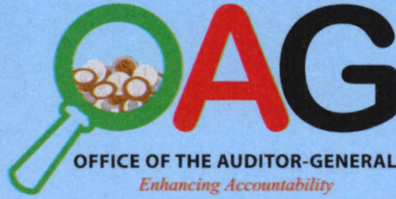


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 27 NOV 2025 DAY: Thursday

TABLED BY: Hon. Naomi Wago, MP  
Deputy Majority Party Whip

CLERK-AT-THE-TABLE: A. Shikato

PARLIAMENT  
OF KENYA  
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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MT. ELGON LODGE LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2025**

# **MT ELGON LODGE LIMITED**



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## **ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2025**

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

2025 11/10 11/10

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**1. ACRONYMS AND GLOSSARY OF TERMS**

**A. ACRONYMS**

|                 |   |
|-----------------|---|
| <b>IFRS</b>     | International Financial Reporting Standards                 |
| <b>CEO</b>      | Chief Executive Officer                                     |
| <b>NT</b>       | National Treasury   |
| <b>PFM</b>      | Public Finance Management.                                  |
| <b>KDC</b>      | Kenya Development Corporation                               |
| <b>MEL</b>      | Mt Elgon Lodge Limited                                      |
| <b>Govt.</b>    | Government  |
| <b>PSASB</b>    | Public Sector Accounting Standards Board                    |
| <b>CPA-K</b>    | Certified Public Accountant Kenya                           |
| <b>CPS- K</b>   | Certified Public Secretary Kenya                            |
| <b>ICPAK</b>    | Institute of Certified Public Accountants Kenya             |
| <b>IHRM</b>     | Institute of Human Resource Management                      |
| <b>FCIPS-UK</b> | Fellow of the Chartered Institute of Procurement and Supply |

**B. Definition of Key Terms**

**Fiduciary Management** - Members of Management directly entrusted with the Lodges Financial Resources.

**Comparative Year-** Means the prior period.

***Mt. Elgon Lodge Limited***  
**Reports and Financial Statements**  
**For the year ended 30 June, 2025**

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## **2. KEY LODGE INFORMATION**

### **Background information**

Mt. Elgon Lodge Limited was incorporated in 1974 and is governed by the Companies Act 2015. It is a subsidiary of Kenya Development Corporation (KDC) a parastatal of the Ministry of trade and industry. It's a limited liability company with 72.91% shareholding to Kenya Development Corporation and 27.09% shareholding by the County Government of Trans-Nzoia. The shareholders through the directors are responsible for the general policy and strategic direction of the Lodge.

### **Principal Activities**

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

### **Directors**

The Directors who served the Hotel during the year ending 30 June 2025 were as follows:

- |    |                     |                       |                            |
|----|---------------------|-----------------------|----------------------------|
| 1. | Ms. Anne Gitau      | -Chairperson          | - Appointed January 2022   |
| 2. | Ms. Gumato Abudo    | - Ag. Chief Executive | - Appointed September 2021 |
| 4. | Mr. Richard Limo    |                       | - Appointed January 2022   |
| 5. | Mr. Erastus Njoroge |                       | - Appointed August 2024    |

### **Corporate Secretary**

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

### **Registered Office**

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

### **Corporate Headquarters**

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

### **Corporate Bankers**

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

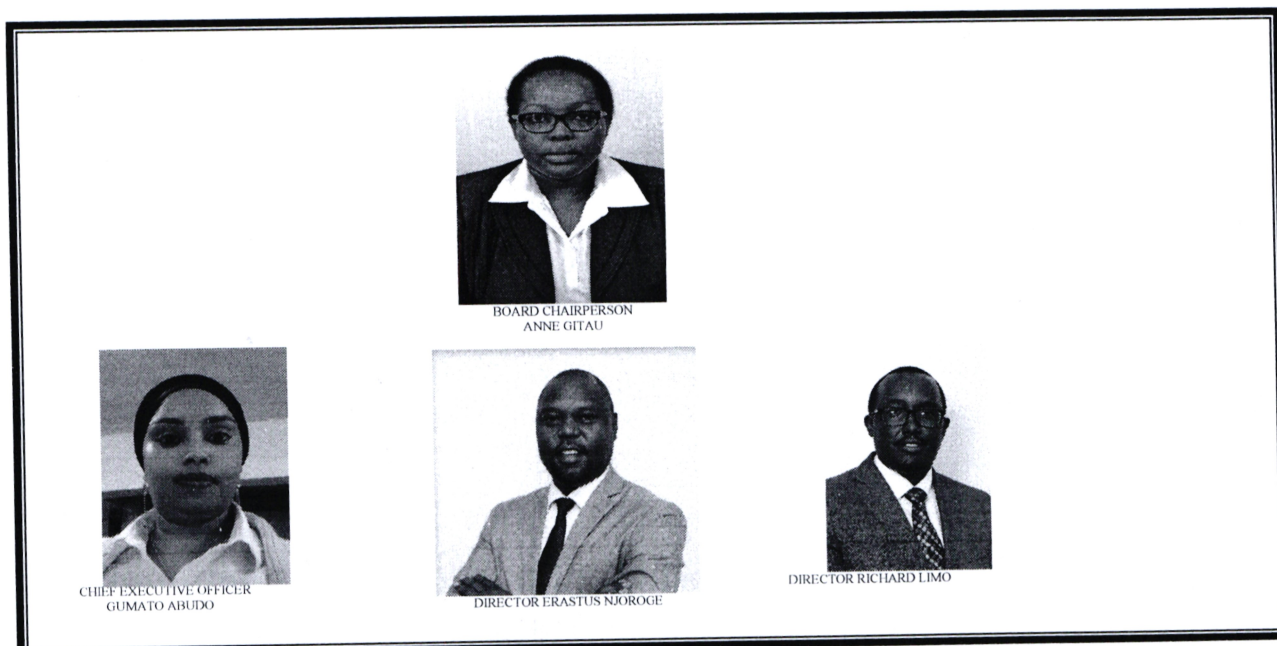
### **Independent Auditors**

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

### **Principal Legal Advisors**

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

### 3. THE BOARD OF DIRECTORS



**MRS. ANNE GITAU** is the Deputy Director Debt Management. She has over 30 years' experience in finance and accounting gained while working at IDB Capital Ltd where she rose through the ranks to the position of Manager Finance and Accounts. She is a holder of a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi and is a Certified Public Accountant and Secretary, (CPA-K, CPS- K) and is a member of ICPAK

**MR RICHARD LIMO** is the Deputy Director ICT, responsible for the overall functions of the ICT Department at Kenya Development Corporation. He is a dedicated and professional technology expert with over 10 years of experience in ICT within the Banking and Higher Education sectors. He previously worked as ICT Manager at IDB capital, Lecturer of Information Science, Information Technology and Computer Science at Moi University and the University of Eldoret, Corporate Relationship Manager and Senior credit officer at Corporative Bank of Kenya. He holds an M.Sc. Degree in Information Technology (Business Intelligence) from Strathmore University and a B.Sc. Degree in Information Technology from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a professional member at ICTA, CSK and ISACA.

**MR. ERASTUS NJOROGE** is the Deputy director, Portfolio management. He is responsible for managing equities and loans portfolio with a view to maximizing returns and mitigating risks and achieve corporate objectives. Prior to this, he was the Chief of Credit at IDB Capital Ltd where he was in charge of Credit Management. Before joining IDB Capital Ltd, Erastus was a Senior Credit Manager at Equity Bank in Rwanda. He has previously held the roles of Senior Credit Analyst at Housing Finance, Credit Analyst at GT Bank Ltd (Formerly Fina Bank), Relations officer at Afrika Investment bank (AIB) as well as a part time lecturer at various institutions within Nairobi. He is an experienced finance expert with a demonstrated history in the financial services sector. He has hands on experience on Credit Risk Management, Portfolio Management, Relationship Management, Business Development, Credit Analysis and Banking in general. Mr. Erastus holds a Master's degree in Financial Economics as well as a Bachelor's Degree with specialization in Mathematics and Economics. He is a member of the Economist Association of Kenya.

