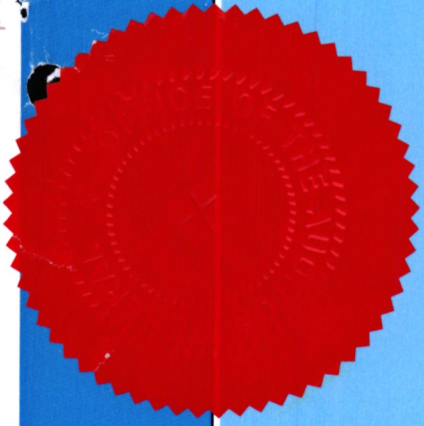
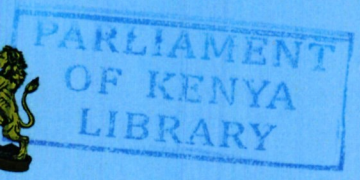



REPUBLIC OF KENYA



 THE NATIONAL ASSEMBLY PARLIAMENT BUILDING	
DATE: 03 MAR 2022	DAY: <u>Thurs</u>
REPORT	
TABLED BY:	<u>LDM</u>
CLERK-AT THE-TABLE:	<u>C. Ndintu</u>

OF

THE AUDITOR-GENERAL

ON

MT ELGON LODGE LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2020**

MT ELGON LODGE LIMITED



INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2020

**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, 2020

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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 the Mt. Elgon Lodge Limited is ownership and operation of the lodge facility mainly focusing on 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. Joe Okudo | PS Ministry of Tourism 14 th June 2019 |
| 3. Hon. Patrick Khaemba | Director – Governor Trans Nzoia County 14 th June 2019 |
| 4. Mr. Jonah Orumoi | Director – Managing Director TFC 14 th June 2019 |

Corporate Secretary
Tourism Finance Corporation
P.O. Box 42013-00100
Nairobi

Registered Office

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

Corporate Headquarters

Utalii House
Uhuru Highway
P.O. Box 42013-00100
Nairobi, KENYA

Corporate Contacts

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 oversee 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.



Hon Khaemba is currently the Governor Trans Nzoia Country and has Master's degree in Public Management. He is the Former PS Ministry of Livestock Development. He has also been the African Development Bank in Uganda.



Mr. Joe R. Okudo, CBS is the Principal Secretary in charge of the State Department for Tourism at the Ministry of Tourism and Wildlife. He was also the Principal Secretary for Sports responsible for Arts and Culture in Kenya. He previously worked with the Danish Embassy in Kenya (DANIDA) from 2002 – 2014, where he held several senior positions in the Private and Industry Sectors/ He holds a Bachelor of Arts degree from the University of Nairobi and a Master's Degree in Business Administration from Copenhagen Business School / Inoorero University.

MANAGEMENT TEAM



Mr. Reuben Argut is the General Manager for Mt. Elgon Lodge Limited. He holds a Master's in Business Administration (Marketing)-Thesis waiting, he also holds a Bachelor's of Science in Hospitality Management, A Diploma in Hotel Management & Diploma in Science Education. He was born on 15 May 1965.



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

CHAIRLADY'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 2019/2020. For a number of years the performance of the hotel has been wanting. This can be attributed to a number of factors underlying the downturn of the tourism sector in the country, over the last few years, the state of the facility and the increase in the number of star rated facilities within Trans-Nzoia County that provided competition for the Lodge has highlighted the need for a strategic repositioning of the hotel.

