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REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF MOUNT ELGON LODGE LIMITED FOR THE YEAR ENDED 30TH JUNE, 1992

MOUNT ELGON LODGE LIMITED

FINANCIAL STATEMENTS AS AT 30 JUNE 1992

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DIRECTORS:

MR. D. N. NAMU - CHAIRMAN

MR. E. M. MUSYOKA

MR. C. O. GEKONGE

MR. R. O. MASINDET

MR. G. WANGILA

COMPANY SECRETARY:

MRS. S. M. GITHEGI

REGISTERED OFFICE:

UTALII HOUSE
UHURU HIGHWAY
P. O. BOX 42013,
NAIROBI.

LODGE:

MOUNT ELGON LODGE LIMITED
P. O. BOX 7
ENDEBESS

AUDITORS:

AUDITOR GENERAL (CORPORATIONS)
P. O. BOX 49384
NAIROBI.

BANKERS:

BARCLAYS BANK OF KENYA LIMITED
P. O. BOX 30616
NAIROBI

BARCLAYS BANK OF KENYA LIMITED
P. O. BOX 162
KITALE

The Directors have pleasure in presenting their report together with the Audited Financial Statements for the year ended 30 June 1992.

1. PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the operation of the Lodge in Mount Elgon National Park.

2. RESULTS FOR THE YEAR

The results for the year are set out on page 4-6. During the year the Company incurred a net loss of KShs 174,859. The Directors therefore propose to carry forward the balance of accumulated losses amounting to KShs 5,076,721/=.

3. DIVIDEND

The Directors do not recommend the payment of any dividend.


4. DIRECTORS

The names of the Directors who served during the year are set out on page 1.

5. AUDITORS

The Auditor General (Corporations) continues in office in accordance with section 14(3) of the State Corporations Act Cap. 446.

BY ORDER OF THE BOARD


COMPANY SECRETARY

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF MOUNT ELGON LODGE LIMITED FOR THE YEAR
ENDED 30TH JUNE, 1992.

I have examined the accounts of Mount Elgon Lodge Limited for the year ended 30th June, 1992 in accordance with Section 29(2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations which were considered necessary for the purpose of the audit. Proper books of account have been maintained and the accounts which have been prepared under the historical cost convention are in agreement therewith and comply with the Companies Act, (Cap 486).

Except for the reservations, set out herebelow, in my opinion, the accounts when read together with the notes thereon, present a true and fair view of the financial state of affairs of the Lodge as at 30th June, 1992 and of its loss and the source and application of funds for the year then ended.

1. GOING CONCERN

The Lodge made a loss of Kshs.174,859 during the year under review which brought the cumulative losses to Kshs.5,076,721 as at 30th June, 1992. These cumulative losses have wiped out the shareholders' funds into a negative balance of Kshs.3,230,941. The Balance Sheet also reflects a negative capital of Kshs.1,316,729. The Lodge has further been unable to repay the loans totalling Kshs.2,912,984 which it obtained from the Kenya Tourist Development Corporation and which includes Kshs.1,675,366 in respect of the interest accrued thereon. The Lodge is, therefore, technically insolvent and these accounts have been prepared on a going concern basis on the assumption that the Lodge will continue to receive financial support from its shareholders, creditors and lenders.

2. FIXED ASSETS

The Balance Sheet Fixed Assets figure of Kshs.998,772 includes Kshs.120,000 in respect of the value of a house plus approximately 175 acres of land as in November 1972. The land has, however, not been transferred from the vendor, the Agricultural Development Corporation, to the Lodge. Until the land is transferred from the vendor to the Lodge and its title deed issued, the correctness of the value of the land and building which is included in the Balance Sheet Fixed Assets figure cannot be vouched.

