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REPORT

OF

THE AUDITOR-GENERAL

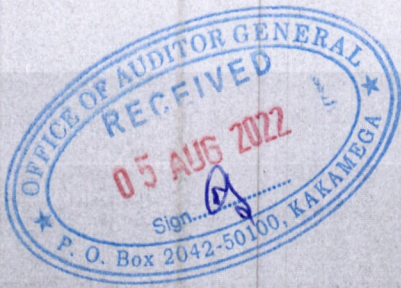
THE NATIONAL ASSEMBLY PARLIAMENT	
DATE: 15 FEB 2023	DAY: Wed
TABLED BY: Hon. Owen Baya Deputy LOM	ON
CLERK AT THE TABLE: F. Muriuki	

MT. ELGON LODGE LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2021**



MT ELGON LODGE LIMITED



INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

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

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

CONTENTS	PAGE
Key Entity Information	i
Board of Directors	iii
Management Team	iv
Chairman's Statement	v
Report of the General Manager	vi
Corporate Governance Statement	vii
Corporate Social Responsibility Statement	ix
Report of the Directors	x
Statement of Directors' Responsibilities	xi
Report of the Auditor General	xii
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Statement of Comparison Budget & Actual	5
Management Discussion and Analysis	10
Summary of Significant Accounting Policies	11
Summary of Accounting Estimates/Judgements	17
Explanatory Notes to the Financial Statements	18
Progress on Follow-up of Auditors Recommendations	27

KEY ENTITY INFORMATION

Background information

Mt. Elgon Lodge Limited was incorporated under the Kenya Companies Act (Cap 486) in 1974. The shareholders of Mt. Elgon Lodge Limited are Tourism Finance Corporation (TFC, formerly Kenya Tourist Development Corporation (KTDC)) and Trans-Nzoia County (formerly Kitale Municipal Council and Nzoia County Council). Tourism Finance Corporation is the majority shareholder in MEL with a direct controlling stake of 72.91% shares with Trans-Nzoia County shareholding of 27.09%. From the management perspective, Mt. Elgon Lodge Limited is classified as a Commercial State Corporation by virtue of being a subsidiary of TFC. The shareholders through the Directors are responsible for the general policy and strategic direction of the Lodge.

Principal Activities

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

Directors

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

- | | |
|------------------------|--|
| 1. Fridah Njeru | Chairlady- Appointed on 14 th June 2019 |
| 2. Mr. David Chemonges | Alternate to Governor Trans Nzoia County |
| 3. Mr. Jonah Orumoi | Director –Managing Director TFC 14 th June 2019 |
| 4. Mr. Okeyo Odongo | Director - Appointed on 14 th June 2019 |
| 5. Mr. Peter Chemwile | Alternate to PS Ministry of Tourism |

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

Registered Office

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

Corporate Headquarters

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

Corporate Contacts

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

Telephone: (254) 722471992
E-mail: mtelgonlodge@yahoo.com
mtelgonlodge@gmail.com

Corporate Bankers

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

Independent Auditors

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

Principal Legal Advisors

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

THE BOARD OF DIRECTORS



Ms. Njeru is a Entrepreneur & Hospitality Professional with over ten (10) years' experience in the Hospitality industry during which period she was in charge of executing sales and marketing strategies to maximize the profitability of the hotels she worked for. Ms. Njeru has a track record of building and supporting key client relationships and driving sales revenue of some of the biggest city hotels, park lodges and beach properties in the country. She is currently the Managing Director of Kilimani Bakeries Ltd; one of the top bakeries in Nairobi, where she oversees the daily operations, distribution, delivery and the business development of the bakery. Ms. Njeru is dedicated to professionalism and customer service and takes pride in providing a culture of collaboration that is based on mutual respect and building long-term, trusting relationships. She believes in sustainable living and is constantly looking to live in better harmony with the natural world.



Mr. Jonah Orumoi is the Managing Director of Tourism Finance Corporation born on 20 October 1978. He was previously the Head of Finance & ICT at the Kenya Tourism Board. He has previously worked as Finance & Leasing, Contracts Manager/ acting Head of Procurement at G4S and as a Senior Principal Finance Officer, Thurrock Council, UK. Mr. Orumoi Jonah holds a Master of Science in Finance and Investment (Merit) from Queen Mary University of London, UK and is FACCA qualified. He is a graduate of BA (Hons) in Accounting & Finance of the East London University, UK.

MANAGEMENT TEAM



The Late Mr. Reuben Argut was the General Manager for Mt. Elgon Lodge Limited from November 2016 to January 2021. He held a Master's in Business Administration (Marketing) he also held a Bachelor's of Science in Hospitality Management, A Diploma in Hotel Management & Diploma in Science Education. He was born on 15 May 1965 and Passed on 11th January 2021.



Ms. Hellen Chilla is the Acting General Manager for Mt Elgon Lodge Ltd. She has a Master's in Business Administration from Jomo Kenyatta University, A Degree in Economics & Sociology from the University of Nairobi and a Diploma in Front Office from Utalii College. She was Born 28 June 1977.



Wilikister Chepkisii is a holder of Certificate in Supervisory Techniques (Kitale College of Hotel Mgt), Certificate in Foods and Beverage service (UTALII COLLEGE).

