr. Kibuga Kariithi is a member of the Board of Director's and the CEO of KARMA Management Services Ltd, a family office. He is the immediate former CEO of City Finance Bank Ltd and arranged the merger between City Finance Bank Ltd and Jamii Bora Kenya Ltd. Mr. Kariithi is a founder of Baraka Africa Fund</p> <p>Up to April 2005 he was the Chief Executive Officer of the Nairobi Stock Exchange, which he left to start an Investment Bank as a conversion from an existing stockbroker. Prior to joining the Stock Exchange in 1999, he was Corporate Finance Director of Barclays Bank of Kenya (BBK). At Barclays, Mr. Kariithi headed the team responsible for Capital Market activities in East Africa and managed Barclays Merchant Finance Ltd (BMFL) the merchant banking subsidiary of BBK, with a balance sheet of Kshs. 4 billion.</p> <p>Currently Mr Kariithi is the chairman of Heri Limited, Kolobot Gardens Ltd, Media Max Ltd, Kirinyaga Investment and Development Authority (KIDA), Jumuia Hospitals Board and he is a director at: WAKIBA Investments and Olympia Capital.</p>

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Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
5. Mr. Edwin Wanyonyi		<p>DoB: 26th June 1975</p> <p>Mr. Edwin, Chairman of the board audit committee, holds an MBA (UON) , Bachelor of Business Administration , Dip in Resource Mobilization, Cert in Strategic Leadership from Kenya Institute of Administration and a post graduate Diploma in Resource Mobilization from Kenya Institute of Management and certificate in Project Management. Member of KIM, Kenya Fundraising Professionals and National Steering Committee Member of UNDP Small Grants. A Taskforce Member of the Tourism Recovery Taskforce in Kenya. Currently he is the deputy directors, strategy and changes at KWS Over 12 years experience in strategic management both in the public and private sector.</p>
6. Mr John Karia Company Secretary		<p>DoB: 25th May, 1984</p> <p>Mr. John Saitoti Karia is an Advocate of the High Court of Kenya and a Certified Public Secretary. He is an active Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Chartered Institute of Arbitrators (Kenya Branch). He holds a Master's degree in Law (LLM) from the University of Exeter (UK), a Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws degree (LLB) from University of Nairobi. ICPSK – Member No. CPSB/2714</p>
7. Mr. Stephen Mbatia		
8. Mr. Joseph Ndunda		<p>DoB: 28th December 1971</p> <p>Mr. Ndunda, is the General Manager of KSLH since 1st February 2021, he holds a Bachelor of Science in Hospitality Management from Greta University, Higher Diploma In Travel, Tourism & Hospitality, Association Of Business Executives (ABE), UK 2014 – 2016, Diploma In Travel Tourism & Hospitality, Association of Business Executives Food & Beverage</p>

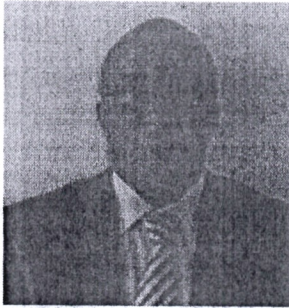
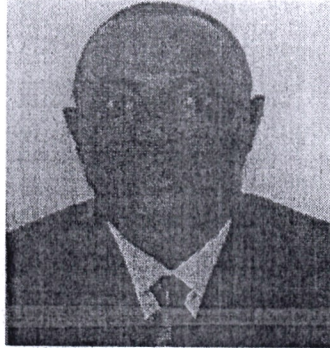


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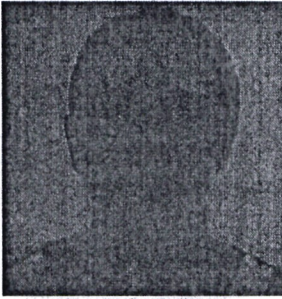

Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
		<p>Service and Sales (Credit), Kenya Utalii College Diploma In Hotel Operations and Management (Pass) from Cambridge Tutorial College and is currently pursuing Msc. Hospitality Management.</p> <p>Work Experience; General Manager Hill park Hotel, Nairobi, November 2019 -31st January 2021 Merica Hotel, Nakuru, May 2018 – September 2019 General Manager Mbale Resort /Hotel, Uganda, April 2017- April 2018 Acting General Manager / Operations Manager Severin Sea Lodge (Severin Hotels), Mombasa Kenya Food & Beverage Manager (On Management Exchange Program) Sunderland Hotel (Severin Hotels), Saurland (4 Star), August 2013 - November 2013 Food & Beverage Manager / Lodge Manager Reliever Severin Sea Lodge (Severin Hotels), Mombasa Kenya (4 Star), February 2010-March 2015</p>

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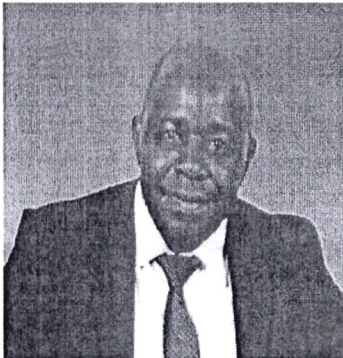

III. MANAGEMENT TEAM

Name	Photo	Key Professional/Academic Qualifications & Work Experience
<p>1. Mr John Karia Company Secretary</p>		<p>DoB: 25th May, 1984</p> <p>Mr. John Saitoti Karia is an Advocate of the High Court of Kenya and a Certified Public Secretary. He is an active Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Chartered Institute of Arbitrators (Kenya Branch). He holds a Master’s degree in Law (LLM) from the University of Exeter (UK), a Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws degree (LLB) from University of Nairobi. ICPSK – Member No. CPSB/2714</p>
<p>2. Mr. Joseph Ndunda</p>		<p>DoB: 28th December 1971</p> <p>Mr. Ndunda, is the General Manager of KSLH since 1st February 2021, he holds a Bachelor of Science in Hospitality Management Greta University, Higher Diploma In Travel, Tourism & Hospitality, Association of Business Executives (ABE), UK 2014 – 2016, Diploma In Travel Tourism & Hospitality, Association of Business Executives Food & Beverage Service and Sales (Credit), Kenya Utalii College Diploma In Hotel Operations and Management (Pass) from Cambridge Tutorial College and is currently pursuing Msc Hospitality Management</p> <p>Work Experience;</p> <p>General Manager Hill park Hotel, Nairobi, November 2019 -31st January 2021 Merica Hotel, Nakuru, May 2018 – September 2019 General Manager Mbale Resort /Hotel, Uganda, April 2017 - April 2018 Acting General Manager / Operations Manager Severin Sea Lodge (Severin Hotels), Mombasa Kenya Food & Beverage Manager (On</p>

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Name	Photo	Key Professional/Academic Qualifications & Work Experience
		<p>Management Exchange Program) Sunderland Hotel (Severin Hotels), Saurland (4 Star), August 2013 - November 2013 Food & Beverage Manager / Lodge Manager Reliever Severin Sea Lodge (Severin Hotels), Mombasa Kenya (4 Star), February 2010-March 2015</p>
3. Lillian Obura		<p>DoB: 29th December 1977 Ms. Obura the Ag. Finance Manager (KSLH) holds a Bachelor of Commerce degree (Accounting Option) from Africa Nazarene University and Diploma in Banking. Ongoing student of Masters in Business Administration (ANU). Member of Institute of Internal Auditors & ISACA. Work Experience: 2007- 2008- Accountant, Tamarind Mombasa 2008- 2013: Asst. Internal Auditor – KSLH 2014- January 2020 : Internal Auditor – KSLH 2020- to 1st March 2022: Ag. Finance Manager 1st March 2022 to date – Internal Auditor</p>
4. Eunice Nzilani		<p>DoB: 28th December 1982 Ms. Nzilani the Human Resource Manager(KSLH) holds Bachelor of Business Administration Human Resource degree from Jomo Kenyatta University Higher Diploma in HRM and Industrial relations Technical University of Mombasa Diploma in HRM and Industrial Relations(TUM) Member of Institute of Human Resource Management Work Experience: 2006-2010 –HRM Sai Rock Hotel 2011-HRO-A.Appreals Jan 2012-Apr 2014 HRO –AWL 2014 – to date: Human Resource Manager-KSLH 2014 – to date: Human Resource Manager-KSLH</p>

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Name	Photo	Key Professional/Academic Qualifications & Work Experience
<p>5. Douglas Nyokwoyo</p>		<p>DoB :13th January 1987</p> <p>Mr.Nyokwoyo is the Finance Manager of Kenya Safari Lodges and Hotels Ltd.</p> <p>He holds a Bachelor of Commerce (Finance Option) from KCA University. He is certified public Accountant and currently undertaking Masters of Finance at Kenya University</p> <p>A member of ICPAK-Kenya - 19242</p> <p>Work Experience February 2022 to date-Finance Manager-KSLH June 2014-June 2019-Histoto Limited-Head of Finance and Administration April-December 2013-Hamdi Restaurant-Manager/Accountant 2012 Sep-April 2013-Kaplan & Stratton Advocates- 2011-2012-Tumaini Community Development-Accountant</p>
<p>6. Leonard Kusule</p>		<p>DoB: 8th October 1988</p> <p>Mr. Kusule is the Ag. Assistant Internal Auditor. He holds Bachelor of Commerce (Accounting)-University of Nairobi, CPA (K), Certificate in Retail Operations and Management from Artemis Business School, Member of the Institute of Internal Auditors.</p> <p>Work Experience Nov 2013 to Oct2015:Accountant- Busia County Cooperative Enterprise Development Fund Nov 2015 to Oct 2017: Branch Administrator/Internal Auditor-Tusker Mattresses Limited May 2018 to May 2020: Internal Audit Assistant-Kenya Safari Lodges & Hotels Limited June 2020 to date: Ag. Assistant Internal Auditor-Kenya Safari Lodges & Hotels Limited.</p>



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IV. CHAIRMAN'S STATEMENT

Year 2021 witnessed devastating impact on the world economy by the COVID19 pandemic post effect. In 2021 this pandemic continued to create a challenging operating environment for the travel and hospitality industry. Many businesses across a wide spectrum of industries including the hotel and tourism sector have experienced a significant downturn in their trading activities owing to the continued uncertainty associated with the pandemic. The high expectations that 2022 will see a significant recovery in business as we anticipate most of our source markets will lift their restrictions. The initial measures imposed in early 2020 including restrictions in movements within the country and closure of the Kenyan airspace to international passenger flights resulted in to shrinking numbers which on the same being lifted we have experienced increased international clients. The COVID 19 pandemic have been contained as the world, through massive vaccinations most of the countries have opened up their space and we look forward to continued support by government to fully get out of the previous year effects.

