

REPUBLIC OF KENYA



 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: 08 APR 2026	DAY: WEDNESDAY
TABLED BY: HON. DIDO RASO, MP	ON BEHALF OF LOM
CLERK-AT THE-TABLE: J. LEMERELLE	

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA SAFARI LODGES AND  
HOTELS LIMITED**

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



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**KENYA SAFARI LODGES & HOTEL LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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**Prepared in accordance with the International Financial Reporting Standards(IFRS)**

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Annual Report and Financial Statements**  
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**2. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Kenya Safari Lodges & Hotels Ltd (“KSLH”, “The Company”) was incorporated under the Kenya Companies Act (Cap 486) in 1966. The shareholders of KSLH are Kenya Development Corporation (KDC,) Mountain Lodges Ltd and Kenya Wildlife Services (KWS). Kenya Development Corporation is the majority shareholder in KSLH with a direct controlling stake of 82.45% shares. From a management control perspective, KSLH is classified as a State Corporation by virtue of being a subsidiary of KDC. The company operates three units namely; Mombasa Beach hotel, Ngulia Safari Lodge and Voi Safari Lodge.

**b) Principal Activities**

The Principal activity of the Kenya Safari Lodges and Hotels is ownership and operation of hotel and lodge facilities in Kenya. KSLH vision is to be a market leader in beach and bush experience; the mission is to guarantee value to guests through heartfelt experiences and core values are integrity, agility, diversity, inclusivity, customer focus and creativity.

**c) Directors**

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

NAME OF DIRECTOR	POSITION	DATE OF APPOINTMENT	DATE OF EXIT
Kibuga Kariithi	Director	7 <sup>th</sup> January 2019	
Stephen Mbatia	Director-Inspectorate of State Corporations	1 <sup>st</sup> July 2021	
Norah Ratemo	Director General	1 <sup>st</sup> January 2023	
Dominic Ndewa	Director	1 <sup>st</sup> January 2023	
Gladys Kosgei	Director	26 <sup>th</sup> June 2024	
Daniel Muimi	Director	1 <sup>st</sup> March 2023	
Paul Mutuvi	Director	28 <sup>th</sup> March 2024	1 <sup>st</sup> December 2024
David Waga	Director	2 <sup>nd</sup> December 2024	
John Karia	Company secretary	17 <sup>th</sup> May 2021	



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**1. ACRONYMS DEFINATION OF KEY TERMS**

**A: Acronyms**

FD-Fixed deposit  
KSLH-Kenya Safari Lodges and Hotels Ltd  
KDC-Kenya Development Corporation  
KCB-Kenya Commercial Bank  
KWS-Kenya wildlife service  
OAG-Office of the Auditor General  
NEMA- National Environmental Management Authority  
SCAC- State Corporations Advisory Committee  
IFRS- International Financial Reporting Standards  
MDA's- Ministries, Departments and Agencies  
SACCO-Savings and Credit Cooperative  
VAT-Value Added Tax  
PAYE-Pay as you Earn

**B. Definition of key terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organization.

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



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- d) Corporate Secretary**  
John Saitoti Karia  
Corporation Secretary  
Kenya Development Corporation  
P.O. Box 42013-00100  
Nairobi.
- e) General Manager of the Company- KSLH**  
**Registered Office**  
Mombasa Beach Hotel  
Mt. Kenya Road, Nyali  
P.O. Box 90414, 80100  
Mombasa.
- f) Corporate Headquarters**  
P.O. Box 90414, 80100  
Mombasa Beach Hotel  
Mt. Kenya Road, Nyali  
Mombasa.
- g) Corporate Contacts**  
Tel: 041-471861-5/ +254 722 203143/4  
Email: [info@kenya-safari.go.ke](mailto:info@kenya-safari.go.ke)  
Website: [www.safari-kenya.com](http://www.safari-kenya.com)
- h) Corporate Bankers**
1. Kenya Commercial Bank  
Treasury Square  
P.O. Box 90254-80100  
Mombasa.
  2. Absa Bank  
Nkrumah Road, Mombasa  
P.O. Box 90182 – 80100  
Mombasa.
- i) Independent Auditors**  
Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084- 00100  
Nairobi.



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**j) Principal Legal Advisers**

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

**k) Federation of Kenya Employers**



P.O Box 48311 - 00100  
Ralli House, Nyerere Avenue, Mombasa  
+254 41 2311112, +254 709 827101/02  
fkemsa@fke-kenya.org

**l) Wachenje & Mariga Advocates LLP**



P.O.BOX 83759-8011  
Wakiande House 4th Floor, Mombasa  
+254 729345138  
wachenjemarigaadvocates@gmail.com

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**3. THE BOARD OF DIRECTORS**

Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
<p>1. Ms. Norah Ratemo</p>		<p>DOB:10/03/1983</p> <p>Ms. Nora holds a Master's degree in Business Administration Finance option from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of commerce (Bcom) Accounting option. She is a Certified Public Accountant, CPA (K) and a member of the institute of certified public accountants (ICPAK) and Association of Women Accountants in Kenya</p> <p>She has over 13 years' experience in Credit Risk Management. She previously worked at Eco Bank Kenya as a Credit analyst, and before then, she was engaged as Assistant Manager, Securities and Documentation with Sidian bank. She currently serves on the board of Kenya Wines Agencies.</p>
<p>2. Mr. Daniel Muimi</p>		<p>DOB:3/5/1984</p> <p>Ag Deputy Director Investment Appraisal and Administration</p> <p>Mr. Daniel Muimi is the Ag Deputy Director Investment Appraisal and Administration</p> <p>He has over 15 years' experience in investments including deal origination, appraisal and portfolio management cutting across Commercial Banking and Development Finance</p> <p>Mr. Muimi holds a Bachelor of Arts degree (Economics and Sociology) from the University of Nairobi and is a Certified Public Accountant (CPA-K) and also a Certified Financial Analyst.</p>

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Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
<p>3. Mr. Dominic Ndewa</p>		<p><b>DOB: 9/9/1968</b></p> <p>Mr. Dominic Ndewa is the Deputy Director, Strategy, Planning and Performance Management.</p> <p>He has over 25 years of practical experience spanning from public sector to financial and commercial services enterprises. Before joining KDC, he was the Head of Investments at Tourism Finance Corporation (TFC). Prior to joining TFC, he also served at The National Treasury, then Ministry of Finance, as Principal Economist. He has further worked as Counterpart to the Privatization Adviser at Bank Restructuring and Privatization Project, a World Bank Project.</p> <p>Mr. Ndewa holds a Masters Degree in Economic Policy Management and a Bachelor of Arts Degree in Economics all of them from the University of Nairobi. He is also a Certified Public Accountant (CPAK) and a Certified Investments and Financial Analysts (CIFA) and he is a member of ICPAK and ICIFA. Mr. Ndewa has attended many managerial short-term courses both locally and internationally.</p>
<p>4. Mr. Kibuga Kariithi</p>		<p><b>DoB: 1963</b></p> <p>Mr. Kibuga Kariithi is a member of the Board of Director's and the CEO of KARMA Management Services Ltd, a family office. He is the immediate former CEO of City Finance Bank Ltd and arranged the merger between City Finance Bank Ltd and Jamii Bora Kenya Ltd. Mr. Kariithi is a founder of Baraka Africa Fund</p> <p>Up to April 2005 he was the Chief Executive Officer of the Nairobi Stock Exchange, which he left to start an Investment Bank as a conversion from an existing stockbroker. Prior to</p>





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Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
		<p>joining the Stock Exchange in 1999, he was Corporate Finance Director of Barclays Bank of Kenya (BBK).At Barclays, Mr. Kariithi headed the team responsible for Capital Market activities in East Africa and managed Barclays Merchant Finance Ltd (BMFL) the merchant banking subsidiary of BBK, with a balance sheet of Kshs. 4billion.</p> <p>Academic qualifications  MBA, York University, Toronto (Shulish School of Business)  BBA, York University, Toronto (Shulish School of Business)  Associate of the Chartered Institute of Bankers (UK)</p> <p>Currently Mr Kariithi is the chairman of Heri Limited, Kolobot Gardens Ltd, Media Max Ltd, Kirinyaga Investment and Development Authority (KIDA),Jumuia Hospitals Board and he is currently the chief executive officer of Karunguru Estate Limited and Managingdirector at: Karma Management Services, a family office. Trustee Kenya Community Development Fund (KCDF) Director CFJS (Christian for a Just society) and Council member National Economic and Social Council (NESC)</p>

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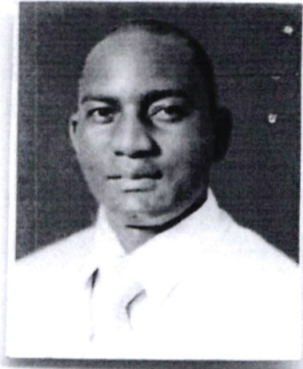
Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
5. Gladys Kosgei		<p><b>Date of Birth</b> 28/02/1983</p> <p>Gladys Kosgei is a distinguished destination marketing specialist with over 15 years of progressive experience in the tourism sector. She currently serves as the Deputy Director for Business and Strategy at the Kenya Wildlife Service (KWS) and is an alternate Board Member representing the Director General, Kenya Wildlife Service. She holds a Post graduate diploma in Strategic Marketing from the Chartered Institute of Marketing (CIM), United Kingdom and is currently pursuing a master's in Strategic Management from Jomo Kenyatta University of Agriculture and Technology. She is an active member of the Marketing Society of Kenya and the Kenya Association of Women in Tourism (KAWT).</p>
6. Paul Mutuvi		<p><b>D.O.B-</b>16/12/1964</p> <p><b>Academic and professional qualifications</b></p> <ul style="list-style-type: none"> <li>• Master of Science in HRM. <ul style="list-style-type: none"> <li>√ Coursework completed</li> <li>√ Research project ongoing</li> </ul> </li> <li>• Bachelor of Science in HRM.</li> <li>• Higher Diploma in HRM</li> <li>• Diploma in HRM</li> <li>• Senior Management Course</li> <li>• Pension Management in the Public Service</li> <li>• Pension Management</li> <li>• Supervisory Course</li> </ul> <p><b>Membership to professional body</b></p> <ul style="list-style-type: none"> <li>• Institute of Human Resource Management</li> <li>• Membershipno:08560</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• Long serving public servant having led on illustrious Career in HRM serving several ministries.</li> <li>• Currently the head of Claims division of the Pensions</li> </ul>

