

REPUBLIC OF KENYA



*Paper Laid  
By the LOM, Hon. Aud. of  
on 25/7/2018 at the  
table of the House*



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF**  
**KENYA SAFARI LODGES AND HOTELS**  
**LIMITED**

**FOR THE YEAR ENDED**  
**30 JUNE 2017**



- **MOMBASA Beach Hotel**
- **GULIA Safari Lodge**
- **OI Safari Lodge**



---

## **KENYA SAFARI LODGES & HOTELS LIMITED**

### **REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

---

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

**KENYA SAFARI LODGES & HOTELS**

Box 90414 - 80100 Mombasa, Kenya & Box 42013 Nairobi - Kenya

**t** ▶ +254 41 471861-5/ +254 722 203143/4 **f** ▶ +254 41 472970 **t** ▶ +254 02 229751 / 340894 **f** ▶ +254 02 222661

**e** ▶ [mombasabeachhotel@kenya-safari.co.ke](mailto:mombasabeachhotel@kenya-safari.co.ke)

**w** ▶ [www.safari-hotels.com](http://www.safari-hotels.com)



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

<u>CONTENTS</u>	<u>PAGE</u>
Key Entity Information	2-3
Board of Directors	4-5
Management Team	6-7
Chairman's Statement	8
Report of the General Manager	9
Corporate Governance Statement	10-11
Corporate Social Responsibility Statement	12
Report of The Directors	13
Statement of Directors' Responsibilities	14
Statement of Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Summary of Significant Accounting Policies	19-22
Explanatory Notes to the Financial Statements	23-37



## **KENYA SAFARI LODGES AND HOTELS LIMITED**

### **Reports and Financial Statements**

**For The Year Ended June 30, 2017**

#### **KEY ENTITY INFORMATION**

##### **Background information**

Kenya Safari Lodges & Hotels Ltd (“KSLH”, “The Company”) was incorporated under the Kenya Companies Act (Cap 486) in 1966. The shareholders of KSLH are Tourism Finance Corporation (TFC, previously Kenya Tourist Development Corporation), Mountain Lodges Ltd and Kenya Wildlife Services (KWS). Tourism Finance Corporation is the majority shareholder in KSLH with a direct controlling stake of 82.45% shares. From a management control perspective, KSLH is classified as a State Corporation by virtue of being a subsidiary of TFC.

##### **Principal Activities**

The Principal activity of the Kenya Safari Lodges and Hotels is ownership and operation of hotel and lodge facilities in Kenya. The company operates three units namely; Mombasa Beach hotels, Ngulia Safari Lodge and Voi Safari Lodge

##### **Directors**

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

<b>Name of Director</b>	<b>Date of Appointment</b>	<b>Alternate</b>	<b>Date of Appointment</b>
1. Mr Michael Matu	1 <sup>st</sup> Jan 2013	-	-
2. Mr Jonah Orumoi-TFC	1 <sup>st</sup> Feb 2016	Mr Dominic Ndewa	20 <sup>th</sup> Sept 2013
3. Mr Kitili Mbathi	1 <sup>st</sup> Feb 2016	Mr Edwin Wanyonyi	09 <sup>th</sup> Oct 2015
4. Ms Fatma Hirsi - PS, Ministry of Tourism	1 <sup>st</sup> Jan 2016	Dr Anne K Kinyua	17 <sup>th</sup> May 2013
		Mr E G Kabiru	8 <sup>th</sup> Aug 2016
5. Mr Saidi Mwangi Ali	9 <sup>th</sup> Jun 2016		
6. Ms Pauline Rwamba	9 <sup>th</sup> Jun 2016		

##### **Corporate Secretary**

John Saitoti Karia  
Corporation Secretary  
Tourism Finance Corporation  
P.O. Box 42013-00100  
Nairobi.

##### **General Manager of the Company- KSLH**

##### **Registered Office**

Mombasa Beach Hotel  
Mt. Kenya Road, Nyali  
P.O. Box 90414, 80100  
Mombasa.



**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2017**

**Corporate Headquarters**

P.O. Box 90414, 80100  
Mombasa Beach Hotel  
Mt. Kenya Road, Nyali  
Mombasa.

**Corporate Contacts**

Tel: 041-471861-5/ +254 722 203143/4  
Email: [info@kenya-safari.co.ke](mailto:info@kenya-safari.co.ke)  
Website: [www.safari-kenya.com](http://www.safari-kenya.com)

**Corporate Bankers**

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

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

**Independent Auditors**

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

**Principal Legal Advisers**






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

Miller & Company Advocates  
P.O Box 90088-80100, GPO, Mombasa.

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

M. F. Khatib Advocates  
P.O Box 83566 - 80100 GPO, Mombasa.

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**  
**THE BOARD OF DIRECTORS**

Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
1. Mr. Saidi Mwangi Ali		<p><b>Current Position:</b> Chairman of KSLH Board of Directors.  Marketing back ground  Member and former Secretary of Culture at Kenya Arab Friendship  Founder member of Kenya Motor Repairers Association (KEMRA).  Former Board member of Hotel &amp; Restaurant Authority (now Tourism Regulatory Authority).  Date of Birth....09.11.1976</p>
2. Mr. Orumoi T. Jonah		<p><b>Current Position:</b> MD of Tourism finance Corporation  <b>Academic Qualifications:</b> Master of Science degree in Finance and Investment (Merit) from Queen Mary University of London, UK and is FACCA qualified. BA (Hons) in Accounting &amp; Finance of the East London  <b>Working Experience:</b> Finance &amp; Leasing Contracts Manager/ acting Head of Procurement at G4S Kenya, Nairobi and as a Senior Principal Finance Officer, University, UK.  Date of Birth.....20.10.1978</p>
3. Mr Michael Matu		<p><b>Current Position:</b> Deputy Chairman &amp; Chief Executive Officer, Olympia Capital Holdings Limited.  <b>Academic Qualifications:</b> MBA (United States International University); BA (University of Guelph); Graduate Diploma (McGill University).  <b>Work Experience:</b> Executive Director – Heri Group  Date of Birth.....13.09.1968</p>
4. Mr. Dominic Ndewa - Alternate		<p><b>Current Position:</b> Head of Investments, Tourism Finance Corporation (TFC)  <b>Academic Qualifications:</b> MA, BA (University of Nairobi); CPA (K); CSIA.  <b>Work Experience:</b> 1995-2010 – Ministry of Finance (Treasury).</p>
5. Ms. Pauline Rwamba		<p><b>Current Position:</b> Member of KSLH Board of Directors  <b>Academic Qualification:</b> Master's degree in Business Administration, Marketing Option from Kenya Methodist University and an undergraduate degree in Business Administration, Entrepreneurship option.  <b>Work Experience:</b> career Social/Community Development Specialist. She is currently a consultant with Polyp at Consultancy Firm Ltd where she offers training services on Donor Relations, Youth and Women Empowerment, Table Banking and Revolving Fund, Preparation of Strategic Plans, Markets and Value Chains, Group Dynamics and Conflict Resolution, Psychosocial Support, Impact Evaluation and Documentation, Financial Literacy and Resource Mobilization.  Date of Birth....29.12.1972</p>
6. Mr Kitili Mbathi		<p><b>Current Position:</b> Director General, Kenya Wildlife Service (KWS)  <b>Academic Qualifications:</b> BA University of Michigan  <b>Work Experience:</b> served as the Managing Director of CFC Stanbic Bank Limited since September 2008. Mr. Mbathi served as the Chief Executive of CFC Stanbic Holdings Limited until January 29, 2016. He serves as an Executive Director of FC Stanbic Bank Limited. He served as Managing Director at Stanbic Bank Uganda Ltd. and Africa Regional Managing Director for East Africa and Mauritius (based in Nairobi) at Standard Bank.</p>




Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
7. Mr. Edwin Wanyonyi - Alternate		<p><b>Current Position:</b> Deputy Director, Strategy and Changes, KWS</p> <p><b>Academic Qualifications:</b> Has an MBA( UON) , Bachelor of Business Administration , Dip in Resource Mobilization, Cert in Strategic Leadership from Kenya Institute of Administration and a post graduate Diploma in Resource Mobilization from Kenya Institute of Management and certificate in Project Management</p> <p><b>Work Experience:</b> Member of KIM, Kenya Fundraising Professionals and National Steering Committee Member of UNDP Small Grants. A Taskforce Member of the Tourism Recovery Taskforce in Kenya. Executive Committee member and Treasurer of the Alliance of Conservation Funds in Africa (CAFE). Over 12 years experience in strategic management both in the public and private sector.</p>
8. Ms Fatma Hirsi		<p><b>Current Position:</b> Principal Secretary, Ministry of Tourism.</p> <p><b>Academic Qualifications;</b> Holds an MBA in strategy and marketing, a BA (Hons) in languages and a postgraduate diploma in Public Relations. Currently pursuing a PhD in Communications Studies.</p> <p><b>Work Experience:</b> She has been recognized for her leadership and honored with a Fellow and lifetime achievement awards from the Public Relations Society of Kenya in which she served as chairlady for 5 years</p>
9. Mr. E. G. Kabiru Alternate		<p><b>Current Position:</b> Senior Accountant General, Ministry of Tourism From 8<sup>th</sup> Aug 2017</p>
10. Victor M Shitakha		<p><b>Current position:</b> General Manager KSLH</p> <p><b>Highest level of Education:</b> Moi University- BSC Hospitality and Tourism Management, Associate Degree in B Administration</p> <p><b>Academic Qualifications</b> Sales and Marketing certificate, Diploma in Hotel Management</p> <p><b>Work Experience:</b> 2012-2016: General Manager Tamarind Restaurant Mombasa 2009-2012: General Manager Hotel Africana Uganda 2005-2009: General Manager Wellworth's Beach Resort Dar es Salaam 2005: Deputy General Manager Nyali Beach 2004: General Manager Lake Naivasha Sopa Group's 2000-2003: Cruise Commander Voyager Beach Resort</p>

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2017**

**MANAGEMENT TEAM**

NAME	PHOTO	POSITION , HIGHEST LEVEL OF EDUCATION & KEY PROFESSIONAL/ACADEMIC QUALIFICATIONS
1. <b>VICTOR M SHITAKHA</b>		<p><b>Current position:</b> General Manager KSLH  <b>Highest level of Education:</b> Moi University- BSC Hospitality and Tourism Management, Associate Degree in B Administration  <b>Academic Qualifications</b>            Sales and Marketing certificate, Diploma in Hotel Management  <b>Work Experience:</b>            2012-2016: General Manager Tamarind Restaurant Mombasa            2009-2012: General Manager Hotel Africana Uganda            2005-2009: General Manager Wellworth's Beach Resort Dar es Salaam            2005: Deputy General Manager Nyali Beach            2004: General Manager Lake Naivasha Sopa Group's            2000-2003: Cruise Commander Voyager Beach Resort</p>
2. <b>VICTOR MWAMBUI</b>		<p><b>Current position:</b> Ag General Manager KSLH  <b>Highest level of Education:</b> College(Kenya Utalii College, Nairobi) &amp; Private Student, Association of Business Executives( ABE, UK)  <b>Academic Qualifications</b>            Diploma in Hotel Management, Advanced Diploma in HRM (ABE/UK); Associate Member Association of Business Exec. (UK), Member: Inst. of Human Resource Mgt (K)  <b>Work Experience:</b>            April 2017 to present: Ag. General Manager (KSLH)            2005- April 2017: Admin Manager (KSLH)            2004-2005: Manager (NSL)            1998-2004: Senior Assistant Manager (MBH)(i/c Personnel Adm &amp; F&amp;B)            1991-1998: Senior Assistant Manager (ATHL)</p>
3. <b>ZIPPORAH CHOMBO</b>		<p><b>Current position:</b> Ag Finance Manager KSLH  <b>Highest level of Education:</b> University(Egerton )  <b>Academic qualification:</b> BA (Economics)KUC R/Courses: Hotel Accounting Techniques (basic &amp; Advanced) Level CPA Sec II            Others: Fidelio FO Accounting system and Sun system  <b>Work Experience:</b>            1994-2004: Senior Accounts Assistant(VSL)            2004-2009: Assistant Accountant (KSLH)            2009-2010: Assistant Accountant (MBH)            2010-2011: Ag. Hotel Accountant (MBH)            2011 July – 2011: Oct Ag. Finance Manager (KSLH)            2011-2012: Accountant Head Office            2013-2014: Accountant(VSL)            2015 – to date: Ag Finance Manager (KSLH)</p>

<p>4. <b>EUNICE NZILANI</b></p>		<p><b>Current position:</b> Human Resource Manager  <b>Highest level of Education:</b> University(JKUAT)  <b>Academic qualification:</b> BBA ( HR Option)  <b>Work Experience:</b>                  2014 – to date: Human Resource Manager</p>
<p>5. <b>LILLIAN OBURA</b></p>		<p><b>Current position:</b> Internal Auditor  <b>Highest level of Education:</b> University(ANU)  <b>Academic qualification</b> B Com (Accounting) ,CPA Part II Sect 4                  Diploma in Banking                  Others: Pursuing CISA  <b>Work Experience:</b>                  2008-2013: Asst. Internal Auditor – KSLH                  2014 – to date : Internal Auditor – KSLH</p>

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

**Chairman's Statement**

On behalf of the Board of Directors of Kenya Safari Lodges and Hotels Limited, I present to you the annual Report and Financial Statements of the Company for the year ended 30<sup>th</sup> June 2017. During the year 2016-2017, KSLH has recorded a slight progress in terms of revenues. Turnover dropped by 9% from last year's performance.

Globally the outlook for Travel & Tourism Sector in 2017 remains robust and Kenya hopes to capture a significant share of the earnings from this sector. Despite the negative economic impacts of past challenges such as insecurity, drought and food shortages, high prices of inputs etc Kenya tourism continues to display its resilience in 2016. Total contribution of this sector to GDP was 9.8% of GDP in 2016 and is forecast to rise by 5.9% in 2017. In 2016 this sector supported 399,000 jobs directly or 3.4 % of total employment. This is expected to rise by 3.6 % in 2017.

Kenya continues to attract considerable hotel investment which is a clear indicator of global investor confidence. The government has introduced a number of measures in support of hotel and tourism sector, notably:

- Initiatives to enhance security across the country
- Development of infrastructure such as the Standard Gauge Railway (SGR), rehabilitation and upgrading of major road networks country-wide, increasing distribution of electricity and water supply, enhancement of internet connectivity and e-commerce etc
- Building a positive image and perception of Kenya in the foreign markets
- Introduction of the East Africa Single Tourist Visa that has reduced cost of Visa acquisition

Hotel and lodge operators such as KSLH have been inspired by the peaceful elections and express optimism in the improved performance of the hotel and tourism industry. The Company expects to capitalize on this positive hotel business outlook by developing a comprehensive business strategy for turning around its financial performance as follows:

- Undertake major renovation works for its flagship property- the 151-room Mombasa Beach Hotel. The tender process has been initiated
- Exploit domestic tourism and enhance sourcing of Kenya and regional holiday makers through holiday packages based on transport via the SGR e.g. the Madaraka Express trains from Nairobi to Mombasa and back.
- KSLH units, particularly Mombasa Beach Hotel expect to host more seminars and conferences from a wide range of clients including county governments, national government ministries and departments, parastatals, educational institutions and non-governmental organizations (NGOs).

The Company now has substantive General Manager charged with implementing KSLH turnaround strategies to ensure revenue growth and reduction of accumulated losses.

Thank you.

  
Chairman- Board of Directors

07/05/2018

, 2017



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

**Report of the General Manager**

During the Financial year just ended, the Company achieved the turnover of Kshs. 220.4 million as compared to Kshs. 244.1million realized in the financial year ended June 30, 2016. This represents a drop of 9%. This was occasioned by low business realized in the lodges from international markets. The government conferencing and seminars also dropped in the last quarter due to effects of preparation of general election, the general dilapidated state of MBH and lack of aggressive sales and marketing initiatives.

The staff cost realized in the financial year was Kshs. 148.1million as compared to Kshs. 157.7million incurred in the previous financial year. This was a saving of 6.08% mainly due to staff separations that were not replaced. With the decreased revenues staff were called in to multitask and cover up for vacant areas.