In the year under review the Lodge incurred a loss of Kshs. 0.25 Million against the expected profit of Kshs. 0.83 Million. Given the performance of the Lodge over the last few years, the continued operation of the lodge in the current circumstances would inevitably result in accumulation of more losses. Additionally, the status of the Lodge as a going concern is in doubt and the Board of Directors has, in response, opted to take appropriate measures in the coming financial year to forestall the accumulation of more losses and safeguard the investment of the shareholders. In the coming financial year, the Board is committed to implementing strategic and deep-seated changes in the Lodge that are intended to revive its operations. The current Board has shown a lot of goodwill and I believe this will go a long way in assisting the Lodge in making the revolutionary change required to salvage the. Lodge from its current situation. Included in the plan is renovation of the entire facility, hiring of more qualified staff and sourcing for more financial partners. Trans-Nzoia County has a lot of potential and this facility will spearhead opening the Mt Elgon and Kitale Tourism circuit and complete both domestic and international arrivals. Finally 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

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Fridah Njeru

Chairlady of the Board

REPORT OF THE GENERAL MANAGER



The Mt. Elgon Lodge Limited is situated at the gate of Mt. Elgon National Park approximately 28 kilometres from Kitale town. The principal activity of the Lodge is to provide accommodation and conference services to customers visiting the region.

The operations of the Lodge have been rather difficult (low) owing to the cash flow constraints. Total revenue of the Lodge was Kshs. 1,599,288 in 2019/2020 Financial Year, a decrease in revenue from last year 2018/2019 Financial Year of Kshs. 2,129,376. The main challenges having a direct negative impact on the Lodge performance include lack of Lodge refurbishing and renovation and also the fact that few number of tourists visits Mt. Elgon National Park.

Despite these challenges, management with the support of the Board of Directors and the shareholders have managed to continue in business. Reported revenues also include Land rental income which has boosted the overall income to enable the Lodge meet its short term obligations.

I wish to thank the shareholders, the Tourism Finance Corporation and the Board of Directors for their continuous support to the management.


Reuben Argut
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 Forgoing, the lodge continues to participate in the Associations peer review to gauge its level of compliance with the association's governance and compliance standards.

Board Charter

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

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

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

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

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

Board Composition

The Corporation's Board is made up of 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, 2020

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.
- Audit Committee

The Audit committee was constituted in June 2019 as required under the Public Management Regulations.

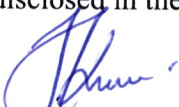
BOARD ACCOUNTABILITY

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, 2020

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 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, 2020 are set out on page 1-32

DIVIDENDS

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

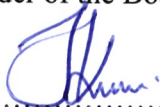
DIRECTORS

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, 2020 in accordance to section 23 of the

By Order of the Board



.....
John Karia
Company Secretary

Date:23/4/21.....

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2020

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, 2020. 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, 2020, 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 _____ 2020 and signed on its behalf by:

Director



Director



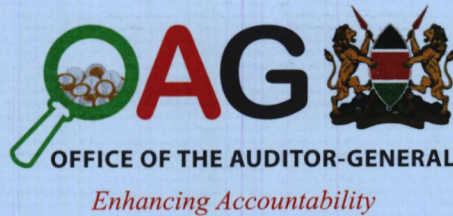
Director

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2020

REPORT OF THE AUDITOR GENERAL
ON MT ELGON LODGE

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, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse 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, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and the actual amount 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Mt. Elgon Lodge Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Kenya Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Variances in Opening Balances

The closing balances for the plant property and equipment and administrative costs had variances with the opening balances as at 01 July, 2019 as reflected in Note 18 and 13(a) to financial statements as shown below.

Item	30 June, 2019 as per Audited Report (Kshs.)	Opening Balances as at 1 July, 2019 (notes to F/S) (Kshs.)	Variance (Kshs.)
Furniture and Fittings	128,109	132,854	(4,745)
Buildings	23,896,992	24,051,166	(154,174)
Plant and Equipment	132,776	137,694	(4,918)
Administrative Costs	2,323,984	2,325,682	(1,698)

No explanation or reconciliation was given for the variances analysed.

Consequently, the accuracy and completeness of the opening balances of the affected figures could not be confirmed.

1.2 Unsupported Adjustment in Statement of Changes in Equity

The statement of changes in equity, under retained earnings, includes prior period adjustment for salary loan of Kshs.9,466,377 which was not explained or supported with appropriate documents.