BUSINESS REVIEW

The beginning of the financial year 2021/2022 (FY 2021/22) under review coincided with the easing of restrictions and thus business prospects were better than the previous year. Scheduled international flights resumed foreign tourist business for the KSLH Tsavo lodges begun showing signs of recovery. The Board and management of KSLH rolled out robust plans to implement business recovery strategies that were focused on addressing emerging COVID 19 pandemic related risks. The units worked hard to implement the strategies thus improved performance. Mombasa Beach Hotel had high expectations of capturing local holiday makers during the festive season in the second half of December 2021 which was achieved.

Local guests continue to be the main supporters of the hotel and lodge bookings and for Mombasa Beach Hotel bookings by Government Ministries, Department and Agencies (MDAs) for accommodation, conferencing, food and beverage services were the main generators of sales revenue during the first half of FY 2021/2022. As players in the tourism and hospitality sector ushered the New Year 2022, a large number of hotels and lodges were determined to recover from the effects of the previous year low business This posed greater competition for KSLH properties particularly for Mombasa Beach Hotel conferencing business from MDA'S. The Hotel experienced stiff competition due to the status of the facility thus not being able to compete with other Hotels within the North Coast for the few clients visiting the region. The second half of the year also saw most of the government conferences shelved due to the campaigns leading to the August 2022 general election. The last quarter of the year was also characterized by low season in our Tsavo lodges and we expect the season to pick from August 2022.

FINANCIAL PERFORMANCE

KSLH recorded annual sales revenue of Ksh. 273,652,176 as at 30 June 2022 against a revenue budget of Ksh.385, 000,000 representing a variance of 29 % below budget. Compared to FY2020/2021 sales turnover this represents a difference of Ksh.104, 796,049 or a 39 % increase in revenues. Gross margin achieved for 2021/2022 FY was Ksh.193, 232,000 against an estimate of Kshs 304,150,000 representing a reduction of 37% compared to budget. A comparison with the gross profit of Ksh.115, 668,000 for 2020/2021 FY, translates to an increase in GP of 41 % above the previous year.

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KSLH realized an operating loss of Ksh. (65,007,000) compared to budget estimated profit of Ksh. 230,711. and last year, Ksh.(109,715,000).

CHALLENGES FACING THE COMPANY

1. **Facilities:** all three KSLH units require renovations and upgrading of its facilities.
2. **Plant, equipment, furniture and fittings:** Most of the key equipments are not operational or fully depreciated requiring regular repairs.
3. **Motor vehicles:** The set of seven vehicles are fully depreciated, unserviceable and obsolete. There is need for total replacement with new ones.
4. **Business challenges:** the company faces stiff competition from hotels & lodges with modern facilities and has challenges attracting and retaining high value clients owing to the aged status and tired look of the facilities.
5. **Trade creditors, statutory liabilities and unremitted payroll deductions:** the Company is struggling to clear outstanding VAT, PAYE and Tourism Fund levy because of constrained cash flows associated with poor business and negative working capital. Payment plans in place relate to historical debts and KSLH is struggling to meet current tax liabilities and other obligations (pension scheme contributions, SACCO and staff terminal benefits arrears etc)
6. **Debt Collection:** Debt recovery is slow and negatively impacts on cash flows due to long processes in payments by government institutions.
7. **Technical Insolvency:** the Company has been on the brink of technical insolvency arising from persistent losses and very weak and negative working capital. KSLH continued operation as a going concern is dependent upon the support of its creditors, shareholders and Government.

LOOKING AHEAD

Despite all the challenges the Board is committed to improve the company facilities for efficiency and to make our Hotels and Lodges competitive. With improved profitability the company will be able to meet its financial obligations. The likelihood of the impact of Covid 19 continuing to affect our business being live, we are focused to conducting our business operations in a professional and transparent manner mitigating the risks and seeking more partners to support us which will increase our market share.

We are committed to being innovative in our business processes to attract and retain clients outside our traditional market, be more efficient and become economically sustainable



Chairman, Board of Directors

22nd September 2022



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V. REPORT OF THE CHIEF EXECUTIVE OFFICER

During the Financial year 2021/2022 the company experienced business challenges due to Corona virus (Covid-19) pandemic. Despite the low business volumes at the beginning of the year as a result of ease in travel restrictions from the second quarter of the year witnessed reassuring improvement with improved local tourism support especially during the holidays.

The support from the local and regional market segments for leisure and corporate travels have been the key reason our revenues improved compared to the last financial year 2020/2021. Our aim is to continue tapping into the domestic market to diversify our source market as our traditional source markets continue to ease the Covid 19 restrictions.

Within the year Mombasa Beach Hotel continued to receive holiday makers and government conferences from Ministries, Departments and Agencies (MDA'S) while our Tsavo based Lodges had our traditional international clients and domestic clients leading to good performance in the second and third quarter. The lodges were hit by the low season in the fourth quarter being the reason we are working to diversify our market share to include corporate conferences for our Lodges to improve revenues during the low seasons.

TURNAROUND STRATEGIES FOR POST-COVID 19 BUSINESS RECOVERY

The successive waves of the pandemic were associated with emerging risks that required to be quickly addressed to mitigate against the sustained downturn in business levels in the second half of the financial year. The poor financial performance and the related constrained cash flows led to difficulties in meeting obligations to pay suppliers invoices on time, disrupted existing payment plans for settling pending bills including statutory obligations. Strategies implemented in the face of these challenges include stringent cost management involving suspension of all major capital improvement projects, stoppage of staff recruitment in progress and re-negotiation of arrangements to clear pending bills suppliers and other creditors.

Other business challenges arising from the worsening pandemic situation affected the marketing and sales strategies put in place for business recovery. The sales team faced challenges attracting foreign tour operators in the source markets in the EU countries, North America and Asia due to the COVID 19 related travel advisories issued by a number of these countries in the previous year. However the year under review most of our source markets lifted the advisories leading to better performance.

At the beginning of 2021 there were high expectations about the roll-out of the COVID 19 vaccinations which were one of the facilitation to improved movements leading to clients starting streaming into our facilities. The requirement of PCR test certificates at points of entry also necessitated travel.

FINANCIAL PERFORMANCE

KSLH recorded annual sales revenue of Ksh. 273,652,176 as at 30 June 2022 against a revenue budget of Ksh.385, 000,000 representing a variance of 29 % below budget. Compared to FY2020/2021 sales turnover this represents a difference of Ksh.104, 796,049 or a 39 % increase in revenues. Gross margin achieved for 2021/2022 FY was Ksh.193, 232,000 against an estimate of Kshs 304,150,000

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representing a reduction of 37% compared to budget. A comparison with the gross profit of Ksh.115,668,000 for 2020/2021 FY, translates to an increase in GP of 41 % above the previous year. KSLH realized an operating loss of Ksh. (65,007,000) compared to budget estimated profit of Ksh. 230,711.and last year, Ksh.(109,715,000).

This was due to an increase in occupancy levels across all the units and increased utilization of Mombasa Beach Hotel conference facilities and food & beverage services.