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Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
		<p>Department in the National Treasury.</p> <ul style="list-style-type: none"> <li>Joined Civil Service in November 1983 and risen through the ranks to the Deputy Director of Pensions.</li> </ul> <p>Also the Secretary to the Kenya Defense Forces assessment committee.</p>
7. David Waga		<p>DOB: 00/00/1978</p> <p>Mr. Waga holds a Master of Arts Degree in Project Planning and Management from the University of Nairobi, a Bachelor of Science degree in Applied Statistics from Maseno University and a Diploma in Results Based Monitoring, Evaluation and Information Systems from L'Universite Laval, Quebec, Canada. He has worked in the Public Service for eighteen (18) years gaining a lot of experience in Development Planning, Public policy formulation, Monitoring and Evaluation, and Strategic planning. Mr. Waga is a Member of the Kenya Association of Project Managers, Kenya National Statistical Society (KNSS) and Economists Society of Kenya (ESK). Currently, He is a Deputy Director, Financial and Sectoral</p>
8. Mr. John Karia  Company Secretary		<p>DoB: 25<sup>th</sup> May, 1984</p> <p>Mr. John Saitoti Karia is an Advocate of the High Court of Kenya and a Certified Public Secretary. He is an active Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Chartered Institute of Arbitrators (Kenya Branch). He holds a Master's degree in Law (LLM) from the University of Exeter (UK), a Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws degree (LLB) from University of Nairobi.  ICPSK – Member No. CPSB/2714</p>

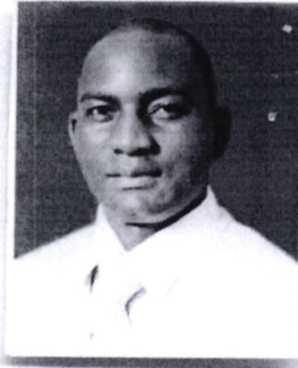



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Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
<p>9. <b>Mr. Ronald Simiyu</b></p>		<p>DOB 20th Dec 1975</p> <p>Mr. Simiyu is the Ag. General Manager/CEO Kenya Safari Lodges and Hotels from 1st February 2024 to date</p> <p>He holds Master of Science degree in Tourism Management from Maseno University, BSc degree in Ecotourism and Hospitality Management from Chuka university, ICM Diploma in hospitality Management and certificate in supervisory Management in organization from Kenya Utalii college. Member of Association of Hotels professional Kenya, AHPK-079.</p> <p>He has 25 years vast Experience in hospitality senior Management positions and consultancy in Training, he has previously worked as group General Manager of Legacy Star Hotels, General manager Town chick, Operational Manager Gazebo grill company, Food and Beverage Manager Parklands sports club and Front office Manager in LaBelle inn Naivasha.</p>

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**4. KEY MANAGEMENT TEAM**

Name	Photo	Key Professional/Academic Qualifications & Work Experience
<p>1. Mr. Ronald Simiyu</p>		<p><b>DOB</b> 20th Dec 1975</p> <p>Mr. Simiyu is the Ag. General Manager/CEO Kenya Safari Lodges and Hotels from 1st February 2024 to date</p> <p>He holds Master of Science degree in Tourism Management from Maseno University, BSc degree in Ecotourism and Hospitality Management from Chuka university, ICM Diploma in hospitality Management and certificate in supervisory Management in organization from Kenya Utalii college. Member of Association of Hotels professional Kenya, AHPK-079.</p> <p>He has 25 years vast Experience in hospitality senior Management positions and consultancy in Training, he has previously worked as group General Manager of Legacy star Hotels, General manager Town chick, Operational Manager Gazebo grill company, Food and Beverage Manager Parklands sports club and Front office Manager in LaBelle inn Naivasha.</p>
<p>2. Lillian Obura</p>		<p><b>DoB: 29<sup>th</sup> December 1977</b></p> <p>Ms. Obura the Internal Auditor (KSLH) holds a Bachelor of Commerce degree (Accounting Option) from Africa Nazarene University and Diploma in Banking. Ongoing student of Masters in Business Administration (ANU). Member of Institute of Internal Auditors &amp; ISACA.</p> <p><b>Work Experience:</b></p> <p>2007- 2008- Accountant, Tamarind Mombasa</p> <p>2008- 2013: Asst. Internal Auditor – KSLH</p> <p>2014- January 2020: Internal Auditor – KSLH</p> <p>2020- to 1<sup>st</sup> March 2022: Ag. Finance Manager</p> <p>1<sup>st</sup> March 2022 to date – Internal Auditor</p>

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Name	Photo	Key Professional/Academic Qualifications & Work Experience
3. Eunice Nzilani		<p><b>DoB: 28<sup>th</sup> December 1982</b>  Ms. Nzilani the Human Resource Manager(KSLH) holds Bachelor of Business Administration Human Resource degree from Jomo Kenyatta University  Higher Diploma in HRM and Industrial relations Technical University of Mombasa  Diploma in HRM and Industrial Relations(TUM)  Member of Institute of Human Resource Management</p> <p><b>Work Experience:</b>  2006-2010 –HRM Sai Rock Hotel  2011-HRO-AAppeals  Jan 2012-Apr 2014 HRO –AWL  2014 – to date: Human Resource Manager-KSLH</p>
4. CPA. Douglas Nyokwoyo		<p><b>DoB :13<sup>th</sup> January 1987</b>  Mr. Nyokwoyo is the Finance Manager of Kenya Safari Lodges and Hotels Ltd.</p> <p>He holds a Bachelor of Commerce (Finance Option) from KCA University.  He is certified public Accountant and currently undertaking Masters of Science in Finance at Kenya University  A member of ICPAK-Kenya - 19242</p> <p><b>Work Experience</b>  February 2022 to Date-Finance Manager-KSLH  May 2021-February 2022-Head of Finance and Accounting-Nzoia Water Services Company  June 2014-June 2019-Histoto Limited, Head of Finance and Administration  April-December 2013-Hamdi Restaurant-Manager/Accountant  2012 Sep-April 2013-Accountant, Kaplan &amp; Stratton Advocates-  2011-2012-Tumaini Community Development-Accountant</p>

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**5. CHAIRMAN'S STATEMENT**

**. Chairperson Message**

For over five decades, KSLH has been one of Kenya's most recognizable tourism brands, a public asset linking hospitality and national economic development.

KSLH remains a strategic arm of government in promoting domestic and international tourism, preserving Kenya's wildlife heritage, and providing quality accommodation in key tourism circuits, from the coast to the Tsavo ecosystem. KSLH has experienced several challenges key notable ones, are lack of refurbishment and high operational personnel cost. In order to turnaround KSLH, two areas have been identified for immediate action this includes refurbishment and restructuring.

The board and management have however resolved to undertake these strategic initiatives that are aimed at turning around the performance of KSLH and improve on productivity, efficiency and make it more profitable by increasing its viability and competitiveness in the tourism industry market worldwide.

**Business Performance**

The financial year ending 2024/2025 has been a year of steady recovery and operational consolidation, the company has witnessed business growth and improved average performance compared to the previous year of 2023/2024.

some of the contributory factors for tourism business growth include promotional of smart-e tourism marketing, increased regional integration worldwide, joint marketing initiatives collaborations leading to increased local tourism visitation more international tourist arrivals to coastal region which has boosted our occupancy and revenue growth particularly in our Tsavo lodges.

Increased domestic tourism on accommodation and conferences at Mombasa beach has also contributed to the increased sales revenue turnover of the company. The board and management of KSLH have rolled up robust plans, strategies aimed at addressing challenges and promoting business prospect for the company.

**Financial performance**

The company sales revenue increased by 26% from Kshs.445M in 2023/2024 and 4.7% to Kshs. 465.6 million in 2024/2025 from Kshs.351M attained in FY2022/23. All the 3 Units of KSLH, recorded increased sales revenues compared to the previous year.

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KSLH realized a Net income of Kshs. 31.2M in FY ending 2024 and Kshs. 31.8 million in 2025 denoting and improvement in performance. This was due to an increase in occupancy levels across all the units and increased utilization of Mombasa Beach Hotel conference facilities and Food and beverage services

Total assets amounted to Kshs 2.033 billion in 2024 and Kshs. 2.05 billion in 2025 (2023 – Kshs 797.4 million) increase is due to additions towards plant & Machinery, furniture and fittings and revaluation of Land and buildings.

Overall, 2025 marked a year of steady recovery and operational consolidation, supported by enhanced cost controls, moderate revenue growth, and renewed lease and management frameworks that are expected to improve long-term viability.

Improved Liquidity, Cash & cash equivalents more than doubled resulting in stronger liquidity. This stemmed from improved collections and managed operating costs.

Reduced Reliance on Short-Term Debt, Short-term borrowings dropped significantly. This is as a result of reduction in the company overdraft.

Reduced short-term borrowings and increased cash have improved liquidity without compromising solvency.

Chair- Board of Directors



22<sup>nd</sup> August 2025

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**6. REPORT OF THE CHIEF EXECUTIVE OFFICER**

Overall, 2024/2025 marked a year of steady recovery and operational consolidation, supported by enhanced cost controls, moderate revenue growth, and renewed lease and management frameworks that are expected to improve long-term viability. This moderate collaborative performance achievement is attributed to diversification of our new revenue streams, operational excellence, customer experience loyalty programs, international tourism market recovery and enhanced strategic marketing partnership Initiatives.

Mombasa Beach Hotel has continued to receive holiday makers and increased conferencing business of food and beverage while our Lodges receives foreign travels business visit and domestic tourism, all this has led to increased sales revenues on current financial year compared to the previous year indicating improved sales performance.

Despite all this good business prospects received, Tourism industry overall has seasonality cycle challenges that affects and impacts on revenue optimization during to low season leading to low sales turnover.

As KSLH institution we endeavor to undertake the renovation and refurbishment of our three facilities to align with modern industry standards. This upgrade aims to enhance the overall guest experience, improve operational efficiency, and position the properties competitively within the evolving hospitality industry market.

**Financial performance**

The company sales revenue increased by 26% to Kshs.445M in 2024/2025 and 4.7% to Kshs. 465.6 million in 2024/2025 from Kshs.351M attained in FY2022/23. All the 3 Units of KSLH, recorded increased sales revenues compared to the previous year indicating improved sales performance.

KSLH realized a Net income of Kes. 31.2M in FY ending 2024 and Kes. 31.8 million in 2025 denoting and improvement in performance. This was due to an increase in accommodation occupancy levels of foreign travels visit at Tsavo lodges and increased utilization of Mombasa Beach Hotel as conference facilities with Food and beverage services.