**MS. GUMATO ABUDO** is the Ag. Chief Executive Officer. She holds a Degree in Management and Leadership from Management University of Africa and a Diploma in Hotel & Catering from Mt Kenya University. She has undertaken her Senior Leadership Development Programme (SLDP) from the Kenya school of Government. She also has certified trainings in CBA Negotiation and Job Evaluation from the Kenya School of Government. Ms. Gumato is currently pursuing her Master's in Management & Leadership. She holds a wide range of experience in Hospitality Management, having worked in the field of for over 15 years.

#### **4. KEY MANAGEMENT TEAM**

**MS. GUMATO ABUDO** is the Chief Executive Officer of Golf hotel limited. She is a Holder of a Masters in Management and Leadership and a Degree in Management and Leadership from Management University of Africa and a Diploma in Hotel & Catering from Mt Kenya University. She also holds certification in Senior Leadership Development Programme (SLDP) from the Kenya school of Government and certified trainings in CBA Negotiation and Job Evaluation from the Kenya School of Government. Gumato holds a wide range of experience in Hospitality Management, having worked in the field of for over 15 years. She was born in April 1985.

**MS. HELLEN CHILLA** is the Manager Hotel Planning and Marketing for Golf Hotel Limited. She has a Master's in Business Administration, Strategic Management option from Jomo Kenyatta University, A Degree in Economics & Sociology from the University of Nairobi and a Diploma in Front Office Operations from Kenya Utalii College. She has undertaken a course in Senior Management (SMC) from the Kenya School of Government and is a member of Tourism Professional Association (TPA). Hellen has over 20 years' wealth of working experience in operations management, planning and marketing in the hospitality industry and was born on 28 June 1977.

**CPA MUGADIA LEENA** is the Manager Finance and ICT for Golf Hotel Limited. She is a holder of Master's in Business Administration Finance Option from Jomo Kenyatta University, Degree in Business Management - Accounting from Masinde Muliro University, a Certified Public Accountant (CPA-K), and Distinction Certificate in Senior Management Course from the Kenya School of Government. She is member of the Institute of Certified Public Accountants (ICPAK No. 14454) and has also acquired certified trainings in CBA Negotiation and Job Evaluation from the Kenya School of Government. She holds a wide range of experience in Finance Accounting and ICT, having worked in the field for over 12 years. Ms. Mugadia was born on 16 November 1987.

**CHRPS NJURU MAUREEN** serves Golf Hotel Limited as a Manager, Human Resource and Administration. She holds an MBA in Human Resource Management from the University of Nairobi, a Bachelor of Science in Human Resources Management from the Maasai Mara University and is a Certified Human Resource Professional (CHRP-K) from College of Human Resource Management. Ms. Njuru has over 8 years' experience and a wealth of knowledge in Human Resources Management in both Private and Public Service having worked for Enashipai Resort & Spa. She is a Full Member of the Institute of Human Resource Management and has attended several trainings and seminars in pursuit for knowledge and skills in Human Resource Management. She was Born in 1990.

**CPA ROBERT KIPLANGAT ROTICH** serves Golf Hotel Limited as a Manager, Internal Audit. He holds Bachelor of Commerce Accounting option from Egerton University. He is also CPA (K) and a member of ICPAK (member no 15137) and has also completed a course in Senior Management (SMC) from the Kenya School of Government. Mr. Rotich is currently pursuing Masters in Business Administration from Kenyatta University. Robert has valuable experience of over 11 years in Internal Audit Management, Finance and Accounting, Risk Management, Governance and Compliance, Project Management and Strategic planning both in Private and Public Organization and was born on 11<sup>th</sup> June 1985.

**EUNICE RUTO** is the Manager Supply Chain Management. She holds a Master's degree in Business Management (Strategic Management) and Bachelors of Business Management (Purchasing and Supplies Management). She is also a member of Kenya Institute of Supplies Management (Member No 77892). Eunice has wide experience in Supply Chain Management having worked in the field for 7 years

***Mt. Elgon Lodge Limited***  
**Reports and Financial Statements**  
**For the year ended 30 June, 2025**

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**5. FIDUCIARY MANAGEMENT**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

| No. | Designation                             | Name                |
|-----|---|---------------------|
| 1.  | CEO                                     | Gumato Abudo        |
| 2.  | Head of Finance                         | CPA Leena Mugadia   |
| 3.  | Head of Planning and Marketing          | Hellen Chilla       |
| 4.  | Head of Human Resource & Administration | CHRPS Maureen Njuru |
| 5.  | Head of Procurement                     | Eunice Ruto         |
| 6.  | Head of Audit                           | CPA Robert Rotich   |

**6. FIDUCIARY OVERSIGHT ARRANGEMENTS**

The Lodge Oversight role is carried out through Management Contract Between the Lodge and the Golf Hotel Limited which carries out oversee internal and external Operations and reports its deliberations to the Lodges Board for ratification.

**7. CHAIRPERSON'S STATEMENT**

On behalf of my fellow Board Members and the Management, I hereby present the Financial Statements of Mt. Elgon Lodge Limited for the Year ended 30 June 2025.

During the year, the lodge remained closed as the process of renovations was yet to be completed. This was attributed to the ongoing privatization process that saw the freeze of capital projects within the Lodge.

The Lodge however had a few activities still ongoing that enabled it generate revenue from the lease of land.

The Lodge generated a turnover of Kshs. 10.5 for the year 2024/2025 as compared to 1.4 million in the year 2023-2024 with an expenditure of 10.7 million resulting to a loss of 223,023 in the year ended June 2025.

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



**BOARD CHAIRPERSON**  
**ANNE GITAU**

## **8. REPORT OF THE CHIEF EXECUTIVE OFFICER**

On behalf of the management team of Mt. Elgon Lodge Limited, I present to you the Lodge's Annual Report and Financial statements for the year ended 30<sup>th</sup> June 2025.

The Lodge was closed for renovations in May 2020 and since then its normal operations of hospitality services are yet to resume as at the end of the financial year 2025. This has translated to the fact that the lodge was not able to record revenue from Accommodation and Food sales except for earnings from land lease and ground hire.

The Lodges administration during the year was overseen through the assistance of Golf Hotel Kakamega under the approval of the Boards of Both Companies.

The Lodge was undergoing privatization process for the better part of the year ended 30 June 2025 and the process still remained uncompleted as at the close of the year 2024/2025

I wish to convey my appreciation to the Board of Directors of Mt Elgon Lodge for their committed support during the year ended 30<sup>th</sup> June 2025, the Golf Hotel Board and Management team for their valuable input and other stakeholders for their efforts.



**GUMATO ABUDO**  
**AG. CHIEF EXECUTIVE OFFICER**

**9. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY  
2024-2025**

During the year under review, the lodge did not have an approved Strategic Plan that had identified focus areas aimed at increasing the Lodges profitability. As a result of this, it was not able to measure its performance against its Predetermined objectives for subsequent reporting

## **10. CORPORATE GOVERNANCE STATEMENT**

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

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

### **Board Charter**

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

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

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

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

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

### **Board Composition**

The Corporation's Board is made up of three (3) members comprising of three directors representing Kenya Development Corporation. No Director was nominated from the Trans-Nzioa County during the year under review. The composition of the Board is as outlined in the Companies Act and the Company's Articles of Association.

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

**Mt. Elgon Lodge Limited**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2025**

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

**Board Meetings**

The Board schedule of meetings is prepared annually in advance. The Board holds meetings at least once every three (3) months and special meetings may be called when necessary. However, during the year under review the lodge held one main board meeting and two special meetings.

**Committees of the Board**

The Board did not have any Board committee during the year under review.

**BOARD ACCOUNTABILITY**

**Conflict of Interest**

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

**Board of Management Emoluments**

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



.....

**JOHN KARIA**  
**COMPANY SECRETARY**

## **11. MANAGEMET DISCUSSION AND ANALYSIS**

Annual Report and Financial Statements for the year ended 30 June 2025.