KSLH OPERATIONS AND FACILITIES ASSESSMENT

KSLH has experienced financial difficulty and erosion of shareholders capital due to a combination of the following factors;

- 1) **Aged facilities and old equipment, furniture and fittings:**
Most of the buildings and facilities are old and aged requiring complete facelift; most of the equipment, furniture and fittings are fully depreciated and unserviceable posing challenges to operations and efficient service delivery to clients. Areas that call for complete overhaul of operating equipments include:
 - a) **Mombasa Beach Hotel**
 - o **Kitchen cooking ranges and bakery oven;** cold rooms and freezers, laundry equipment, food and beverage equipment for bars and restaurants.
 - o **Guest rooms refurbishment** including balcony sliding doors, bathrooms and main bedroom doors and new linen for the rooms.
 - b) **Voi & Ngulia Safari Lodges**
 - o **Kitchen cooking ranges and bakery oven;** cold rooms and freezers, laundry equipment, food and beverage equipment for bars and restaurants.
 - o ~~The room's interior decor need to be improved and linen renewed.~~
- 2) **High operation costs** - high cost of repairs and maintenance due to aged and worn out facilities, high electricity, water and staff costs. Need to use renewable energy(Solar) in the units.
- 3) **Business challenges** – the units are facing great challenges in attracting and retaining good businesses due to the status of the facilities.
- 4) **Revenue decline** - decline in rooms sales due to the status of the rooms. Influx of new hotels, Airbnb and global brands that have increased competition.
- 5) **Statutory deductions** – the units are not remitting statutory deductions including staff deductions as they should: SACCO, loans to Commercial Banks, Staff Welfare, union's dues, PAYE and Tourism Fund levy due to constrained cash flows.
- 6) **Pending bills (suppliers and other creditors)** – huge levels of unpaid bills; persistent problem of non- payment of suppliers of goods and services on time as per credit terms.
- 7) **Poor debt collection** – KSLH lacks a dedicated debt recovery department and required staff to undertake credit control debt collection functions and responsibilities.



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- 8) **Funding needs** – unable to attract private and or commercial funding
- 9) **Financial downturn experienced in the tourism sector due to external factors** e.g. COVID-19 pandemic, insecurity, political disruption and seasonal fluctuations.
- 10) **Human resources**- gaps in training and professional development.

WAY FORWARD

As the situation of the tourism industry remains unpredictable the Russia-Ukraine conflict has impacted the global economies leading to increased prices of energy and commodities due to disruptions in supply chains. This has added to inflationary pressure thus reduction in disposable income for holiday makers.

The company endeavors’ to leverage on securing our competitive advantage, the resilience of our business while cost efficiency and cash management remains critical.

We are creative Sales and Marketing strategies to be able to compete in the changing customer preferences and market dynamics. We hope to gain new source markets and follow up to retain our current traditional markets for improved performance.

Joseph Ndunda
General Manager

..... 22/09/2022

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VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

KSLH has four strategic objectives within the current strategic plan for the FY 2021 - FY 2025. These strategic objectives are as follows;

Priority Area	Strategic Objectives
Financial sustainability of KSLH	<ol style="list-style-type: none"> 1. Develop new sources of revenue streams 2. Strengthen cost reduction measures
Customer satisfaction	<ol style="list-style-type: none"> 1. Increase market share 2. Increase customer retention 3. Strengthen brand awareness 4. Strengthen partnership with stakeholders
Internal Business process	<ol style="list-style-type: none"> 1. To renovate and refurbish KSLH facilities 2. Improve ICT for increased business 3. Enhance creativity and innovation
Learning and growth	<ol style="list-style-type: none"> 1. Recruit professionals who create success for customers 2. Train and develop staff 3. Develop and implement performance culture 4. Build capacity of Board members

KSLH develops its annual work plans based on the above four pillars/objectives. Assessment of the Board's performance against its annual work plan is done on quarterly basis. KSLH achieved its performance targets set for the FY 2021/2022 for the period for its three strategic pillars/objectives as indicated in the diagram below;

Strategic Pillar	Objective	Key Performance	Activities	Achievements
Customer satisfaction	Increase market share	Customer satisfaction	Sales and Marketing activities	Familiarization trips for Local Tour Operators.
	Increase customer retention			Influencer engagements
	Strengthen brand awareness			Mainstream Media visibility and social media awareness.
	Strengthen partnership with stakeholders			Recognition of repeat clients.
				KSLH increased domestic client database



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Internal Business process	To renovate and refurbish KSLH facilities Improve ICT for increased business	Improved revenue streams.	Request for funding from National treasury and shareholders injection. Refresher training on use of existing ICT systems to maximize value for money	by 40% Approved budget for Repairs and maintenance of facilities Enhanced internal control systems.
Learning and growth	Recruit professionals who create success for customers Train and develop staff Develop and implement performance culture Build capacity of Board members		Training, professional recruitment and appraisals.	Conducted various training programs to staff vide internal and external training. Continuous performance management review.

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VII. CORPORATE GOVERNANCE STATEMENT

Kenya Safari Lodges & Hotel Ltd (“KSLH”) is a limited liability company registered under the Kenya Companies Act whose share holding is as follows:

Shareholder	No. of Shares	% Shareholding
Kenya Development Corporation	4,110,855	82.45%
Mountain Lodges Ltd	884,853	17.53%
Kenya Wildlife Service	1,016	0.02%

Board of Directors

Kenya Safari Lodges & Hotel has Articles of Association as prescribed by the law and under Article 85 the authority to appoint Directors is vested in the Board of Directors. It is the practice that directors are nominated for appointment to the Board of Directors by the shareholders mainly on prorata basis.

The Board is guided by the Board Charter, Government circulars and relevant laws and regulations.

During the period under review the Board consisted of 4 substantive directors and 2 alternate directors as follows:

KDC

Three (3) directors including the Chairman of the Board.

Mountain Lodges Ltd

One (1) director

KWS

One (1) alternate director to the Director-General (KWS)

Inspectorate of state corporations

One (1) alternate director representing Inspectorate of State corporations

Directorships

KSLH Articles of Association Clause 84 provide that the number of Directors shall not be less than two and not more than ten directors. Under Clause 85 of the Articles of Association, provision has been made for the Board, from time to time, to appoint any other person as director, either to fill a casual vacancy or as an addition to the Board so long as at any time the number of directors shall not exceed the maximum number fixed.

Clause 91 of the Articles of Association of the Company provides that directors may elect a Chairman of their meeting and determine the period for which he is to hold office.

The Chairman of the Board is a non executive independent director along with another director nominated by KDC. The directors have a wide range of business and professional skills and experience.



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Board Responsibilities

The roles of the board and Management are separate and their responsibilities clearly defined.

The Board defines the Company's strategic intent, objectives and values and ensures that procedures and practices are in place, to protect the Company's assets and reputation. It is responsible for the stewardship of the Company and assumes responsibility for retaining full and effective control over the Company. The Board also controls, supervises and administers the assets of KSLH; determines the provisions to be made for capital and recurrent expenditure of KSLH; enters into association with other bodies or organizations within or outside Kenya as the Board may consider desirable or appropriate; authorize the opening of banking accounts and acts responsibly towards the Company's stakeholders.

The conduct of Board members is consistent with their duties and responsibilities to the Company and they must always act within the limitations imposed by the Mwongozo Code of Conduct.

In order to ensure that the Board is able to discharge its responsibilities, the management is required to provide adequate and timely information on the Company's policies. It also considers an operational report from the General Manager; management accounts for each quarter; reports from each Board Committee; specific proposals for capital improvements; and major issues and strategic opportunities for the Company.

The Company Secretary advises the Board on all corporate governance matters and statutory requirements as well as attends all the Board meetings.

Board Committees

The Board has set up one main committee as outlined below with delegated mandate as stipulated. The committee is:

Board Audit Committee: the membership comprised of Mr. Edwin Wanyonyi (Chair), Mr. Erastus Njoroge and Ms. Nora Ratemo (Member).

Since Kenya Safari Lodges and Hotel is a state corporation, this committee is guided by the guidelines for audit committees in the public sector issued by the Treasury. Its main activities are to determine whether risks, internal controls and compliance maturities are reasonably in place, planned and directed, for goals of KSLH to be realized as expected by stakeholders. It does this by overseeing the auditing and financial reporting processes of KSLH.

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VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The company sales revenue increased by 39% to Kshs.252M from Kshs.154M attained in FY2020/2021. All the 3 Units of KSLH, recorded increased sales revenues compared to the previous year. The sales were below the targeted sales in the annual budget 2020/2021. This was as a result of the continued effect of COVID 19 global Pandemic and the associated business downturn due to our source markets still under travel restrictions hence negative impact on the occupancy levels.

The company performance trend for the last five years is as tabulated below;

Kshs '000	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Revenue	300,951	435,949	369,773	154,003	251,612
Profit/Loss	(35,781)	27,688	21,517	(109,715)	(65,007)

Although the renovation project was scheduled to begin at the beginning of the period under review this was set-aside due to lack of funding. Therefore the company was only able to undertake minimal capital improvement to replace the worn machines and equipments for all the units and much more is yet to be achieved. As a result KSLH properties are unable to command a leadership position in market share within their respective locations.

The company's statutory and other financial obligations have continued to increase as shown below. This state of affairs is attributed mainly by historical liabilities accrued over the years, decreasing revenues and profitability experienced in the last five years.

	AMOUNT
VAT	257,742,870
WITHHOLDING TAX	9,943,448
PAYE	179,729,889
TOURISM FUND	61,266,067
PENSION	35,207,385
SACCO	4,044,205
TRADE CREDITORS	115,947,232

Consequently the company is facing liquidity risk, due to the negative working capital casting doubt on the ability of the company to meet its financial obligation when they fall due and its continued existence as a going concern depends on the continued support from its creditors.



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Management is hopeful that the company is going to maintain profitability as indicated as our source international markets continue lifting travel restrictions, facility improvements and widening our market source to domestic markets. Meanwhile Management has reviewed its Strategic plan, putting more emphasis on all its trading units to ensure revenues start rising to enable the company reduce its trade creditors and other liabilities. Out of court settlement and negotiations on payment modalities have also been undertaken between trade creditors, other creditors and KSLH, the company having been issued with demand letters and we endeavor to honor the commitments entered.