Further, the statement of changes in equity, under retained earnings, includes an adjustment for an opening member's equity suspense account balance of Kshs.1,772,924 which was also not supported.

In the circumstances, the accuracy and completeness of the statement of changes in equity for the year ended 30 June, 2020 could not be confirmed,

1.3 Unreconciled Trade and other Payables

The statement of cash flows and Note 27 to the financial statements reflects reconciliation of operating profit/(loss) to cash generated from/ (used in) operations reflects a net increase in payables of Kshs.138,760. However, note 26 on trade and other payables reflects an increase of Kshs.699,689 leading to an explained variance of Kshs.560,929. Further, Note 29 on financial risk management reflects that the Company is exposed to foreign exchange risk, credit risk and liquidity risk. However, no analysis on the same has been done as required by the IFRS reporting template.

In the circumstances, it was not possible to confirm the accuracy and completeness of the trade and other payables for the year under review.

2. Unrecovered and Unbanked Sales Receivables

The statement of financial position reflects unbanked sales receivables of Kshs.677,260 which includes as disclosed in Note 21(b)suspense figure of Kshs.335,912 for unbanked sales receivable for the year under review and suspense receivable (balance brought forward) figure of Kshs.341,348 for retained earnings respectively. However, no explanation or efforts made to recover the receivables from the responsible staff was provided for review.

In the circumstances, accuracy and recovery of the sales receivables of Kshs.677,260 could not be confirmed.

3. Lack of a Fixed Assets Register

The statement of financial position reflects the property, plant, and equipment cost/valuation net book value balance of Kshs.46,996,689 and as reflected in Note 18. However, the fixed assets register and valuation certificate/report were not provided for audit review.

Consequently, the accuracy and completeness of the property, plant, and equipment balance of Kshs.46,996,689 in the statement of financial position as at 30 June, 2020 could not be confirmed.

4. Unsupported Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.2,662,136. However, the schedule provided for audit review did not include details of invoices, demand notices, and debtors' statements to confirm the authenticity of the receivables. Further, the Management did not provide a debtors' ledger on an ageing basis.

In the circumstances, the accuracy of the receivables balance of Kshs.2,662,136 could not be confirmed.

5. Unsupported Trade and Other Payables

The trade and other payables balance of Kshs.23,820,222 as at 30 June, 2020 was not supported with details of updated creditors ledger, invoices, demand notices, suppliers' statements, and delivery notes for confirmation of the authenticity of the payables. Further, included in the creditors of Kshs.23,820,222 is Ksh.7,558,440 for staff payables which the Management did not explain, how it plans to clear the staff arrears that have been outstanding for long.

In the circumstances, the accuracy of the trade and other payables balance of Kshs.23,820,222 could not be confirmed.

6. Material Uncertainty to Going Concern

During the year under review, the Lodge registered an operating loss of Kshs.2,126,021 (2019 - loss Kshs.1,567,648). This resulted to an increase of retained earnings from negative Kshs.30,933,276 to negative Kshs.40,752,750 as at 30 June, 2019. Further, the current liabilities balance of Kshs.23,820,222 significantly exceeded the current assets balance of Kshs.3,980,876 as at 30 June, 2020 resulting to a negative working capital of Kshs.19,839,346. Management has not disclosed that the Lodge is facing financial difficulties and is technically insolvent in order to come up with revival strategies to reverse the decline trajectory to profitability.