Another major cost incurred was operating cost where Kshs. 45.6m was incurred in the year as compared to Kshs. 52.9m. The drop of 13% was due to increased awareness of the need to cost cut, stringent measures in our food and beverage controls and a determined effort to cut down on utility costs like electricity.

The total overall cost incurred was Kshs. 253.6m compared to last year Kshs. 280.5m a drop of 9%.

The company realized a loss of Kshs.73.9m against a loss of 87m last year representing an improvement of 13%. Work is in progress to do much better in 2017/2018.

The outlook of FY 2017/2018 looks promising since we are witnessing improved occupancies in the lodges. More charter flight are returning back and we expect this trend to continue throughout the year. We also expect improvement of bed occupancies in Mombasa Beach Hotel especially after the earmarked refurbishment is over. On this note the management has earmarked Kshs.4m to conduct marketing campaigns to publicize Mombasa Beach Hotel as a hotel of choice in the coast region immediately after refurbishment; however business in Mombasa Beach Hotel is expected to be depressed in the first quarter owing to election issues.

KSLH has the potential to ~~rise~~ <sup>tweaking</sup> back to its former glory after ~~tweaking~~ <sup>tweaking</sup> and investing in minimum refurbishments.



**General Manager**

07/05/2018

, 2017

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

**CORPORATE GOVERNANCE STATEMENT**

The Board of Directors recognizes the importance of good corporate governance in the Company's performance, capital formation and maximization of shareholders value. Accordingly, the Board is committed to maintaining a high standard of corporate governance.

**Board of Directors**

The Board consists of Directors who represent the respective shareholders and other stakeholders. The Directors possess broad range of expertise and experience required to direct KSLH. The Board holds meetings on a regular basis and a calendar of meetings is prepared annually, while special meetings are called when circumstances require. The Board held 4 regular and 4 special meetings and one AGM during the year.

**Board Responsibilities**

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

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

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

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

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



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

**Board Committees**

Board Committees have been set up with written terms of reference to facilitate efficient decision making of the Board in the execution of its duties, powers and authorities. Delegation of authority to Board Committees or management does not in any way mitigate or dissipate the discharge by the Board of its duties and responsibilities. The Board has set up one Committee during the Financial Year.

**Audit Committee**

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

**Audit committee membership**

- |                        |                                  |
|------------------------|----------------------------------|
| 1. Mr. Nelson Agina    | Chairman (Dec 2012 to Sept 2015) |
| Mr. Edwin Wanyonyi     | Member (from October 2015)       |
| 2. Mr. Michael Matu    | Chairman (from July 2017)        |
| 3. Mr. Jonah T. Orumoi | Member (from Feb 2017)           |
| Mr. Dominic Ndewa      | Member (from Sept 2013)          |
| 4. Ms. Pauline Rwamba  | Member (from Jun 2017)           |

**Other committees and membership is as below:**

<b>Finance, Human Resource &amp; Administration Committee</b>
1.Mr. Jonah T. Orumoi
2.Mr. Edwin Wanyonyi
3.Ms. Pauline Rwamba
4.Alternate in the Ministry of Tourism

<b>Marketing Committee</b>
1.Mr. Jonah T. Orumoi
2.Mr. Edwin Wanyonyi
3.Ms. Pauline Rwamba
4.Alternate in the Ministry of Tourism

**Directors Remuneration**

The terms and conditions of service for the Chairman and Members of the Board are derived from the Guidelines issued by the State Corporations Advisory Committee (reference Circular no. OP/CAB.9/21/2A/LII/43 of 23 November 2004) and subsequent amendments, notably Circular ref . no OP/SCAC/.9/21.2 VOL. 1 (164) of 28 April 2015. Guidelines provide for payment of directors' sitting allowance for every meeting attended as well as travel and accommodation allowance while on company duty.

**Communication with the Shareholders**

We believe in regular and timely communication with our shareholders to keep them fully informed of all major developments that have an impact on the Company. Notice of the AGM is dispatched to all shareholders at least 21 days before the meeting. The company files yearly returns to meet continuing obligations as prescribed by the Companies Act.

## **KENYA SAFARI LODGES AND HOTELS LIMITED**

### **Reports and Financial Statements For The Year Ended June 30, 2017**

#### **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

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

- (i) *Environmental protection***- During the year KSLH undertook several beach cleaning exercises geared towards protection and rehabilitation of the environment more specifically the beach environment.
- (ii) *Education***- During the year KSLH endeavored to support educational activities which include HIV/AIDS awareness, Career development among the vulnerable groups, Special projects geared towards empowerment of the youth through internship.
- (iii) *Promoting gender equity***- KSLH committed to promoting activities geared towards gender equity in various areas during the financial year. This included adhering to the procurement of goods and services from women and youth at 30%.
- (iv) *Sports promotion*** -KSLH has sports teams for men and women which participate in local tournaments.
- (v) *Beautification projects*** - KSLH sought to partner with other stakeholders in beautification of the city of Mombasa.



## **KENYA SAFARI LODGES AND HOTELS LIMITED**

### **Reports and Financial Statements For The Year Ended June 30, 2017**

#### **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Kenya Safari Lodges and Hotels affairs.

#### **Principal activities**

The Principal activity of the Kenya Safari Lodges and Hotels continue to be ownership and operation of hotel and lodge facilities in Kenya. The company operates three units namely; Mombasa Beach hotels, Ngulia Safari Lodge and Voi Safari Lodge

#### **Results**

The results of the entity for the year ended June 30, 2017 are set out on page 15-16

#### **Dividends**

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

#### **Directors**

The members of the Board of Directors who served during the year are shown on page 4 In accordance with Regulations of the Kenya Safari Lodges and Hotels Ltd Memorandum and Articles of Association;

#### **Auditors**

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

By Order of the Board

Corporation Secretary

Mombasa

Date:.....07/05/2018



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the KSLH's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2017, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

07/05/2018

The Company's financial statements were approved by the Board on the ..... Day of ..... 2017 and signed on its behalf by:

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR



# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA SAFARI LODGES AND HOTELS LIMITED FOR THE YEAR ENDED 30 JUNE 2017

---

#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Safari Lodges and Hotels Limited set out on pages 15 to 36, which comprise the statement of financial position as at 30 June 2017, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Safari Lodges and Hotels Limited as at 30 June 2017, 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 Kenyan Companies Act, 2015.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that other than the issues highlighted in the basis for qualified opinion section of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1.0 Going Concern

The statement of financial position as at 30 June 2017 reflects current liabilities balance of Kshs.539,411,000 which exceeded current assets balance of Kshs.150,676,000 by Kshs.388,735,000. Further, the company realized a loss of Kshs.73,937,000(2015/2016 – loss of Kshs.87,097,000), resulting to accumulated loss of Kshs.417,710,000 as at 30 June 2017. In addition, the statement of profit and loss and other comprehensive income for the year ended 30 June 2017 shows total income of Kshs.173,134,000 against a budget of Kshs.420,000,000, representing 41.2% performance level or under-collection of Kshs.246,866,000 (58.8%). The management has not provided satisfactory explanation as to why the revenue targets could not be achieved. Further, as previously reported, the company converted the Tourism Finance Corporation, formerly Kenya

---

*Report of the Auditor-General on the Financial Statements of Kenya Safari Lodges and Hotels Limited for the year ended 30 June 2017*

Tourist Development Corporation (KTDC) loan of Kshs.75,554,000 into equity in the year 2013/2014 and waived the interest accrued thereon. However, despite the conversion of the debt to equity, the working capital position and financial performance has not improved.

Consequently, the company may not be in a position to meet its financial obligations as and when they fall due and its continued existence as a going concern depends on continued support from the Government, bankers and creditors.

## **2.0 Presentation of the Financial Statements**

The financial statements for the year ended 30 June 2017 presented for audit revealed the following anomalies:

### **2.1 Information on Board of Directors**

The public Sector Accounting Standards Boards requires the inclusion of the Company Secretary in the list of Board of Directors. However, in the list provided, the company secretary name was omitted. Further, the dates of birth of all the listed directors were not provided as required by the Public Sector Accounting Standards Board prescribed annual reporting template.

### **2.2 Statement of Comparison of Budget and Actual Amounts**

The financial statements do not include a statement of comparison of budget and actual amounts as required by the Public Sector Accounting Standards Board.