Mt Elgon Lodge Ltd was officially closed down for renovations in May 2020. However, a number of activities were transacted during the year ending 30 June 2025 and these have been presented in the following reports.

Net Sales for the year ending 2024/2025 recorded Kshs. 10,543,846 constituting Kshs. 8,773,845.77 from provision for sales taxes from previous years now written back and income from land lease revenue of Kshs. 1,770,000 as compared to revenue of Kshs. 1,427,220 for the year 2023-2024 earned by the lodge from lease of land.

Operating Expenditure recorded for the period ended 30 June 2025 amounted to Kshs. 10,766,869 as compared to Kshs. 6,836,556 for the year 2023-2024. During the year the lodge made the following provisions in its financial records, Accrued Audit fee of Kshs. 3,139,411, provision for bad and doubtful debts has been provided at Kshs. 1,941,040 and provision for Loan interest charged for the loan issued has also been provided for at Kshs. 3,208,794.90.

Net loss before tax for the year ending 30 June 2025 recorded Kshs. (223,023).

## **12. Environmental and Sustainability Reporting**

The lodge has remained sensitive towards improving and preserving the environment in which it operates. Responsible management of natural resources in its operations has been a part of our business.

During the year under review, the Board approved a land lease policy that also gave provisions on tree planting and proper use of land to safe guard the environment as the lodge continues with the lease of land for farming purposes.

During the year the Lodge leased out its land for farming to ensure food security and employment of the people around the facility. This has led to the improvement of the livelihood of the community that depend on the leaded land for their food provisions annually.

### **COMPLIANCE**

During the year, the Lodge through KDC contracted a tax consultant who was able to file tax returns for the lodge for the period June 2015 to June 2024 and PAYE from June 2015 to February 2025. A letter on Migrated Legacy balances was also prepared and submitted to KRA by the Tax consultant. Negotiation on tax wavers under the Amnesty period on penalties and interest was also carried out by the Tax consultant which was open until 30 June 2025. Under the IT2C the Annual returns have been fully filled since 2015 to 2024 and being the Lodge has been operating with loses since then, no tax obligation was outstanding.

Payroll information for the period covering June 2016 to February 2025 was obtained to facilitate the compilation of outstanding Pay as You Earn (PAYE) returns. During the review, inconsistencies were identified in the NSSF deductions that did not align with the applicable deduction regime of previous years. These discrepancies were addressed, and necessary adjustments were made in consultation with Mount Elgon Lodge Limited. The applicable statutory deductions, including the revised NSSF rates, the Affordable Housing Levy (AHL), and the Social Health Insurance Fund (SHIF), were incorporated for the relevant periods to ensure compliance with prevailing legislation.

Following the revised PAYE computation, a principal tax liability amounting to KES 379,963 was established, in addition to penalties and interest totaling KES 1,611,038

### **EMPLOYEE WELFARE**

The lodge was able to provide annual salaries payments for the three staff at the lodge but is still yet to settle accrued salaries for the staff on compulsory leave.

Six staff were sent home on unpaid leave in May 2020 as a result of closure of the lodge for renovation and due to the reduced business from the effects of COVID-19

### **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

In the year under review the Lodge did not do much of corporate social responsibility being that the lodge was still closed from operations.

### **13. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Lodge's affairs.

#### **PRINCIPAL ACTIVITIES**

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

#### **RESULTS**

The results of the Lodge for the year ended June 30, 2025 are set out on page 1-27

#### **DIVIDENDS**

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

#### **DIRECTORS**

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

#### **AUDITORS**

The Auditor-General is responsible for the statutory audit of the Hotel in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

  
.....

**JOHN KARIA**  
**SECRETARY TO THE BOARD**

DATE: .....06/10/2025.....

**14. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

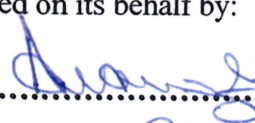
Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Board to prepare financial statements in respect of Mt. Elgon Lodge Limited, which give a true and fair view of the state of affairs of the lodge at the end of the financial year/period and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

The Directors are responsible for the preparation and presentation of the lodge's financial statements, which give a true and fair view of the state of affairs of the lodge for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management policies and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the lodge; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Directors accept responsibility for the lodge's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors confirm that the lodge's financial statements give a true and fair view of the state of lodge's transactions during the financial year ended June 30, 2025, and of the lodge's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the lodge, which have been relied upon in the preparation of the lodge's financial statements as well as the adequacy of the systems of internal financial control.

**Approval of the financial statements**

Mt. Elgon Lodge Ltd financial statements were approved by the Board on 06/10 2025 and signed on its behalf by:

Signature.....

Name .....Anne Green.....  
**Chairperson of the Board**

Signature.....

Name.....Gurnio Abud.....  
**Accounting officer**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON MT. ELGON LODGE LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Mt. Elgon Lodge Limited set out on pages 1 to 27, which comprise of the statement of financial position as at

30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mt. Elgon Lodge Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

### **Basis for Qualified Opinion**

#### **1. Unsupported Work in Progress Balance**

The statement of financial position and Note 18 to the financial statements reflect a balance of Kshs.57,148,908 in respect of property, plant and equipment. Included in the balance is Kshs.13,997,583 reflected as capital work in progress for the year. However, the balance was not supported by detailed asset register, partial completion certificates and assets addition schedules.

In the circumstances, the accuracy and completeness of capital work in progress balance of Kshs.13,997,583 could not be confirmed.

#### **2. Unsupported Ordinary Share Capital**

The statement of financial position reflects a balance of Kshs.1,845,780 in respect of ordinary share capital which, as disclosed in Note 22 to the financial statements, is made up of 92,289 ordinary shares of Kshs.20 each. However, 25,000 shares were not supported by share certificates.

In the circumstances, the accuracy, completeness, rights and obligations of the ordinary share capital balance of Kshs.500,000 as at 30 June, 2025 could not be confirmed.

#### **3. Unsupported Borrowings**

The statement of financial position reflects a balance of Kshs.26,590,477 in respect of borrowings as disclosed in Note 25 to the financial statements. The balance includes balance of Kshs.3,527,222 relating to KDC salary loan, Kshs.9,466,377 relating to KDC salary payments loan 2, KDC refurbishment loan Kshs. 9,931,256, KDC salary loan Kshs.456,827 and KDC accrued interest on refurbishment loan Kshs.3,208,795. However, the accrued interest workings, loan agreements and other supporting documents for the loans were not provided for audit review.

In the circumstances, the accuracy and completeness of the borrowings balance of Kshs.26,590,477 could not be confirmed.

#### **4. Unsupported Provisions Balance**

The statement of financial position and Note 26(c) to the financial statements reflect a balance of Kshs.1,941,038 in respect of provision for bad and doubtful debts for the year ended 30 June, 2025. However, the balance was not supported by schedules and provisions policy.

In the circumstances, the accuracy and completeness of the provisions balance of Kshs.1,941,038 could not be confirmed.

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

#### **Emphasis of Matter**

##### **Material Uncertainty Relating to Going Concern**

The Company reported a loss after taxation of Kshs.156,116 (2023/2024: Kshs.3,786,606). The accumulated losses depleted retained earnings from Kshs.(49,988,135) in 2023/2024 to Kshs.(50,211,158) in the year under review. Further, the Company reported Nil sales income for the last five (5) years in a row. In addition, the statement of financial position reflects current liabilities amounting to Kshs.28,023,118 while current assets amounted to Kshs.2,170,014 resulting to a negative working capital of Kshs.25,853,103. The Company was, therefore, unable to meet its financial obligations as and when they fall due.

In the circumstances, the Company is technically insolvent and its continued operations as a going concern will depend on the support from the Government, donors, creditors, and completion of privatization process by the Kenya Development Corporation as disclosed in Note 33 to the financial statements.