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IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KSLH exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services and improving operational excellence.

KSLH is committed to carrying out its business and affairs in a socially responsible, sustainable and meaningful way, taking into account ethics, economic development and the environment while improving the quality of life of the workforce, their families, local community and society at large.

KSLH focused its commitment and contributions along the lines of the following core themes:

- (i) **Sustainability strategy and profile-** during the year, KSLH undertook drastic measures on cost management to keep the company afloat. Ongoing negotiations with Trade creditors and others on fair prices and payment modalities, engagement with our main banker and shareholders on financing. KSLH also undertook rigorous Sales and marketing activities with an aim of boosting revenue.
- (ii) **Environmental performance-** During the year KSLH undertook several beach cleaning exercises geared towards protection and rehabilitation of the environment more specifically the beach environment. The lodges participated in tree planting activities within the year. We have been abiding to the NEMA guidelines on effluent discharge and waste disposal.
- (iii) **Employee welfare-** during the year HR instruments was reviewed by SCAC in line with the best practice. The instruments were presented to the Board of directors and implementation is ongoing. The instruments are holistic in nature taking into account professional hiring modalities, gender ratios and regional balance. KSLH is prescribed to the implementation of Occupational safety and health Act of 2007, (OSHA).
- (iv) **Market place practices –** KSLH ensures responsible competition practices by addressing issues of corruption, fair competition and respect for competitors. KSLH is not affiliated to any political party but respects all as possible clients.

Corporate social responsibility/Community engagements

- a. **Education-** During the year KSLH endeavored to support educational activities which include HIV/AIDS awareness, Career development among the vulnerable groups and Special projects geared towards empowerment of the youth through internship.
- b. **Sports promotion -**KSLH has sports teams for men and women which participate in local tournaments.
- c. **Beautification projects -** KSLH sought to partner with other stakeholders in beautification of the city of Mombasa. The lodges have also partnered with KWS on environmental clean-ups within the parks.
- d. **Local community programs-**During the year KSLH partnered with local community in CSR activities like provision of food and basic donations.



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X.REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Kenya Safari Lodges and Hotels affairs.

Principal activities

The Principal activity of the Kenya Safari Lodges and Hotels is ownership and operation of hotel and lodge facilities in Kenya. KSLH vision is to provide premiere hospitality experiences in Kenya; the mission is to enhance customer value by offering premiere Hospitality experiences with an African heritage and core values are Integrity Service excellence Discipline Team work Innovation Social responsibility Dedication and commitment

Results

The results of the entity for the year ended June 30, 2022 are set out on page 1

Dividends

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

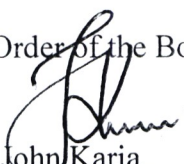
Directors

The members of the Board of Directors who served during the year are shown on page ii-iii In accordance with Regulations of the Kenya Safari Lodges and Hotels Ltd Memorandum and Articles of Association; Mr. Christopher Huka was appointed as the new Chairman of the board of directors with effect from 12th August 2021 replacing Mr. Antony Kingi.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Safari Lodges and Hotels Ltd in accordance with article 229(4) (5) (6) and (7) of the Constitution of Kenya and Public Audit Act 2015 and the Public Finance Management (PFM) Act 2012.

By Order of the Board


Mr. John Karia
Corporation Secretary
Mombasa
Date: 22/09/2022

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XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81(5) of the Public Finance Management Act, 2012 and section 14(3) of the State Corporations Act, require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the KSLH's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements 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 Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

The directors noted the liquidity risk facing the company and the shareholders commit to support the company in improving the facility to generate more revenues.

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

Approval of the financial statements

KSLH financial statements were approved by the Board on the nd 22nd Day of SEPT. 2022 and signed on its behalf.

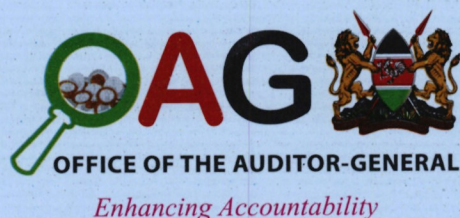
Signature.....

Mr. Christopher Huka
Chairman of the Board

Signature.....

Mr. Joseph Ndunda
Accounting Officer

REPUBLIC OF KENYA



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REPORT OF THE AUDITOR-GENERAL ON KENYA SAFARI LODGES AND HOTELS LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Safari Lodges and Hotels Limited set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2022, 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 Kenya Safari Lodges and Hotels Limited as at 30 June, 2022, 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. Trade and Other Receivables

The statement of financial position reflects a balance of Kshs.160,672,000 in respect to trade and other receivables and as disclosed in Note 19 to the financial statements. However, the following observations were made:

1.1 Long Outstanding Trade Debtors

Note 19 to the financial statements reflects trade debtors' balance of Kshs.143,139,000, out of which debtors amounting to Kshs.126,755,185 representing 89% of total trade debtors had been outstanding for more than six (6) months. However, the Management had not provided evidence of efforts made to recover the long outstanding debtors. Further, the trade debtors balance includes Kshs.167,643 owed by the defunct Transition Authority and Kshs.224,680 owed by Paradise Hotel which was closed.

1.2 Failure to Recover Staff Debtors

Note 19 to the financial statements reflects trade debtors balance of Kshs.143,139,000 which includes Kshs.889,309 and Kshs.3,181,906 owed by ex-staff and current staff respectfully. However, the Management did not explain why recoveries had not been made from the ex-staff retirement benefits and the current staff salaries.

1.3 Stolen Cash

Note 19 to the financial statements reflects other debtors and prepayments balance of Kshs.24,271 000 out of which, Kshs.191,080 represents cash stolen at Voi Safari Lodge in November, 2018. Available records indicated that the Management reported the incidence to the Police in November, 2018 and the suspect was later taken to Court. Although it was explained that the Court vindicated the staff in November, 2022, the details of this case were not provided for audit review and the stolen cash amounting to Kshs.191,080 appears to be a loss to the Company.

In the circumstances, the validity and recoverability of trade and other receivables amounting to Kshs.160,672,000 could not be confirmed.

2. Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.576,390,000 in respect to property, plant and equipment and as disclosed in Note 16 to the financial statements. The following inadequacies were noted:

2.1 Fixed Assets Register and Management of Fixed Assets

Review of the assets register and other assets management records revealed that:

- i. There was no fixed assets maintenance plan and budget.
- ii. No fixed assets reports and registers were prepared and sent to the National Treasury, contrary to Paragraph 182(1) of the National Treasury Guidelines on Asset and Liability Management in the Public of March, 2020 which requires the Accounting Officer of a public sector entity to ensure that quarterly and annual assets reports, including assets registers are submitted to The National Treasury in the prescribed formats.
- iii. Mombasa Beach Hotel assets were not tagged with unique identification numbers.
- iv. Assets transfer form/ register between units/departments was not maintained.

2.2 Unconfirmed Ownership of Freehold Land

The statement of financial position reflects a balance of Kshs.576,390,000 in respect to property, plant and equipment and as disclosed in Note 16 to the financial statements. As previously reported, this balance includes freehold land in Mombasa valued at Kshs.360,000,000 whose title deed was not provided for audit verification.

2.3 Unsupported Demolition and Disposal of Indoor Games Arena Building

Included in the balance of Kshs.576,390,000 in respect to property, plant and equipment are buildings with a net book value of Kshs.180,338,000. This amount in turn includes a demolished building of an unknown value which served as an indoor games arena. Although the Management explained that the building had been cordoned off for more than seven (7) years before demolition, no evidence was provided on how the building was identified. Further, the book value of the demolished building had not been determined and removed from the financial statements.

In the circumstances, the accuracy, completeness, valuation, security, ownership and custody of property, plant and equipment balance of Kshs.576,390,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Safari Hotel and Lodges

Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Material Uncertainty Related to Going Concern

As previously reported, I draw attention to the disclosure in Note 32 to the financial statements which indicates that the Company is facing a liquidity risk due to its negative working capital amounting to Kshs.598,622,000 resulting from its total current liabilities of Kshs.795,623,000 exceeding its total current assets of Kshs.197,001,000 as at 30 June, 2022. In addition, the Company had accumulated losses totalling to Kshs.578,774,000 as at 30 June, 2022 (2021 - Kshs.513,767,000). The Management and the Directors have disclosed that this unsatisfactory situation is being addressed through review of marketing strategies with focus on lodges and negotiations and out of court settlement with the creditors.

Further, as previously reported, the Company in 2013/2014 financial year successfully negotiated for conversion into equity of a loan totalling to Kshs.75,554,000 received from the Tourism Finance Corporation whose interest accrued thereon was waived. However, despite these actions, the working capital position of the Company and its overall financial performance have continued to decline.