In the circumstance, the financial statements have not been prepared in accordance with the requirements of the Public Sector Accounting Standards Board.

## **3.0 Inaccuracy in the Financial Statements**

The financial statements for the year ended 30 June 2017 availed for audit review had the following inaccuracies brought forward from the year 2015/2016. A review of the matter in the current year reveals that management has not made adjustments to correct the inaccuracies as follows:

- 3.1** The statement of changes in equity has a transfer to depreciation figure of Kshs.24,186,000, which is different from note 13 figure of Kshs.24,179,000, resulting to a variance of Kshs. 7,000 which has not been explained nor reconciled.
- 3.2** The statement of cash flows reflects cash and cash equivalents balance of Kshs.21,078,000. However, this balance varies from the re-casted figure of Kshs.17,036,000 resulting to casting error of Kshs.4,042,000.

- 3.3** Note 12 to the financial statements on taxation refers to a loss of Kshs. 87,222,000 while the statement of profit and loss and other comprehensive income for the year ended 30 June 2016 reflects a loss of Kshs.87,097,000 resulting to a variance of Kshs.125,000 and which has not been explained nor reconciled. The same note refers to accumulated loss of Kshs.344,409,000, which is different from Kshs.344,284,000 shown in the statement of changes in equity for the year ended 30 June 2016. The difference of Kshs.125,000 between the two balances has neither been explained nor reconciled.
- 3.4** The financial statements for the year ended 30 June 2017 availed for audit review had the following inaccuracies arising from the figures in the financial statements not agreeing with the supporting schedule figure as summarized below:

Item	Financial statement figure Amount (Kshs)	Supporting schedule figure Amount (Kshs)	Variance Amount (Kshs)
Turnover	220,421,000	220,420,000	1000
Cost of sales	52,896,000	52,897,000	(1000)
Operating costs	45,642,000	45,641,000	1000
Staff costs	148,261,000	148,262,000	(1000)
<b>Total</b>	<b>467,220,000</b>	<b>467,220,000</b>	<b>0</b>

In the circumstances, the fair presentation of the financial statements for the year ended 30 June 2017 did not comply with the requirements of the International Financial Reporting Standards.

#### **4.0 Property Plant and Equipment**

##### **4.1 Fully Depreciated Assets**

The statement of financial position as at 30 June 2017 reflects a balance of 704,029,000 and nil balance in respect to property, plant and equipment and intangible assets respectively which include fully depreciated assets with a total cost of Kshs.81,136,000 as disclosed under Note 13 to the financial statements. Although some of the assets are in use, the economic value of these assets has not been accounted for in these financial statements as they are carried at nil value contrary to International Financial Reporting Standards/International Accounting Standard No. 16 which states that revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date. As a result, it has not been possible to ascertain that the property, plant and equipment balance of Kshs.704,029,000 as at 30 June 2017 is fairly stated.

##### **4.2 Fixed Asset Register**

As reported previously, the fixed assets register maintained by the Company does not have asset codes and quantities nor tagging of the fixed assets. As such, fair and

objective presentation of the financial statements in line with the requirements of International Public Sector Accounting Standard Number 1 may not be achieved.

## **5.0 Trade and Other Receivables**

### **5.1 Long Outstanding Trade and Other Receivables**

The statement of financial position as at 30 June 2017 reflects trade and other receivable balance of kshs 124,794,000 out of which trade receivables amounting to kshs.89,720,298 had been outstanding for more than one year.

In the circumstance, it has not been possible to ascertain the recoverability of trade and other receivables balance of Kshs.89,720,298 and that the trade and other receivables balance of Kshs.124,794,000 is fairly stated.

### **5.2 Other Debtors and Prepayments**

Note 15 to the financial statements for the year ended 30 June 2017 reflects trade and other receivables balance of Kshs.124,794,000 out of which an amount of Kshs.21,207,000 relates to other debtors and prepayments. However, other receivable balance of Kshs.237,152 with a credit balance was offset contrary to IAS 1 Section 32 that states that assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by the International Financial Reporting Standards.

Consequently, the accuracy and completeness of other debtors and prepayments balance of Kshs.124,794,000 could not be confirmed.

## **6.0 Cash and Cash Equivalents**

### **6.1 Cash Investments**

Note 20 to the financial statements for the year ended 30 June 2017 reflects cash and cash equivalent balance of Kshs.20,635,000 out of which an amount of Kshs.18,786,000 was held as cash investments - fixed deposit in a bank. However, the fixed deposits certificate and the bank reconciliation statement were not availed for audit review.

In the circumstances, the propriety and completeness of the cash investments-fixed deposit balance of Kshs.18,786,000 could not be confirmed.

### **6.2 Cash in Hand**

Note 20 to the financial statements for the year ended 30 June 2017 reflects cash and cash equivalent balance of Kshs.20,635,000 out of which an amount of Kshs.942,000 was held as cash in hand. However, the Board of survey certificates were not availed for audit review.

Consequently, the accuracy and completeness of the cash in hand balance of Kshs.942,000 could not be confirmed.

## **7.0 Trade and Other Payables**

As reported previously, trade and other payables balance of Kshs.500,670,000 shown in the statement of financial position as at 30 June 2017 includes long outstanding amounts payable to various statutory bodies in respect of payroll deductions, Value Added Tax and other levies amounting to Kshs.357,362,000. The management is in breach of the law. Further, no provision for the penalties arising out of non-remittance of these statutory deductions seem to have been included in these financial statements.

Consequently, it was not possible to ascertain the accuracy and validity of the trade and other payables balance of Kshs.500,670,000.

## **8.0 Share Capital**

As reported in the previous year, the share capital of the company was increased from Kshs.9,319,000 to Kshs.100,954,000 through creation of Kshs.4,581,784.99 ordinary shares of Kshs.20 each. The additional shares were issued through a rights issue to existing shareholders at 08 November, 2013 at a price of Kshs.20 per share. However, no evidence was availed for audit verification in support of how the share valuation was determined.

In addition, the net assets of the company as at 30 June 2013 amounted to Kshs.667,399,000 while the issued shares at the same date were 465,940, resulting in an approximate value of Kshs.1,432 per share clearly showing that the rights issue price of Ksh.20 per share was way below their value.

Consequently, the accuracy, and validity of the share capital value of Kshs.100,954,000 shown in the statement of financial position as at 30 June 2017 could not be confirmed.

## **9.0. Audit Fees**

As previously reported, included in the other payables balance of Kshs.25,717,000 as at 30 June 2017 is Kshs.1,566,000 relating to audit fees which has been outstanding for over one year contrary to Section 41 of the Public Audit Act, 2015 which provides that funds of the Auditor-General shall consist of audit fees charged at rates prescribed by the Auditor-General. Consequently, the Company is in breach of the Law.

## **10.0 Borrowing Long Term**

Note 18 to the financial statements for the year ended 30 June 2017 reflects borrowing long term balance of Kshs.12,172,000 which relates to loan given by Tourist Fund Corporation. However, the bank statements, certificate of balance in respect to the loan were not availed for audit review. Further, the current portion of the loan is not shown under the current liabilities.

Consequently, the accuracy and completeness of Tourist Fund Corporation loan balance of Kshs.12,172,000 could not be confirmed.

## **11. Legal Fees**

Note 7 to the financial statements for the year ended 30 June 2017 reflects legal fees balance of Kshs.306,000. However, no approval from the Attorney General as required by the Circular No. AG/CONF/6/E/247 VOLII which requires State Corporations to get approval and authority from Attorney General before incurring expenditure on legal fees. Consequently, the propriety and completeness of legal fees balance of Kshs.306,000 as at 30 June 2017 could not be confirmed.

## **12. Service Gratuity**

As previously reported, the statement of financial position as at 30 June 2016 reflects service gratuity balance of Kshs.51,381,000. However, given opening balance of Kshs.59,346,000, additional gratuity of Kshs.4,175,000 as disclosed in note 18 to the financial statements and Kshs.269,000 paid out during the year under review, the closing balance should have been Kshs.63,252,000. The variance of Kshs.11,871,000 between the reported balance of Kshs.51,381,000 and the re-computed balance has not been explained nor reconciled. A review of the matter in the current year reveals that the management has not taken any action to resolve the matter.