Total assets amounted to Kshs 2.033 billion in 2024 and Kshs. 2.05 billion in 2025 (2023 – Kshs 797.4 million) increase is due to additions towards plant & Machinery, furniture and fittings and revaluation of Land and buildings.

Cost of sales also rose by a rate 8.3%, leading to a gross profit of Kes 367,105,000 vs Kes 353,678,000.



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Other Income grew by 9.4%, contributing to a stronger total Income

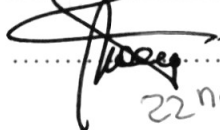
Improved Liquidity, Cash & cash equivalents more than doubled resulting in stronger liquidity.

This stemmed from improved collections and managed operating costs.

Reduced Reliance on Short-Term Debt, Short-term borrowings dropped significantly. This is as a result of reduction in the utilization of company overdraft.

Reduced short-term borrowings and increased cash have improved liquidity without compromising solvency

**Mr. Ronald Simiyu**  
**Ag. General Manager**

 August 2025  
22<sup>nd</sup>

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**7. . STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025**

KSLH has four strategic objectives within the current strategic plan for the FY 2022 - FY 2025. These strategic objectives are as follows;

Priority Area	Strategic Objectives
Financial sustainability of KSLH	<ol style="list-style-type: none"> <li>1. Develop new sources of revenue streams</li> <li>2. Strengthen cost reduction measures</li> </ol>
Customer satisfaction	<ol style="list-style-type: none"> <li>1. Increase market share</li> <li>2. Increase customer retention</li> <li>3. Strengthen brand awareness</li> <li>4. Strengthen partnership with stakeholders</li> </ol>
Internal Business process	<ol style="list-style-type: none"> <li>1. To renovate and refurbish KSLH facilities</li> <li>2. Improve ICT for increased business</li> <li>3. Enhance creativity and innovation</li> </ol>
Learning and growth	<ol style="list-style-type: none"> <li>1. Recruit professionals who create success for customers</li> <li>2. Train and develop staff</li> <li>3. Develop and implement performance culture</li> <li>4. Build capacity of Board members</li> </ol>

KSLH develops its annual work plans based on the above four pillars/objectives. Assessment of the Board's performance against its annual work plan is done on quarterly basis. KSLH achieved its performance targets set for the FY 2024/2025 for the period for its three strategic pillars/objectives as indicated in the diagram below;

Strategic Pillar	Objective	Key Performance	Activities	Achievements
Customer satisfaction	Increase market share	Customer satisfaction	Sales and Marketing activities	Familiarization trips for Local Tour Operators.
	Increase customer retention			Influencer engagements
	Strengthen brand awareness			Mainstream Media visibility and social media awareness.
	Strengthen partnership with stakeholders			Recognition of repeat clients.

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				KSLH increased domestic client database by 40%
Internal Business process	To renovate and refurbish KSLH facilities  Improve ICT for increased business	Improved revenue streams.	Request for funding from National treasury and shareholder's injection.  Refresher training on use of existing ICT systems to maximize value for money	Approved budget for Repairs and maintenance of facilities  Enhanced internal control systems.
Learning and growth	Recruit professionals who create success for customers  Train and develop staff  Develop and implement performance culture  Build capacity of Board members		Training, professional recruitment and appraisals.	Conducted various training programs to staff vide internal and external training.  Continuous performance management review.
Financial sustainability of KSLH	Develop new sources of revenue streams Strengthen cost reduction measures	Reduce pending bills to less than 1% Achieve 90% recovery of mature debt Reduce operating ratio	Reconciliations  Reconciliations and credit policy  Cost control	Approved Credit policy in place. Operating ration gradually decreasing with replacement of old machinery



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**8. CORPORATE GOVERNANCE STATEMENT**

Kenya Safari Lodges & Hotel Ltd (“KSLH”) is a limited liability company registered under the Kenya Companies Act whose shareholding is as follows:

<b>Shareholder</b>	<b>No. of Shares</b>	<b>% Shareholding</b>
Kenya Development Corporation	4,110,855	82.45%
Mountain Lodges Ltd	884,853	17.53%
Kenya Wildlife Service	1,016	0.02%

***Board of Directors***

Kenya Safari Lodges & Hotel has Articles of Association as prescribed by the law and under Article 85 the authority to appoint Directors is vested in the Board of Directors. It is the practice that directors are nominated for appointment to the Board of Directors by the shareholders mainly on prorata basis.

The Board is guided by the Board Charter, Government circulars and relevant laws and regulations.

During the period under review the Board consisted of 4 substantive directors and 2 alternate directors as follows:

**KDC**

Three (3) directors including the Chairman of the Board.

**Mountain Lodges Ltd**

One (1) director

**KWS**

One (1) alternate director to the Director-General (KWS)

**Inspectorate of state corporations**

One (1) alternate director representing Inspectorate of State corporations

***Directorships***

KSLH Articles of Association Clause 84 provide that the number of Directors shall not be less than two and not more than ten directors. Under Clause 85 of the Articles of Association, provision has been made for the Board, from time to time, to appoint any other person as director, either to fill a casual vacancy or as an addition to the Board so long as at any time the number of directors shall not exceed the maximum number fixed.

Clause 91 of the Articles of Association of the Company provides that directors may elect a Chairman of their meeting and determine the period for which he is to hold office.

The Chairman of the Board is a non-executive independent director along with another director nominated by KDC. The directors have a wide range of business and professional skills and experience.



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***Board Responsibilities***

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

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

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

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

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

**Board Committees**

The Board has set up two main committees as outlined below with delegated mandate as stipulated. The committee is:

**Board Audit Committee:** the membership comprised of Ms. Gladys Kosgei (Chair) Mr. Paul Mutuvi (Mr. Dominic Ndewa and Mr. Daniel Muimi (Member).

**Board Human Resource committee**

Board Human Resource Committee mandate is to deal with the following matters;

- i. Human Resources Strategy,
- ii. Recruitment, Remuneration and Human capital oversight;
- iii. Disciplinary matters;
- iv. Employee relations

The members of the KSLH Board Human Resource Committee comprise of; Kibuga Kariithi (Chairperson) Mr. Dominic Ndewa (Member) and Mr. Daniel Muimi (Member)

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

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**9. MANAGEMENT DISCUSSION AND ANALYSIS**

The company revenue increased by 4.8 % to Kshs.466 M from Kshs.445 M attained in FY2023/24. All the 3 Units of KSLH, recorded increased sales revenues compared to the previous year. The sales were below the targeted sales in the annual budget 2024/2025. This was as a result of the facilities especially Mombasa Beach Hotel not being able to compete leading to negative impact on the occupancy levels.

The company performance trend for the last five years is as tabulated below;

<b>Kshs '000</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>	<b>2024/2025</b>
<b>Revenue</b>	154,003	251,612	351,469	444,545	465,560
<b>Profit/Loss</b>	(109,715)	(68,900)	(18,569)	31,197	30,297

Although the renovation project was scheduled to begin at the beginning of the period under review this was set-aside due to lack of funding. Therefore, the company was only able to undertake minimal capital improvement to replace the worn machines and equipment's for all the units and much more is yet to be achieved. As a result, KSLH properties are unable to command a leadership position in market share within their respective locations.

The company's statutory and other financial obligations have continued to increase as shown below. This state of affairs is attributed mainly by historical liabilities accrued over the years, decreasing revenues and profitability experienced in the last five years.

	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>	<b>Remarks</b>
VAT	335,492,128.			Ongoing engagement
WITHOLDING TAX	9,943,448			"
PAYE	208,520,378			"
CLT	85,105,935			"
PENSION	36,283,618			"
SACCO	4,203,737			"
TRADE CREDITORS	102,016,224			"

Consequently, the company is facing liquidity challenges, due to the negative working capital casting doubt on the ability of the company to meet its financial obligation when they fall due and its continued existence as a going concern depends on the continued support from its creditors.

Management is hopeful that the company is going to maintain profitability as indicated as our source international markets continue lifting travel restrictions, facility improvements and widening our market source to domestic markets. Meanwhile Management has reviewed its Strategic plan, putting more emphasis on all its trading units to ensure revenues start rising to enable the company reduce its trade creditors and other liabilities. Out of court settlement and negotiations on payment modalities have also been undertaken between trade creditors, other creditors and KSLH, the company having been issued with demand letters and we endeavor to honor the commitments entered. The institution is also at an advanced stage of securing funds for renovations, that shall help a great deal in making the facility competitive thereby improving the cash flow and working capital position

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**10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

KSLH exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services and improving operational excellence.

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

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

- (i) **Sustainability strategy and profile-** during the year, KSLH undertook drastic measures on cost management to keep the company afloat. Ongoing negotiations with Trade creditors and others on fair prices and payment modalities, engagement with our main banker and shareholders on financing. KSLH also undertook rigorous Sales and marketing activities with an aim of boosting revenue.
- (ii) **Environmental performance-** During the year KSLH undertook several beach cleaning exercises geared towards protection and rehabilitation of the environment more specifically the beach environment. The lodges participated in tree planting activities within the year. We have been abiding to the NEMA guidelines on effluent discharge and waste disposal.
- (iii) **Employee welfare-** during the year HR instruments was reviewed by SCAC in line with the best practice. The instruments were presented to the Board of directors and implementation is ongoing. The instruments are holistic in nature taking into account professional hiring modalities, gender ratios and regional balance. KSLH is prescribed to the implementation of Occupational safety and health Act of 2007, (OSHA).
- (iv) **Market place practices –** KSLH ensures responsible competition practices by addressing issues of corruption, fair competition and respect for competitors. KSLH is not affiliated to any political party but respects all as possible clients.

**Corporate social responsibility/Community engagements**

- a. **Education-** During the year KSLH endeavored to support educational activities which include HIV/AIDS awareness, Career development among the vulnerable groups and Special projects geared towards empowerment of the youth through internship.
- b. **Sports promotion -**KSLH has sports teams for men and women which participate in local tournaments.
- c. **Beautification projects -** KSLH sought to partner with other stakeholders in beautification of the city of Mombasa. The lodges have also partnered with KWS on environmental clean-ups within the parks.
- d. **Local community programs-**During the year KSLH partnered with local community in CSR activities like provision of food and basic donations.



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**11. 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 Kenya Safari Lodges and Hotels affairs.