My opinion is not modified in respect of this matter.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matters described in the Basis for Qualified Opinion and Material Uncertainty Relating to Going Concern sections, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the previous year audit, issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources as detailed in **Appendix I**. However, Management has not resolved the issues or given any explanation for the delay in resolving the issues.

### **Other Information**

Management is responsible for the Other Information set out on page iii to xv which comprise of Key Lodge Information and Management, Board of Directors, Key Management Team, Chairperson's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Lodge's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Failure to Insure Lodge's Assets**

The statement of financial position for the year ended 30 June, 2025 reflects property, plant and equipment valued at Kshs.57,148,908. However, the Lodge had not insured its assets contrary to Paragraph 91 (1) of the National Treasury Guidelines on Asset and Liability Management in the Public Sector, March 2020.

In the circumstances, Management was in breach of the law.

## **2. Stalled Project and Non-existing Contract**

The statement of financial position and Note 26(b) to the financial statements shows contingency-fencing liability balance of Kshs.1,796,740 in relation to tender No. MTEL/07/2017/2018 awarded to a local contractor for supply of fencing materials and fencing works at a total contract sum of Kshs.3,349,120 with certified works estimated at 51%. However, audit inspection carried out on 11 July, 2025 revealed that the project had stalled due to non-payment to the contractor of the amount certified and signed contract for the works was not provided for audit review.

In the circumstances, the validity and accuracy of contingent liability of Kshs.1,796,740 could not be confirmed.

## **3. Non-Remittance of Statutory Deductions**

The statement of financial position and Note 26 to the financial statements show trade and other payables balance of Kshs.24,285,340. The balance includes statutory deductions of Kshs.2,267,717 and Kshs.7,634,980 for the National Social Security Fund (NSSF) and the Kenya Revenue Authority (KRA), respectively including interest and penalties from previous financial years that had remained unremitted. No explanation was provided for failure to remit statutory deductions as required.

This was contrary to Regulation 23 (2)(a) of the Public Finance Management (National Government) Regulations, 2015, which provides that in addition to the responsibilities of Accounting Officers provided in the Act, an Accounting Officer designated under the Constitution, the Act or any other Act, shall comply with any tax, levy, duty, pension, commitments as may be provided for in the legislation.

In the circumstances, Management was in breach of the law.

## **4. Lack of Internal Audit Reports**

The Management did not provide internal audit reports for audit review. This was contrary to Section 73(1) of the Public Finance Management Act, 2012 which states that every National Government entity shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Conclusion**

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion, I confirm 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. Information given in the Directors' report on pages xiv is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 16 has been properly prepared in accordance with the Companies Act, 2015.

### **Basis for Conclusion**

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of the Management and Board of Directors**

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

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

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

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

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


## **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**12 November, 2025**

## Appendix I

### Unresolved Prior Year Matters

| Reference No. of the Auditor-General's Report | Observation   |
|---|---|
|   | <b>Report on the Financial Statements</b>                         |
| 1   | Anomalies in the Annual Report and Financial Statements           |
| 2   | Unsupported Ordinary Share Capital                                |
| 3   | Long Outstanding Trade and Other Receivables                      |
| 4   | Unsupported Borrowings  |
| 5   | Unsupported Trade and Other Payables                              |
| 6   | Unexplained Payment of Management Fee to Golf Hotel Limited       |
|   | <b>Emphasis of Matter</b>   |
|   | Material Uncertainty Relating to Going Concern                    |
|   | <b>Other Matter</b>   |
|   | Unresolved Prior Year Matters                                     |
|   | <b>Report on Lawfulness and Effectiveness in Use of Resources</b> |
|   | Lack of Approved Budget   |

**Mt. Elgon Lodge Limited**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2025**

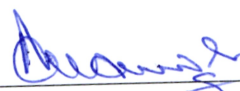
**16. STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME FOR  
THE YEAR ENDED 30 JUNE 2025**


|   | Note   | 2024/2025<br>Kshs        | 2023/2024<br>Kshs         |
|---|--------|--------------------------|---------------------------|
| <b>REVENUES,</b>                              |        |                          |                           |
| Other Income                                  | 11     | 10,543,846               | 1,427,120                 |
| <b>TOTAL REVENUES</b>                         |        | <u>10,543,846</u>        | <u>1,427,120</u>          |
| <b>COST OF SALES</b>                          |        |                          |                           |
|   | 12     | 5,355                    | -                         |
| <b>GROSS PROFIT</b>                           |        | <u><b>10,538,491</b></u> | <u><b>1,427,120</b></u>   |
| <b>OPERATING EXPENSES</b>                     |        |                          |                           |
| Administration Costs                          | 13(a)  | 6,777,719                | 6,061,557                 |
| Selling and Distribution Costs                | 14     | -                        | -                         |
| Depreciation of property, plant and equipment | 18     | 775,000                  | 775,000                   |
| <b>TOTAL OPERATING EXPENSES</b>               |        | <u>7,552,719</u>         | <u>6,836,556</u>          |
| <b>OPERATING PROFIT/LOSS</b>                  | 15     | <b>2,985,772</b>         | <b>(5,409,436)</b>        |
| FINANCE COST                                  | 16(a)  | 3,208,795                | -                         |
| <b>PROFIT/LOSS BEFORE TAXATION</b>            |        | <b>(223,023)</b>         | <b>(5,409,436)</b>        |
| INCOME TAX CREDIT                             | 16(b)  | 66,907                   | 1,622,830                 |
| <b>PROFIT AFTER TAXATION</b>                  |        | <u><b>(156,116)</b></u>  | <u><b>(3,786,606)</b></u> |
| Earnings per share – basic and diluted        | 16 (a) | (1)                      | (41)                      |
| Dividend per share                            | 17     | -                        | -                         |

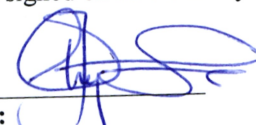
**17. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025**

|                                      | Note  | 2024/2025<br>Kshs        | 2023/2024<br>Kshs        |
|--------------------------------------|-------|--------------------------|--------------------------|
| <b>ASSETS</b>                        |       |                          |                          |
| <b>Non-Current Assets</b>            |       |                          |                          |
| Property, plant and equipment        | 18    | 57,148,908               | 57,923,908               |
| <b>Total Non-Current Assets</b>      |       | <u>57,148,908</u>        | <u>57,923,908</u>        |
| <b>Current Assets</b>                |       |                          |                          |
| Inventories                          | 19    | -                        | 5,355                    |
| Trade and other receivables          | 20    | 1,941,040                | 4,134,154                |
| Bank Balances                        | 21(a) | 228,974                  | 225,902                  |
| Cash at hand Balance                 | 21(a) | -                        | -                        |
| <b>Total Current Assets</b>          |       | <u>2,170,014</u>         | <u>4,365,411</u>         |
| <b>NET ASSETS</b>                    |       | <u><u>59,318,922</u></u> | <u><u>62,289,319</u></u> |
| <b>EQUITY AND LIABILITIES</b>        |       |                          |                          |
| <b>Capital and Reserves</b>          |       |                          |                          |
| Ordinary share capital               | 22    | 1,845,780                | 1,845,780                |
| Revaluation reserve                  | 23    | 53,070,705               | 53,070,705               |
| Retained earnings                    | 24    | (50,211,158)             | (49,988,135)             |
| <b>Capital and Reserves</b>          |       | <u>4,705,327</u>         | <u>4,928,350</u>         |
| <b>Non-Current Liabilities</b>       |       |                          |                          |
| Borrowings                           | 25    | 26,590,477               | 23,381,681               |
| <b>Total Non-Current Liabilities</b> |       | <u>26,590,477</u>        | <u>23,381,681</u>        |
| <b>Current Liabilities</b>           |       |                          |                          |
| Trade and other payables             | 26    | 24,285,339               | 32,182,546               |
| Contingency – Fencing Liability      | 26(b) | 1,796,740                | 1,796,740                |
| Provision for bad and Doubtful Debts | 26(c) | 1,941,038                | -                        |
| <b>Total Current Liabilities</b>     |       | <u>28,023,118</u>        | <u>33,979,287</u>        |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |       | <u><u>59,318,922</u></u> | <u><u>62,289,319</u></u> |