Consequently, the accuracy and completeness of service gratuity balance of Kshs.72,920,000 as at 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Safari Lodges and Hotels Limited in accordance with ISSAI 30 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. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

### **Other Matter**

#### **1. Budgetary Control and Performance**

##### **Expenditure Budget**

The recurrent budget for the year was Kshs.330,943,000 against actual expenditure of Kshs.261,696,000 or 79%, resulting in net under expenditure of Kshs.69,247,000 or 21% as detailed below:

Item	Budget (Kshs'000)	Actual Expenditure (Kshs'000)	Over Expenditure (Kshs'000)	Under Expenditure (Kshs'000)	%
Salaries & Wages	108,032	96,039		11,993	11.1
Staff Expenses	49,146	41,876		7,270	14.8
Staff Travel	8,742	10,347	1,605		18.3
Repairs & Renewals	18,763	6,574		12,189	64.9
Operating Costs	76,586	45,642		30,944	40.4
Office Expenses	7,686	5,057		2,629	34.2
Administration Expenses	21,815	31,215	9,400		43
Directors fees/Expenses	1,757	3,321	1,564		89
Advertising & Promotion	4,986	376		4,610	92.4
Property & upkeep	11,550	4,551		6,999	60.6
Depreciation & Amortization	19,714	13,678		6,036	30.6
Interest & Other Charges	2,166	3,020	854		39.4
<b>Total</b>	<b>330,943</b>	<b>261,696</b>	<b>13,423</b>	<b>82,670</b>	<b>20.9</b>

The overall under expenditure of Kshs.69,247,000 or 21% is an indication that the company did not implement activities planned for the year ended 30 June 2017. Although the management attributes the under expenditure to low business, the under expenditure for advertising and promotion was 92.4 percent implying that the management did not do enough advertising and promotion of its business. Further, the hotel has an over expenditure of 89% on directors' fees and expenses and 43% on administration expenses.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 Kenya Safari Lodges and Hotels Limited's ability to continue as a going concern/ sustain

services, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the Kenya Safari Lodges and Hotels Limited or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing Kenya Safari Lodges and Hotels Limited's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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.
- 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 an assurance on the effectiveness of the Kenya Safari Lodges and Hotels Limited'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 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 Kenya Safari Lodges and Hotels Limited's ability to continue as a going concern or to sustain its services. 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 Kenya Safari Lodges and Hotels Limited's to cease as a going concern or to continue to sustain its services.

- 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 Kenya Safari Lodges and Hotels Limited to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

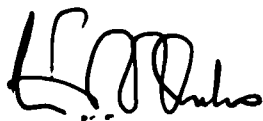
I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Kenyan 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 Kenya Safari Lodges and Hotels Limited, so far as appears from the examination of those records; and,
- iii. The Kenya Safari Lodges and Hotels Limited's financial statements are in agreement with the accounting records and returns.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**29 May 2018**

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Notes	2016/2017 Shs'000	2015/2016 Shs'000
TURNOVER	2	220,421	244,193
COST OF SALES	4	52,896	62,761
<b>GROSS PROFIT</b>		<b>167,525</b>	<b>181,432</b>
OTHER INCOME	3A	5,609	8,136
<b>TOTAL INCOME</b>		<b>173,134</b>	<b>189,568</b>
OPERATING COSTS	5	45,642	52,997
STAFF COSTS	6	148,261	157,775
ADMINISTRATIVE COSTS	7 A	34,536	33,508
REPAIRS AND MAINTENANCE	8	6,664	8,329
ADVERTISING AND PROMOTION	9	376	2,464
GENERAL EXPENSES	10	4,551	9,994
DEPRECIATION	13	13,565	14,877
AMORTIZATION	13A	113	610
<b>TOTAL EXPENSES</b>		<b>253,708</b>	<b>280,554</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>(80,574)</b>	<b>(90,986)</b>
FINANCE INCOME	3B	9,658	7,493
FINANCE COSTS	11	(3,021)	(3,604)
EARNINGS BEFORE EXTRA ORDINARY ITEMS		(73,937)	(87,097)
<b>PROFIT\ (LOSS) BEFORE TAX</b>		<b>(73,937)</b>	<b>(87,097)</b>
INCOME TAX EXPENSE/(CREDIT)			
<b>PROFIT AFTER TAX</b>		<b>(73,937)</b>	<b>(87,097)</b>

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2017**

	<u>Notes</u>	<b>2016/2017</b> Shs'000	<b>2015/2016</b> Shs'000
<b><u>ASSETS</u></b>			
<b><u>NON-CURRENT ASSETS</u></b>			
Properties, Plant and Equipment	13	704,029	734,628
<u>Intangible assets</u>	13A	0	113
<b><u>CURRENT ASSETS</u></b>			
Inventories	14	5,247	6,378
Trade and other receivables	15	124,794	119,770
Cash and cash equivalent	20	20,635	21,078
<b>Sub-total</b>		<b>150,676</b>	<b>147,226</b>
<b><u>TOTAL ASSETS</u></b>		<b>854,705</b>	<b>881,967</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>OWNERS' EQUITY</u></b>			
<b><u>CAPITAL AND RESERVES</u></b>			
Share Capital	16A	100,954	100,954
Revaluation Reserve	17	546,958	571,144
Retained Earnings	16B	(417,710)	(344,284)
<b>Shareholders' Funds</b>		<b>230,202</b>	<b>327,814</b>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Borrowings -long term	18	12,172	8,234
Service Gratuity	18	72,920	51,381
<b>Sub-total</b>		<b>85,092</b>	<b>59,615</b>
<b><u>CURRENT LIABILITIES</u></b>			
Borrowings-short term	21	9,981	19,490
TFC Loan	21	3,043	2,148
Trade and other payables	19	500,670	449,980
Other payables	22	25,717	22,920
		<b>539,411</b>	<b>494,538</b>
<b><u>TOTAL OWNERS' EQUITY AND LIABILITY</u></b>		<b>854,705</b>	<b>881,967</b>

07/05/2018

The financial statement were approved by the Board of directors on the .....day..... of 2017 and signed on its behalf by:

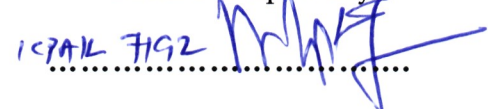
**Chairman**  
Mr. Said Mwangi Ali

**Director**  
Orumoi T. Jonah

**Head of Finance**  
Benard Chepkwony

.....  


.....  


.....  




**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Ordinary Shares</b>	<b>Revaluation Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>Kshs'000</b>	<b>Kshs'000</b>	<b>Kshs'000</b>	<b>Kshs'000</b>
<b>As at 30 June 2015</b>	<b>100,954</b>	<b>595,330</b>	<b>(257,187)</b>	<b>439,097</b>
Rights Issue				-
Prior year adjustment				-
Revaluation surplus				-
Net Profit for The year			(87,097)	(87,097)
Prior year adjustment on revaluation				-
Transfer To Depreciation Equivalent		(24,186)		(24,186)
<b>As at 30 June 2016</b>	<b>100,954</b>	<b>571,144</b>	<b>(344,284)</b>	<b>327,814</b>
Rights Issue				-
Prior year adjustment			511	511
Revaluation surplus				-
Net Profit for The year			(73,937)	(73,937)
Prior year adjustment on revaluation				-
Transfer To Depreciation Equivalent		(24,186)		(24,186)
<b>As at 30 June 2017</b>	<b>100,954</b>	<b>546,958</b>	<b>(417,710)</b>	<b>230,202</b>