She is currently the acting accounts clerk in Mt. Elgon Lodge Limited.

CHAIRPERSON'S STATEMENT

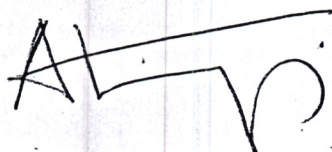
On behalf of my fellow Board Members, the Management and myself I hereby present the Financial Statements of Mt. Elgon Lodge Limited for the Financial Year 2020/2021.

During the financial year 2020/2021 the lodge was closed for renovations. The Lodge however had a few operational activities still ongoing and it was also able to lease land and Grounds for the financial year 2020/2021.

We had projected for the Reopening of the lodge in July 2021 as per Renovation progress reports presented and we expect that the newly refurbished Lodge will be able to revive the performance of the facility and lead to the general turnaround of the facility and other amenities available at the lodge.

In the year under review the Lodge was able to generate turnover of Kshs. 1.0 million with an expenditure of 2.0 and a resulting loss before tax of 1.0 as compared to last year's loss of Kshs. 2.1 million. With the new face uplift of the facility, we are confident of a turnaround in performance of the lodge for the years ahead.

On behalf of the Board of Directors, Management and Staff, I would like to express my sincere gratitude to our customers for their patronage over the years and look forward to their continued support in future



Chairperson of the Board

REPORT OF THE GENERAL MANAGER

REPORT OF THE GENERAL MANAGER - MT. ELGON LODGE



On behalf of the management team of Mt. Elgon Lodge Limited, I am pleased to present to you the Lodge's Annual Report and Financial statements for the year ended 30th June 2021. As you are well aware the Lodge was closed for renovations in May 2020. This has translated to the fact that we have not had much in terms of revenue generation save for earnings from land lease and ground hire.

The total revenue of the Lodge was Kshs. 1,056,960, a decrease from Kshs. 1,599,288 realized in the last financial year, owing to the fact that we remained closed throughout this period. We however recovered by over 50% from a net loss position of Kshs 2,216,021 in the last period to a net loss of Kshs. 1,040,080. However the Lodge is undergoing a brand transformation owing to the ongoing refurbishment, with keen efforts to retain the historical facade and antique features. Furniture and equipment are also to be overhauled in an effort to restore the lost glory and make it a going concern once again.

Apart from transforming the physical aspects of the Lodge, we will also invest on intangible resources with emphasis on improving service levels and aggressive marketing to recapture our target market. Various stakeholders including the County Government of Trans Nzoia through the Ministry of Youth, Gender, Culture, Sports and Tourism, Kenya Wildlife Service through the Warden Mt. Elgon National Park and Trans Nzoia Tourism Association, have been very supportive and are equally anxious on our reopening and establishing mutually beneficial business relationships. The Lodge is scheduled to reopen in the beginning of the next financial year i.e. 2021/2022. The renovation and refurbishment works are in the final stages while procurement processes for soft furnishings, equipment and furniture have been initiated.

I wish to convey my appreciation to the Board of Directors for their committed support during the year ended 30th June 2021, Tourism Finance Corporation for their financial support, the Golf Hotel Management team for their valuable input and other stakeholders for their efforts.

A handwritten signature in black ink, appearing to read 'Hellen Chilla', written over a horizontal line.

Hellen Chilla
Ag. General Manager

CORPORATE GOVERNANCE STATEMENT

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

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

Board Charter

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

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

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

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

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

Board Composition

The Corporation's Board is made up of five (5) members comprising of three directors representing Tourism Finance Corporation, one Directors representing Trans- Nzioa County and one director representing the Principal Secretary; Ministry of Tourism. The composition of the Board is as outlined in the Companies Act and the Company's Articles of Association.

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

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

The Corporation Secretary who as the custodian of corporate governance within the institution, works closely with the Board and the Management. In this regard, the Corporation Secretary facilitates all Directors to have full and timely access to all relevant information, ensures that the correct board procedures are followed, convenes meetings and advises the Board on all Corporate Governance matters and prevailing statutory requirements.

Board Meetings

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

Committees of the Board

The Board has four standing committees which meet on a quarterly basis or more frequently as deemed necessary. These committees are;

- Finance Committee
- Human Resource Committee
- Administration Committee.

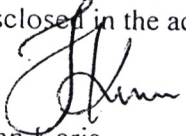
BOARD ACCOUNTABILITY

Conflict of Interest

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

Board of Management Emoluments

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


John Karia
Company Secretary

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Mt Elgon Lodge has complied with the corporate social responsibility as required. In the year under review the Lodge did not do much of corporate social responsibility due to poor business performance, but soon it shall be accomplished as business takes off

ENVIROMENTAL PERFORMANCE

The Lodge in its operations conserves the environment by insuring cleanness, proper disposal of waste and proper sewerage system.

PROMOTION OF EDUCATION

The Lodge supports education at all levels through provision of hospitality services to those schools going to the park. This is done by providing meals, parking space and recreation facilities.

HEALTH CARE SERVICES

The Lodge does not give this responsibility direct because of limited funds but considers doing in future.