3. KTDC LOAN

The Kenya Tourist Development Corporation has not entered into a loan agreement with the Lodge for its Balance Sheet KTDC loan figure of Kshs.2,912,984 apparently because the Lodge has no title deed to the land on which it is situated. In addition the Lodge has, as indicated in Note 4 to the accounts, excluded interest on the KTDC loan amounting to Kshs.22,773. This exclusion

has resulted in the understatements of the Balance Sheet KTDC Loan figure of Kshs.2,912,984 and the Balance Sheet Profit and Loss Account figure of Kshs.(5,076,721) by Kshs.222,773.

4. DEBTORS AND PREPAYMENTS

The Balance Sheet Debtors and Prepayments figure of Kshs.481,605 includes Cash losses totalling Kshs.119,572 made up of Kshs.22,043 which was for 1989/90, Kshs.38,590 for 1990/91 and Kshs.58,939 for the year under review. The Lodge has not explained action, if any, it has taken to recover the amounts from its six employees who were responsible for the cash shortages.



W. K. KEMEI
AUDITOR-GENERAL (CORPORATIONS)

25th September, 1997.

MOUNT ELGON LODGE LIMITED

BALANCE SHEET AS AT 30 JUNE 1992

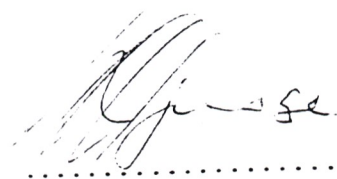
	NOTES	1992 <u>KShs</u>	1991 <u>KShs</u>
Fixed Assets	2	998,772 =====	998,253 =====
 <u>CURRENT ASSETS</u>			
Stocks		15,746	3,472
Debtors & Prepayments		481,605	291,409
Cash in hand and at bank		<u>67,099</u>	<u>68,737</u>
		564,450 =====	363,618 =====
 <u>CURRENT LIABILITIES</u>			
Creditors, Accruals & Provisions		1,181,245	924,995
African Tours & Hotels		<u>699,934</u>	<u>699,934</u>
		1,881,179 =====	1,624,929 =====
 NET CURRENT LIABILITIES		 (1,316,729) =====	 (1,261,311) =====
 TOTAL NET ASSETS		 (317,957) =====	 (263,058) =====
 <u>FINANCED BY</u>			
Share Capital	3	1,845,780	1,845,780
Profit & Loss Account		<u>(5,076,721)</u>	<u>(4,901,862)</u>
		3,230,941	(3,056,082)
 KTDC Loan	4	 <u>2,912,984</u>	 <u>2,793,024</u>
		 (317,957) =====	 (263,058) =====

These financial statements were approved by Board of Directors on

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D I R E C T O R



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D I R E C T O R

MOUNT ELGON LODGE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1992

	NOTES	1992 <u>KShs</u>	1991 <u>KShs</u>
TURNOVER		1,092,556 =====	791,768 =====
Operating Loss for the year		(174,859)	(655,922)
After charging/(Crediting):-			
Auditors Fees		62,773	62,773
Depreciation		2,406	2,040
Directors Emoluments		11,049	11,724
Loan Interest	(4)	<u>-</u>	<u>298,843</u>
Taxation		-	-
Loss for the year		(174,859)	(655,922)
Accumulated Loss Brought Forward	(5)	(4,901,862)	(4,245,940)
Accumulated Loss Carried Forward		(5,076,721)	(4,901,862)

MOUNT ELGON LODGE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 JUNE 1992

	NOTES	1992 <u>KShs</u>	1991 <u>KShs</u>
Profit/(Loss) for the year		(174,859)	(655,922)
Adjustment for items not involving movement of funds:			
Depreciation		2,406	2,040
Prior Period Adjustment		-	(614)
Total generated from operations		<u>(172,453)</u>	<u>(654,496)</u>
<u>FUNDS FROM OTHER SOURCES</u>			
Loan from KTDC		119,960	60,000
Loan Interest Capitalised		-	1,196,580
		<u>(52,493)</u>	<u>602,084</u>
<u>APPLICATION OF FUNDS</u>			
Additions to Furniture & Fittings		2,925	-
		<u>(55,418)</u>	<u>602,084</u>
		=====	=====
<u>MOVEMENT IN WORKING CAPITAL</u>			
Increase/(Decrease) in stocks		12,274	(2,156)
Increase/(Decrease) in debtors		190,196	69,600
(Increase)/Decrease in creditors		(256,250)	528,041
		<u>(53,780)</u>	<u>595,485</u>
<u>MOVEMENT IN NET LIQUID FUNDS</u>			
Increase/(Decrease) in cash and bank		(1,638)	6,599
		<u>(55,418)</u>	<u>602,084</u>
		=====	=====

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1992

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

The Financial Statements have been prepared under the historical cost convention.