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED JUNE 30, 2017**

		2016/2017 <u>Shs'000</u>	2015/2016 <u>Shs'000</u>
<b>Operating activities</b>			
Profit/(Loss) before tax		(73,937)	(87,097)
Adjustments for:-			
Gain on sale of fixed assets	3A	(21)	-
Depreciation	13	13,565	14,877
Amortization	13A	113	610
Prior year adjustment		511	-
Interest income (from KCB fixed deposit)	3B	(998)	(277)
Finance cost	11	3,021	3,604
<b>Cash flow from/(used in) operations before</b>		<b>(57,746)</b>	<b>(68,283)</b>
Working capital changes:			
(Increase)/Decrease in inventories	14	1,131	2,078
(Increase)/Decrease in Trade and receivables	15	(5,024)	(22,852)
Increase/(Decrease) in Payables and accruals	19,22	53,487	89,590
<b>Sub-Total</b>		<b>49,594</b>	<b>68,816</b>
Net cash flow from operating activities		<b>(8,076)</b>	<b>533</b>
<b>Investing activities</b>			
Purchase of fixed assets	13	(7,152)	(575)
Proceed from sale of Fixed Assets	3A	21	-
Interest received	3B	998	277
Net cash flow from investing activities		<b>(6,133)</b>	<b>(298)</b>
<b>Financing activities</b>			
Rights Issue proceeds		-	-
Loan repayment	21	4,833	436
Service Gratuity settlement	18	21,539	269
Bank overdraft	21	(9,509)	4,685
Payment of Finance cost	11	(3,021)	(3,604)
Net cash flow from financing activities		<b>13,842</b>	<b>1,786</b>
<b>Net Cash Flow from the year 2017</b>		<b>(443)</b>	<b>2,021</b>
Cash and cash equivalents at the beginning of the year		21,078	19,057
Cash and Cash Equivalents at the End of the Year		<b>20,635</b>	<b>21,078</b>



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE**  
**ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2017**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**1. ACCOUNTING POLICIES**

**Statement of compliance**

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

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

**Adoption of new and revised International Financial Reporting Standards and Interpretations**

New standards and amendments to published standards effective for the year ended 30<sup>th</sup> June 2014

- IFRS 9 Financial instruments
- IFRS 10 Consolidated Financial statements

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

**a) Basis of Preparation**

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

**b) Revenue Recognition**

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

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

*SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

**c) Property, Plant and Equipment**

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

Lodges are for a term of 50 years up to 2018 and 2019 respectively. Property, Plant and Equipment acquired under finance lease agreement are capitalized at the date of the agreement. Depreciation on assets other than land is calculated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. While the value of land for Voi Safari Lodge & Ngulia Safari Lodge is amortized over the lease period.

The annual rates used are as follows: -

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

**d) Intangible Assets**

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

**e) Inventories**

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

**f) Foreign Currency**

Transactions during the year are converted into Kenya currency at the rate ruling at transaction dates. Assets and Liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya currency at rates ruling at that date.

The resulting differences from conversion and translations are dealt with in the profit and loss account in the year in which they arise.



## **KENYA SAFARI LODGES AND HOTELS LIMITED**

### **Reports and Financial Statements**

**For The Year Ended June 30, 2017**

#### *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

**g) Trade Receivables**

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

**h) Loans/Bank Borrowings**

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

**i) Trade Payables**

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

**j) Taxation**

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

**k) Employee Benefit Costs**

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

Being a Defined Contributions Scheme, liability is limited to the contribution and the Company has no obligation if the fund does not have sufficient funds to pay members retirement funds. Employer and Employee contribution rate is 10% and 5% respectively.

The scheme net asset available for benefit as at December 2016 was Kshs 85,858,670.

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2017**

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

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

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

**Provision for staff leave and service pay**

Employees' entitlements to annual leave are recognized as they accrue. A provision is made for the estimated liabilities for annual leave/off days and service pay at the reporting date.

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

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

**l) Dividends**

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

**m) Cash & Cash Equivalents**

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

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



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**  
**NOTES TO THE FINANCIAL STATEMENTS**

	2016/2017 Shs'000	2015/2016 Shs'000
<b>2.TURNOVER</b>		
Accommodation	78,636	88,231
Food	106,828	121,438
Beverage	19,072	17,327
Tobacco	141	236
Telephone	0	0
Laundry	145	214
Business Center	235	356
Functions	12,961	13,974
Petrol and oil	11	6
Sporting Facilities	2,391	2,411
	<b>220,421</b>	<b>244,193</b>
<b>3A.OTHER INCOME</b>		
Rent	1,429	1,512
Sales of Fixed Assets	21	0
Other income	4,159	6,624
	<b>5,609</b>	<b>8,136</b>
<b>3B.FINANCE INCOME</b>		
Foreign Exchange Gain	8,660	7,216
Interest Income	998	277
	<b>9,658</b>	<b>7,493</b>

Rental income is from staffs that are based at the lodges (Voi and Ngulia safari lodges) where the company has housing units.

The foreign exchange gain is realized when the company convert its USD into Kenya shillings equivalent from its USD collection account based on the market rates.

The interest income is from the fixed deposit account on maturing of the investment held with KCB.

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2017**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

	2016/2017 Shs'000	2015/2016 Shs'000
<b>4.COST OF SALES</b>		
Food	42,654	50,171
Drinks	5,921	7,259
Tobacco	124	212
Functions	3,892	4,421
Laundry	21	48
Business Center	99	33
Petrol and Oil	5	5
Sporting Facilities	181	612
	<b>52,896</b>	<b>62,761</b>
<b>5.OPERATING COSTS</b>		
Electricity	14,387	18,182
Fuel and gas	11,828	13,089
Water	5,193	5,873
Laundry & cleaning	5,493	6,022
Vehicle operating costs	3,060	2,084
Guest entertainment	3,500	3,818
Others	2,180	3,929
	<b>45,642</b>	<b>52,997</b>
<b>6.STAFF COSTS</b>		
Salaries and Wages	96,039	97,763
Staff Expenses	41,876	49,559
Staff Travel	10,347	10,453
	<b>148,261</b>	<b>157,775</b>
<b>7 A.ADMINISTRATIVE EXPENSES</b>		
Audit Fees	450	499
Professional Fees	0	956
Directors Expenses	3,321	1,466
Bad Debts provision	(4,999)	1,680
Service pay provision	24,467	4,182
Legal Fees	306	12,473
Office Expenses	5,057	5,406
General Expenses	5,934	6,847
	<b>34,536</b>	<b>33,508</b>



**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2017**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

	2016/2017 Shs'000	2015/2016 Shs'000
<b>8. REPAIRS &amp; RENEWALS EXPENSES</b>		
Building	1,557	1,226
Plant & Machinery	2,847	4,502
Motor Vehicles	982	1,146
Others	1,278	1,454
	<b>6,664</b>	<b>8,328</b>
<b>9. ADVERTISING &amp; PROMOTION</b>		
Advertising Expenses	0	413
Sales Promotion	376	2,051
	<b>376</b>	<b>2,464</b>
<b>10. GENERAL CHARGES</b>		
Rent & rates	2,415	3,024
Insurance	219	3,665
Gardens & Grounds	5	30
Maintenance Contracts	1,912	3,275
	<b>4,551</b>	<b>9,994</b>
<b>11. FINANCE COSTS</b>		
Long/Short -term interest	795	0
Bank charges including overdraft	2,226	3,604
	<b>3,021</b>	<b>3,604</b>

**12. TAXATION**

Tax charge for the year is nil (the company has recorded a loss of Kshs. 73,846,000.00 bringing accumulative loss to Kshs. 417,619,000.00).