LABOUR RELATIONS

The lodge in its day to day management adheres to labour laws as pertains staff employment

STAFF TRAINING AND DEVELOPMENT

The lodge has in place the Human Resource manual that supports staff training and development. This is done through internal staff training, workshops and refresher courses. The lodge empresses the art of staff retention and development.

WATER AND SANITATION

The Lodge has impressed the water and sanitation requirement by ensuring there is enough water for use by both the lodge and the community at large.

**Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021**

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Lodge's affairs.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the entity for the year ended June 30, 2021 are set out on page 1-27

DIVIDENDS

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

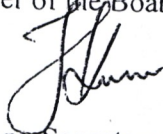
DIRECTORS

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

AUDITORS

The Auditor General is responsible for the statutory audit of Mt Elgon Lodge in accordance with the article 229(4) (5) (6) and (7) of the Constitution of Kenya and Public Audit Act (2015). The office of the Auditor General – Kakamega Branch, were nominated by the Auditor general to carry out the audit of the company for the year ended June 30, 2021 in accordance to section 23 of the

By Order of the Board



Company Secretary

Date:31/8/2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

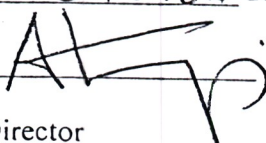
Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Board to prepare financial statements in respect of Mt. Elgon Lodge Limited, which give a true and fair view of the state of affairs of the lodge at the end of the financial year/period and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

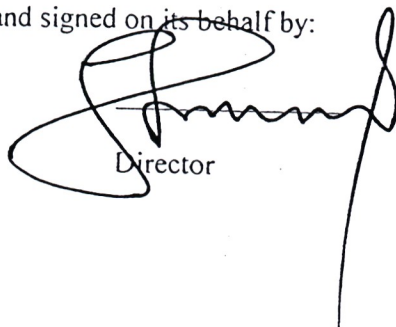
The Directors are responsible for the preparation and presentation of the lodge's financial statements, which give a true and fair view of the state of affairs of the lodge for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management policies and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the lodge; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

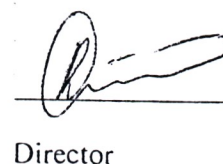
The Board of Directors accept responsibility for the lodge's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors confirm that the lodge's financial statements give a true and fair view of the state of lodge's transactions during the financial year ended June 30, 2021, and of the lodge's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the lodge, which have been relied upon in the preparation of the lodge's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

Mt. Elgon Lodge Limited financial statements were approved by the Board on 31/8/2021 2021 and signed on its behalf by:

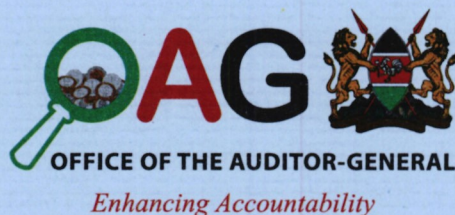

Director


Director


Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MT. ELGON LODGE LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

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 intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mt. Elgon Lodge Limited set out on pages 1 to 29, which comprise the statement of financial position as at 30 June, 2021,

and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mt. Elgon Lodge Limited as at 30 June, 2021, 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

1.0 Unsupported Balances

The financial statements presented for audit reflects the following unsupported balances;

1.1 Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.26,120,153 which, as disclosed in Note 26 to the financial statements, includes statutory payables and payroll liability amounts of Kshs.10,545,529 and Kshs.7,938,108 respectively. However, the two balances were not supported with invoices, demand notes, suppliers' statements and delivery notes. Further, the payroll liability balance of Kshs.7,938,108 includes an amount of Kshs.7,197,810 which has remained outstanding for a long period of time. No explanation was provided for failure to clear the long outstanding balance or remit the statutory payables amount of Kshs.10,545,529 to the respective bodies.

1.2 Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.2,802,830. However, the balance was not supported with invoices, demand notes, debtors' account statements, fee notes and delivery notes.

1.3 Directors' Emoluments

The expenditure of Kshs.1,256,865 on administration costs as reflected in the statement of profit and loss and other comprehensive income and as disclosed in Note 13(a) to the financial statements, includes an amount of Kshs.244,000 relating to Directors' emoluments, out of which, an amount of Kshs.76,000 was not supported with the signed Board meeting minutes.

In the circumstances, the accuracy of the financial statements could not be confirmed.

2.0 Bank and Cash Balances

The statement of financial position reflects a bank and cash balance of Kshs.1,937,372 which, as disclosed in Note 21(a) to the financial statements, includes amounts of Kshs.1,601,460 and Kshs.335,912 relating to bank balance and un-surrendered petty cash/sales respectively. However, the Board of Survey Report as at 30 June, 2021, was not provided in support of the un-surrendered petty cash balance.

In the circumstances, the accuracy and completeness of the bank balance of Kshs.1,937,372 reflected in the statement of financial position as at 30 June, 2021 could not be confirmed.