In the circumstances, the existence of the Lodge as a going concern is dependent on Government and creditor support.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.12,582,325 and Kshs.1,274,583 respectively, resulting to a significant under-funding of Kshs.11,307,742 or 90% of the budget. Similarly, the lodge recorded an actual expenditure of Kshs.2,126,021 against an approved expenditure budget of Kshs.1,274,583 resulting to an unexplained over expenditure of Kshs.851,438 or 67% above the budget. Whereas the underfunding affected the planned activities and projects which may have impacted negatively on profitability, Management did not provide approval for the over expenditure amounting to Kshs.851,438 for audit review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis of Conclusion

1. Unremitted Statutory Deductions

During the year under review, the Management deducted VAT of Kshs.255,886 and catering levy of Kshs.32,286 all totalling Kshs.288,172. However, as at 30 June, 2020, the Management had not remitted the statutory deductions to the relevant authorities as required by law.

Consequently, the Management is in breach of the law.

2. Unsupported Loan Account

The statement of financial position reflects borrowing balance of Kshs.12,993,599 as disclosed in Note 25 to the financial statements. Included in the balance is an amount of Kshs.9,466,377 in respect of TFC Salary Payment Loan 2 prior year adjustments. The balance brought forward of Kshs.3,527,222 on account of Tourism Fund Corporation has remained un-serviced. Further, there was no supporting document to ascertain the authenticity, terms, and conditions of the advanced amount.

In the circumstances, the Management borrowed the advanced amount in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management, and governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) in my opinion, adequate accounting records have not been kept by the Mt. Elgon Lodge Limited, so far as appears from the examination of those records; and,
- (iii) The financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for such 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.

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 the 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 money is applied in an effective manner.

The Board of Directors is responsible for overseeing the Lodge's financial reporting process, reviewing the effectiveness of how the 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing, and extent of the compliance work are limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 do 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 time 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 scepticism 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving assurance on the effectiveness of the Lodge's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 the 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

11 February, 2022

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2020

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
REVENUES,			
Sales Income	11(a)	573,688	1,112,576
Other Income (<i>Land rent</i>)	11(b)	1,025,600	1,016,800
TOTAL REVENUES		<u>1,599,288</u>	<u>2,129,376</u>
COST OF SALES	12	324,705	715,994
GROSS PROFIT		<u>1,274,583</u>	<u>1,413,382</u>
OPERATING EXPENSES			
Administration Costs	13(a)	2,420,231	2,325,682
Selling and Distribution Costs	14	-	-
Depreciation of property, plant and equipment	18	980,373	655,348
TOTAL OPERATING EXPENSES		<u>3,400,604</u>	<u>2,981,030</u>
OPERATING LOSS	15	<u>(2,126,021)</u>	<u>(1,567,648)</u>
NET LOSS		<u>(2,126,021)</u>	<u>(1,567,648)</u>
INCOME TAX CREDIT	16(a)	531,505	470,294
PROFIT AFTER TAXATION		<u>(1,594,516)</u>	<u>(1,097,354)</u>
Earnings per share – basic and diluted	16 (b)	(17.27)	(11.89)
Dividend per share	17	-	-

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2020


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	18	46,996,689	47,321,714
Total Non-Current Assets		46,996,689	47,321,714
Current Assets			
Inventories	19	5,355	49,703
Trade and other receivables	20	2,662,136	2,408,736
Bank Balances	21(a)	972,028	491,513
Cash at hand Balance	21(a)	-	17,950
Unbanked Sales Receivable	21(b)	-	341,348
Total Current Assets		3,639,519	3,309,250
NET ASSETS		50,636,208	50,630,964
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	(41,094,098)	(30,933,276)
Capital and Reserves		13,822,387	23,983,209
Non-Current Liabilities			
Borrowings	25	12,993,599	3,527,222
Total Non-Current Liabilities		12,993,599	3,527,222
Current Liabilities			
Trade and other payables	26	23,820,222	23,120,533
Total Current Liabilities		23,820,222	23,120,533
TOTAL EQUITY AND LIABILITIES		50,636,208	50,630,964


The financial statements were approved by the Board on 23/4 2020 and signed on its behalf by:


 General Manger

Name: Reuben Argut


 Ag. Head of Accounts

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


 Chairman of Board

Name: Fridah Njeru

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

	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, 2018	1,845,780	53,070,705	-	(30,933,276)	-	23,983,209
Gratuity Prior Year Provision Reinstatement	-	-	-	-	-	-
Revaluation Gain	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Adjustment for Overstated Trade Receivables 18/19	-	-	-	-	-	-
Final dividends paid – 2018	-	-	-	-	-	-
NSSF Penalties Outstanding Settlement	-	-	-	-	-	-
At June 30, 2019	1,845,780	53,070,705	-	(30,933,276)	-	23,983,209
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

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2020

STATEMENT OF CASH FLOWS AS AT 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
OPERATING ACTIVITIES			
Cash generated from / (used in) operations	27	462,566	91,900
Net cash generated from/(used in) operating activities		<u>462,566</u>	<u>91,900</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	-	-
Net cash generated from/(used in) investing activities		<u>-</u>	<u>-</u>
FINANCING ACTIVITIES			
Repayment of borrowings		-	-
Net cash generated from/(used in) financing activities		<u>-</u>	<u>-</u>
INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS		462,566	91,900
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21	509,463	417,563
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	<u>972,029</u>	<u>509,463</u>

Mt. Elgon Lodge Limited
Reports and Financial Statements
For the year ended 30 June, 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original budget		Adjustments		Final budget		Actual		Performance difference		Percentage Change		
	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	2019-2020	Kshs	
Revenue													
Sales	13,739,325		-		13,739,325		1,599,288	(12,140,037)	-88%				(a) Sales were affected by the closure of the lodge for renovations and covid 19
Other income													
Total revenues	14,989,325				14,989,325		1,599,288	(12,140,037)	-88%				
Cost of sales	2,407,000				2,407,000		324,705	2,082,295	87%				
Gross profit	11,332,325				11,332,325		1,274,583	(10,057,742)	-89%				
Expenses													
Administration costs	(9,981,267)				(9,981,267)		(2,420,231)	(7,561,036)	76%				(b) Low sales affected gross profit negatively
Selling and distribution costs													
Depreciation of PPE	(890,356)				(890,356)		(980,373)	(90,017)	-10%				
Total Operating Expenses	(10,871,623)				(10,871,623)		(3,400,604)	(7,471,019)	69%				(c) sales resulted in low spending for the period
Operating profit/(loss)	460,702				460,702		(2,126,021)	(2,586,723)	-561%				(d) Reported loss is related to low sales recorded
Finance Costs	880,000				880,000			880,000	100%				
Profit/(Loss) before taxation	(419,298)				(419,298)		(2,126,021)	(1,706,723)	407%				(e) Loss resulted from low sales received
Income tax expense/(credit)	104,825				104,825		(531,505)	(887,017)	407%				
Profit/Loss after taxation	-314,474				-314,474		(1,594,516)	(2,069,706)	407%				

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 2020

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, 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 2020(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 2019(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 2020

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 2019.

iii) MANAGEMET DISCUSSION AND ANALYSIS

Annual Report and Financial Statements for the year ended 30 June 2020.

The Loss for the year before stood at Kshs. (2,126,021) as compared with Kshs. (1,567,648) for the year 2018/2019 and against the period budget sum of Kshs. 14,989,325

Cost of sales for the period under review closed with Kshs. 324,705 compared to Kshs. 715,994 in the year 2018/2019 and against the budget of Kshs. 2,407,000

Gross profit recorded Kshs. 1,274,583 as compared to Kshs. 1,413,382 in the year 2018/2019 and against the budget of Kshs. 12,582,325.

Total Operating expense for the year ending 30th June 2020 closed with Kshs. 3,400,604 compared to Kshs. 2,981,030 for the year 2018/2019 against the period budget of Kshs. 1,710,702

Net profit before tax managed to close with a loss of Kshs. (2,126,021) compared to the loss of Kshs. 1,567,648 for the period 2018/2019 and against the budget provision of Kshs. 830,702

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a) Revenue recognition

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

5. SUMMARY OF 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.

6. 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.