**Principal activities**

The Principal activity of the Kenya Safari Lodges and Hotels is ownership and operation of hotel and lodge facilities in Kenya. KSLH vision is to be a market leader in beach and bush experience; the mission is to guarantee value to guests through heartfelt experiences and core values are integrity, agility, diversity, inclusivity, customer focus and creativity.

**Results**

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

**Dividends**

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

**Directors**

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

**Auditors**

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

By Order of the Board

  
Mr. John Karira  
Corporation Secretary

Mombasa

Date... 22/08/2025



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**12. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2024, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

The directors noted the liquidity risk facing the company and the shareholders commit to support the company in improving the facility to generate more revenues.

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

**Approval of the financial statements**

KSLH financial statements were approved by the Board on the 22<sup>nd</sup> Day of August 2025 and signed on its behalf.

Signature.....  
**Ms. Norah Ratemo**  
**Chair of the Board**

Signature.....  
**Mr. Ronald Simiyu**  
**Accounting Officer**

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

	Notes	JUNE 2025 Shs'000	JUNE 2024 Shs'000
TURNOVER	4	465,560	444,545
COST OF SALES	7	-98,456	-90,868
<b>GROSS PROFIT</b>		<b>367,104</b>	<b>353,677</b>
OTHER INCOME	5	9,762	8,926
<b>TOTAL INCOME</b>		<b>376,866</b>	<b>362,603</b>
OPERATING COSTS	8	77,075	82,327
STAFF COSTS	9	209,089	215,262
ADMINISTRATIVE COSTS	10	33,203	27,406
REPAIRS AND MAINTENANCE	11	33,243	26,997
ADVERTISING AND PROMOTION	12	2,462	3,855
GENERAL EXPENSES	13	15,455	13,162
DEPRECIATION	16	9,963	6,816
AMORTIZATION			
<b>TOTAL EXPENSES</b>		<b>380,490</b>	<b>375,825</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>(3,624)</b>	<b>(13,222)</b>
FINANCE INCOME	6	37,023	46,850
FINANCE COSTS	14	(3,102)	(2,431)
EARNINGS BEFORE EXTRA ORDINARY ITEMS		30,297	31,197
<b>PROFIT\ (LOSS) BEFORE TAX</b>		<b>30,297</b>	<b>31,197</b>
INCOME TAX EXPENSE/ (CREDIT)			
<b>PROFIT AFTER TAX</b>		<b>30,297</b>	<b>31,197</b>
PROVISION FOR BAD DEBTS			
<b>LOSS FOR THE YEAR</b>			

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON KENYA SAFARI LODGES AND HOTELS 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; and,
- 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 Kenya Safari Lodges and Hotels Limited set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit/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 Kenya Safari Lodges and Hotels 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 (IFRS) and comply with the Kenya Companies Act, 2015 the State Corporations Act, 1986 (Revised 2023) and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported Trade and Other Receivables and Payables**

The statement of financial position reflects trade and other receivables and trade and other payables balances as disclosed in Notes 19 and 24 to the financial statements of Kshs.267,597,000 and Kshs.903,739,000 respectively. However, the balances were not aged at as required.

In the circumstances, the accuracy, completeness and valuation of trade and other receivables and payables of Kshs. 267,597,000 and Kshs.903,739,000 respectively could not be confirmed.

#### **2. Failure to Revalue Fully Depreciated Motor Vehicles**

The statement of financial position and Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.1,720,367,000. The balance is net of accumulated depreciation amount of Kshs.748,155,000 out of which Kshs.14,621,000 relates to fully depreciated motor vehicles. Review of assets records revealed that the Company operates six (6) fully depreciated motor vehicles across the business units. However, the management has not revalued the motor vehicles for reporting purpose.

In the circumstances, valuation and fair statement of the property, plant and equipment could not be confirmed.

#### **3. Unsupported Transfers in Works-in-Progress**

Note 16 to the financial statements reflects transfers of works-in-progress balance of Kshs.3,200,000 during the year. However, the transfers were not supported by detailed listing of ledger of works-in-progress and the specific class of asset to which the amount was transferred.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,200,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Safari Lodges and Hotels 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**

### **1. Material Uncertainty Related to Going Concern**

The financial statements and Note 33 to the financial statements indicate that the Company is facing liquidity risk due to its negative working capital of Kshs.580,151,000 or a current ratio of 0.36 resulting from its total current liabilities of Kshs.914,004,000 exceeding its total current assets of Kshs.333,853,000 as at 30 June, 2025. The negative working capital and current ratio of less than one (1) is an indication that the Company may not meet its obligations as and when they fall due. In addition, the Company had accumulated losses totalling Kshs.535,849,000 as at 30 June 2025 (2024 – Kshs.566,146,000).

Further, as previously reported, the Company in 2013/2014 financial year successfully negotiated for conversion into equity of a loan totalling Kshs.75,554,000 received from the Tourism Finance Corporation. The interest accrued thereon was waived. Note 35 to the financial statements reveals shareholder loan granted by Kenya Development Corporation. Repayment terms of the loan is 36 months with nil interest rate. The loan was obtained to settle staff liabilities, purchase of generator and air conditioners for Mombasa Beach Hotel.

Management and Directors have disclosed that this unsatisfactory situation is being addressed through review of strategic plan with focus on all business units and negotiations and out of court settlement with the creditors. However, despite these actions, the working capital position of the Company and its overall financial performance has continued to decline except for the two most recent years with a cumulative profit after tax of Kshs.61,494,000.

These conditions indicate the existence of a material uncertainty that casts doubt on the Company's ability to meet its financial obligations as they fall due, and to continue as a going concern.

In the circumstances, the Company's existence as a going concern is dependent upon continued support from its shareholders, bankers and creditors.

### **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final sales budget of Kshs.589,970,000 and actual on comparable basis of Kshs.512,345,000, resulting in shortfall in sales revenue of Kshs.77,625,000 or 13% of the budget. Similarly, the statement reflects final development revenue budget of Kshs.81,010,000 and actual on comparable basis of Kshs.31,419,000 resulting in under absorption of Kshs.49,591,000 or 61% of the budget.

The revenue shortfall and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect to this matter

### 3. Forfeiture of Cash Receipts on Sale of Shares

As previously reported, the share capital of the Company was increased from Kshs.9,319,000 to Kshs.100,954,000 by rights issue of 5,047,724 ordinary shares of Kshs.20 each in October 2013. The shares were offered to existing shareholders at Kshs.20 per share based on par value. However, the net assets of the Company as at 30 June 2013 amounted to Kshs.667,399,000 and therefore the net assets value of each share was Kshs.145.65. As a result, the rights issue price of Kshs.20 per share was undervalued by Kshs.125.65 and resulted in loss to the Company of significant cash receipts that may otherwise have helped in reversing the Company's unfavorable cash position.

In the circumstances, Management action on rights issue was not prudent and did not improve the financial position of the Hotel.

### 4. High Operating Costs

The statement of profit or loss and other comprehensive income reflects total income of Kshs.475,322,000 as a summation of turnover and other income, against total operating expenses of Kshs.479,080,000 as a summation of expenses and cost of sales, resulting to an operating cost of ratio of 101%, thus exceeding the strategic plan recommended target of 62%. Further, as at the time of audit in November 2025, the set strategic objectives set to be achieved had not been implemented.

In the circumstances, the strategic plan on key result areas and strategic direction may not be on course to be achieved.

My opinion is not modified in respect of these matters.

### 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. These matters were addressed in the context of the audit of the financial statements as a whole and in forming my opinion thereon. I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

No.	Key Audit Matter	How the Key Audit Matter was Addressed
1	<p><b>Shareholding of the Kenya Safari Lodges and Hotels Limited</b></p> <p>The statement of financial position and Note 20 to the financial statements reflects Kshs.100,954,000 as the share capital made up of 5,047,724 shares of Kshs.20 each. However, the Corporate Governance Statement discloses 4,996,724 shares as being held by the shareholders. Kenya Development Corporation holds</p>	<p><b>Audit Procedures</b></p> <p>Obtained and reviewed the current CR 12 of the company to confirm the shareholding</p> <p><b>Outcome</b></p> <p>Scrutiny of CR 12 referenced OS-MDF26VX9 dated 5 August, 2025 revealed that Mountain Lodges Limited, Kenya Development Corporation Limited and Kenya</p>

	<p>4,110,855 shares, Mountain Lodges Ltd holds 884,853 shares and Kenya Wildlife Service holds 1,016 shares as at 30 June 2025.</p> <p>The matter is significant because of the inconsistent disclosure of the company's shareholding in the financial statements.</p>	<p>National Parks held 884,853; 4,161,855 and 1,016 shares respectively, contrary to the 884,853; 4,110,855 and 1,016 disclosed in the financial statements</p>
2	<p><b>Directorship of the Kenya Safari Lodges and Hotels Limited</b></p> <p>The Board of Directors section of the report has disclosed the chairman and seven board members excluding the Acting General Manager as the Directors as at 30 June 2025. However, three Directors are not listed in CR 12 referenced OS-MDF26VX9 dated 5 August, 2025 as Directors of the Company. In addition, two former Directors are listed as directors of the company despite their terms having ended on 5 December 2023 and 31 March 2016 respectively. Further, one person is listed as a director, but no appointment letter was provided for audit verification.</p>	<p><b>Audit Procedures</b></p> <p>Obtained and reviewed the current CR 12 of the company to confirm the identities of the company's directors</p> <p><b>Outcome</b></p> <p>CR 12 referenced OS-MDF26VX9 dated 5 August, 2025 is not encumbered despite the existing inconsistencies in the directorships of the company</p>

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above, provide the basis for my audit opinion on the accompanying financial statements.

### **Other Matter**

### **Unresolved Prior Year Matters**

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Company in 2024/2025 revealed that the following thirteen (13) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Inaccurate statement of profit/loss and other comprehensive income
2	2023/2024	Inaccurate trade and other receivables balance
3	2023/2024	Inaccurate inventories balance
4	2023/2024	Unsupported IPF loan
5	2023/2024	Understatement of cash and cash equivalents
6	2023/2024	Long outstanding trade debtors
7	2023/2024	Material uncertainty related to going concern
8	2023/2024	High operating costs
9	2023/2024	Forfeiture of cash receipts on sale of shares
10	2023/2024	Unsupported contract extension on provision of staff transport service
11	2023/2024	Lack of contract on maintenance of sun accounting system
12	2023/2024	Lack of contract for supply of fuel, gas and water
13	2023/2024	Unsupported expenditure on insurance

### Other Information

The Directors are responsible for the Other Information set out on page vi to xxv which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman'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 Company'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. Lack of Gender Balance in the Board Composition**

Review of the Hotel's board membership revealed that out of the nine (9) board members, seven (7) or 80% were of the male gender contrary to Article 27 (8) of the Constitution of Kenya which requires that not more than two-thirds of the members of elective or appointive bodies to be of the same gender.