3.0 Undisclosed Material Going Concern Uncertainty

The Company reported a deficit of Kshs.783,504 compared to a deficit of Kshs.1,594,516 reported in the previous financial year. Further, the Company reported a Nil sales income compared to sales income of Kshs.573,688 reported in the previous financial year. In addition, the statement of financial position as at 30 June, 2021 reflects current liabilities amounting to Kshs.26,120,153 while the current assets amounted to Kshs.4,745,557 resulting to a negative working capital of Kshs.21,374,596. The Company was, therefore, unable to meet its financial obligations as and when they fall due.

In the circumstances, the Company is technically insolvent and its continued operations as a going concern will depend on the continued support from the Government, donors and creditors. The material uncertainty relating to going concern has not been disclosed in the financial statements.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.9,553,701 and Kshs.1,056,960 respectively, resulting to an under-collection of Kshs.8,496,741 or 89% of the budget. Similarly, the

statement reflects final expenditure budget and actual on comparable basis of Kshs.7,393,193 (including cost of sales) and Kshs.2,097,040 respectively, resulting to an under-absorption of Kshs.2,097,040 representing 72% of the budget.

The under-performance and under absorption may have negatively impacted on service delivery to the public.

2.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting template.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Report, Directors' report, the statement of corporate governance, 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 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 matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delayed Project

Mt. Elgon Lodge Limited awarded a contract to a local contractor for refurbishment and repairs of the Lodge at a contract sum of Kshs.14,089,680 and a project duration of 37 weeks commencing on 12 July, 2020, and ending on 29 March, 2021. The scope of work included refurbishment of the main house, cottages, boys' rooms, kitchen and general external landscaping. As at 30 June, 2021, a total amount of Kshs.6,813,945 had been paid to the contractor based on completion certificates for work completed.

As at the time of audit in September, 2021, the project was behind schedule and had surpassed the contract period by six months or 24 weeks. Physical inspection also revealed that the main house, cottages, boys' rooms, kitchen and general external

landscaping were at 75%, 70%, 10%, 70% and 25% completion levels respectively. It was also observed that roofing was incomplete while the ridges and shingles as per the Bill of Quantities was reverted to iron sheets. The roof was also leaking, as a result of which, ceiling boards in some sections had been damaged and needed to be replaced.

It was further observed that replacement of tiles was not done well as some wooden tiles were found to be cracked and need replacement; gutters were not fitted on the roof as provided for in the Bill of Quantities; work on washrooms in the main lodge was incomplete both for bathtubs and toilets; and not all doors were replaced with locks and door stoppers as stipulated.

It was also observed that the walls of the Lodge had cracks on the inside and outside which, according to the Bill of Quantities, were to be filled before painting; the kitchen, although renovated as per the Bill of Quantities, was still incomplete as other facilities like the burner, oven, cupboard doors and shelves were yet to be fixed; work on the boys' rooms was incomplete, with worn out tiles, incomplete washroom and bathtub not replaced as required; and the landscape of the lodge and the gate had not been done as stipulated in the Bill of Quantities. No plausible explanation was provided for the delay in completing the works within the contract period and for the defects observed.

In the circumstances, value for money for the expenditure Kshs.6,813,945 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Lodge's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of intention to liquidate the Lodge 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 Lodge's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 overall 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 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 Lodge'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 Lodge 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 Lodge to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 July, 2022

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021

	Note	2021 Kshs	2020 Kshs
REVENUES			
Sales Income	11(a)	-	573,688
Other Income (<i>Land rent, Ground Hire, Farm</i>)	11(b)	1,056,960	1,025,600
TOTAL REVENUES		<u>1,056,960</u>	<u>1,599,288</u>
COST OF SALES	12	-	324,705
GROSS PROFIT		<u>1,056,960</u>	<u>1,274,583</u>
OPERATING EXPENSES			
Administration Costs	13(a)	1,256,865	2,420,231
Selling and Distribution Costs	14	-	-
Depreciation of property, plant and equipment	18	840,175	980,373
TOTAL OPERATING EXPENSES		<u>2,097,040</u>	<u>3,400,604</u>
OPERATING LOSS	15	(1,040,080)	(2,126,021)
NET LOSS		(1,040,080)	(2,126,021)
INCOME TAX CREDIT	16(a)	256,576	531,505
PROFIT AFTER TAXATION		<u>(783,504)</u>	<u>(1,594,516)</u>
Earnings per share – basic and diluted	16 (b)	(8.49)	(17.27)
Dividend per share	17	-	-

Mt. Elgon Lodge Limited
 Reports and Financial Statements
 For the year ended 30 June, 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2021 Kshs	2020 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	18	52,970,459	46,996,689
Total Non-Current Assets		<u>46,996,689</u>	<u>47,321,714</u>
Current Assets			
Inventories	19	5,355	5,355
Trade and other receivables	20	2,802,830	3,662,136
Bank Balances	21(a)	1,937,372	972,028
Cash at hand Balance	21(a)	-	-
Unbanked Sales Receivable	21(b)	-	-
Total Current Assets		<u>4,745,557</u>	<u>3,639,519</u>
NET ASSETS		<u>57,716,017</u>	<u>50,636,208</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	22	1,845,780	1,845,780
Revaluation reserve	23	53,070,705	53,070,705
Retained earnings	24	(42,134,178)	(41,094,098)
Capital and Reserves		<u>12,782,307</u>	<u>13,822,387</u>
Non-Current Liabilities			
Borrowings	25	18,813,556	12,993,599
Total Non-Current Liabilities		<u>18,813,556</u>	<u>12,993,599</u>
Current Liabilities			
Trade and other payables	26	26,120,153	23,820,222
Total Current Liabilities		<u>26,120,153</u>	<u>23,820,222</u>
TOTAL EQUITY AND LIABILITIES		<u>57,716,017</u>	<u>50,636,208</u>


The financial statements were approved by the Board on 31/8/2021 and signed on its behalf by:


 Ag. General Manger

Name: Hellen Chilla

For: An.
 Ag. Head of Accounts

Name: Wilkister Chepkisii
 ICPAK M/NO.....