7. 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.

8. 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 2019/2020 was approved by the National Assembly in October 2019. 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.

9. 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, 2020.

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.

NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
	Kshs	Kshs
11		
(a) SALES INCOME		
Gross sales of goods	717,110	1,390,720
Less: Service Charge on gross sales	(40,158)	(77,880)
Less: Catering Levy on gross sales	(11,474)	(22,252)
Less: Value added tax on gross sales	(91,790)	(178,013)
Net Sales	<u>573,688</u>	<u>1,112,576</u>
11		
(b)		
Other Income		
Land Rent	1,282,000	1,260,000
Sale of Tender Document	-	11,000
Less: Service Charge	(71,792)	(71,176)
Less: Catering Levy	(20,512)	(20,336)
Less: Value added tax	(164,096)	(162,688)
Net Sales	<u>1,025,600</u>	<u>1,016,800</u>
<p>Sales are reported net of 16% VAT until April 2020 14% VAT for May and June 2020, 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	550,665
Beverage & Tobacco	136,816	165,329
	<u>324,705</u>	<u>715,994</u>
13(a) ADMINISTRATION COSTS		
Staff costs (note 13b)	1,280,684	1,286,584
Directors' emoluments	319,551	259,000
Electricity and water	31,788	99,495
Communication services and supplies (<i>Tel. & postage</i>)	2,070	2,593
Transportation, travelling and subsistence (<i>Travel expenses Transport allowance, Staff transport & Leave travel</i>)	581,019	238,429
Bank charges and commissions (<i>Bank charges & Commission on Visa cards</i>)	5,315	2,886
Office and general supplies (<i>Office Miscellaneous</i>)	20,681	26,999
Consultancy fees	18,000	238,870
Repairs and maintenance (<i>Garden & grounds, Building maintenance & Repairs & renewals</i>)	2,910	56,762
Legal fees	29,212	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	Kshs	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>)	129,001	114,064
	<u>2,420,231</u>	<u>2,325,682</u>
(b) STAFF COSTS		
Salaries and allowances of permanent employees (<i>Salaries, Housing, Medical & Entertainment allowance</i>)	1,233,084	1,252,764
Wages of temporary employees (<i>Casual wages</i>)		7,900
Compulsory national health insurance schemes	45,600	25,920
Compulsory national social security schemes	-	-
Other pension contributions	-	-
Leave Provision and gratuity provisions	-	-
Staff welfare (<i>Meals & welfare</i>)	2,000	-
	<u>1,280,684</u>	<u>1,286,584</u>
The average number of employees at the end of the year was:		
Permanent employees – Management	-	-
Permanent employees – Unionisable	6	6
Temporary and contract employees	-	-
	<u>6</u>	<u>6</u>
Female employees – 1 (17%)		
Male Employees – 5 (83%)		
14. SELLING AND DISTRIBUTION COSTS		
Marketing and promotional (<i>Marketing & Advertising</i>)	-	-
Sales commissions (<i>Agents commission</i>)	-	-
	<u>-</u>	<u>-</u>
15. OPERATING PROFIT/(LOSS)		
The operating profit is arrived at after charging;		
Staff costs (note 13b)	1,280,684	1,286,584
Depreciation of property, plant and equipment	980,373	655,348
Directors' emoluments	319,551	259,000
Auditors' remuneration - current year fees	-	-
Other Operating Expenses (note 13a)	819,996	778,400
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% 2019)	531,505	470,294
	<u>531,505</u>	<u>470,294</u>
	<u><u>531,505</u></u>	<u><u>470,294</u></u>