The financial statements were approved by the Board on 06/10/2025 and signed on its behalf by:

  
 Name: \_\_\_\_\_  
 Chairman of the Board

  
 Name: \_\_\_\_\_  
 C.E.O

  
 Name: \_\_\_\_\_  
 Head of Finance  
 ICPAK M/NO:

**18. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025**

|                            | Ordinary<br>share capital<br>(92289<br>Shares@20) | Revaluation<br>reserve | Fair value<br>adjustment<br>reserve | Retained<br>earnings | Proposed<br>dividends | Total             |
|----------------------------|---|------------------------|-------------------------------------|----------------------|-----------------------|-------------------|
|                            | Kshs  | Kshs                   | Kshs                                | Kshs                 | Kshs                  | Kshs              |
| <b>At July 1, 2023</b>     | <b>1,845,780</b>                                  | <b>53,070,705</b>      | -                                   | <b>(44,578,699)</b>  | -                     | <b>10,337,785</b> |
| Total comprehensive income | -   | -                      | -                                   | (5,409,437)          | -                     | (5,409,437)       |
| <b>At June 30, 2024</b>    | <b>1,845,780</b>                                  | <b>53,070,705</b>      | -                                   | <b>(49,988,135)</b>  | -                     | <b>4,928,350</b>  |
|                            |   |                        |                                     |                      |                       |                   |
| <b>At July 1, 2024</b>     | <b>1,845,780</b>                                  | <b>53,070,705</b>      | -                                   | <b>(49,988,135)</b>  | -                     | <b>4,928,350</b>  |
| Total comprehensive income | -   | -                      | -                                   | (223,023)            | -                     | (223,023)         |
| <b>At June 30, 2025</b>    | <b>1,845,780</b>                                  | <b>53,070,705</b>      | -                                   | <b>(50,211,158)</b>  | -                     | <b>4,705,327</b>  |
|                            |   |                        |                                     |                      |                       |                   |

**Mt. Elgon Lodge Limited**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2025**

**19. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025**

|  | Note | 2024/2025<br>Kshs     | 2023/2024<br>Kshs     |
|--|------|-----------------------|-----------------------|
| <b>OPERATING ACTIVITIES</b>                                    |      |                       |                       |
| Cash generated from / (used in) operations                     | 27   | 3,073                 | (231,090)             |
| <b>Net cash generated from/(used in) operating activities</b>  |      | <u>3,073</u>          | <u>(231,090)</u>      |
| <b>INVESTING ACTIVITIES</b>                                    |      |                       |                       |
| Purchase of property, plant and equipment                      | 18   | -                     | -                     |
| <b>Net cash generated from/(used in) investing activities</b>  |      | <u>-</u>              | <u>-</u>              |
| <b>FINANCING ACTIVITIES</b>                                    |      |                       |                       |
| KDC Salary Loan  | 25   | -                     | 456,827               |
| <b>Net cash generated from/ (used in) financing activities</b> |      | <u>-</u>              | <u>456,827</u>        |
| <b>INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS</b>         |      | <b>3,073</b>          | <b>225,737</b>        |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>          | 21   | <b>225,902</b>        | <b>165</b>            |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>            | 21   | <b><u>228,974</u></b> | <b><u>225,902</u></b> |

**20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2025**

|                                      | Budget           | Actual            |                    | Budget             | Actual             |                   | Explanation of material variances |
|--------------------------------------|------------------|-------------------|--------------------|--------------------|--------------------|-------------------|-----------------------------------|
|                                      | JUNE - 25        | JUNE - 25         | Variance           | Cumulative to date | Cumulative to date | Variance          | Variance                          |
|                                      | Shs              | Shs               | Shs                | Shs                | Shs                | Shs               |                                   |
| <b>Revenue</b>                       |                  |                   |                    |                    |                    |                   |                                   |
| Sales                                | 1,800,000        | 10,543,846        | 8,743,846          | 1,800,000          | 10,543,846         | 8,743,846         | 486%                              |
| Other income                         | -                | -                 | -                  | -                  | -                  | 0                 | 0%                                |
| <b>Total Revenues</b>                | <b>1,800,000</b> | <b>10,543,846</b> | <b>8,743,846</b>   | <b>1,800,000</b>   | <b>10,543,846</b>  | <b>8,743,846</b>  | <b>486%</b>                       |
| Cost of sales                        | -                | 5,355             | - 5,355            | -                  | 5,355              | -5,355            |                                   |
| <b>Gross profit</b>                  | <b>1,800,000</b> | <b>10,538,491</b> | <b>8,738,491</b>   | <b>1,800,000</b>   | <b>10,538,491</b>  | <b>8,738,491</b>  | <b>485%</b>                       |
| <b>Expenses</b>                      |                  |                   |                    |                    |                    |                   |                                   |
| Administration costs                 | 995,360          | 6,777,719         | - 5,782,359        | 995,360            | 6,777,719          | -5,782,359        | -581%                             |
| Selling and distribution costs       | -                | -                 | -                  | -                  | -                  | 0                 |                                   |
| Depreciation of PPE                  | 585,000          | 775,000           | - 190,000          | 585,000            | 775,000            | -190,000          | -32%                              |
| <b>Total operating expenses</b>      | <b>1,580,360</b> | <b>7,552,719</b>  | <b>- 5,972,359</b> | <b>1,580,360</b>   | <b>7,552,719</b>   | <b>-5,972,359</b> | <b>-378%</b>                      |
| <b>Operating profit/(loss)</b>       | <b>219,640</b>   | <b>2,985,772</b>  | <b>3,205,412</b>   | <b>219,640</b>     | <b>2,985,772</b>   | <b>2,766,132</b>  | <b>1259%</b>                      |
| Finance income                       | -                | -                 | -                  | -                  | -                  | 0                 | 0%                                |
| Finance costs                        | -                | 3,208,795         | 3,208,795          | -                  | 3,208,795          | 0                 |                                   |
| <b>Profit/(loss) before taxation</b> | <b>219,640</b>   | <b>- 223,023</b>  | <b>- 442,663</b>   | <b>219,640</b>     | <b>- 223,023</b>   | <b>2,766,132</b>  | <b>1259%</b>                      |
| Income tax expense(credit)           | - 65,892         | 66,907            | 132,799            | - 65,892           | 66,907             | - 829,840         | 1259%                             |
| <b>Profit/(loss) after taxation</b>  | <b>153,748</b>   | <b>- 156,116</b>  | <b>- 309,864</b>   | <b>153,748</b>     | <b>- 156,116</b>   | <b>1,936,292</b>  | <b>1259%</b>                      |

**Explanatory notes (a) and (b)**

The Hotel generated revenue from lease of farm land and also write back of provisions for tax liabilities from previous periods

## **21. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

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

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

### **3. Application of New and Revised International Financial Reporting Standards (IFRS)**

- i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.***

**Mt. Elgon Lodge Limited**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2025**

| Title  | Description   | Effective Date   |
|--|---|--|
| Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022) | The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period  | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)                                       | The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.   | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7                            | The amendments specify: <ul style="list-style-type: none"> <li>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and</li> <li>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</li> </ul> | 1 January 2026   |

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the Lodges financial statements.