 Chairman of Board

Name:

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2021

	Ordinary share capital (92289 Shares@20)	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2019	1,845,780	53,070,705	-	(30,933,276)	-	23,983,209
Prior Period Adj for Salary Loan				(9,466,377)		(9,466,377)
Total comprehensive income				(2,126,021)		(2,126,021)
Members Equity Opening balance TB Sum Adj.				1,431,576		1,431,576
At June 30, 2020	1,845,780	53,070,705	-	(41,094,098)	-	13,822,387
At July 1, 2020	1,845,780	53,070,705	-	(41,094,098)	-	13,822,397
Total comprehensive income				(1,040,080)		(1,040,080)
At June 30, 2021	1,845,780	53,070,705	-	(42,134,178)	-	12,782,307

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

STATEMENT OF CASH FLOWS AS AT 30 JUNE 2021

	Note	2021 Kshs	2020 Kshs
OPERATING ACTIVITIES			
Cash generated from / (used in) operations	27	1,962,732	462,566
Net cash generated from/(used in) operating activities		<u>1,962,732</u>	<u>462,566</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	6,813,945	-
Net cash generated from/(used in) investing activities		<u>6,813,945</u>	<u>-</u>
FINANCING ACTIVITIES			
Repayment of borrowings		5,819,958	-
Net cash generated from/(used in) financing activities		<u>5,819,958</u>	<u>-</u>
INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS		968,745	462,566
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21	972,029	509,463
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	1,940,772	972,029
		<u>=====</u>	<u>=====</u>

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

	Original budget		Adjustments		Final budget		Actual		Performance difference		Percentage Change		(a)
	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	
Revenue													
Sales	9,553,701		-		9,553,701		1,056,960		(8,496,741)		-89%		Sales were affected by the closure of the lodge for renovations and covid 19
Other income													
Total revenues	9,553,701		-		9,553,701		1,056,960		(8,496,741)		-89%		
Cost of sales	1,255,974		-		1,255,974		-		1,255,974		100%		
Gross profit	8,297,727		-		8,297,727		1,056,960		(7,240,767)		-87%		
Expenses													
Administration costs	(5,190,631)		-		(5,190,631)		(1,256,865)		(6,447,496)		124%		Low sales affected gross profit negatively
Selling and distribution costs	(90,000)		-		(90,000)		-		(90,000)		100%		
Depreciation of PPE	(856,588)		-		(856,588)		(840,175)		(1,696,763)		198%		
Total Operating Expenses	(6,137,219)		-		(6,137,219)		(2,097,040)		(8,234,259)		134%		sales resulted in low spending for the period
Operating profit/(loss)	2,160,508		-		2,160,508		(1,040,080)		(3,200,588)		-148%		Reported loss is related to low sales recorded
Finance Costs	520,000		-		520,000		-		520,000		-100%		
Profit/(Loss) before taxation	1,640,508		-		1,640,508		(1,040,080)		(2,680,588)		-163%		Loss resulted from low sales received
Income tax expense/(credit)	492,152		-		492,152		(256,576)		235,577		48%		
Profit/Loss after taxation	1,148,355		-		1,148,355		(783,504)		(1,931,859)		168%		

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

- i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2021**

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2021, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021(Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognized in respect of most operating leases where the Company is the lessee.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure pre-payable financial assets with negative compensation at amortized cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

- i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021(Continued)

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

- ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021.

iii) MANAGEMET DISCUSSION AND ANALYSIS

Annual Report and Financial Statements for the year ended 30 June 2021.

Mt Elgon Lodge Ltd was officially closed down for renovations in May 2020. However, a number of activities were transacted during the year ending 30 June 2021 and these have been presented in the following quarterly reports.

Net Sales for the year ending 2020/2021 majorly Lease of land recorded Kshs. 1,056,960
There was no cost of sales for the year ending 30 June 2021. Operating Expenditure recorded for the ending 30 June 2021 amounted to Kshs. 2,097,040

Net profit before tax for the year ending 30 June 2021 recorded Kshs. 1,040,080.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a) Revenue recognition

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

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

g) Fixed interest investments (bonds)

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Inventories

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

g) Trade and other receivables

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

h) Taxation

Current Income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Taxation (Continued)

Deferred tax (Continued)

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

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

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

i) Cash and cash equivalents

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

j) Borrowings

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Trade and other payables

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

l) Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 360 per employee per month.

m) Provision for gratuity, leave and retirement benefits

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

n) Exchange rate differences

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

o) Budget information

The original budget for FY 2020/2021 was approved by the National Treasury in September 2020. Accordingly, the Lodge has recorded no additional appropriations on the 2019-2020 budget.