17. DIVIDEND PER SHARE

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

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

	Land	Motor vehicles	Furniture and fittings	Computers	Buildings	Plant and Equipment	Capital In Progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
10. Property, plant and equipment								
Cost								
At 1 July 2018	23,000,000	-	151,834	-	24,667,863	157,365	-	47,977,062
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments(ESD Writeoff)	-	-	-	-	-	-	-	-
At June 2019	23,000,000	-	151,834	-	24,667,863	157,365	-	47,977,062
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Prior Period Bfwd error Adj	-	-	675,523	-	6,332,137	658,273	-	7,665,933
At end JUNE 2020	23,000,000	-	827,357	-	31,000,000	815,638	-	55,642,995
Depreciation and impairment								
At 1 July 2018	-	-	-	-	-	-	-	-
Depreciation	-	-	18,980	-	616,697	19,671	-	655,348
On Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At June 19	-	-	18,980	-	616,697	19,671	-	655,348
Depreciation	-	-	103,419	-	775,000	101,955	-	980,373
On Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	675,523	-	5,676,790	658,272	-	7,010,585
Prior Period Bfwd error Adj	-	-	-	-	-	-	-	-
At 30 JUNE 2020	-	-	797,922	-	7,068,486	779,898	-	8,646,306
Net book values								
At 30TH JUNE 2020	23,000,000	-	29,435	-	23,931,514	35,740	-	46,996,689
At 30 June 2019	23,000,000	-	132,854	-	24,051,166	137,694	-	47,321,714

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INVENTORIES	2020	2019
Food	2,085	13,013
Drinks & Tobacco	3,270	36,690
	<u>5,355</u>	<u>49,703</u>
20 TRADE AND OTHER RECEIVABLES		
Trade receivables	2,662,136	2,408,736
Gross trade and other receivables	<u>2,662,136</u>	<u>2,408,736</u>
21(a) BANK AND CASH BALANCES		
Un-banked sales (Note 21b)	335,912	-
Cash at Hand	-	17,950
Bank Balance	<u>636,116</u>	<u>491,513</u>
	<u>972,029</u>	<u>509,463</u>

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 2020* and respective gain/loss recognised in the statements of comprehensive income. Current Approved signatories to the Bank Accounts are the General Manager and the Cashier.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	Kshs	Kshs
21. (b) UNBANKED SALES RECEIVABLE		
Unbanked Sales Receivable	<u>335,912</u>	<u>341,348</u>
	<u>335,912</u>	<u>341,348</u>

As at the end of the financial year an amount of Kshs. 335,912 had not been banked from sales collected during the year the same had also been seen in the financial of 2018/2019. Management has since proposed to surcharge this amount to the staff in charge after appropriate disciplinary process has been concluded.

	2020	2019
	Kshs	Kshs
22.ORDINARY SHARE CAPITAL		
Authorised:		
92289 ordinary shares of Kshs.20 par value each	1,845,780	1,845,780
	=====	=====
Issued and fully paid:		
92289 ordinary shares of Kshs.20 par value each	1,845,780	1,845,780
	=====	=====

23.REVALUATION RESERVE

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

	Revaluation reserve	Total
	Kshs	Kshs
At July 1, 2018	53,070,705	53,070,705
At June 30, 2019	53,070,705	53,070,705
At July 1, 2019	53,070,705	53,070,705
At June 30, 2020	53,070,705	53,070,705

24.RETAINED EARNINGS

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

	Retained earnings	Total
	Kshs	Kshs
At July 1, 2018	(30,933,276)	(30,933,276)
At June 30, 2019	(30,933,276)	(30,933,276)
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)

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 Prior Year Adj	9,466,377	-
Balance at end of the year	12,993,599	3,527,222

The lodge has a loan from TFC of Kshs. 12,993,599. No repayment had been done during the year for this loan.