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

*New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

| Title   | Description   | Effective Date   |
|---|---|--|
| IFRS 18 Presentation and Disclosure in Financial statements | The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.   | The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.                |
| IFRS 19 Subsidiaries without Public Accountability          | IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19 | An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted. |

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

iii. **Early adoption of standards**

The Lodge did not early – adopt any new or amended standards in the financial year.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**SUMMARY OF ACCOUNTING POLICIES**

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

**a) Revenue recognition**

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

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

**i. In-kind contributions**

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

**ii. Property, plant and equipment**

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

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

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

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

### **d) Depreciation and impairment of property, plant and equipment**

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

|  |       |
|--|-------|
| Buildings and civil works                | 2.5%  |
| Plant and machinery                      | 12.5% |
| Motor vehicles, including motor cycles   | 25%   |
| Computers and related equipment          | 30%   |
| Office equipment, furniture and fittings | 12.5% |

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

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

### **e) Intangible assets**

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

### **f) Amortisation and impairment of intangible assets**

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

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

### **g) Fixed interest investments (bonds)**

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

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

### **f) Inventories**

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

### **g) Trade and other receivables**

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

### **h) Taxation**

#### ***Current Income tax***

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Lodge operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### ***Deferred Tax***

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

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

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

### **h) Taxation (Continued)**

#### ***Deferred tax (Continued)***

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

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

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

### **i) Cash and cash equivalents**

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

### **j) Borrowings**

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

**SUMMARY OF ACCOUNTING POLICIES (Continued)**

**k) Trade and other payables**

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

**l) Retirement benefit obligations**

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

**m) Provision for gratuity, leave and retirement benefits**

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

**n) Exchange rate differences**

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

**o) Budget information**

The original budget for FY 2024/2025 was approved by the National Treasury on 30 June 2024. The board of the Lodge However approved the proposed budget in January 2024. Accordingly, the Lodge has recorded no additional appropriations on the 2024-2025 budget.

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

**SUMMARY OF ACCOUNTING POLICIES (Continued)**

**p) Comparative figures**

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

**q) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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

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

### **u) Property, Plant and equipment**

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

### **v) Useful lives and residual values**

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

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

### **w) Revaluation of PPE**

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

### **x) Receivables**

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

### **y) Contingent liabilities**

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

**NOTES TO THE FINANCIAL STATEMENTS**

|                        | <b>2024/2025</b>  | <b>2023/2024</b> |
|------------------------|-------------------|------------------|
|                        | <b>Kshs</b>       | <b>Kshs</b>      |
| <b>11</b>              |                   |                  |
| Other Income           | 1,770,000         | 1,764,000        |
| Land Rent              | 8,773,846         | -                |
| Sales Taxes Write back | -                 | 19,900           |
| Camping                | -                 | -                |
| Disposal               | -                 | (99,898)         |
| Less: Service Charge   | -                 | (28,542)         |
| Less: Catering Levy    | -                 | (228,339)        |
| Less: Value added tax  | -                 | -                |
| Net Sales              | <u>10,543,856</u> | <u>1,427,120</u> |
|                        | =====             | =====            |

Sales are reported on gross sales therefore including all the relevant taxes/charges.

**12. COST OF SALES**

|              |              |          |
|--------------|--------------|----------|
| Food/ Drinks | 5,355        | -        |
|              | <u>5,355</u> | <u>-</u> |
|              | =====        | =====    |

**13(a) ADMINISTRATION COSTS**

|   |                  |                  |
|---|------------------|------------------|
| Staff costs (note 13b)  | 691,331          | 1,095,184        |
| Directors' emoluments   | 147,000          | -                |
| Electricity and water   | 75,126           | 70,616           |
| Transportation, travelling and subsistence ( <i>Travel expenses</i> )               | 270,860          | 135,625          |
| Bank charges and commissions ( <i>Bank charges &amp; Commission on Visa cards</i> ) | 5,555            | 4,680            |
| Management Fee  | 485,065          | 4,755,452        |
| Provision for Bad and Doubtful Debts  | 1,941,040        | -                |
| Auditors' Remunerations   | 3,159,411        | -                |
| Office and general supply services  | 2,332            | -                |
|   | <u>6,777,719</u> | <u>6,061,557</u> |
|   | =====            | =====            |

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

|   | <b>2024/2025</b> | <b>2023/2024</b> |
|---|------------------|------------------|
|   | <b>Kshs</b>      | <b>Kshs</b>      |
| <b>(b) STAFF COSTS</b>  |                  |                  |
| Salaries and allowances of permanent employees<br>( <i>Salaries, Housing, Medical &amp; Entertainment allowance</i> )   | 626,172          | 626,172          |
| Wages of temporary employees ( <i>Casual wages</i> )  | -                | -                |
| Compulsory national health insurance schemes  | -                | -                |
| Compulsory national social security schemes   | 12,960           | 12,960           |
| Other pension contributions   | -                | -                |
| Leave, Terminal Dues, gratuity provisions   | 52,199           | 456,052          |
| Staff welfare ( <i>Meals &amp; welfare</i> )  | -                | -                |
|   | <u>691,331</u>   | <u>1,095,184</u> |
|   | =====            | =====            |
| <b>The average number of employees at the end of the year was:</b>  |                  |                  |
| Permanent employees – Management  | -                | -                |
| Permanent employees – Union   | 3                | 3                |
| Temporary and contract employees  | -                | -                |
|   | <u>3</u>         | <u>3</u>         |
|   | =====            | =====            |
| Female employees – 1(33%)   |                  |                  |
| Male Employees – 2 (67%)  |                  |                  |
| The lodge staff were sent on unpaid leave during the year 2020 and the three staff are two security guards and one Care taker who are in-charge of taking care of the lodge during its closure. |                  |                  |
| <b>14. SELLING AND DISTRIBUTION COSTS</b>   |                  |                  |
| Marketing and promotional ( <i>Marketing &amp; Advertising</i> )  | -                | -                |
|   | <u>-</u>         | <u>-</u>         |
|   | =====            | =====            |
| <b>15. OPERATING PROFIT/(LOSS)</b>  |                  |                  |
| The operating profit is arrived at after charging;  |                  |                  |
| Staff costs (note 13b)  | 691,331          | 1,095,184        |
| Depreciation of property, plant and equipment   | 775,000          | 775,000          |
| Other Operating Expenses (note 13a)   | 5,311,389        | 4,996,373        |
| Against the Gross Profit for the period under review  |                  |                  |

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

**16. (a) EARNINGS PER SHARE**

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

| <b>16. (b) CURRENT TAXATION</b>                                   | <b>2024/2025</b> | <b>2023/2024</b>   |
|---|------------------|--------------------|
| Current taxation based on the adjusted profit/loss 30% (30% 2024) | (66,907)         | (1,622,831)        |
|   | <u>(66,907)</u>  | <u>(1,622,831)</u> |
|   | =====            | =====              |

**17. DIVIDEND PER SHARE**

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

**Mt. Elgon Lodge Limited**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2025**

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

| PPE- 2024-2025                  | Land       | Motor vehicles | Furniture and fittings | Computers | Buildings  | Plant and Equipment | Capital In Progress | Total      |
|---------------------------------|------------|----------------|------------------------|-----------|------------|---------------------|---------------------|------------|
| Property, plant and equipment   |            |                |                        |           |            |                     |                     |            |
| Cost                            | Shs        | Shs            | Shs                    | Shs       | Shs        | Shs                 | Shs                 | Shs        |
| At 1 July 2023                  | 23,000,000 | -              | 827,357                | -         | 31,000,000 | 815,638             | -                   | 55,642,995 |
| Additions                       | -          | -              | -                      | -         | 73,060     | 21,750              | 12,200,844          | 12,295,654 |
| At June 2024                    | 23,000,000 | -              | 827,357                | -         | 31,073,060 | 837,388             | 12,200,844          | 67,938,649 |
| Additions - Fencing Contingency | -          | -              | -                      | -         | -          | -                   | 1,796,740           | 1,796,740  |
| Disposals                       | -          | -              | -                      | -         | -          | -                   | -                   | -          |
| At end of Yr - June 2025        | 23,000,000 | -              | 827,357                | -         | 31,073,060 | 837,388             | 13,997,583          | 69,735,388 |
| Depreciation and impairment     |            |                |                        |           |            |                     |                     |            |
| At 1 July 2023                  | -          | -              | 827,357                | -         | 9,393,486  | 815,638             | -                   | 11,036,481 |
| Depreciation                    | -          | -              | -                      | -         | 775,000    | -                   | -                   | 775,000    |
| Impairment                      | -          | -              | -                      | -         | -          | -                   | -                   | -          |
| At June 2024                    | -          | -              | 827,357                | -         | 10,168,486 | 815,638             | -                   | 10,261,481 |
| Depreciation                    | -          | -              | -                      | -         | 775,000    | -                   | -                   | 775,000    |
| Impairment                      | -          | -              | -                      | -         | -          | -                   | -                   | -          |
| Transfer/adjustment             | -          | -              | -                      | -         | -          | -                   | -                   | -          |
| At 30 June 2025                 | -          | -              | 827,357                | -         | 10,943,486 | 815,638             | -                   | 12,586,481 |
| At 30th June 2025               | 23,000,000 | -              | 0                      | -         | 20,129,574 | 21,750              | 13,997,583          | 57,148,907 |
| At 30th June 2024               | 23,000,000 | -              | 0                      | -         | 20,904,575 | 21,750              | 13,997,583          | 57,923,908 |