(b) Turnover

The Turnover represents gross revenue net of taxes, levies and service charge receivable during the year.

(c) Depreciation

The Company's policy regarding depreciation is to write off the cost of fixed assets in equal instalments over their estimated useful lives at the following rates:-

Land	Nil
Buildings	2½%
Motor Vehicle	25%
Furniture & Fittings	12½%

(d) Stocks

Stocks are valued at the lower of cost or net realisable value.

Foreign Currencies

Transactions during the year in foreign currencies are converted at the rate ruling at the date of transactions. Gains and losses on exchange are dealt with in the profit and loss account.

MOUNT ELGON LODGE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1992

NOTE 2 - SCHEDULE OF FIXED ASSETS

	LAND & BUILDING	FURNITURE/ FITTINGS	MACHINERY	MOTOR VEHICLE	TOTAL
	KShs	KShs	KShs	KShs	KShs
<u>COST</u>					
At 01 July 1991	988,055	201,936	226,511	116,010	1,532,512
Additions	-	2,925	-	-	2,925
Disposals	-	-	-	-	-
	988,055	204,861	226,511	116,010	1,535,437
<u>DEPRECIATION</u>					
At 01 July 1991	-	191,738	226,511	116,010	534,259
Charge for the year	-	2,406	-	-	2,406
	-	194,144	226,511	116,010	536,665
<u>NET BOOK VALUE</u>					
At 30 June 1992	988,055	10,717	-	-	998,772
At 30 June 1991	988,055	10,198	-	-	998,253

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1992

NOTE 3 - SHARE CAPITAL

	Shares	Authorised KShs	Issued KShs
Kenya Tourist Dev. Corporation	67,289	1,345,780	1,345,780
Municipal Council of Kitale	12,500	250,000	250,000
Nzoia County Council	12,500	250,000	250,000
Un-Issued Shares	22,711	454,220	-
	<u>115,000</u>	<u>2,300,000</u>	<u>1,845,780</u>

Each ordinary share is valued at KShs 20/=. Uncalled share capital amounts to KShs 454,220/=.

NOTE 4 - KENYA TOURIST DEVELOPMENT CORPORATION LOAN

The loan from Kenya Tourist Development Corporation is not secured formally and charging of interest has been deferred effective 1st July 1991. The interest chargeable for the year at 16% p.a. would have been KShs 222,773.00. The deferment on charging interest and restructuring of the loan follows KTDC Investments Guidelines issued by Treasury in February 1991 which requires KTDC investments to be stated on the basis of their earning power and realistic values.

The restructured loan is as follows:-

	Principal Loan	Deferred Interest	Total Outstanding
Balance 1/7/90	1,596,444	1,196,580	2,793,024
Restructing Adjustment - 1989/90	(478,786)	478,786	-
	<u>1,117,658</u>	<u>1,675,366</u>	<u>2,793,024</u>
Interest charge	-	-	-
Disbursement 91/92	119,960	-	119,960
	<u>1,237,618</u>	<u>1,675,366</u>	<u>2,912,984</u>

MOUNT ELGON LODGE LIMITED

STATEMENT OF RETAINED PROFIT/(LOSS)

	1992 KShs <u> </u>	1991 KShs <u> </u>
Balance brought forward	(4,901,862)	(4,245,326)
Prior Year	-	(614)
Loss Restated	4,901,862	(4,245,940)
Profit/(Loss) for the Year	(174,859)	(655,922)
Retained Profit/(Loss) c/forward	<u>(5,076,721)</u> =====	<u>(4,901,862)</u> =====