## KENYA SAFARI LODGES AND HOTELS LIMITED

### Reports and Financial Statements

For The Year Ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 13. PROPERTIES, PLANT AND EQUIPMENT

	LAND & BUILDINGS Kshs'000	PLANT & MACHINERY Kshs '000	FURNITURE & FITTINGS Kshs '000	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	WIP Kshs '000	TOTAL Kshs '000
<b>COST/VALUATION</b>							
TOTAL as at 01/07/2016	1,057,492	64,671	46,537	14,621	16,783	150	1,200,254
Disposal	-	-	(505)	-	-	-	(505)
Additions	-	6,340	-	-	812	-	7,152
Depreciating	-	-	-	-	-	-	-
fully depreciated	-	-	-	-	-	-	-
TOTAL as at 30/06/2017	1,057,492	71,011	46,032	14,621	17,595	150	1,206,901
Comprising							-
Cost	168,693	16,660	6,921	14,621	17,595	150	224,640
Valuation	390,140	31,022	39,111	-	-	-	460,273
Valuation 2010	498,659	23,329	-	-	-	-	521,988
<b>DEPRECIATION</b>	-	-	-	-	-	-	-
Balance as at 01/07/2016	341,231	50,506	42,485	14,621	16,783	-	465,626
Revaluation prior year	-	-	-	-	-	-	-
Prior year adj	-	-	-	-	-	-	-
Disposal	-	-	(505)	-	-	-	(505)
Charge for the year	-	-	-	-	-	-	-
Comprising of Cost	7,230	4,841	1,111	-	383	-	13,565
- Valuation	21,826	116	2,360	-	(116)	-	24,186
Total	29,056	4,957	2,966	-	267	-	37,751
<b>Total accumulated depreciation</b>	<b>370,287</b>	<b>55,463</b>	<b>45,451</b>	<b>14,621</b>	<b>17,050</b>	<b>-</b>	<b>502,872</b>
							-
<b>NET BOOK VALUE 30/06/16</b>	<b>716,261</b>	<b>14,166</b>	<b>4,051</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>734,628</b>
<b>NET BOOK VALUE 30/06/17</b>	<b>687,205</b>	<b>15,548</b>	<b>581</b>	<b>-</b>	<b>545</b>	<b>150</b>	<b>704,029</b>

#### NB

	Fully depreciated	depreciating	rate	charge
Leasehold	-	40,000	2%	800
Building	-	345,105	3.30%	11,388
Building	-	312,388	5.40%	16,868
Plant & Mach	32,208	39,656	12.50%	4,957
Furniture & Fit	17,764	27,010	12.50%	2,966
Computers	16,543	801	33.30%	267
MV	14,621	-	25%	-
<b>S-Total</b>	<b>81,136</b>	<b>764,960</b>		<b>37,751</b>
Leasehold		360,000		
WIP		150		
<b>G-Total</b>		<b>1,125,110</b>		

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2017**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**PROPERTIES, PLANT AND EQUIPMENT**

**AS AT 30<sup>TH</sup> JUNE 2016**

	LAND & BUILDINGS Kshs'000	PLANT & MACHINERY Kshs '000	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	WIP Kshs '000	TOTAL Kshs '000
<b>COST/VALUATION</b>						
<b>TOTAL as at 30/06/2015</b>	<b>1,057,492</b>	<b>110,633</b>	<b>14,621</b>	<b>16,783</b>	<b>150</b>	<b>1,199,679</b>
Disposal						
Additions	-	575	-	-	-	575
<b>TOTAL as at 30/06/2017</b>	<b>1,057,492</b>	<b>111,208</b>	<b>14,621</b>	<b>16,783</b>	<b>150</b>	<b>1,200,254</b>
Comprising						
Cost	168,693	17,746	14,621	16,783	150	217,993
Valuation	390,140	70,133	-	-	-	460,273
Valuation 2010	498,659	23,329	-	-	-	521,988
<b>DEPRECIATION</b>						
Balance as at 01/07/2015	312,174	82,998	14,621	16,777		426,570
Disposal						
Charge for the year						
Comprising of Cost	7,230	7,641	-	6	-	14,877
- Valuation	21,827	2,352	-	-	-	24,179
Total	29,057	9,993	-	6	-	39,056
<b>Total accumulated depreciation</b>	<b>341,231</b>	<b>92,991</b>	<b>14,621</b>	<b>16,783</b>	<b>-</b>	<b>465,626</b>
<b>NET BOOK VALUE 30/06/15</b>	<b>745,318</b>	<b>27,635</b>	<b>-</b>	<b>6</b>	<b>150</b>	<b>773,109</b>
<b>NET BOOK VALUE 30/06/16</b>	<b>716,261</b>	<b>18,217</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>734,628</b>

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13A. INTANGIBLE ASSETS**  
**AS AT 30<sup>TH</sup> JUNE 2017**

	SOFT WARES Kshs '000'
<b>COST/VALUATION</b>	
TOTAL as at 30/06/2016	3,845
Disposal	
Additions	
Amortization	
fully amortized	
TOTAL as at 30/06/2017	3,845
Comprising	
Cost	3,845
Valuation	-
Valuation 2010	-
<b>AMORTISATION</b>	
Balance as at 01/07/2016	3,732
Disposal	
Charge for the year	
Comprising of Cost	113
- Valuation	0
Total	
<b>Total accumulated</b>	<b>3,845</b>
<b>NET BOOK VALUE 30/06/16</b>	<b>113</b>
<b>NET BOOK VALUE 30/06/17</b>	<b>0</b>

NB	Fully depreciated	depreciating	rate	charge
Software	3,505	340	33.30%	113

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

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2017**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**INTANGIBLE ASSETS**

**AS AT 30<sup>TH</sup> JUNE 2016**

	SOFT WARES Kshs '000'
<b>COST/VALUATION</b>	
TOTAL as at 30/06/2015	3,845
Disposal	
Additions	
Amortization	
fully amortized	
TOTAL as at 30/06/2017	3,845
Comprising	
Cost	3,845
Valuation	-
Valuation 2010	-
<b>AMORTISATION</b>	
Balance as at 01/07/2015	3,115
Disposal	
Charge for the year	
Comprising of Cost	610
- Valuation	7
Total	
<b>Total accumulated</b>	<b>3,732</b>
<b>NET BOOK VALUE 30/06/15</b>	<b>730</b>
<b>NET BOOK VALUE 30/06/16</b>	<b>113</b>

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2016/2017 Shs'000	2015/2016 Shs'000
<b><u>14. INVENTORIES</u></b>		
Food	358	476
Beverage	689	973
Tobacco	9	37
Stationary	131	169
Others	4,060	4,723
<b>Total</b>	<b>5,247</b>	<b>6,378</b>
<b><u>15. TRADE AND OTHER RECEIVABLES</u></b>		
Trade debtors,	108,476	111,954
Bad debts provisions	(4,889)	(9,888)
Other debtors and prepayments	21,207	17,704
<b>Total</b>	<b>124,794</b>	<b>119,770</b>
<b><u>16A.SHARE CAPITAL</u></b>		
Authorized, issued and fully paid 5,047,724 Ordinary shares of Kshs. 20/= each.	<b>100,954</b>	<b>100,954</b>
<b><u>16B.RETAINED EARNINGS</u></b>		
	<b>417,710</b>	<b>344,284</b>
<b><u>SHAREHOLDERS</u></b>		
Tourism Finance Corporation.	82.45%	
Mountain Lodge	17.53%	
Kenya Wildlife Service Trustees	0.02%	
<b><u>17.REVALUATION RESERVE</u></b>		
Balance b/f	571,144	595,330
Depreciation transferred to retained earnings	(24,186)	(24,186)
relates to revaluation gain on assets (crystal valuers 2010)	-	-
<b>Balance C/F</b>	<b>546,958</b>	<b>571,144</b>

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2016/2017 Shs'000	2015/2016 Shs'000
<b><u>18. BORROWING LONG TERM</u></b>		
Loan TFC(68 months@179,001)	12,172	8,234
KCB asset financing	0	0
Service Gratuity(57,084+2,262=59,346)	72,920	51,381
<b>Total</b>	<b>85,092</b>	<b>59,615</b>
<b><u>19. TRADE AND OTHER PAYABLES</u></b>		
Trade creditors	116,888	111,684
Unearned income	12,329	11,874
Accruals	14,091	13,599
Other Payables including VAT & CLT	357,362	312,823
<b>Total</b>	<b>500,670</b>	<b>449,980</b>
<b><u>20. CASH AND CASH EQUIVALENT</u></b>		
Cash investments(FD at KCB TRY SQ Acc No 1124550186)	18,786	17,277
Cash in hand	942	1,237
Dollar equivalent KCB \$ A/C	878	48
Cash in Bank BBKA/C	29	2,516
Cash in KCB KSH A/C	0	0
<b>Total</b>	<b>20,635</b>	<b>21,078</b>

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

**21. BORROWING SHORT TERM**

Bank Overdraft	9,981	19,490
BBK A/C	-	-
TFC Loan	-	-
12 months @ 253,580	3,043	2,148
<b>Total</b>	<b>13,024</b>	<b>21,638</b>

The bank overdraft is secured by cash investment Fixed Deposit.  
 KTDC Loan relates to amount payable within the next one year

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2017**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**22. OTHER PAYABLES**

Audit fees

Other payables (represent land rates and legal fees)

	2016/2017	2015/2016
	Shs'000	Shs'000
	1,566	1,440
	24,151	21,480
	<b>25,717</b>	<b>22,920</b>

**23. DIVIDENDS**

No dividends were declared during the year.