**Mt. Elgon Lodge Limited**  
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| <b>PPE- 2023-2024</b>                | <b>Land</b>       | <b>Motor vehicles</b> | <b>Furniture and fittings</b> | <b>Computers</b> | <b>Buildings</b>  | <b>Plant and Equipment</b> | <b>Capital In Progress</b> | <b>Total</b>      |
|--------------------------------------|-------------------|-----------------------|-------------------------------|------------------|-------------------|----------------------------|----------------------------|-------------------|
| <b>Property, plant and equipment</b> |                   |                       |                               |                  |                   |                            |                            |                   |
| <b>Cost</b>                          | <b>Kshs</b>       | <b>Kshs</b>           | <b>Kshs</b>                   | <b>Kshs</b>      | <b>Kshs</b>       | <b>Kshs</b>                | <b>Kshs</b>                | <b>Kshs</b>       |
| <b>At 1 July 2022</b>                | <b>23,000,000</b> | -                     | <b>827,357</b>                | -                | <b>31,000,000</b> | <b>815,638</b>             | -                          | <b>55,642,995</b> |
| Additions                            | -                 | -                     | -                             | -                | 73,060            | 21,750                     | 12,200,844                 | 12,295,654        |
| <b>At June 2023</b>                  | <b>23,000,000</b> | -                     | <b>827,357</b>                | -                | <b>31,073,060</b> | <b>837,388</b>             | <b>12,200,844</b>          | <b>67,938,649</b> |
| Additions - Fencing Contingency      | -                 | -                     | -                             | -                | -                 | -                          | 1,796,740                  | 1,796,740         |
| Disposals                            | -                 | -                     | -                             | -                | -                 | -                          | -                          | -                 |
| <b>At end of Yr - June 2024</b>      | <b>23,000,000</b> | -                     | <b>827,357</b>                | -                | <b>31,073,060</b> | <b>837,388</b>             | <b>13,997,583</b>          | <b>69,735,388</b> |
| <b>Depreciation and impairment</b>   |                   |                       |                               |                  |                   |                            |                            | <b>10,261,481</b> |
| At 1 July 2022                       | -                 | -                     | 827,357                       | -                | 8,618,486         | 815,638                    | -                          | 775,000           |
| Depreciation                         | -                 | -                     | -                             | -                | 775,000           | -                          | -                          | -                 |
| Impairment                           | -                 | -                     | -                             | -                | -                 | -                          | -                          | -                 |
| <b>At June 2023</b>                  | -                 | -                     | <b>827,357</b>                | -                | <b>9,393,486</b>  | <b>815,638</b>             | -                          | <b>11,036,481</b> |
| Depreciation                         | -                 | -                     | -                             | -                | 775,000           | -                          | -                          | 775,000           |
| Impairment                           | -                 | -                     | -                             | -                | -                 | -                          | -                          | -                 |
| Transfer/adjustment                  | -                 | -                     | -                             | -                | -                 | -                          | -                          | -                 |
| <b>At 30 June 2024</b>               | -                 | -                     | <b>827,357</b>                | -                | <b>10,168,485</b> | <b>815,638</b>             | -                          | <b>11,811,480</b> |
| <b>At 30th June 2024</b>             | <b>23,000,000</b> | -                     | <b>0</b>                      | -                | <b>20,904,575</b> | <b>21,750</b>              | <b>13,997,583</b>          | <b>57,923,908</b> |
| <b>At 30th June 2023</b>             | <b>23,000,000</b> | -                     | <b>0</b>                      | -                | <b>21,679,574</b> | <b>21,750</b>              | <b>12,200,844</b>          | <b>56,902,168</b> |

**Mt. Elgon Lodge Limited**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2025**

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

**19. INVENTORIES**

|                  | <b>2024/2025</b> | <b>2023/2024</b> |
|------------------|------------------|------------------|
| Food             | -                | 2,085            |
| Drinks & Tobacco | -                | 3,270            |
|                  | <u>-</u>         | <u>5,355</u>     |
|                  | =====            | =====            |

**20 TRADE AND OTHER RECEIVABLES**

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Trade receivables                 | 1,941,040        | 1,941,040        |
| Staff Advance                     | -                | 2,193,113        |
| Gross trade and other receivables | <u>1,941,040</u> | <u>4,134,153</u> |

**21(a) BANK AND CASH BALANCES**

|              |                |                |
|--------------|----------------|----------------|
| Bank Balance | <u>228,974</u> | <u>225,902</u> |
|              | <u>228,974</u> | <u>225,902</u> |
|              | =====          | =====          |

Cash at bank was held at Kenya Commercial Bank, the Lodge's main bankers.

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

|   | <b>2024/2025</b> | <b>2023/2024</b> |
|---|------------------|------------------|
|   | <b>Kshs</b>      | <b>Kshs</b>      |
| <b>22.ORDINARY SHARE CAPITAL</b>                |                  |                  |
| <b>Authorised:</b>                              |                  |                  |
| 92289 ordinary shares of Kshs.20 par value each | 1,845,780        | 1,845,780        |
|   | =====            | =====            |
| <b>Issued and fully paid:</b>                   |                  |                  |
| 92289 ordinary shares of Kshs.20 par value each | 1,845,780        | 1,845,780        |
|   | =====            | =====            |

Shareholding for Mt Elgon Lodge is distributed as follows; 67,288 shareholdings to the Kenya Development Corporation, 1(one) share Holding Yuda Komora to and 25,000 to the County Government of Trans-Nzoia

**23.REVALUATION RESERVE**

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

|                         | <b>Revaluation reserve</b> | <b>Total</b>      |
|-------------------------|----------------------------|-------------------|
|                         | <b>Kshs</b>                | <b>Kshs</b>       |
| <b>At July 1, 2023</b>  | <b>53,070,705</b>          | <b>53,070,705</b> |
| <b>At June 30, 2024</b> | <b>53,070,705</b>          | <b>53,070,705</b> |
|                         |                            |                   |
| <b>At July 1, 2024</b>  | <b>53,070,705</b>          | <b>53,070,705</b> |
| <b>At June 30, 2025</b> | <b>53,070,705</b>          | <b>53,070,705</b> |
|                         |                            |                   |

There was no movement in revaluation reserve during the year ended June 2025. The reserve will be updated once revaluation of the existing assets has been carried out.

**24.RETAINED EARNINGS**

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

|                                      | <b>Retained earnings</b> | <b>Total</b>           |
|--------------------------------------|--------------------------|------------------------|
|                                      | <b>Kshs</b>              | <b>Kshs</b>            |
| <b>At July 1, 2023</b>               | <b>(44,578,699)</b>      | <b>(44,578,699)</b>    |
| Total comprehensive income 2023/2024 | (5,409,436.52)           | (5,409,436.52)         |
| <b>At June 30, 2024</b>              | <b>(49,988,135.52)</b>   | <b>(49,988,135.52)</b> |
| <b>At July 1, 2024</b>               | <b>(49,988,135.52)</b>   | <b>(49,988,135.52)</b> |
| Total comprehensive income 2023/2024 | (223,023)                | (5,409,436.52)         |
| <b>At June 30, 2025</b>              | <b>(50,211,158)</b>      | <b>(49,988,135.52)</b> |
|                                      |                          |                        |

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

**25. BORROWINGS**

|  | <b>2024/2025</b>  | <b>2023/2024</b>  |
|--|-------------------|-------------------|
| KDC salary loan beginning of the year      | 3,527,222         | 3,527,222         |
| KDC salary payments Loan 2                 | 9,466,377         | 9,466,377         |
| KDC Refurbishment Loan                     | 9,931,256         | 9,931,256         |
| KDC Accrued Interest on Refurbishment Loan | 3,208,795         | -                 |
| KDC Salary Loan                            | 456,827           | 456,827           |
| Balance at end of the year                 | <u>26,590,477</u> | <u>23,381,682</u> |

The lodge has not made repayment to the loan during the year 2024-2025.