MOUNT ELGON LODGE LIMITED

MANAGEMENT INFORMATION
SCHEDULE 'A'

TRADING PROFIT & LOSS A/C FOR THE YEAR ENDED 30 JUNE 1992

	<u>1992</u> KShs	<u>1991</u> KShs
<u>INCOME</u>		
Sales	1,092,656	791,768
Cost of Sales	377,455	296,677
Gross Profit	715,201	495,091
Other Income	94,005	35,172
TOTAL INCOME	<u>809,206</u>	<u>530,263</u>
<u>EXPENDITURE</u>		
Salaries & Wages	353,945	358,091
Staff Expenses	94,599	121,245
Staff Travel	40,517	67,939
Property Upkeep & Expenses	21,664	12,844
Repairs & Renewals	102,893	45,229
Operating Costs	196,035	141,829
Office Expenses	16,214	17,030
Administration Expenses	73,493	72,348
Advertising & Promotion	64,008	34,811
General Charges	7,242	2,212
Interest & Other Charges	11,049	310,567
Depreciation	2,406	2,040
	<u>984,065</u>	<u>1,186,185</u>
Loss for the year	<u>(174,859)</u>	<u>(655,922)</u>

MOUNT ELGON LODGE LIMITED

MANAGEMENT INFORMATION
SCHEDULE 'B'

	<u>1992</u> <u>KShs</u>	<u>1991</u> <u>KShs</u>
<u>SALES</u>		
Accommodation	499,273	353,706
Food	340,593	233,934
Beverage	251,462	195,341
Tobacco	1,328	8,787
	<u>1,092,656</u>	<u>791,768</u>
	=====	=====
<u>COST OF SALES</u>		
Food	229,740	161,277
Beverage	145,170	124,991
Tobacco	2,545	10,409
	<u>377,455</u>	<u>296,677</u>
	=====	=====
<u>OTHER INCOME</u>		
No Show Fees	6,900	6,300
Gain on Foreign Exchange	396	401
Misc. Income	71,820	10,268
Laundry	329	1,674
Camping Fees	14,560	14,230
Telephone	-	2,299
	<u>94,005</u>	<u>35,172</u>
	=====	=====
<u>SALARIES & WAGES</u>		
Administration	162,288	156,350
Rooms	71,155	51,371
Bar	9,078	24,346
Food	34,419	64,835
Maintenance	67,219	50,286
N.S.S.F Lodge Contribution	9,786	10,903
	<u>353,945</u>	<u>358,091</u>
	=====	=====

MANAGEMENT INFORMATION

SCHEDULE 'C'

	<u>1992</u> <u>KShs</u>	<u>1991</u> <u>KShs</u>
<u>STAFF EXPENSES</u>		
Meals & Food Allowance	60,286	89,645
Medical Expenses	14,953	2,980
Staff Housing & Welfare Expenses	19,360	28,620
Workmens Compensation	-	-
Personal Accident Insurance	-	-
	<u>94,599</u>	<u>121,245</u>
	=====	=====
<u>STAFF TRAVEL</u>		
Leave Passage	970	2,430
Travelling Expenses	23,890	45,841
Transport Allowances	<u>15,657</u>	<u>19,668</u>
	40,517	67,939
	<u>40,517</u>	<u>67,939</u>
	=====	=====
<u>PROPERTY UPKEEP & EXPENSES</u>		
Ground Rent	864	864
Rates	492	492
Building Maintenance	18,318	8,773
Gardens & Grounds	<u>1,990</u>	<u>2,715</u>
	21,664	12,844
	<u>21,664</u>	<u>12,844</u>
	=====	=====
<u>REPAIRS & RENEWALS</u>		
Linen	4,350	-
Cutlery & Holloware & Glassware	984	1,866
Crockery	4,050	6,311
Uniforms	100	1,770
Kitchen Utensils	70	3,253
Furniture & Equipment	2,034	1,179
Plant & Machinery	36,448	14,475
Vehicle Repairs	53,053	14,910
Miscellaneous Electrical & Tools	<u>1,804</u>	<u>1,465</u>
	102,893	45,229
	<u>102,893</u>	<u>45,229</u>
	=====	=====
<u>OPERATING COSTS</u>		
Fuel & Gas	90,063	83,929
Water & Sanitation	-	-
Laundry	-	701
Cleaning Material	8,084	11,540
Toilet Requisites	4,755	8,759
Kitchen, Rest. & Bar Sundries	6,129	2,107
Guest Supplies	1,700	419
Guest Entertainment	-	2,700
Vehicle Operating	65,304	13,674
Licences	<u>20,000</u>	<u>18,000</u>
	196,035	141,829
	<u>196,035</u>	<u>141,829</u>
	=====	=====