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

### **2. Failure to Provide Imprest Register**

Management did not provide imprest register maintained for the period July 2024 through April 2025 despite several requests . This is contrary to Section 9(1)(e) of the Public Audit Act, 2015 which states that the Auditor-General has unrestricted access to all books, records, returns, reports and any property or premises used or held by state organs or public entities.

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

### **3. Failure to Remit Statutory Payroll Deductions**

The statement of profit or loss and other comprehensive income and Note 9 to the financial statements reflects staff costs of Kshs.209,089,000. Included in this amount is Kshs.6,933,662 and Kshs.7,719,984 deducted from the employees' salaries in respect of National Social Security Fund and Pay As You Earn respectively during the financial year and was yet to be remitted as at the time of the audit in November 2025.

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

### **4. Long Outstanding Value Added Tax (VAT) Payables**

The statement of financial position reflects trade and other payables balance of Kshs.903,739,000 which as disclosed under Note 24 to the financial statements includes other payables including VAT and catering levy of Kshs.709,693,000. Included in this balance is VAT liabilities of Kshs.335,760,469 which have been outstanding for more than 30 days contrary to Section 44(1) of the Value Added Tax, 2013 which mandates every registered person to submit a VAT return not later than the twentieth day after the end of that period to which it relates.

In the circumstance, 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:

- 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. The information given in the Directors' report on pages xxiv is consistent with the financial statements; and

### **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 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 (IFRS) 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 Company'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 to cease operations.

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

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

The Board of Directors are responsible for overseeing the Company'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


09 December, 2025


**KENYA SAFARI LODGES AND HOTELS LIMITED**  
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**For The Year Ended June 30, 2025**

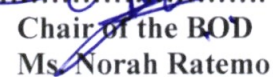
**15. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2025**

	<u>Notes</u>	<b>JUNE 2025</b>	<b>JUNE 2024</b>
		<b>Shs'000</b>	<b>Shs'000</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Properties, Plant and Equipment	16	1,720,367	1,729,844
Intangible assets	17	0	0
<b>CURRENT ASSETS</b>			
Inventories	18	11,240	9,549
Trade and other receivables	19	267,597	256,955
Short term Deposits	29	26,538	24,848
Cash and cash equivalent	25	28,478	12,000
<b>Sub-total</b>		<b>333,853</b>	<b>303,352</b>
<b>TOTAL ASSETS</b>		<b>2,054,220</b>	<b>2,033,196</b>
<b>EQUITY AND LIABILITIES</b>			
<b>OWNERS' EQUITY</b>			
<b>CAPITAL AND RESERVES</b>			
Share Capital	20	100,954	100,954
Revaluation Reserve	22	1,567,836	1,595,571
Retained Earnings	21	(535,849)	(566,146)
<b>Shareholders' Funds</b>		<b>1,132,941</b>	<b>1,130,379</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings -long term	23	7,275	7,275
Contingent Liabilities	28	-	-
<b>Sub-total</b>		<b>7,275</b>	<b>7,275</b>
<b>CURRENT LIABILITIES</b>			
Borrowings-short term	26	6,140	12,007
TFC Loan	26	4,125	4,125
Trade and other payables	24	903,739	879,410
Other payables		-	-
<b>Total Liabilities</b>		<b>914,004</b>	<b>895,542</b>
<b>TOTAL OWNERS' EQUITY AND LIABILITY</b>		<b>2,054,220</b>	<b>2,033,196</b>

The financial statements were approved by the Board of directors on the 22<sup>nd</sup> day August of 2025 and signed on its behalf by:

  
 .....  
 Ag. General Manager  
 Mr. Ronald Simiyu

  
 .....  
 Finance Manager  
 Douglas Nyokwoyo  
 ICPAK No. 19242

  
 .....  
 Chair of the BOD  
 Ms. Norah Ratemo

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
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**For The Year Ended June 30, 2025**

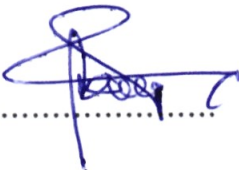
**16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025**

	Ordinary Shares	Revaluation Reserve	Profit & Loss Account	Total
	Ksh'000'	Ksh'000'	Ksh'000'	Ksh'000'
<b>As at 30 June 2023</b>	<b>100,954</b>	<b>428,730</b>	<b>(597,343)</b>	<b>(67,659)</b>
Rights Issue				-
Prior year adjustment				
Revaluation surplus		1,194,575		1,194,575.00
Net Profit for The year			31,197	31,197
Prior year adjustment on revaluation		0		-
Transfer To Depreciation Equivalent		(27,735)		(27,735)
<b>As at 30 June 2024</b>	<b>100,954</b>	<b>1,595,570</b>	<b>(566,146)</b>	<b>1,130,378</b>
Rights Issue				-
Prior year adjustment		-		-
Revaluation surplus		-		-
Net Profit for The year			30,297	30,297
Prior year adjustment on revaluation				-
Transfer To Depreciation Equivalent		(27,734)		(27,734)
<b>As at 30 June 2024</b>	<b>100,954</b>	<b>1,567,836</b>	<b>(535,849)</b>	<b>1,132,941</b>

The financial statements were approved by the Board on 22/08/2025 and signed on its behalf by:

**General Manager**

**Name: Mr. Ronald Simiyu**

Signature: 

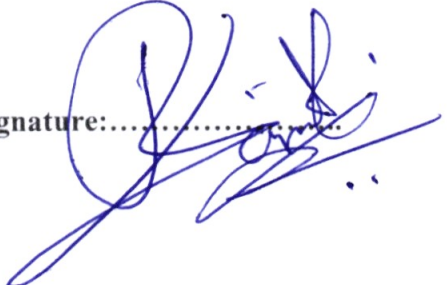
**Finance Manager**

**Name: Douglas Nyokwoyo**

Signature: 

**Chair of the Board**

**Name: Ms. Norah Ratemo**

Signature: 



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
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**17. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2025**

	<b>2024/2025</b>		<b>2023/2024</b>
<b>Cash flows from operating activities</b>	<b>Ksh'000'</b>		<b>Ksh'000'</b>
Sale of goods	465,560		444,545
Finance income	37,023		46,389
Other incomes	9,762		8,926
<b>Total receipts</b>	<b>512,345</b>		<b>499,860</b>
<b>Payments</b>			
Use of goods and services	210,465		199,455
Employee costs	209,381		215,262
Board Expenses	6,172		3,674
Repairs and maintenance	33,243		35,444
Contracted services	8,212		6,042
Total payments	467,473		459,877
<b>Net cash flows from/(used in) operating activities</b>	<b>44,872</b>		<b>39,983</b>
<b>Working capital changes:</b>			
(Increase)/Decrease in inventories	(1,692)		(1,256)
(Increase)/Decrease in Trade and receivables	(10,642)		(52,675)
Increase/(Decrease) in Payables and accruals	24,329		31,754
<b>Sub-Total</b>	<b>11,995</b>		<b>(22,177)</b>
<b>Net cash flow from operating activities</b>	<b>56,867</b>		<b>17,806</b>
<b>Investing activities</b>			
Short term Investment	(1,690)		(461)
Purchase of fixed assets	(31,419)		(15,583)
Proceed from sale of Fixed Assets	-		-
Interest received	1,690		461
<b>Net cash flow from investing activities</b>	<b>(31,419)</b>		<b>(15,583)</b>
<b>Financing activities</b>			
Rights Issue proceeds	0		0
Loan repayment	-		(250)
Service Gratuity settlement	-		0



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Bank overdraft	(5,867)		6,260
Payment of Finance cost	(3,102)		(2,432)
<b>Net cash flow from financing activities</b>	<b>(8,969)</b>		<b>3,579</b>
<b>Net Cash Flow from the year 2024</b>	<b>16,479</b>		<b>5,802</b>
<b>Cash and cash equivalents at the beginning of the year</b>	12,000		6,198
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>28,478</b>		<b>12,000</b>

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
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**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

	<b>Original budget</b>	<b>Adjustment</b>	<b>Final budget</b>	<b>Actual comparable basis</b>	<b>Performance difference</b>	<b>% of utilization</b>
	Ksh '000'	Ksh '000'	Ksh '000'	Ksh '000'	Ksh '000'	Ksh '000'
Sales	589,970		589,970	512,345	77,625	87%
Cost of sales	116,059		116,059	98,456	17,603	85%
	0		0	0	0	
<b>Gross profit</b>	473,912		473,912	413,889	60,022	87%
<b>Expenditure</b>	0		0	0	0	
Salaries & Wages	129,967		129,967	126,095	3,872	97%
Staff Expenses	127,000	(8,000.00)	119,000	70,853	48,147	60%
Staff Travel	15,721		15,721	12,434	3,287	79%
Property Upkeep & Expenses	18,298		18,298	15,455	2,843	84%
Repairs & Renewals	22,034		22,034	29,974	-7,940	136%
Operating Costs	75,304	(6,000.00)	69,304	80,347	-11,043	116%
Office Expenses	9,003		9,003	8,740	263	97%
Administration Expenses	5,500	(4,000.00)	1,500	9,793	-8,293	653%
Directors fees/expenses	5,500		5,500	6,172	-672	112%
Advertising & Promotion	6,269	(2,000.00)	4,269	2,462	1,806	58%
General Charges	10,102		10,102	7,514	2,588	74%
Depreciation & Amortisation	8,437		8,437	9,963	-1,526	118%
Interest & Other Charges	2,482		2,482	3,102	-620	125%
<b>Total operating expenses</b>	435,617	(20,000.00)	415,617	382,903	32,714	92%
	0		0	0	0	
<b>Operating profit</b>	38,295	20,000.00	58,295	30,986	27,309	53%
<b>Capital expenditure</b>	81,010		81,010	31,419	49,591	39%

**Notes to budget variances**

The unfavorable variance relates to salaries and wages and other staff expenses due to introduced housing levy tax and increase in NSSF employer contribution. Repairs and renewals due to the old facilities, operating costs due to skyrocketing prices of diesel and electricity bills going up. Bank charges were occasioned by increased charges on online payments which had not been budgeted for.