26. TRADE AND OTHER PAYABLES

Trade payables	2,186,520	3,030,508
Accrued expenses (<i>audit fees, land rates, licence fee And secretaries</i>)	2,562,508	7,103,190
Other payables (<i>Terminal dues</i>)	1,711,091	1,198,816
Statutory Payables (<i>Clt. Service charge, Vat and Nssf penalties</i>)	9,801,663	11,788,019
Payroll liability (<i>Net pay, nhif, Nssf, paye, union dues</i>)	7,558,440	-
	23,820,222	23,120,533

27. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2020	2019
	Kshs	Kshs
Operating profit/ (loss)	(2,126,021)	(1,567,648)
Depreciation	980,373	655,348
Operating profit/ (loss) before working capital changes	(1,145,648)	(912,300)
(Increase)/decrease in inventories	44,348	14,069
(Increase)/decrease in trade and other receivables	(253,400)	(114,200)
Increase/ (decrease) in trade and other payables	138,760	1,416,953
Increase/ (decrease) in Statutory Payable	1,678,506	(312,622)
Cash generated from/ (used in) operations	462,566	91,900

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>) <i>, Flight, Taxi & Night Out</i>	319,551	259,000
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	<u>319,551</u>	<u>259,000</u>
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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 2020 in relation to a loan acquired Amounting to Kshs. 12,993,599

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. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	PPE Net book Value of Kshs. 47,977,062 could not be confirmed since Asset Register and Valuation Certificate were not Availed for Verification	This has since been availed for verification to the Office of the AG	Accountant	Resolved	-

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2.1	<p>The lodge had a balance of Kshs. 417,563 in the Bank statement however</p> <p>No Bank Recon was Aailed for audit review</p> <p>Rampant Alterations on Cashbook</p> <p>No signing of cashbook by senior Officers</p> <p>Particulars of transactions not captured in cashbook</p>	<p>Management is now preparing Bank Recon statements</p> <p>Cash Book alterations have been Stopped.</p> <p>Cashbook will also be checked by senior Officers</p> <p>All Transaction Details will be captured in the cashbook</p>	Accountant	Resolved	-
2.2	<p>Suspense Account records Missing</p>	<p>Management is in the process of reconciling its suspense account for purposes of clearing this figure as the miss post dates from prior period</p> <p>Accounting records</p>	Accountant	Not Resolved	In Progress
3	<p>Trade and other Payables</p> <p>No bad debt Provision has been disclosed.</p> <p>Accuracy of the increase in staff Debt by Kshs. 468,717 could not be ascertained as support schedules was not availed</p>	<p>Bad debts will be provided for in the Consecutive Financial statements</p> <p>Staff Receivables represent unpaid Net salaries and not staff advances as was indicated as at the close of the Financial year this has been availed for verification</p>	Accountant	Resolved	-
4.1	<p>Trade receivable balances were not supported.</p> <p>Statutory remain outstanding</p>	<p>Management is working on clearing its Trade payables and settling the outstanding Statutory obligations</p>	Accountant	Not Resolved	In Progress

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4.2	.Unsupported Advance from TFC amounting to Kshs. 9,466,377	Management if following up with TFC for the Salary advance documentations to be availed	Accountant	Not Resolved	In progress
4.3	Audit Fee of Kshs. 1,729,891 outstanding in the records of trade payables	Management is committed to settling of the outstanding amount as soon as the Lodge is operational	Accountant	Not Resolved	In Progress
4.7	Financial Statements were printed on one side against the policy to print both sides and save on paper	This has been Corrected and adopted	Accountant	Resolved	
6	Inaccuracies in Expenditure Items Kshs. 535,775 relating to COS has no breakdown on how the figure was computed	Breakdown has been included showing opening stock, purchases in the year less closing stock to arrive at the cost of sales	Accountant	Resolved	
7	Staff Cost of Kshs. 502,996 has no supporting schedule	This has been corrected. Total patrol liability for the year has been presented as staff cost in the Income statement and unpaid Net pay for the year has been provided for in the statement of financial position as staff payable as at the end of the financial year	Accountant	Resolved	

General Manager

Mt. Elgon Lodge Limited



Date.....19/4/2021.....

Chairman of the Board



Date.....21.04.2021.....