**24. CONTINGENT LIABILITIES**

Included under here, were Service charge Accruals, gratuity for all staff, leave and off-days earned by staff at the end of the year amounting to Kshs. 72,919,000 and risk exposure of Kshs 13,215,000 on all legal matters pending in courts.

The company is likely to also incur liability relating to penalty for non submission of staff pension dues amounts of Kshs.2,149,907.62, Kshs. 5,824,149.01 50%penalty for Saccos and staff service pay increase in provision of Kshs. 24,459,249.00

No loans were guaranteed by the company to its staff, directors or any other entity in the year.

**25. SUBSEQUENT EVENTS**

KRA in their letter of 16 November 2015 served the Company with a Notice of Distrain and Attachment of Goods and Assets through the firm of Leakey's Auctioneers (Nairobi) on 20 November 2015. KRA also wrote to KSLH bankers, Kenya Commercial Bank, Nairobi Head Office, and served them with two **Agency Notices** demanding payment of **Ksh 191,315,832** in respect of **Income Tax** and **Ksh 512,656,409** in respect of **VAT** allegedly due from KSLH. The notices cited section 96 of the Income Tax Act (Cap 470) and section 25 of the VAT Act respectively as the basis for the KRA action.

KSLH engaged company lawyer Cecile Miller and Advocates who files a court injunction on KRA stopping Leakey's auctioneers from auctioning KSLH movable assets, at a fee of Kshs 29m this has led to significant changes to these financial statements.

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**26. RELATED PARTY TRANSACTIONS**

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

1. Kenya National Parks (KNP) which owns 0.002% of KSLH had leased Voi and Ngulia lodges to KSLH. The company has been paying monthly lease rents for both Ngulia and Voi Safari Lodge.
2. Tourism Funds Corporation (TFC) which owns 82.45% of KSLH had allocated office space to KSLH at Utalii House, Nairobi.

During the year TFC came in and gave a hand to KSLH in form of an interest free loan to carter for generator amounting to Kshs 5.9 m.

Also through TFC, KCB renewed a bank guarantee to Judiciary of Kenya , Mombasa law courts in respect to KRA TAX CASE (H.C PETITION No. 64 of 2015 Kshs 38m)

3. During the year KSLH was able to attract and transact business with a number of county governments and central government ministries in terms of seminars and conferences, these included among others;

<b>ORGANISATION</b>	<b>Amount Kshs.</b>
Kenya Police Services	19,899,390.00
National Treasury	11,348,915.00
Kenya Medical Training College	5,876,525.00
Makueni County	5,245,195.00
Judiciary Service Commission	4,882,900.00
Taita Taveta County	2,851,145.00
Kenya Rural Road Authority	2,751,300.00
Kenya School Of Government	2,514,540.00
Lamu County	2,273,490.00
Ethics and Anti-Corruption Commission	2,062,550.00
Office Of The Director Of Public Prosecution	1,871,590.00
Agricultural Sector Development Programms (A.S.D.P)	1,438,650.00
Kenya Ferry Services	1,168,750.00
National Environment Management Authority	1,153,590.00
Kenya Defence Forces	1,083,650.00
Independent Electoral And Boundaries Commission	788,850.00
National Lands Commission	759,070.00
ICF INTERNATIONAL	698,000.00
Kajiado County	650,270.00
Kilifi County	636,500.00

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**27. RISK MANAGEMENT**

**Going Concern**

The current state of the company has a negative working capital of Kshs (388,644,000), with current assets of Kshs 150,801,000 as compared to current liabilities of Kshs 539,445,000. This state of affair attributed mainly by the company decreasing revenues and profitability experienced in the last four years. Though during the current year the company operating loss was lower than previous year, Kshs 13,215,000 being legal fee as a result of the KRA agency notice and contingent liability.

The company is currently depending on the trade creditors whose payment has remained a challenge as well as other payables ( e.g payroll deductions).

**Performance analysis**

Kshs '000	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
<b>REVENUE</b>	358,350	388,053	245,378	259,822	235,689
<b>Profit/Loss</b>	(33,322.00)	(126,272.00)	(137,243.00)	(87,097.00)	(73,937.00)

The Management is hopeful that the company is going to move to profitability as indicate by the reduced loss compared to previous year, given that the insecurity problem in the coastal region has been minimized and also the travel advisory have been lifted. Meanwhile the Management has reviewed its marketing strategies, putting more focus to the lodges to ensure revenues from the lodges start rising to enable the company reduce its trade creditors and other liabilities.

The current liabilities include tax (VAT), (PAYE) and CLT arrears dating back to 2006. KRA officers and KSLH have undertaken a reconciliation exercise ordered by the High court of Mombasa since December 2015. The process is yet to be finalized.

Out of court negotiations have also been undertaken between our trade creditors and KSLH, the company having been issued with demand letters.



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>	<b>Remarks</b>
VAT	155,182,000			Negotiation on going
WITHOLDING TAX	9,967,000			"
PAYE	105,246,000			"
CLT	32,723,000			"
PENSION	33,488,000	2,150,000		"
SACCO	12,005,000			"
TRADE CREDITORS	116,888,000			

**28. MANAGEMENT FRAUD**

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

**29. DISCLOSURE ON LONG TERM BORROWING**

We have disclosed the following information in relation to the long term loan indicated on note 18.

Lender: - Tourism Finance Corporation

Repayment Terms:-

Collateral:-

Interest Rate:-

Purpose of Loan: - To settle staff liabilities and purchase of generator

Currency:-Kenya Shillings

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2017**

Presented below is the Company's trading results for the FYR ended June 2017.

**Performance for each unit 2016 /2017**

<b>MOMBASA BEACH HOTEL</b>	<b>PRV YR (Kshs) '000</b>	<b>Actual (Ksh) '000</b>	<b>Budget (Ksh) '000</b>	<b>Variance (Ksh) '000</b>
Total Sales	193,590	159,579	248,640	(59,570)
Gross Profit	144,349	123,054	188,640	65,586
% of Sales	75%	77%	76%	1%
Total Operating Exp	162,022	140,041	177,320	37,279
% of Sales	84%	88%	71%	-14%
Operating Profit / (Loss)	(17,673)	(16,987)	11,320	(28,307)
<b>VOI SAFARI LODGE</b>	<b>PRV YR (Kshs) '000</b>	<b>Actual (Ksh) '000</b>	<b>Budget (Ksh) '000</b>	<b>Variance (ksh) '000</b>
Total Sales	40,125	45,043	92,400	(47,357)
Gross Profit	32,158	35,390	73,260	37,870
% of Sales	80%	79%	79%	0%
Total Operating Exp	70,264	67,128	80,236	13,108
% of Sales	175%	149%	87%	62%
Operating Profit/ (Loss)	( 38,106)	(31,738)	( 6,976)	(24,762)
<b>NGULIA SAFARI LODGE</b>	<b>PRV YR (Kshs) '000</b>	<b>Actual (Ksh) '000</b>	<b>Budget (Ksh) '000</b>	<b>Variance (ksh) '000</b>
Total Sales	26,107	31,067	78,960	(47,893)
Gross Profit	20,553	24,348	62,460	38,112
% of Sales	79%	78%	79%	1%
Total Operating Exp	51,931	49,560	66,402	16,842
% of Sales	199%	159%	84%	-75%
Operating Profit/ (Loss)	(31,378)	(25,212)	(3,942)	(21,270)
<b>CONSOLIDATED</b>	<b>PRV YR (Kshs) '000</b>	<b>Actual (Ksh) '000</b>	<b>Budget (Ksh) '000</b>	<b>Variance(ksh)'000</b>
Total Sales	259,822	235,689	420,000	(184,311)
Gross Profit	197,061	182,792	324,360	141,568
% of Sales	76%	78%	77%	-1%
Total Operating Exp	284,157	256,729	323,958	67,229
% of Sales	109%	109%	77%	32%
Operating Profit/ (Loss)	(87,097)	(73,937)	402	(74,339)



*[Faint, illegible blue ink scribbles]*

*[Faint, illegible blue ink scribbles]*