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
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**19. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Kenya Safari Lodges and Hotel Ltd was incorporated under the Kenya Companies Act (Cap 486) KSLH is classified as a State Corporation by virtue of being a subsidiary of Kenya Development Corporation (KDC,) which has a direct controlling stake of 82.45% of shares its domiciled in Kenya. The entity's principal activity is ownership and operation of hotel and lodge facilities in Kenya.

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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *KSLH* accounting policies

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

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

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

**a) Revenue Recognition**

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



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
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*SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

**b) Property, Plant and Equipment**

All Property, Plant and Equipment are stated at cost or revaluation less depreciation. The Mombasa Beach Lease is for a term of 99 years while Leases for Voi and Ngulia Safari Lodges were for a term of 50 years up to 2018 and 2019 respectively. Property, Plant and Equipment acquired under finance lease agreement are capitalized at the date of the agreement. Depreciation on assets other than land is calculated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. While the value of land for Voi Safari Lodge & Ngulia Safari Lodge is amortized over the lease period.

The annual rates used are as follows: -

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

**c) Intangible Assets**

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

**d) Inventories**

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

**e) Foreign Currency**

Transactions during the year are converted into Kenya currency at a rate determined in consideration of the prevailing market exchange rates. Assets and Liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya currency at rates ruling at that date.

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



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*SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

**f) Trade Receivables**

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

**g) Loans/Bank Borrowings**

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

**h) Trade Payables**

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

**i) Taxation**

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

**j) Employee Benefit Costs**

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

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



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*SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

The company also contributes to the National Social Security Fund (NSSF). Contributions are determined by the local statute and were previously at Kshs. 200 per employee per month, changed to Ksh 1,080 from July 23 to January 2024. Currently the contribution is Ksh 2,160 per employee.

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

**Provision for staff leave and service pay**

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

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

**k) Dividends**

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

**l) Cash & Cash Equivalents**

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

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

**The entity didn't adopt any new or revised standard.**

**4. Significant Judgments and Sources of Estimation Uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	JUNE	JUNE
	2025	2024
	Shs'000	Shs'000
<b>4.TURNOVER</b>		
Accommodation	162,327	165,182
Food	221,066	193,669
Beverage	43,070	44,180
Tobacco	344	339
Telephone	0	0
Laundry	332	346
Business Center	1,133	885
Functions	35,158	38,460
Petrol and oil	0	0
Sporting Facilities	2,130	1,484
	<b>465,560</b>	<b>444,545</b>
<b>5.OTHER INCOME</b>		
Rent	1,199	1,226
Sales of Fixed Assets	0	0
Other income	8,563	7,700
	<b>9,762</b>	<b>8,926</b>
<b>6.FINANCE INCOME</b>		
Foreign Exchange Gain	35,333	46,389
Interest Income	1,690	461
	<b>37,023</b>	<b>46,850</b>
<b>7.COST OF SALES</b>		
Food	81,338	74,325
Drinks	14,422	14,228
Tobacco	279	254
Telephone	0	0
Functions	1,925	1,713
Laundry	22	12
Business Center	456	336
Petrol and Oil	14	0
Sporting Facilities	0	0
	<b>98,456</b>	<b>90,868</b>
<b>8.OPERATING COSTS</b>		
Electricity	24,643	25,618
Fuel and gas	23,110	25,021
Water	5,015	4,550
Laundry & cleaning	11,369	11,558
Vehicle operating costs	4,692	5,323



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
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Guest entertainment	5,157	5,967
Others	3,089	4,290
	<b>77,075</b>	<b>82,327</b>

	JUNE	JUNE
	2025	2024
	Shs'000	Shs'000
<b>9. STAFF COSTS</b>		
Salaries and Wages	125,803	131,324
Staff Expenses	70,853	70,490
Staff Travel	12,433	13,448
	<b>209,089</b>	<b>215,262</b>
<b>10 ADMINISTRATIVE EXPENSES</b>		
Audit Fees	1,740	1,500
Professional Fees	6,946	3,5029
Directors Expenses	6,172	3,674
Bad Debts provision	984	1,296
Service pay provision	0	0
Legal Fees	1,107	1,915
Office Expenses	8,740	7,851
General Expenses	7,514	7,668
	<b>33,203</b>	<b>27,406</b>
<b>11. REPAIRS &amp; RENEWALS EXPENSES</b>		
Building	12,144	8,297
Plant & Machinery	11,631	8,045
Motor Vehicles	3,269	4,715
Others	6,199	5,939
	<b>33,243</b>	<b>26,997</b>
<b>12. ADVERTISING &amp; PROMOTION</b>		
Advertising Expenses	132	250
Sales Promotion	2,330	3,604
	<b>2,462</b>	<b>3,855</b>
<b>13. GENERAL CHARGES</b>		
Rent & rates	8,650	7,662
Insurance	3,706	3,793
Gardens & Grounds	191	103
Maintenance Contracts	2,908	1,606
Service Pay Provision	0	0



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	15,455	13,162
<b>14.FINANCE COSTS</b>		
Long/Short -term interest	680	457
Bank charges including overdraft	2,422	1,974
	<b>3,102</b>	<b>2,431</b>
<b>15. TAXATION</b>		
a) Current Tax		
Tax charge for year		
There was no tax charge for the year due to Accumulated tax losses		

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*Notes to the financial statements (Continued)*

**16. PROPERTIES, PLANT AND EQUIPMENT JUNE 2025**

	LAND Kshs'000	BUILDINGS Kshs'000	PLANT & MACHINERY Kshs '000	FURNITURE & FITTINGS Kshs '000	WIP	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	Total Kshs '000
2025								
<b>COST/VALUATION</b>								
At July 1,2024	1,340,000	912,388	99,402	47,641	3,200	14,621	23,051	2,440,303
Additions	-	2,098	21,898	5,694	-	-	1,730	31,419
Transfers	-	-	-	-	(3,200)	-	-	(3,200)
Disposal	-	-	-	-	-	-	-	-
<b>At June 30,2025</b>	<b>1,340,000</b>	<b>914,486</b>	<b>121,300</b>	<b>53,335</b>	<b>-</b>	<b>14,621</b>	<b>24,781</b>	<b>2,468,522</b>
<b>Depreciation</b>								
At July 1,2024	17,600	526,232	82,968	46,816	-	14,621	22,222	710,459
Charge for the year	640	28,692	6,291	1,029	-	-	1,045	37,698
Prior year adjustment	-	-	-	-	-	-	-	(1)
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
<b>At June 30,2025</b>	<b>18,240</b>	<b>554,924</b>	<b>89,259</b>	<b>47,844</b>	<b>-</b>	<b>14,621</b>	<b>23,267</b>	<b>748,155</b>
<b>Net book value at June 30,2025</b>	<b>1,321,760</b>	<b>359,562</b>	<b>32,041</b>	<b>5,490</b>	<b>-</b>	<b>-</b>	<b>1,514</b>	<b>1,720,367</b>

NB	Fully depreciated	depreciating	Total	rate	charge
Leasehold	8,000	32,000	40,000	2%	640
Building		600,000	600,000	3.30%	19,800
Building	149,817	164,669	314,486	5.40%	8,892
Plant & Mach	70,969	50,332	121,301	12.50%	6,292
Furniture & Fit	46,032	7,303	53,335	12.50%	913
Computers	25,141	3,484	28,625	33.33%	1,161
MV	14,621	0	14,621	25%	0
S-Total	314,438	857,929	1,172,367		37,698
Freehold			1,300,000		Less transfer to revaluation
G-Total			2,472,367	<b>Depreciation</b>	<b>9,963</b>



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**16. PROPERTIES, PLANT AND EQUIPMENT JUNE 2025**

2024	LAND Kshs'000	BUILDINGS Kshs'000	PLANT & MACHINERY Kshs '000	FURNITURE & FITTINGS Kshs '000	WIP	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	Total
<i>COST/VALUATION</i>								
<i>At July 1,2023</i>	400,000	657,813	88,532	47,330	-	14,621	21,848	1,230,144
<i>Additions</i>	-	-	10,870	311	3,200	-	1,202	15,583
	940,000	254,575						1,194,575
<i>Transfers</i>	-		-	-		-	1	1
<i>Disposal</i>	-	-	-	-		-	-	-
<i>At June 30,2024</i>	1,340,000	912,388	99,402	47,641	3,200	14,621	23,051	2,440,303
<i>Depreciation</i>								
<i>At July 1,2023</i>	16,960	497,653	78,623	46,615	-	14,621	21,436	675,908
<i>Charge for the year</i>	640	28,579	4,345	201	-	-	786	34,551
<i>Prior year adjustment</i>		-	-				-	-
<i>Impairment loss</i>	-	-	-	-		-	-	
<i>Eliminated on disposal</i>	-	-	-	-		-	-	
<i>At June 30,2024</i>	17,600	526,232	82,968	46,816	-	14,621	22,222	710,459
<i>Net book value as at June 30,2024</i>	1,322,400	386,156	16,434	825	3,200	-	829	1,729,844



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

**17. INTANGIBLE ASSETS**

		JUNE 2025		JUNE 2024	
		Ksh'000'		Ksh'000'	
<b>COST/VALUATION</b>					
As at July 1 2024		3,845		3,845	
Additions					
Disposal					
<b>At June 30, 2024</b>		<b>3,845</b>		<b>3,845</b>	
<b>Amortization</b>					
As at July 1 2024		3,845		3,845	
Charge for the year					
Disposal					
Impairment loss					
<b>As at June 30 2025</b>		<b>3,845</b>		<b>3,845</b>	
<b>NET BOOK VALUE AS AT JUNE 30 2025</b>		<b>0</b>		<b>0</b>	



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<b><u>18. INVENTORIES</u></b>		
Food	3,151	2,785
Beverage	2,303	2,122
Tobacco	23	16
Stationary	627	672
Others	5,136	3,954
<b>Total</b>	<b>11,240</b>	<b>9,549</b>
<b><u>19. TRADE AND OTHER RECEIVABLES</u></b>		
Trade debtors,	215,106	186,353
Bad debts provisions	(9,042)	(8,058)
Other debtors and prepayments	61,533	78,661
	<b>267,597</b>	<b>256,955</b>
<b><u>20.SHARE CAPITAL</u></b>		
Authorized, issued and fully paid 5,047,724 Ordinary shares of Kshs. 20/= each.	<b>100,954</b>	<b>100,954</b>
<b><u>21. RETAINED EARNINGS</u></b>		
	<b>(535,849)</b>	<b>(566,146)</b>
<b><u>SHAREHOLDERS</u></b>		
Kenya Development corporation	82.45%	
Mountain Lodge	17.53%	
Kenya Wildlife Service Trustees	0.02%	
<b><u>22.REVALUATION RESERVE</u></b>		
Balance b/f	1,595,571	<b>428,730</b>
Depreciation transferred to retained earnings	(27,735)	(27,735)
relates to revaluation gain on assets (Citadel valuers 2023)	-	1,194,575
<b>Balance C/F</b>	<b>1,567,836</b>	<b>1,595,571</b>
<b><u>23. BORROWING LONG TERM</u></b>		
Loan TFC	7,275	7,275