MANAGEMENT INFORMATION
SCHEDULE 'D'

	<u>1992</u> <u>KShs</u>	<u>1991</u> <u>KShs</u>
<u>OFFICE EXPENSES</u>		
Telephone & Postage	2,279	1,133
Printing & Stationery	11,240	10,169
Office Miscellaneous	2,695	5,728
	<u>16,214</u>	<u>17,030</u>
	=====	=====
<u>ADMINISTRATION EXPENSES</u>		
Audit Fees	62,773	62,773
Bank Charges	10,720	9,575
Legal Expenses	-	-
	<u>73,493</u>	<u>72,348</u>
	=====	=====
<u>ADVERTISING & PROMOTION</u>		
Advertising & Marketing	-	1,845
Entertainment	12,604	12,000
Complimentaries	2,136	315
Agents Commission	49,268	20,651
	<u>64,008</u>	<u>34,811</u>
	=====	=====
<u>GENERAL CHARGES</u>		
Flowers & Decorations	1,925	2,112
Other Expenses	5,317	100
	<u>7,242</u>	<u>2,212</u>
	=====	=====
<u>DEPRECIATION</u>		
Furniture & Fittings	<u>2,406</u>	<u>2,040</u>
	=====	=====
<u>INTEREST & OTHER CHARGES</u>		
Interest on KTDC Loans	-	298,843
Directors Fees & Expenses	11,049	11,724
	<u>11,049</u>	<u>310,567</u>
	=====	=====
<u>STOCKS</u>		
Trade Stocks	10,969	3,472
Consumables	1,917	-
Containers	2,860	-
	<u>15,746</u>	<u>3,472</u>
	=====	=====

MOUNT ELGON LODGE LIMITED

MANAGEMENT INFORMATION
SCHEDULE 'E'

	1992 <u>KShs</u>	1991 <u>KShs</u>
<u>DEBTORS</u>		
Trade Debtors	256,446	256,446
Msafiri Debtors	50,994	32,621
Prepayments & Other Debtors	<u>528,829</u>	<u>358,535</u>
	836,269	647,602
Less: Transfer to AT&H:		
Related Debtors	(8,818)	(8,818)
Old Debtors 1984	(256,446)	(256,446)
Transfer to Msafiri Inns:-		
Debtors	(30,942)	(30,942)
Collections	(58,458)	(58,458)
Refunds/Paid Outs	-	(915)
Cash Suspense	<u>-</u>	<u>(614)</u>
Revised Debtors	<u>481,605</u>	<u>291,409</u>
	=====	=====
<u>CREDITORS ACCRUALS & PROVISIONS</u>		
Trade Creditors	-	-
Accrual, Provisions & Other Creditors	1,181,245	924,995
	<u>1,181,245</u>	<u>924,995</u>
	=====	=====
<u>AFRICAN TOURS & HOTELS</u>		
Current Account	882,533	882,533
Less: Related Debts	8,818	8,818
Old Debts	<u>256,446</u>	<u>256,446</u>
	617,269	617,269
Add: Dormant Creditors	25,226	25,226
Old Trade Creditors	<u>57,439</u>	<u>57,439</u>
	<u>699,934</u>	<u>699,934</u>
	=====	=====