These conditions indicate the existence of a material uncertainty that casts doubt on the Company's ability to meet its financial obligations as they fall due, and to continue as a going concern. Therefore, the Company's existence as a going concern is dependent upon continued support from its shareholders, bankers and creditors.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects that the Company had a final revenue budget and actual on a comparable of Kshs.304,250,000 and Kshs.215,272,000 respectively resulting to a shortfall of Kshs.88,978,000 or 29% of the budget. Similarly, the Company expended Kshs.280,279,000 against an approved budget of Kshs.304,019,000 resulting to an under-expenditure of Kshs.23,740,000 or 8% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

3. Forfeiture of Cash Receipts on Sale of Shares

As previously reported, the share capital of the Company was increased from Kshs.9,319,000 to Kshs.100,954,000 by a rights issue of 5,047,724 ordinary shares of Kshs.20 each in October, 2013. The shares were offered to existing shareholders at Kshs.20 per share based on par value. However, the net assets of the Company as at

30 June, 2013 amounted to Kshs.667,399,000, and therefore the net assets value of each share was Kshs.145.65. As a result, the rights issue price of Kshs.20 per share was undervalued by Kshs.125.65 and resulted in loss to the Company of significant cash receipts that may otherwise have helped in reversing the Company's unfavorable cash position.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board templates.

Other Information

The Directors and Management are responsible for the other information, which comprises (The Chairman's Report, Directors' Report, the Statement of Corporate Governance, Management Discussions and Responsibilities, Statement of Corporate Social Responsibility and the Statement of Directors' Responsibilities.) The other information does not include the financial statements and my auditor's report thereon.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unremitted Statutory Deductions

The statement of financial position reflects a balance of Kshs.783,217,000 in respect to trade and other payables and as disclosed in Note 24 to the financial statements. The balance includes payables for Value Added Tax, Catering Levy, National Social Security

Fund, Pay As You Earn, National Hospital Insurance Fund and other payables amounting to Kshs.574,796,000 which had not been remitted as at 30 June, 2022 to the relevant Government Entities.

In the circumstances, the Company risks losing funds due to interest and penalties which may arise from non-remittance of statutory dues and the Management was in breach of the law.

2. Unconfirmed Certificates

Review of documents presented for audit review revealed that the Company conducted a staff certificate verification exercise during the year under review and the end report indicated that the authenticity of certificates for three (3) members of staff could not be confirmed. Further, the payroll information review revealed that the staff in question were still in employment and drawing full salaries from the Company despite having issues with their certificates.

In the circumstances, the disciplinary action taken by the Management against those staff could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Strategic and Operational Plans

Review of the Company's general information and operational environment revealed that the Company had developed a draft strategic and operational plan for the period 2022 - 2025 which had not been approved by the Board as at 30 June, 2022. Through the strategic and operational plan, the Company's key performance indicators could have been determined at the organizational level and extended to business units, departments, teams, and individuals.

In the circumstances, the Company's business strategy, performance objectives, measurements and indicators could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on the 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 my audit;
- ii. In my opinion, adequate accounting records have been kept by Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements agree with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 May, 2023

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2022

XIII. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

		JUNE	JUNE
	Notes	2022	2021
		Shs'000	Shs'000
TURNOVER	4	251,612	154,003
COST OF SALES	7	(58,380)	(38,335)
GROSS PROFIT		193,232	115,668
OTHER INCOME	5	10,535	7,708
TOTAL INCOME		203,767	123,376
OPERATING COSTS	8	(55,218)	(40,524)
STAFF COSTS	9	(173,396)	(151,445)
ADMINISTRATIVE COSTS	10	(14,569)	(18,830)
REPAIRS AND MAINTENANCE	11	(17,230)	(10,693)
ADVERTISING AND PROMOTION	12	(2,174)	(1,553)
GENERAL EXPENSES	13	(9,479)	(6,389)
DEPRECIATION	16	(6,913)	(9,903)
AMORTIZATION			
TOTAL EXPENSES		(278,979)	(239,338)
OPERATING PROFIT/(LOSS)		(75,211)	(115,962)
FINANCE INCOME	6	11,505	7,145
FINANCE COSTS	14	(1,301)	(662)
EARNINGS BEFORE EXTRA ORDINARY ITEMS		(65,007)	(109,479)
PROFIT/(LOSS) BEFORE TAX		(65,007)	(109,479)
INCOME TAX EXPENSE/(CREDIT)			
PROFIT AFTER TAX		(65,007)	(109,479)
PROVISION FOR BAD DEBTS			
LOSS FOR THE YEAR		(65,007)	(109,479)

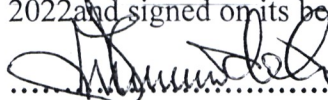


KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2022


XIV. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2022

		JUNE	JUNE
	Notes	2022	2021
ASSETS		Shs'000	Shs'000
NON-CURRENT ASSETS			
Properties, Plant and Equipment	16	576,390	600,872
Intangible assets	17	0	0
CURRENT ASSETS			
Inventories	18	7,922	7,801
Trade and other receivables	19	160,672	161,618
Short term Deposits	29	23,585	22,810
Cash and cash equivalent	25	4,822	5,832
Sub-total		197,001	198,061
TOTAL ASSETS		773,392	798,933
EQUITY AND LIABILITIES			
OWNERS' EQUITY			
CAPITAL AND RESERVES			
Share Capital	20	100,954	100,954
Revaluation Reserve	22	448,064	467,393
Retained Earnings	21	(578,774)	(513,767)
Shareholders' Funds		(29,756)	54,580
NON-CURRENT LIABILITES			
Borrowings -long term	23	7,525	7,525
Contigent Liabilities	28	0	4,000
Sub-total		7,525	11,525
CURRENT LIABILITIES			
Borrowings-short term	26	8,281	0
'KDC Loan	26	4,125	4,125
Trade and other payables	24	783,217	728,703
Other payables		0	0
		795,623	732,828
TOTAL OWNERS' EQUITY AND LIABILITY		773,392	798,933

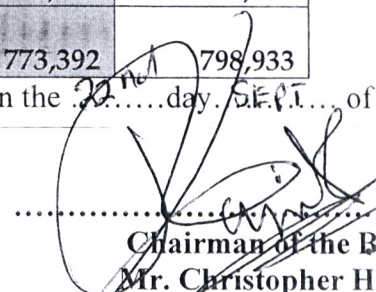
The financial statement were approved by the Board of directors on the 20th day of Sept. of 2022 and signed on its behalf by:



General Manager
Joseph Ndunda



Finance Manager
Douglas Nyokwoyo
ICPAK No. 19242



Chairman of the BOD
Mr. Christopher Huka

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
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XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Ordinary Shares	Revaluation Reserve	Profit & Loss Account	Total
As at 30 June 2020	100,954	486,727	(404,288)	183,393
Rights Issue				-
Prior year adjustment				
Revaluation surplus				-
Net Profit for The year			(109,479)	(109,479)
Prior year adjustment on revaluation				-
Transfer To Depreciation Equivalent		(19,334)		(19,334)
As at 30 June 2021	100,954	467,393	(513,767)	54,580
Rights Issue				-
Prior year adjustment		5		5
Revaluation surplus				-
Net Profit for The year			(65,007)	(65,007)
Prior year adjustment on revaluation				-
Transfer To Depreciation Equivalent		(19,334)		(19,334)
As at 30 June 2022	100,954	448,064	(578,774)	(29,756)

The financial statements were approved by the Board on 22nd September 2022 and signed on its behalf by:

General Manager

Name: Mr. Joseph Ndunda

Signature: 

Finance Manager

Name: Douglas Nyokwoyo

Signature: 

Chairman of the Board

Name: Mr. Christopher Huka

Signature: 



KENYA SAFARI LODGES AND HOTELS LIMITED
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XVI. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2022

		JUNE	JUNE
		2022	2021
		Shs'000	Shs'000
Operating activities			
Profit/(Loss) before tax		(65,007)	(109,479)
Adjustments for:-			
Gain on sale of fixed assets		-	-
Depreciation	16	6,913	9,903
Armotization		-	-
Prior year adjustment		4	2
Interest income (from KCB fixed deposit)	6	(776)	(1,781)
Finance cost	14	1,301	662
Cash flow from/(used in) operations before		(57,565)	(100,692)
Working capital changes:			
(Increase)/Decrease in inventories	18	(121)	3,182
(Increase)/Decrease in Trade & receivables	19	946	1,748
Increase/(Decrease) in Payables & accruals	24	50,514	33,234
Sub-Total		51,339	48,164
Net cash flow from operating activities		(6,226)	(52,528)
Investing activities			
Short term Investment	29	(776)	(1,781)
Purchase of fixed assets	16	(1,764)	(1,074)
Proceed from sale of Fixed Assets		-	-
Interest received	6	776	1,781
Net cash flow from investing activities		(1,764)	(1,074)
Financing activities			
Rights Issue proceeds		0	0
Loan repayment	23,26	-	(688)
Service Gratuity settlement	24	-	(2,842)
Bank overdraft	26	8,281	0
Payment of Finance cost	14	(1,301)	(662)
Net cash flow from financing activities		6,980	(4,192)
Net Cash Flow from the year 2022		(1,010)	(57,794)
Cash and cash equivalents at the beginning of the year		5,832	63,626
Cash and Cash Equivalents at the End of the Year	25	4,822	5,832