**26. TRADE AND OTHER PAYABLES**

|   |                   |                   |
|---|-------------------|-------------------|
| Trade payables                                  | 9,444,198         | 6,553,722         |
| Accrued expenses                                | 2,562,508         | 2,562,508         |
| Other payables ( <i>Terminal dues</i> )         | 2,375,937         | 2,323,738         |
| NSSF Penalty and Sales taxes provision          | 2,267,717         | 11,521,188        |
| Payroll liability Payable                       | 7,155,355         | 9,221,391         |
| Withholding Tax( <i>Construction Contract</i> ) | 479,625           | -                 |
|   | <u>24,285,340</u> | <u>32,182,547</u> |

**26 (b) CONTIGENCY LIABILITY**

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| Contingency Liability Fencing | 1,796,740        | 1,796,740        |
|                               | <u>1,796,740</u> | <u>1,796,740</u> |

**26 (c) PROVISION FOR BAD AND DOUBTFUL DEBT**

|                                     |                  |          |
|-------------------------------------|------------------|----------|
| Provision for bad and Doubtful Debt | 1,941,038        | -        |
|                                     | <u>1,941,038</u> | <u>-</u> |

During the year the Lodge wrote back the provision for sales tax back to income after the contracted tax reconciliation was completed and filed.

Trade payable increased by provision for Audit fee.

Terminal dues increased by the provision for the year 2024/2025 on staff dues.

Payroll Liability reduces a result of reconciliation of staff advance carried forward under trade receivable and staff salary liability provided for under trade payables during the year 2024/2025 thus resulting in the movement under Trade and other payables.

The Lodge has not settled the fencing work which was valued at 51% Complete out of the Awarded contract of Kshs. 3,349,120 and resulted to a work done Valued at Kshs. 1,796,740 due to lack of Signed Contract between the Lodge and the MC before the contractor moved to site. The Contractor issued the Lodge a demand letter for settlement of for the whole contract sum of Kshs. 3,349,120 but given the passing of time since the work was done any suite for settlement would fall under the condition of being Time Barred within a legal context. The Lodge has therefore sought legal guidance for the contingency which had been provided to be written back in the Books following the ground of the liability being time barred for legal claims on its payment.

The lodge also has provided for bad and Doubtful debts in the year 2024/2025 for the pending Trade receivable long outstanding in its financial statements.

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

**27. NOTES TO THE STATEMENT OF CASH FLOWS**

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

|   |                    |                    |
|---|--------------------|--------------------|
| Operating profit/ (loss)                                | (223,023)          | (5,409,436)        |
| Depreciation  | 775,000            | 775,000            |
| Operating profit/ (loss) before working capital changes | <u>551,977</u>     | <u>(4,634,437)</u> |
| (Increase)/decrease in inventories                      | 5,355              | -                  |
| (Increase)/decrease in trade and other receivables      | 2,193,113          | (60,000)           |
| (Increase)/decrease in Accrued Loan Interest            | 3,208,795          | -                  |
| Increase/ (decrease) in trade and other payables        | <u>(5,956,167)</u> | <u>4,463,367</u>   |
| Cash generated from/ (used in) operations               | <u>3,073</u>       | <u>(231,090)</u>   |

**28. RELATED PARTY DISCLOSURES**

**(a) Government of Kenya**

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

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| <b>(b) Directors' expenses</b> | <b>2024/2025</b> | <b>2023/2024</b> |
| Sitting allowance              | <u>147,000</u>   | -                |
|                                | 147,000          | -                |
|                                | <u>=====</u>     | <u>=====</u>     |

Directors remuneration during the year includes Night Out Allowance at the rate of Kshs. 18,200 per night, Sitting Allowance at the Rate of 20,000 per sitting which is also subject to 30% PAYE. During the year due to the closure of the lodge there was no accrual on director Expenses

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

**29. FINANCIAL RISK MANAGEMENT**

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

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

**a) Market risk**

*Foreign exchange and interest risk*

The Lodge notes that foreign currency and exchange rates exposes it to market risks. However, during the year under review no transactions were carried out in foreign currency nor were there any interest accrued for the loans outstanding.

**b) Credit risk**

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

**c) Liquidity risk**

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

**30. INCORPORATION**

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

**31. EVENTS AFTER THE REPORTING PERIOD**

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

**32. CURRENCY**

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

**33. GOING CONCERN**

The lodge is undergoing privatization process and the going concern of the Lodge is dependent on the support of its existing shareholders

**APPENDIX 1: PROGRESS ON FOLLOW-UP OF AUDITORS RECOMMENDATIONS**

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

| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments   | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|--|-----------------------------------|--|
| 1  | <p><b>Unsupported Ordinary Share Capital</b><br/> The statement of financial position reflects a balance of Kshs. 1,845,780 in respect of ordinary share capital which, as disclosed in Note 22 to the financial statements, is made up of 92,289 ordinary shares of Kshs.20 each. No share certificates were provided to support the existence and ownership of the shares reported in the financial statements. Further, the Articles and Memorandum of Association were not provided for audit review.<br/> In the circumstances, the accuracy, completeness, rights and obligations of the ordinary share capital balance of Kshs. 1,845,780 as at 30 June, 2024 could not be confirmed.</p>                                  | <p>Management noted the findings. The missing share certificate of 25,000 shares is for County Government of Trans Nzoia which is in the process of replacement the same with the registrar of companies.</p>   | Ag. CEO  | Not Resolved                      | On Going   |
| 2  | <p><b>Long Outstanding Trade and Other Receivables</b><br/> The statement of financial position reflects trade and other receivables balance of Kshs 4,134,153 as disclosed under Note 20 to the financial statements. Included in the trade and other receivables balance is an amount of Kshs. 1,941,040 relating to trade receivables and Kshs. 2,193,113 relating to staff advance. The provided aging analysis revealed that the receivables were over 365 days. Further no provision for bad debts was made during the year under review.<br/> In the circumstances, the accuracy, completeness, recoverability and fair valuation of the trade and other receivables balance of Kshs. 4,134,153 could not be confirmed</p> | <p>Management noted the audit findings. Provision for Kshs. 1,941,040.00 relating to trade receivable has been done. The staff advance of Kshs. 2,193,113 will be recovered from their final dues once the privatisation process which is currently ongoing is completed.</p> | Ag. CEO  | Not Resolved                      | On Going   |
| 3  | <p><b>Unsupported Borrowings</b><br/> The statement of financial position reflects a balance of Kshs. 23,381,681 in respect of borrowings as disclosed in Note 25 to the financial statements. The balance includes a total of Kshs. 12,993,599 comprising of Kshs. 3,527,222 relating to KDC salary brought forward and Kshs. 9,466,377 relating to KDC salary payment loan 2. However, no documents were provided to support the total amount of Kshs. 12,993,599.<br/> In the circumstances, the accuracy and completeness of the borrowings balance of Kshs. 12,993,599 could not be confirmed.</p>   | <p>The management has noted the audit findings on unsupported borrowing. The management has reached out to KDC for the balance of outstanding loan of Kshs. 3,527,222 and Kshs. 9,466,377 loan supporting documents</p>   | Ag. CEO  | Not Resolved                      | On Going   |