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

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) **Service concession arrangements**

The Lodge analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Lodge recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Lodge also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) **Comparative figures**

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

r) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

s) **Going Concern**

The financial statements were prepared on a going concern basis. The going concern basis assumes that the company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

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

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

u) Property, Plant and equipment

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

v) Useful lives and residual values

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

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

w) Revaluation of PPE

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

x) Receivables

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

y) Contingent liabilities

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

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

NOTES TO THE FINANCIAL STATEMENTS

	2021 Kshs	2020 Kshs
11		
(a) SALES INCOME		
Gross sales of goods	-	717,110
Less: Service Charge on gross sales	-	(40,158)
Less: Catering Levy on gross sales	-	(11,474)
Less: Value added tax on gross sales	-	(91,790)
	<u> </u>	<u> </u>
Net Sales	=====	573,688 =====
11		
(b)		
Other Income	1,244,000	1,282,000
Land Rent	53,000	-
Ground Hire	24,200	-
Sales of Farm Produce	(70,987)	(71,792)
Less: Service Charge	(21,139)	(20,512)
Less: Catering Levy	(169,144)	(164,096)
Less: Value added tax	<u> </u>	<u> </u>
Net Sales	1,056,960 =====	1,025,600 =====
<p>Sales are reported net of 16% VAT, 7% Service charge & 2% Catering levy. The gross sales above therefore include all the relevant taxes/charges.</p>		
12		
COST OF SALES		
Food	-	187,889
Beverage & Tobacco	-	136,816
	<u> </u>	<u> </u>
	=====	324,705 =====
13(a) ADMINISTRATION COSTS		
Staff costs (note 13b)	379,668	1,280,684
Directors' emoluments	244,000	319,551
Electricity and water	-	31,788
Communication services and supplies (<i>Tel. & postage</i>)	-	2,070
Transportation, travelling and subsistence (<i>Travel expenses</i> <i>Transport allowance, Staff transport & Leave travel</i>)	579,900	581,019
Bank charges and commissions (<i>Bank charges &</i> <i>Commission on Visa cards</i>)	6,992	5,315
Office and general supplies (<i>Office Miscellaneous</i>)	755	20,681
Consultancy fees	18,000	18,000
Repairs and maintenance (<i>Garden & grounds, Building maintenance</i> <i>& Repairs & renewals</i>)	250	2,910
Legal fees	-	29,212

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020 Kshs	2019 Kshs
13 (a) ADMINISTRATION COSTS		
Other operating expenses (<i>Fuel & gas. Cleaning. Toilet requisites. Vehicle operating. Licenses. Laundry. KRB. Guest supplies. Rent & rates. Delivery. Donations. Flowers & deco & Security</i>)	27,300	129,001
	<u>1,256,865</u>	<u>2,420,231</u>
	=====	=====
(b) STAFF COSTS		
Salaries and allowances of permanent employees (<i>Salaries. Housing. Medical & Entertainment allowance</i>)	349,188	1,233,084
Wages of temporary employees (<i>Casual wages</i>)	13,200	45,600
Compulsory national health insurance schemes	17,280	-
Compulsory national social security schemes	-	-
Other pension contributions	-	-
Leave Provision and gratuity provisions	-	-
Staff welfare (<i>Meals & welfare</i>)	-	2,000
	<u>379,668</u>	<u>1,280,684</u>
	=====	=====
The average number of employees at the end of the year was:		
Permanent employees – Management	-	-
Permanent employees – Unionisable	2	6
Temporary and contract employees	-	-
	<u>2</u>	<u>6</u>
	=====	=====
Female employees – 0(0%)		
Male Employees – 2 (100%)		
14. SELLING AND DISTRIBUTION COSTS		
Marketing and promotional (<i>Marketing & Advertising</i>)	-	-
Sales commissions (<i>Agents commission</i>)	-	-
	<u>-</u>	<u>-</u>
	=====	=====
15. OPERATING PROFIT/(LOSS)		
The operating profit is arrived at after charging:		
Staff costs (note 13b)	379,668	1,280,684
Depreciation of property, plant and equipment	840,175	980,373
Directors' emoluments	244,000	319,551
Auditors' remuneration - current year fees	-	-
Other Operating Expenses (note 13a)	633,197	819,996
Against the Gross Profit for the period under review		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. (a) EARNINGS PER SHARE

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

16. (b) CURRENT TAXATION

Current taxation based on the adjusted profit/loss 25% (30% 2020)	256,576	531,505
	<u>531,505</u>	<u>531,505</u>
	=====	=====