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KCB asset financing	0	0
<b>Total</b>	<b>7,275</b>	<b>7,275</b>
<b>24. TRADE AND OTHER PAYABLES</b>		
-		
Trade creditors	102,016	109,773
Unearned income	56,826	58,783
Accruals	8,370	5,121
Audit fees	17,048	15,308
Other Payables including VAT & CLT	709,693	670,735
Service Gratuity	9,786	19,690
	<b>903,739</b>	<b>879,410</b>
<b>25. CASH AND CASH EQUIVALENT</b>		
-		
Cash in hand ( float)	620	879
Dollar equivalent KCB \$ A/C	10,808	2,546
Cash in Bank BBKA/C	17,050	8,575
Cash in KCB KSH A/C	0	0
<b>Total</b>	<b>28,478</b>	<b>12,000</b>
Cash Equivalent include short term liquid investments which are readily convertible to known amounts of cash and which were within three months of maturity when acquired.		
<b>26. BORROWING SHORT TERM</b>		
Bank Overdraft	4,605	9,410
KCB A/C IPF Loan	1,535	2,597
KDC Loan		
12 months @ 343,779	4,125	4,125
The Bank overdraft is secured by cash investments	<b>10,265</b>	<b>16,133</b>
in form of Fixed deposit		
KTDC Loan relates to amount payable within the next one year		



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<b><u>27.DIVIDENDS</u></b>		
<b><u>28. CONTINGENT LIABILITIES</u></b>		
Legal Fee	0	0
	0	0
<b><u>29. SHORT TERM DEPOSIT</u></b>		
Cash investments(FD at KCB TRY SQ Acc No 1124550186)	26,538	24,848
	-	-
The Bank overdraft is secured by cash investments	<b>26,538</b>	<b>24,848</b>



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

**31. RELATED PARTY TRANSACTIONS**

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

1. Kenya National Parks (KNP) which owns 0.02% of KSLH had leased Voi and Ngulia lodges to KSLH. The company has been paying monthly lease rents for both Ngulia and Voi Safari Lodge.
2. Kenya Development Corporation (KDC) which owns 82.45% of KSLH had allocated office space to KSLH at Utalii House, Nairobi.
3. During the year KSLH was able to attract and transact business with a number of county governments and central government ministries in terms of seminars and conferences, these included among others;

<b>MDA's</b>	<b>Amount</b>
Makueni County	20,793,019.00
Kenya Medical Training Institute	14,650,257.00
TSC	11,275,150.00
Taita Taveta County	6,259,805.00
Ministry of Health	7,430,765.00
State Law	5,860,805.00
National Treasury	5,922,726.00
KERRA	5,804,762.00

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



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**32. Cash generated from operations**

		JUNE	JUNE
		2025	2024
		<u>Shs'000</u>	<u>Shs'000</u>
<b>Cash flow from operating activities</b>			
Profit/ (Loss) before tax		30,986	31,197
Adjustments for:-			
Gain on sale of fixed assets		-	-
Depreciation	13	9,963	6,816
Amortization		-	-
Prior year adjustment(WIP)		3,200	-
Interest income (from KCB fixed deposit)	6	(1,690)	(461)
Finance cost	14	3,102	2,431
<b>Cash flow from/(used in) operations before</b>		<b>45,561</b>	<b>39,983</b>
Working capital changes:			
(Increase)/ Decrease in inventories	18	(1,692)	(1,256)
(Increase)/ Decrease in Trade and receivables	19	(11,626)	(52,675)
Increase/ (Decrease) in Payables and accruals	24	24,624	31,754
<b>Sub-Total</b>		<b>11,306</b>	<b>(22,177)</b>
Net cash flow from operating activities		<b>56,867</b>	<b>17,806</b>



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**33. RISK MANAGEMENT**

**Going Concern**

The company is facing a liquidity risk due to the negative working capital of Kshs. (580,151,000), with current assets of Kshs. 333,853,000 as compared to current liabilities of Kshs 914,004,000. This state of affairs is attributed mainly by cumulative losses and decreasing sales due to the state of the facility.

**Performance analysis**

Kshs '000	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
<b>Revenue</b>	154,003	251,612	351,469	444,545	512,345
<b>Profit/Loss</b>	(109,715)	(68,900)	(18,569)	31,197	30,297

The company is currently depending on the trade creditors whose payment has remained a challenge as well as other payables.

Management is hopeful that the company is going to maintain profitability as indicated by the attained profit compared to previous years if we are able to improve our facilities and enhanced marketing. Meanwhile, Management is reviewing its marketing strategies, putting more emphasis on the lodges to ensure revenues from the lodges start rising to enable the company reduce its trade creditors and other liabilities. Out of court settlement and negotiations on payment modalities have also been undertaken between trade creditors and KSLH, the company having been issued with demand letters.

	Principal	Interest	Totals	Remarks
VAT	335,492,128.			Ongoing engagement
WITHOLDING TAX	9,943,448			''
PAYE	208,520,378			''
CLT	85,105,935			''
PENSION	36,283,618			''
SACCO	4,203,737			''
TRADE CREDITORS	102,016,224			''



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

**34. MANAGEMENT FRAUD**

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

**35. DISCLOSURE ON LONG TERM BORROWING**

We have disclosed the following information in relation to the long term loan indicated on note 23.

Lender: Kenya Development Corporation

Repayment Terms: 36Months

Collateral: None (Shareholders loan)

Interest Rate: 0%

Purpose of Loan: - To settle Staff liabilities, purchase of generator and air conditioners in Mombasa Beach Hotel

Currency: -Kenya Shillings

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**20. APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR GENERAL'S RECOMMENDATIONS**

The following is the summary of issues raised by external auditor and management comments that were provided to the auditor.

<u>Reference No. on the external audit report</u>	<u>Issue /Observation from Auditor</u>	<u>Management comments</u>	<u>Status (Resolved/ Not resolved)</u>	<u>Time frame</u>
1. <b>Inaccurate statement of Profit/Loss and other Comprehensive Income</b>	<p>The statement of profit or loss and other comprehensive income reflects total income and total expenses of Kshs. 362,603,000 and Kshs. 375,825,000 respectively. The income and expenses include Kshs. 146,797,090 (USD 1,334,519) and Kshs. 664,290 (USD 6,039) respectively which were recorded in the ledgers using standard exchange rate at the rate of Kshs. 110 to 1 USD instead of the prevailing market dollar exchange rate at the rate of the transaction contrary to Note 3 (3) management's assertions on reporting foreign currency transactions.</p> <p>In the circumstances, the accuracy and completeness of the total income and total expenses of Kshs. 362,603,000 and Kshs. 375, 825,000 respectively could not be confirmed.</p>	<p><b>Management assertions on Note 3 has defined the treatment of foreign currency as below</b></p> <p>"Transactions during the year are converted into Kenya currency at a rate determined in consideration of the prevailing market exchange rates. Assets and Liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya currency at rates ruling at that date. The resulting differences from conversion and translations are dealt with in the profit and loss account in the year in which they arise."</p> <p>rate from the bank Appendix 9b)</p>		
2. <b>Inaccurate Trade and Other</b>	<p>The statements of financial position and Note 19 to the financial statements reflects trade and other receivables of Kshs. 256,955,000 which includes Kshs.</p>	<p>The guest ledger accounts with credit balances relates to clients</p>		



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<p><b>Receivable Balance</b></p>	<p>78,661,000 in respect of other debtors and prepayments. Review of the ledger provided for audit revealed credit balances totaling Kshs. 1,735,386 which were not supported by documents to show the nature and purpose of the adjustments with net effect of reducing the actual balance of other debtors and prepayments.</p> <p>In the circumstances, the accuracy and completeness of the total income and total expenses of Kshs. 262,603,000 and Kshs. 375,825,000 respectively could not be confirmed</p>	<p>who have paid and expected to utilize the credits within the period.</p> <p>We don't have contracts with these clients especially beach operators and they utilize their credits upon having clients for our <b>units</b>.</p>		
<p><b>3. Inaccurate Inventories Balance</b></p>	<p>The statement of financial position and Note 18 to the financial statements reflects inventories balances of Kshs. 9,549,000. Included in this amount is Kshs. 2,122,000 and Kshs. 16,000 in respect to drinks and Tobacco respectively. However, review of inventory ledgers provided for audit and cost of sales analysis report revealed that beverages and tobacco worth Kshs 15,220,722 and Kshs. 234,261 respectively were in stock as at 30<sup>th</sup> June 2024 which differs with the reported balances resulting to variances of Kshs. 13,988,733 and Kshs. 218,261 respectively. Although Management explained that the schedule provided supports the reported balance, the ledger balances differ with the stock card balances provided for audit.</p> <p>In the circumstances, the accuracy and completeness of inventories balances of Kshs. 9,549,000 could not be confirmed.</p>	<p>The inventory ledger was provided (Refer Appendix 7) of our responses contrary to the amounts stated. From the schedule the supported inventory is per the amounts disclosed in the financial statements</p>		