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2022

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2022

	Original Budget	Adjustment	Final Budget	Actual On Comparable Basis	Performance Difference	% Variance
	2021-2022 Kshs'000'	2021-2022 Kshs'000'	2021-2022 Kshs'000'	2021-2022 Kshs'000'	2021-2022 Kshs'000'	
SALES	385,000	-	385,000	273,652	-111,348	-29%
COST OF SALES	80,750	-	80,750	58,380	-22,370	-28%
	0		-	-	-	
GROSS PROFIT	304,250	-	304,250	215,272	-88,978	-87%
	0		-	-	-	
EXPENDITURE	0		0	-	-	
Salaries Wages	116,565	-	116,565	107,672	-8,893	-8%
Staff Expenses	53,639	-	53,639	53,994	355	1%
Staff Travel	11,471	-	11,471	11,729	258	2%
Property Upkeep & Expenses	9,587	-	9,587	9,489	-98	-1%
Repairs & Renewals	13,903	-	13,903	14,462	559	4%
Operating Costs	61,959	-	61,959	57,986	-3,973	-6%
Office Expenses	7,186	-	7,186	6,282	-904	-13%
Administration Expenses	4,000	-	4,000	3,974	-26	-1%
Directors fees/expenses	4,000	-	4,000	1,503	-2,497	-62%
Advertising & Promotion	3,697	-	3,697	2,174	-1,523	-41%
General Charges	9,118	-	9,118	2,810	-6,308	-26%
Depreciation & Amortization	8,014	-	8,014	6,913	-1,101	-14%
Interest & Other Charges	880	-	880	1,301	421	48%
TOTAL OPERATING EXPENSES	304,019	-	304,019	280,279	-23,740	-7%
OPERATING PROFIT	231	-	231	-65,007	-64,776	-56196%

Notes to budget variances

The underachievement on sales was caused by low business volumes due to Covid 19 pandemic effects. We noted that the actual expenditure was less than the budgeted figures due to the under performance of the targeted revenue and cash flow constraints.

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2022

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Safari Lodges and Hotel Ltd was incorporated under the Kenya Companies Act (Cap 486) KSLH is classified as a State Corporation by virtue of being a subsidiary of Kenya Development Corporation (KDC,) which has a direct controlling stake of 82.45% of shares its domiciled in Kenya. The entity's principal activity is ownership and operation of hotel and lodge facilities in Kenya.

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 are prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

The financial statements have been prepared in compliance with the PFM Act, the state Corporation Act, and International Financial Reporting standards (IFRS) issued by the International Accounting Standards Board (IASB). The financial statements have been prepared and presented in Kenya shillings (Kshs) rounded to the nearest thousand.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ACCOUNTING POLICIES

a) Revenue Recognition

Turnover represents billings to guests and casual customers for accommodation, food and other services provided net of Value Added Tax, returns and rebates. Interest income is recognized when it accrues, by reference to the principal outstanding and the interest rate applicable. All other revenues are recognized at the time goods are supplied or services are provided.

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property, Plant and Equipment

All Property, Plant and Equipment are stated at cost or revaluation less depreciation. The Mombasa Beach Lease is for a term of 99 years while Leases for Voi and Ngulia Safari

Lodges were for a term of 50 years up to 2018 and 2019 respectively. Property, Plant and Equipment acquired under finance lease agreement are capitalized at the date of the agreement. 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 for Voi Safari Lodge & Ngulia Safari Lodge is amortized over the lease period.

The annual rates used are as follows: -

Buildings	30 years or the unexpired lease
Plant, Machinery, Furniture & Fittings	8 years
Vehicles	4 years
Computers	3 years
Intangible assets (soft ware's)	3 years

c) Intangible Assets

Intangible assets represent computer software which is stated at cost less amortization. Amortization is calculated to write off the cost of the assets on a straight line basis over their estimated useful life of 3 years.

d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

e) 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.



KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Trade Receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the end of the year. Bad debts are written off when all reasonable steps to recover them have failed.

g) Loans/Bank Borrowings

Interest bearing loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise. Interest and other finance charges are recognized as an expense in the period which they are incurred.

h) Trade Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether billed or not.

i) Taxation

Current taxation is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognized for all deductible **temporary** differences, carry forward of unusual tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilized.

j) Employee Benefit Costs

The company operates a pension scheme which commenced 1st January 1975 (Certificate of Registration: Ref. No RBA/SC/01044) and is funded by payments from both the employee and the company. Benefits are paid to retiring staff in accordance with the Scheme's Trust Deed and Rules.

Being a Defined Contributions Scheme, liability is limited to the contribution and the Company has no obligation if the fund does not have sufficient funds to pay members



KENYA SAFARI LODGES AND HOTELS LIMITED
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

retirement funds. Employer and Employee contribution rate is 10% and 5% respectively.

The company also contributes to the National Social Security Fund (NSSF). Contributions are determined by the local statute and are currently at Kshs. 200 per employee per month.

Contributions by the company in respect of retirement benefit costs are charged to the Income Statement in the year to which they relate.

Provision for staff leave and service pay

Employees' entitled to annual leave are charged to the Income Statement as they fall due.

Employees on contract are entitled to gratuity at the end of the contract or employment, whichever ever comes earlier. The estimated monetary liability for such entitlement at the end of the balance sheet date is recognized as an expense accrual.

k) Dividends

Dividends on Ordinary shares (when earned) are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

l) Cash & Cash Equivalents

The company's Cash and Cash equivalents consist of Cash in Hand, Demand Deposits and Short-term investments with original maturities of three months or less from date of acquisition.

Cash in Hand and in banks and short term deposits which are held to maturity are carried at cost plus interest earned but not yet received at the balance sheet date.



KENYA SAFARI LODGES AND HOTELS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

	JUNE	JUNE
	2022	2021
	Shs'000	Shs'000
4.TURNOVER		
Accommodation	79,487	43,127
Food	108,953	71,123
Beverage	29,752	19,096
Tobacco	218	206
Telephone	0	0
Laundry	287	201
Business Center	583	280
Functions	30,610	19,046
Petrol and oil	4	5
Sporting Facilities	1,718	920
	251,612	154,003
5.OTHER INCOME		
Rent	1,402	883
Sales of Fixed Assets	0	0
Other income	9,133	6,825
	10,535	7,708
6.FINANCE INCOME		
Foreign Exchange Gain	10,729	5,364
Interest Income	776	1,781
	11,505	7,145
7.COST OF SALES		
Food	46,374	30,607
Drinks	9,694	5,343
Tobacco	168	154
Telephone	0	0
Functions	1,878	2,138
Laundry	48	3
Business Center	218	90
Petrol and Oil	0	0
Sporting Facilities	0	0
	58,380	38,335

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS

	JUNE	JUNE
	2022	2021
	Shs'000	Shs'000
8. OPERATING COSTS		
Electricity	16,945	15,572
Fuel and gas	15,322	9,122
Water	3,877	3,447
Laundry & cleaning	8,771	6,808
Vehicle operating costs	2,181	1,525
Guest entertainment	4,671	2,209
Others	3,451	1,840
	55,218	40,524
9. STAFF COSTS		
Salaries and Wages	107,673	94,399
Staff Expenses	53,994	46,959
Staff Travel	11,729	10,088
	173,396	151,445
10 ADMINISTRATIVE EXPENSES		
Audit Fees	2,919	1,500
Professional Fees	435	833
Directors Expenses	1,503	3,755
Bad Debts provision	108	550
Service pay provision	0	0
Legal Fees	620	1,815
Office Expenses	6,282	5,586
General Expenses	2,702	4,791
	14,569	18,830
11. REPAIRS & RENEWALS EXPENSES		
Building	4,957	3,629
Plant & Machinery	5,561	3,914
Motor Vehicles	2,769	1,802
Others	3,943	1,348
	17,230	10,693



KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS

	JUNE	JUNE
	2022	2021
	Shs'000	Shs'000
12. ADVERTISING & PROMOTION		
Advertising Expenses	105	294
Sales Promotion	2,069	1,259
	2,174	1,553
13. GENERAL CHARGES		
Rent & rates	2,251	2,363
Insurance	5,478	2,799
Gardens & Grounds	76	55
Maintenance Contracts	1,674	1,172
Service Pay Provision	0	0
	9,479	6,389
14. FINANCE COSTS		
Long/Short -term interest	332	216
Bank charges including overdraft	969	446
	1,301	662
15. TAXATION		
<u>a) Current Tax</u>		
Tax charge for year		
Deferred tax		
There was no tax charge for the year due to Accumulated tax losses		

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2022

Notes to the financial statements (Continued)

16. PROPERTIES, PLANT AND EQUIPMENT JUNE 2022

	LAND Kshs'000	BUILDINGS Kshs'000	PLANT & MACHINERY Kshs '000	FURNITURE & FITTINGS Kshs '000	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	Total
COST/VALUATION							
At July 1,2021	400,000	657,813	85,700	47,082	14,621	20,694	1,225,910
Additions	-	-	1,162	-	-	602	1,764
Transfers			-	-	-		-
Disposal	-	-	-	-	-	-	-
Prior year adjustment				(1)			(1)
At June 30,2022	400,000	657,813	86,862	47,081	14,621	21,296	1,227,673
Depreciation							
At July 1,2021	15,680	455,403	72,854	46,322	14,621	20,159	625,038
Charge for the year	640	22,073	2,766	131	-	636	26,246
Prior year adjustment		(1)	(77)			76	(2)
Impairment loss	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-
At June 30,2022	16,320	477,475	75,543	46,453	14,621	20,871	651,283
Net book value at June 30,2022	383,680	180,338	11,319	628	0	425	576,390

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2021	LAND Kshs'000	BUILDINGS Kshs'000	PLANT & MACHINERY Kshs '000	FURNITURE & FITTINGS Kshs '000	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	Total
COST/VALUATION							
At July 1,2020	400,000	657,813	85,168	47,082	14,621	20,152	1,224,836
Additions	-	-	532	-	-	542	1,074
Transfers			-	-	-		-
Disposal	-	-	-	-	-	-	-
At June 30,2021	400,000	657,813	85,700	47,081	14,621	20,694	1,225,910
Depreciation							
At July 1,2020	15,040	431,117	69,474	46,109	14,621	19,439	595,800
Charge for the year	640	24,286	3,379	213	-	720	29,237
Impairment loss	-	-	-	-	-	-	
Eliminated on disposal	-	-	-	-	-	-	
At June 30,2021	15,680	455,403	72,854	46,322	14,621	20,159	625,038
Net book value at June 30,2021	384,320	202,410	12,846	760	0	536	600,872

Valuation

Land and buildings were valued by crystal valuers ltd independent valuer on 15th March 2010. These amounts were adopted on June 30, 2010.