17. DIVIDEND PER SHARE

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

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

Property, plant and equipment	Land	Motor vehicles	Furniture and fittings	Computers	Buildings	Plant and Equipment	Capital In Progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2019	23,000,000	.	827,357	.	31,000,000	815,638	.	55,642,995
Additions	.	.	.	.	.	.	.	.
At June 2020	23,000,000	.	827,357	.	31,000,000	815,638	.	55,642,995
Additions	.	.	.	.	.	.	6,813,945	6,813,945
Disposals	.	.	.	.	.	.	.	.
At end of Yr - June 2021	23,000,000	.	827,357	.	31,000,000	815,638	6,813,945	62,456,940
Depreciation and impairment								
At 1 July 2019	.	.	675,523	.	5,676,790	658,272	.	7,010,585
Depreciation	.	.	122,399	.	1,391,697	121,626	.	1,635,721
Impairment	.	.	.	.	.	.	.	.
At June 2020	.	.	797,922	.	7,068,486	779,898	.	8,646,306
Depreciation	.	.	29,435	.	775,000	35,740	.	840,175
Impairment	.	.	.	.	.	.	.	.
Transfer/adjustment	.	.	.	.	.	.	.	.
At 30 June 2021	.	.	827,357	.	7,843,486	815,638	.	9,486,481
At 30th June 2021	23,000,000	.	.	.	23,156,514	.	6,813,945	52,970,459
At 30th June 2019	23,000,000	.	29,435	.	23,931,514	35,740	.	46,996,689

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INVENTORIES

	2021	2020
Food	2,085	2,085
Drinks & Tobacco	3,270	3,270
	<u>5,355</u>	<u>5,355</u>
	=====	=====

20 TRADE AND OTHER RECEIVABLES

Trade receivables	2,802,831	2,662,136
Gross trade and other receivables	<u>2,802,831</u>	<u>2,662,136</u>

21(a) BANK AND CASH BALANCES

Un surrendered Petty cash/Sales	335,912	335,912
Bank Balance	<u>1,601,460</u>	<u>636,116</u>
	1,937,372	972,029
	=====	=====

Cash at bank was held at Kenya Commercial Bank, the Lodge's main bankers. All cash denominated in foreign currency have been *restated based on Central Bank of Kenya Mean Exchange, at 30 June 2021* and respective gain/loss recognised in the statements of comprehensive income.

During the year 2020/2021 after the Demise of General Manager Mr. Reuben Argut Komen, the board on the meeting of the board in the fourth Quarter recommended the following changes to the bank signatories, To Remove Mr. Reuben Argut Komen as the Mandatory signatory and Add Ms. Hellen Chilla the Ag. General Manager as the Mandatory bank signatory. To Maintain Ms. Wilkister Chepkisii as the Alternate Signatory, To Remove Mr. John Chepkwon who had resigned as the Lodge Accountant in 2016 and still appeared as a signatory to the bank and Introduce Ms. Leena Mugadia the Accountant for Golf Hotel Ltd As a second Alternate Bank signatory.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Kshs	2020 Kshs
22. ORDINARY SHARE CAPITAL		
Authorised:		
92289 ordinary shares of Kshs.20 par value each	1,845,780	1,845,780
	=====	=====
Issued and fully paid:		
92289 ordinary shares of Kshs.20 par value each	1,845,780	1,845,780
	=====	=====

23. REVALUATION RESERVE

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

	Revaluation reserve Kshs	Total Kshs
At July 1, 2019	53,070,705	53,070,705
At June 30, 2020	53,070,705	53,070,705
At July 1, 2020	53,070,705	53,070,705
At June 30, 2021	53,070,705	53,070,705

24. RETAINED EARNINGS

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

	Retained earnings Kshs	Total Kshs
At July 1, 2019	(30,933,276)	(30,933,276)
Prior Period Adj. to provide for Salary Loan	(9,466,377)	(9,466,377)
Total comprehensive income	(2,126,021)	(2,126,021)
Members Equity Error in Opening balance TB Adj.	1,431,576	1,431,576
At June 30, 2020	(41,094,098)	(41,094,098)
At July 1, 2020	(41,094,098)	(41,094,098)
Total comprehensive income 2020/2021	(1,040,080)	(1,040,080)
At June 30, 2021	(42,134,178)	(42,134,178)

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. BORROWINGS

Balance at beginning of the year	3,527,222	3,527,222
TFC salary payments Loan 2	9,466,377	9,466,377
Lodge Refurbishment Loan	5,819,957	-
	<u>18,813,556</u>	<u>12,993,599</u>

Balance at end of the year

The lodge has a loan from TFC of Kshs. 18,813,556. No repayment had been done during the year for this loan.

26. TRADE AND OTHER PAYABLES

Trade payables	3,362,917	2,186,520
Accrued expenses	2,562,508	2,562,508
Other payables (<i>Terminal dues</i>)	1,711,091	1,711,091
Statutory Payables (<i>Cl. Service charge. Vat Nssf penalties. Withholding</i>)	10,545,529	9,801,663
Payroll liability (<i>Net pay. nhif. Nssf. paye. union dues</i>)	7,938,108	7,558,440
	<u>26,120,153</u>	<u>23,820,222</u>

27. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2021 Kshs	2020 Kshs
Operating profit/ (loss)	(1,040,080)	(2,126,021)
Depreciation	840,175	980,373
Operating profit/ (loss) before working capital changes	<u>(199,905)</u>	<u>(1,145,648)</u>
(Increase)/decrease in inventories	-	44,348
(Increase)/decrease in trade and other receivables	(137,294)	(253,400)
Increase/ (decrease) in trade and other payables	2,299,931	1,817,266
Cash generated from/ (used in) operations	<u>1,962,732</u>	<u>462,566</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