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<p><b>4. Unsup ported IPF Loan</b></p>	<p>The statement of financial position and Note 26 to the financial statements reflects borrowings –short term and TFC loan of Kshs, 12,007,000 and Kshs. 4,125,000 respectively –Included in borrowings – short term is Kshs. 2,597,000 in respect of KCB A/C IPF Loan on Insurance Premium Finance Agreement of Kshs. 10,814,044. However, review of the Board minutes revealed that the approved loan ceiling was Kshs. 8,000,000 as compared to the loan agreement amount of Kshs. 10,814,044 resulting to extra unapproved borrowing of Kshs. 2,814,044 further, the loan agreement did not disclose the loan term and interest rate payable.</p> <p>In the circumstances, the accuracy and completeness of the borrowings – short term of Kshs. 12,007,000 could not be confirmed.</p>	<p>The IPF Amount approved of Kshs. 8,000,000 is what the bank extended. There was a request to increase the amount which was declined. Ref (Appendix 8 IPF Agreement form, Appendix 8a Request for increment and Appendix 8B IPF Schedule). The request was to cover for the medical and property insurance which was above the limits provided. The bank only paid Kshs. 8,000,000 which was approved and the balance the company paid to the insurance companies.</p>		
<p><b>5. Unders tatement of Cash and cash equivalents</b></p>	<p>The statement of financial position and Note 25 to the financial statements reflects cash and cash equivalents of Kshs. 12,000,000. The amount relates to balances held in three (3) bank accounts and cash in hand float. Review of the cash books, bank statements, bank reconciliation statements and cash receipts records for Dollar equivalent KCB account revealed that the opening balance so Kshs. 856,370 (USD 7,867@USD to Kshs. 110) was omitted in the cash book resulting understatement of the reported cash and cash equivalents. Further an amount of Kshs. 647,790 (USD 5,889 @1 USD to Kshs. 110) received in cash during the month of June, 2024 was not recorded in the cash book. in addition, Kshs. 335,830 (USD to Kshs 110) was not receipted hence could not be confirmed in the cash book.</p> <p>In the circumstances, the accuracy and completeness of the cash equivalents</p>	<p>The opening balance of \$7,767.38 was converted at a rate of Ksh 134 which was the spot on rate as at 30<sup>th</sup> June 2023 to Ksh contrary to the amount stated. (Ref to cashbook Appendix 9 provided and the spot on rate from the bank Appendix 9b)</p> <p>All the amounts received within the financial year were receipted and posted in the cashbook.</p>		



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	balance of Kshs 12,000,000 could not be confirmed.			
<b>6. Long Outstanding Trade Debtors</b>	<p>The statement of financial position and note 19 to the financial statements reflects trade and other receivables balance of Kshs. 256,955,000 which includes trade debtors totaling Kshs. 186,352,000 up from Kshs. 152,641,000 which includes trade debtors totaling Kshs. 186,352,000 up from KSHS, 152,641,000 during in the previous year, or an increase of 22%. Debts totaling KSHS. 150,141,182 were outstanding for more than six (6) months out of which Kshs. 74,369,109 relates to debts owed by guests who had already checked out without settling their bills as at 30<sup>th</sup> June 2024. In the circumstance, the accuracy and completeness of trade and other receivables of Kshs. 256,955,000 could not be confirmed.</p> <p>The audit was conducted in accordance with international Standards for Supreme Audit Institutions (ISSAIS). I am independent of the Kenya Safari Lodges and Hotels Management 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.</p>	<p>The long outstanding trade debtors has been due to nonpayment by government institutions who are the major clients for Mombasa Beach Hotel.</p> <p>The institution also has long outstanding debts which need to be written off. Necessary approvals are being sought.</p>		
<b>Emphasis of Matter</b>				
<b>1. Material uncertainty related to Going concern</b>	<p>The financial statements and as disclosed in Notes 32 indicates that the Company is facing liquidity risk due to its negative working capital of Kshs. 592,192,000 resulting from its total current liabilities of Kshs 895,544,000 exceeding its total current assets of Kshs. 303, 352,000 as at 30<sup>th</sup> June 2024. In addition, the company had accumulated losses totaling Kshs. 566,146,000 as at 30<sup>th</sup> June, 2024 (2023 – Kshs 597,343,000). Management and</p>	<p>The company have sought a loan to develop its facility to be able to compete with major players in the industry. This will improve performance and efficiency leading to improved working capital. The current year has shown improvement</p>		

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	<p>Directors have disclosed that this unsatisfactory situation is being addressed through review of marketing strategies with focus on lodges and negotiations and out of court settlement with the creditors.</p> <p>Further, as previously reported, the Company in 2023/2014 financial year successfully negotiated for conversion into equity of a loan totaling Kshs. 75,554,000 received from the Tourism Finance Corporation. The interest accrued thereon was waived. However, despite these actions, the working capital position of the Company and its overall financial performance have continued to decline except for the current year under review with a profit after tax of Kshs, 31,197,000.</p> <p>These conditions indicate the existence of a material uncertainty that casts doubt on the Company's ability to meet its financial obligations as they fall due, and to continue as a going concern.</p> <p>In the circumstances, the Company's existence as a going concern is depended upon continued support from its shareholders, bankers and creditors,</p>	<p>as the company made a profit.</p>		
<p><b>2. High Operating Costs</b></p>	<p>The statement of profit or loss and other comprehensive income reflects total income of Kshs. 453,471,000 as a summation of turnover and other income, against total operating expenses of Kshs. 466,693,000 as summation of expenses and costs of sales, resulting to an operating cost ratio of 103%, thus exceeding the strategic plan recommended target of 62%. Further, as at the time of audit in December, 2024 the strategic initiatives set to achieve the objective had not been implemented in the circumstances, the strategic plan on key result areas and strategic direction may not be on course to be achieved.</p>	<p>The company is replacing most of its old machinery and infrastructure for water and other utilities toward achieving the targets of the strategic plan. The major operating expenses being HR cost, operating costs and repairs and renewals the company is in the process of staff rationalization, replacing electricity powered water heating and diesel powered generators in NSL to solar energy and</p>		



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		replacing obsolete machinery.		
<b>3. Forfeiture of cash receipts on sale of shares</b>	As previously reported, the share capital of the Company was increased from Kshs. 9,319,000 to Kshs, 100,954,000 by rights issue of 5,047,724 ordinary shares of Kshs. 20 each in October, 2023. The shares were offered to existing shareholders at Kshs 20 per share based on par value. However, the net assets of the company as at 30 <sup>th</sup> June, 2023 amounted to Kshs 667,399,000 and therefore the net assets value of each share was Kshs. 125.65 as a result, the rights issue price of Kshs. 20 per share was undervalued by Kshs. 145.65. as a result, the rights issue price of KSHS. 20 per share was undervalued by Kshs. 125.65 and resulted in loss to the Company of significant cash receipts that may otherwise have helped in reversing the Company's unfavorable cash portion.	The issue is a board issue and its being deliberated among stakeholders for a collective measure.		
<b><u>Key Audit matters:</u></b>				
<b>Unresolved Prior year matters</b>	In the audit report for the previous financial year, several issues were raised in respect of the report on the Financial Statements, the Report on Lawfulness and Effectiveness in use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or provided explanation for failure to implement the recommendations.	In Appendix 1 we have outlined the status on previous year audit matters.		

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<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b>				
<b>Basis for Conclusion</b>				
<b>1. Unsupported Contract Extension on Provision of Staff Transport Service</b>	<p>The statement of profit/Loss and other comprehensive income reflects staff costs of KSHS. 215,262,000 as detailed in Note 9 to the financial statements. Included in this amount is KSHS. 13,448,000 relating to staff travel, out of which KSHS, 3,445,000 was paid to a local travel agency for provision of staff transport. Although Management provided a series of approvals for extension of the contract since the year 2017, Minutes of the evaluation committee and approved professional opinion were not provided for audit confirmation contrary to the requirements of section 139 (2) of the Public Procurement and Assets Disposal Act, 20215 which states that an accounting officer of a procuring entity on the recommendation of an evaluation committee, may approve the request the following, which request shall be accompanied by a certificate from the tenderer making a justification for such costs (a) extension of contract period</p> <p>In the circumstances, Management was in breach of the law.</p>	The Contract is running from 2017 and there have been series of renewals as per attachment. <b>Support document Annexure 1.8</b>		
<b>2. Lack of Contract on Maintenance of Sun Accounting System</b>	<p>The statement of profit/loss and other comprehensive income and Note 13 to the financial statements reflects general expenses of kshs. 13,162,000 which includes an amount of kshs. 1,605,000 incurred on maintenance contracts. Review of maintenance contracts payments revealed that Kshs 1,369,075 was paid to local service provider for support of Sun Systems Accounting System. However, no signed contract between the service provider and the Management was provided for audit confirmation contrary to Section 135 (4) of Public Procurement and Disposal Act, 2025 which states that no contract is formed between the person submitting the</p>	Novacom Contract is as attached –Annexure 1.9		



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	<p>successful tender and the accounting officer of a procuring entity until the written contract is signed by the parties.</p> <p>In the circumstances, Management was in breach the law.</p>			
<p><b>3. Lack of Contract for Supply of Fuel, Gas and Water</b></p>	<p>The statement of profit/loss and other comprehensive income and Note 8 to the financial statements reflects operating costs of Kshs, 82,327,000 which includes fuel and gas expenditure of Kshs. 25,021,000 incurred during the year. However, management did not provide the contract for supply of fuel and gas signed between the Company and the service provider contrary to the requirements of Section 135 (4) of Public Procurement and Disposal Act, 2015 which states that no contract is formed between the person submitting the successful tender and the accounting officer of a procuring entity until the written contract is signed by the parties.</p>	<p>The account opening document act as a binding document as attached for Fuel - Support Document Annexure 1.24</p> <p>As for Water agreement, recommendation is noted and is being acted upon</p>		
<p><b>4. Unsupported Expenditure on insurance</b></p>	<p>The statement of financial performance and Note 13 to the financial statements reflects general expenses totaling to Kshs.13,162,000. Included in this amount is Kshs.3,793,000 incurred on insurance. Review of documents supporting the expenditure revealed that Kshs.703,610 was paid to a service provider for motor vehicles and other property insurance which was not supported by procurement documents and contract documents. Further, Kshs.3,088,968 was paid to an insurance service provider for various general insurance classes, however, the contract agreement between the Company and the service provider was not provided for audit confirmation contrary to Section</p>	<p>Trident Insurance Company provides Insurance. We have the following policies which acts as Agreement between KSLH and Trident Insurance Company.</p> <ol style="list-style-type: none"> <li>1. Policy Insurance of Money</li> <li>2. Fire consequential losses policy</li> <li>3. Theft/ Burglary policy</li> <li>4. Work injury in/group personal accident insurance policy</li> <li>5. Fidelity Guarantee policy</li> </ol>		



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	<p>135 (4) of Public Procurement and Disposal Act, 2015 which states that no contract is formed between the person submitting the successful tender and the accounting officer of a procuring entity until the written contract is signed by the parties.</p> <p><b>In the circumstances, Management was in breach of the law</b></p>	<p>6. Public Liability Policy</p> <p>7. Computer and Electronic equipment insurance policy</p> <p>8. Employees liability insurance policy</p> <p>9. Fire and Perils policy</p> <p>Machinery policy</p>		
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**Ronald Simiyu**  
**AG. GENERAL MANAGER-KSLH.**

Date: 22/08/2025