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16. (b) PROPERTIES, PLANT AND EQUIPMENT AT COST (KShs'000)

If the freehold land, Leasehold land, buildings and other assets were stated on the historical cost basis the amount would be as follows

Description	Cost	Accumulated Depreciation	NBV
	Kshs "000"	Kshs "000"	Kshs "000"
Land-leasehold	8,000.00	8,000.00	-
Land-freehold	360,000.00	-	360,000.00
Buildings	451,154.00	368,109.00	83,045.00
Plant and Machinery	98,654.00	87,791.00	10,863.00
Furniture and fittings	23,752.00	23,128.00	624.00
Motor Vehicles	17,118.00	17,118.00	-
Computers	21,296.00	20,713.00	583.00
	979,974.00	524,859.00	455,115.00

Property, plant and Equipment includes the following assets that are fully depreciated

Description	Cost	Normal Annual Depreciation Charge
	Kshs "000"	Kshs "000"
Land-Leasehold	8,000	160.00
Buildings	114,710	6,194.00
Plant and Machinery	64,734	8,092.00
Furniture and fittings	46,032	5,754.00
Motor Vehicles	14,621	3,655.00
Computers	19,386	6,556.00



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17. INTANGIBLE ASSETS

	2021-2022	2020-2021
	Kshs'000	Kshs'000
COST/VALUATION		
At July 1, 2021	3,845	3,845
Additions	-	-
Disposal	-	-
At June 30,2022	3,845	3,845
Amortization		
At July 1,2021	3,845	3,845
Charge for the year	-	-
Disposal	-	-
Impairment loss	-	-
At June 30,2022	3,845	3,845
Net Book Value at June 30, 2022	-	-

NB				
Software	Fully depreciated	depreciating	rate	Charge
	3,845	0	33.30%	0

The figure relates to computer software and licenses for our front office Fidelio, Sun system and materials controls system that are currently in use.

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	JUNE 2022	JUNE 2021
	Shs'000	Shs'000
18. INVENTORIES		
Food	1,622	1,529
Beverage	2,248	1,395
Tobacco	16	33
Stationary	586	621
Others	3,450	4,224
Total	7,922	7,801
19. TRADE AND OTHER RECEIVABLES		
Trade debtors,	143,139	136,519
Bad debts provisions	(6,738)	(6,631)
Other debtors and prepayments	24,271	31,730
	160,672	161,618
20. SHARE CAPITAL		
Authorised, issued and fully paid 5,047,724 Ordinary shares of Kshs. 20/= each.	100,954	100,954
21. RETAINED EARNINGS		
	(582,667)	(513,767)
SHAREHOLDERS		
Kenya Development Corporation.	82.45%	
Mountain Lodge	17.53%	
Kenya Wildlife Service Trustees	0.02%	
22. REVALUATION RESERVE		
Balance b/f	467,398	486,731
Depreciation transferred to retained earnings relates to revaluation gain on assets (crystal valuers 2010)	(19,334)	(19,333)
Balance C/F	448,064	467,398



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	JUNE	JUNE
	2022	2021
	Shs'000	Shs'000
23. BORROWING LONG TERM		
Loan KDC	7,525	7,525
KCB asset financing	0	0
Total	7,525	7,525
24. TRADE AND OTHER PAYABLES		
Trade creditors	115,947	*106,976
Unearned income	32,221	21,115
Accruals	13,422	12,783
Audit fees	11,828	7,566
Other Payables including VAT & CLT	574,796	*538,306
Service Gratuity	35,002	41,957
	783,216	728,703
25. CASH AND CASH EQUIVALENT		
Cash in hand (float)	882	600
Dollar equivalent KCB \$ A/C	1,687	1,907
Cash in Bank BBKA/C	2,253	2,093
Cash in KCB KSH A/C	-	1,231
Total	4,822	5,832

Cash Equivalent include short term liquid investments which are readily convertible to known amounts of cash and which were within three months of maturity when acquired.

Detailed analysis of the cash and cash equivalent

Financial Institution	Account Number	2021-2022
a) Current account		
Kenya Commercial Bank (Ksh)	1106515188	0
Kenya Commercial Bank (USD)	1107647819	1,687
Barclays bank account(Ksh)	8207166	2,253
Sub-total		3,940
b) On call deposits		
		-

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c) Staff car loan/Mortgage		-
d) Others		0
Cash in hand(Float)		882
Sub –total		882
Grand total		4,822

Notes to the financial statements (Continued)

	JUNE	JUNE
	2022	2021
	Shs'000	Shs'000
26. BORROWING SHORT TERM		
Bank Overdraft	5,957	-
KCB A/C IPF Loan	2,324	-
KDC Loan (12 months @ 343,779)	4,125	4,125
	12,406	4,125
-KDC Loan relates to amount payable within the next one year		
-The Bank overdraft is secured by cash investments in form of fixed deposit		
27.DIVIDENDS		
28. CONTINGENT LIABILITIES		
Legal Fee	0	4,000
	0	4,000



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. SHORT TERM DEPOSIT	JUNE	JUNE
	2022	2021
	Shs'000	Shs'000
Cash investments(FD at KCB TRY SQ Acc No 1124550186)	23,585	22,810
The Bank overdraft is secured by cash investments	23,585	22,810

The cash investments (Fixed deposit at KCB treasury square account) held in Kenya Commercial bank of Ksh. 23,585,000 are funds held as Sinking fund. This was formed after the Board granted its approval. This has been separated from cash and cash equivalent to short term investments based on the recommendation by Auditor General as best practice (Refer statement of cash flows)

Fixed deposit account		2021-2022	2020-2021
Kenya Commercial bank (Ksh)	MM1721487681	23,585	22,810
Sub-total		23,585	22,810

30. SUBSEQUENT EVENTS

The leasehold land for Voi and Ngulia Safari Lodges expired in November 2018 and March 2019 respectively. The company applied to Kenya Wildlife Service for the renewal of the leases and on 16th July 2021 KWS gave a provisional renewal of lease for a further three years until 2024.

No other events have become known or occurred that may lead to significant changes to these financial statements. These would be like court judgments or regulatory decisions that may affect reported assets/liabilities or adversely reflect upon the integrity of the decision-maker.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. RELATED PARTY TRANSACTIONS

During the year the following transactions were executed with related parties: -

1. Kenya National Parks (KNP) which owns 0.02% of KSLH had leased Voi and Ngulia lodges to KSLH. The company has been paying monthly lease rents for both Ngulia and Voi Safari Lodge.
2. Kenya Development Corporation (KDC) which owns 82.45% of KSLH had allocated office space to KSLH at Utalii House, Nairobi.
3. During the year KSLH was able to attract and transact business with a number of county governments and central government ministries in terms of seminars and conferences, these included among others;

MDA's	Amount
Kenya Medical Training Centre	21,863,410
IEBC	8,069,500
Kenya Maritime Authority	7,959,450
State Department of Petroleum	6,431,920
State Department for Planning	5,789,000
KERRA	5,646,020
Machakos County	4,518,480
State Department of Interior	4,257,400
State Department for Crop Development	3,181,537
Makueni County	3,056,500

All the above transactions were done at arm's-length and no other transactions were done with related parties or their agents.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. RISK MANAGEMENT

Going Concern

The company is facing a liquidity risk due to the negative working capital of Kshs.(582,667,000), with current assets of Kshs. 197,108,000 as compared to current liabilities of Kshs 795,622,000. This state of affairs is attributed mainly by cumulative losses in the and recently reduced profitability due to COVID 19 pandemic effect.

Performance analysis

Kshs '000	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Revenue	300,951	435,949	369,773	154,003	251,612
Profit/Loss	(35,781)	27,688	21,517	(109,715)	(68,900)

The company is currently depending on the trade creditors whose payment has remained a challenge as well as other payables.

Management is hopeful that the company is going to maintain profitability as indicated by the attained profit compared to previous years if COVID 19 pandemic effects are overcome and our source markets lifting their restrictions. Meanwhile, Management is reviewing its marketing strategies, putting more emphasis on the lodges to ensure revenues from the lodges start rising to enable the company reduce its trade creditors and other liabilities. Out of court settlement and negotiations on payment modalities have also been undertaken between trade creditors and KSLH, the company having been issued with demand letters.