(b) Directors' expenses

Sitting allowance (<i>Inclusive of PAYE & Lunch Allow</i>)	244,000	319,551
, <i>Flight, Taxi & Night Out</i>		
	244,000	319,551
	=====	=====

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

(c) Borrowing from TFC

The following are the balance for the related party relationship between Mt. Elgon Lodge Limited and TFC as at 30 June 2021 in relation to a loan acquired Amounting to Kshs. 18,813,556

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. FINANCIAL RISK MANAGEMENT

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

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

a) *Market risk*

Foreign exchange risk

The entity has transactional currency exposures. Such exposure arises through payment of goods and services that are done in USD currency. Invoices denominated in foreign currencies are paid before service delivery to the companies USD bank account. Monies in this account are maintained in foreign currency and conversion is only done in the financial statements to the local currency using the prevailing mean CBK exchange rate as at the reporting Period. This minimizes exposures to exchange rate fluctuations.

b) *Credit risk*

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

c) *Liquidity risk*

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

30. INCORPORATION

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

31. EVENTS AFTER THE REPORTING PERIOD

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

32. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW-UP OF AUDITORS RECOMMENDATIONS

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

Reference No. of the external audit Report	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/Not Resolved)	Timeline (Date & Half year you expect the issue to be resolved)
2.0	The management of Mt. Elgon Lodge limited did not prepare financial statement in conformity to the revised financial statement reporting template duly approved by PSASB. However, the FS reflects the name of the entity as Mt. Elgon Lodge instead of Mt. Elgon Lodge Ltd.	Management Noted the Finding on the name of the entity as it appears in the FS and have since amended the name of the entity to Mt. Elgon Lodge Limited.	Accountant	Resolved	-


Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2021

2.1	The financial statements availed for audit review revealed various balances that were at variance with supporting documents figures	We noted the variances in the presented financial statements which were typo errors that have now been corrected in the revised financial statements	Accountant	Resolved	-
2.2	The closing balances for PPE had variances with the Opening balances as at 1 st July 2019	As per the revised Financial Statement for Mount Elgon Limited, the opening Balances of PPE has been restated and is now as had been presented in Prior Year with the correct balances	Accountant	Resolved	-
2.3	It was noted that the Statement of change in equity, under retained earning includes prior period adjustment for salary Loan Figure of 9,466,377 neither supported nor explained.	In the Audited accounts of 2017/2018 attached as Annex (c) Note 12 on Borrowing showed two long term liabilities of Kshs. 3,524,222 and 9,466,377 but in the statement of financial position signed on 14/11/2018 only Kshs. 3,527,222 was reflected under Non-current Liabilities. In the financial statement of 2019/2020, we brought forward this balance as prior Year adjustment in the Statement of change in equity thus explain the Kshs. 9,466,377. Attached as Annex (d) is also the Movement in Members Equity after the adjustments of prior years that resulted in a balance of Kshs.1,772,924 also Adjusted in the statement of change in Equity.	Accountant	Resolved	-
	Financial statement for the year 2019/2020 indicates that Mt.	This balance of Kshs. 677,260 Annex(i) for the year 2018/2019 and 2019/2020 resulted from unbanked sales as registered in the sales			

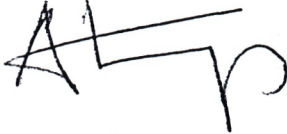
Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2019

2.4	<p>Elgon Lodge Limited had Include in the FS under Current assets is unexplained suspense of 677,260 (341,348. 2019 and 335,913,2020). It was also noted that the suspense account of Kshs. 677,260 is not reflected in the TB for the year under Review</p>	<p>Income report Annex (f) and expenses as captured in petty cash report Annex (g3). From the deposited Sales Ledger Annex (h) it shows that out of the sales of Kshs. 1,599,288 an amount of Kshs. 335,912 stood un deposited as at the end of the Year. This we have stated in the revised financial statements as Unbanked sales receivable and not suspense as had originally been indicated.</p> <p>Annex (j) is the Trial Balance for 2019/2020 reflecting the Amount Kshs. 677,260 in the suspense account of the financial statements.</p>	Accountant	Resolved	
2.5	<p>Included in the FP is a bank balance of Kshs. 636,116. It is noted that the bank figure of 636,116 is at variance with the bank and cash balance of Kshs. 972,029</p>	<p>Management noted the error in note 21(a) and Annex (k) is the revised Note 21(a) with the bank balance at Kshs. 636,116.</p>	Accountant	Resolved	
4.7	<p>It was noted that the account QB report for petty cash showed (138,618 whereas Bank reconciliation showed Kshs. 196,068 and in the FS captured as Kshs. 335,912.</p>	<p>We noted this finding. However As per Annex (g) Bank Recon Petty cash balance shows Kshs. 138,618 and not 196,068. In the Financial statements under Note 21(b) 335,912 represents Suspense from unbanked sales and not petty cash balance as indicated.</p>	Accountant	Resolved	

Ag. General Manager
 Mt. Elgon Lodge Limited

Date.....


Chairperson of the Board


 Date..... 31/8/2021