	Principal	Interest	Totals	Remarks
VAT	257,742,870			Ongoing engagement
WITHOLDING TAX	9,943,448			"
PAYE	179,729,889			"
CLT	61,266,069			"
PENSION	35,649,877			"
SACCO	4,044,205			"
TRADE CREDITORS	115,947,232			"



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. MANAGEMENT FRAUD

In the year no fraud or suspected abuse of office, misuse of assets or falsifying of statements by those with decision-making authorities or not, was noted in the company.

34. DISCLOSURE ON LONG TERM BORROWING

We have disclosed the following information in relation to the long term loan indicated on note 23.

Lender: Kenya Development Corporation

Repayment Terms: 36Months

Collateral: None (Shareholders loan)

Interest Rate: 0%

Purpose of Loan: - To settle Staff liabilities, purchase of generator and air conditioners in Mombasa Beach Hotel

Currency:-Kenya Shillings

35. CONTINGENT LIABILITIES

The outstanding court cases give a possible liability of Ksh 2,258,789.No provision is required in these financial statement as the liabilities are not expected to crystallize.



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APPENDIX I. PROGRESS ON FOLLOWUP OF AUDITORS RECOMMENDATIONS

	AUDIT AREA	QUERY BY AUDITOR GENERAL	IMPLEMENTATION STATUS
1	Variance in Trade and other payables	The statement of financial position as at 30 th June 2021 reflects trade and other payables balance of Ksh 728,703,000 and as discharged in Note 24 to the financial statements. However, recasting of the balances under Note 24 gives a total of Ksh 727,702,000 resulting to unexplained variance of Ksh 1,000,000. Further review of the schedules supporting trade and other payables indicated a balance of Ksh 728.938,000 resulting in a variance of Ksh 235,000. The variances were not explained or reconciled.	The issue was resolved
2	Unconfirmed ownership of freehold land	The statement of financial position as disclosed in Note 16 to the financial statements reflects Ksh 600,872,000 in respect to property, plant and equipment which includes Ksh 586,730,000 in respect to land and buildings. This includes a free hold land in Mombasa valued at Ksh 360,000,000 whose title deed was not provided for verification. Further records provided for audit review revealed that land amounting to Ksh 40,000,000 was charged to other parties. In the circumstances the ownership accuracy and	The original title deed has been held by KDC having been transferred from TFC which was consolidated among others to form KDC. It has been held in trust and against the issued loan facilities acting as collateral. We will liaise with OAG office to have auditors based in Nairobi verify the existence of the title deed.

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	AUDIT AREA	QUERY BY AUDITOR GENERAL	IMPLEMENTATION STATUS
		completeness of property, plant and equipment totaling Ksh 586,730,000 as at 30 th June 2021 could not be confirmed	
3	Undisclosed loan balance	The statement of financial position and as disclosed in Note 23 to the financial statements reflects long term and short-term borrowings balances of Kshs 7,525,000 and nil, respectively. Records provided for audit review indicated that the Company entered into an agreement with an insurance firm to provide insurance services financed by a commercial bank in a Tri- partite Insurance Premium Agreement at 13% reducing balance interest rate on a loan totaling to Kshs 2,799,371. However the loan was not recognized and included in the financial statements as a liability. In addition, Board approval of the loan facility or the tri-partite agreement was not provided for audit review. In the circumstances, the accuracy and completeness of the loan balance totaling to Kshs. 7,525,000 as at 30 June, 2021 could not be confirmed	Resolved. KCB A/C IPF loan of Kshs. 2,324, 000 was been disclosed under note 26
4	Material uncertainty related to going concern	As previously reported, I draw attention to the disclosure in Note 32 to the financial statements which indicate that the Company is facing a liquidity risk due to its negative working capital amounting to Kshs 534,787,000 resulting from its total current liabilities of Kshs 732,828,000 exceeding its total current assets of Kshs. 198,061,000 as at 30	The BOD and management are working on modalities to reverse the situation. This has been caused by the state of our facility and plans are underway to carry out renovations to make the company competitive. With improved business the company will be profitable and cash flow will improve



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	AUDIT AREA	QUERY BY AUDITOR GENERAL	IMPLEMENTATION STATUS
		<p>June, 2021. In addition, the Company had accumulated losses totaling to Kshs. 514,767,000 as at 30th June, 2021 (2020: Kshs 404,288,000.00). The Management and the Directors have disclosed that this unsatisfactory situation is being addressed through review of marketing strategies with focus on lodges and negotiations and out of court settlement with creditors.</p> <p>Further, as previously reported, the Company in 2013/2014 financial year successfully negotiated for conversion into equity of a loan totaling to Kshs. 75,554,000 received from the Tourism Finance Corporation. The interest accrued thereon was waived. However, despite these actions, the working capital position of the Company and its overall financial performance has continued to decline.</p> <p>These conditions indicate the existence of a material uncertainty that cast doubt on the company's ability to meet its financial obligations as they fall due, and to continue as a going concern. Therefore, the Company's existence as a going concern is dependent upon continued support from its shareholders, bankers and creditors</p>	<p>leading to working capital improving.</p>
5	Budgetary control performance	The statement of comparison of budget and actual amounts, reflects that the Company had a final revenue budget of Kshs.	This is due to low business volumes largely occasioned by the effects of Covid pandemic. This is however

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	AUDIT AREA	QUERY BY AUDITOR GENERAL	IMPLEMENTATION STATUS
		<p>504,000,000 but the actual revenue amounted to Kshs. 168,856,000. Resulting in a shortfall of Kshs. 335,144,000 or 66% of the budget similarly, the statement reflected a total expenditure budget of Kshs 4,83,903,000 whereas actual expenditure was Kshs. 278,335,000, resulting in under-expenditure of Kshs 205,568,000 or 42% of the budget.</p> <p>The underfunding and underperformance affected the planned activities may have impacted negatively on service delivery to the public.</p>	<p>changing and the challenge is on the state of our facility and in order to be competitive we intend to have renovations done.</p>
6	Forfeiture of cash receipts on sale of shares	<p>As previously reported, the share capital of the Company was increased from Kshs. 9,319,000 to Kshs. 100,954,000 by a right issue of 5,047,724 ordinary shares of Kshs 20 per share based on par value. However, the net assets of the Company as at 30 June, 2013 amounted to Kshs 667,399,000, and therefore the net assets value of each share was Kshs 145.65. As a result, the rights issue price of Kshs. of Kshs. 20 per share was undervalued by Kshs 125.65 and resulted in loss to the Company of significant cash receipts that may otherwise have helped in reversing the Company's unfavorable cash position.</p>	<p>During the incorporation of KSLH, Mountain Lodges Limited (MLL) was a state corporation since KDC was the main shareholder. MLL therefore as allocated shares in KSLH since it was a state corporation. At the moment TFC is still the majority shareholder owning 39.11% of MLL.</p>
7	Long outstanding trade and other receivables	<p>The statement of financial position reflects a balance of Kshs 161,618,000 in respect of trade and other receivables which as</p>	<p>Most of the trade and other receivables relate to government institutions delay in payment. Due to this most</p>



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	AUDIT AREA	QUERY BY AUDITOR GENERAL	IMPLEMENTATION STATUS
		<p>disclosed in Note 19 to the financial statements, includes gross trade debtors' balance of Kshs. 136,519,000 before bad debts provisions of Kshs 6,631,000, An amount of Kshs. 132,018,647 or 97% of the gross trade debtors had been outstanding for more than six months as of 30 June, 2021 and may not be recovered in full.</p> <p>In the circumstances, existence of effective measures to recover debts could not be confirmed.</p>	<p>of their businesses remain unpaid. Management is following up with the relevant government bodies for payment.</p>
8	Unremitted statutory deductions	<p>The statement of financial position as at 30 June, 2021 reflects trade and other payables balance of Kshs. 728,703,000 and as disclosed in Note 24 to the financial statements. The balance includes Value Added Tax (VAT) Catering Levy and other payables amounting to Kshs. 538,123,000. An amount of Kshs. 132,018,647 or 97% of the gross trade debtors had been outstanding for more than six months as of 30 June, 2021 and may not be recovered in full.</p> <p>In the circumstances, existence of effective measures to recover debts could not be confirmed.</p>	<p>Management engaged KRA and came up with a workable payment plan to clear the pending unpaid statutory deductions for the principal tax. There talks on waiver of the penalties and interest charged.</p>
9	Lack of strategic and operational plans	<p>Review of the Company's general information and operational environment revealed that the Company did not have a Strategic Plan and an Operational Plan for the financial year 2020/2021. Through the Strategic and Operational Plans, the Company's</p>	<p>The management through support of BOD initiated the process of coming up with operational and strategic plan. The strategic plan was approved on 8th July 2022.</p>



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	AUDIT AREA	QUERY BY AUDITOR GENERAL	IMPLEMENTATION STATUS
		<p>key performance indicators could have been determined at the organizational level and extended to business units, departments, teams, and individuals.</p> <p>In the circumstance, the Company's business strategy, performance objectives, measurements and indicators could not be confirmed.</p>	

Appendix II: PROJECTS IMPLEMENTED

Projects

No Projects was implemented by the company for the financial year 2021/2022 Funded by development partners

Appendix III: INTER-ENTITY TRANSFERS

No transfer occurred within the financial year 2021/2022

Appendix IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

No transfer occurred within the financial year 2021/2022



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