

REPUBLIC OF KENYA



*Paper  
By Hon Aden Durowoju  
Leader of Majority on  
Tue 20/9/2016  
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OFFICE OF THE AUDITOR-GENERAL

**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**THE FINANCIAL STATEMENTS OF**  
**KENYA SAFARI LODGES AND HOTELS**  
**LIMITED**  
**FOR THE YEAR ENDED**  
**30 JUNE 2015**





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**KENYA SAFARI LODGES & HOTELS LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2015**

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



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

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**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

**KEY ENTITY INFORMATION**

**Background information**

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

**Principal Activities**

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

**Directors**

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

<b>Name of Director</b>	<b>Date of Appointment</b>	<b>Alternate</b>	<b>Date of Appointment</b>
1. Mr Michael Matu	1 <sup>st</sup> January 2013	-	-
2. Mrs Marianne Ndegwa Jordan	3 <sup>rd</sup> June 2009	Mr Dominic Ndewa	20 <sup>th</sup> September 2013
3. Mr William Kibet Kiprono	11 <sup>th</sup> December 2012	Mr Nelson Otieno Agina	11 <sup>th</sup> December 2012
4. PS, Ministry of East African Affairs, Commerce & Tourism - Dr Ibrahim Mohammed	-	Dr Anne Karimi Kinyua	17 <sup>th</sup> May 2013

**Corporate Secretary**

J L G Maonga  
P.O. Box 73248 - 00200  
Nairobi

**Registered Office**

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



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

**Corporate Headquarters**

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

**Corporate Contacts**

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

**Corporate Bankers**

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

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

**Independent Auditors**



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

**Principal Legal Advisers**

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

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
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**THE BOARD OF DIRECTORS**

Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
1. Mr Michael Matu		<p><b>Current Position:</b> Deputy Chairman &amp; Chief Executive Officer, Olympia Capital Holdings Limited.</p> <p><b>Academic Qualifications:</b> MBA (United States International University); BA (University of Guelph); Graduate Diploma (McGill University).</p> <p><b>Work Experience:</b> Executive Director - Heri Group</p>
2. Ms Marianne Ndegwa Jordan		<p><b>Current Position:</b> Managing Director, Tourism Finance Corporation (TFC)</p> <p><b>Academic Qualifications:</b> MSC, BS (Florida International University); Diploma (Center Internationale de Glion)</p> <p><b>Work Experience:</b> PWC, UNDP, APDF, an arm of IFC.</p>
Alt Dominic Ndewa		<p><b>Current Position:</b> Head of Investments, Tourism Finance Corporation (TFC)</p> <p><b>Academic Qualifications:</b> MA, BA (University of Nairobi); CPA(K); CSIA.</p> <p><b>Work Experience:</b> 1995-2010 - Ministry of Finance (Treasury).</p>
3. Mr William Kiprono		<p><b>Current Position:</b> Ag. Director General, Kenya Wildlife Service (KWS)</p> <p><b>Academic Qualifications:</b> ED - Egerton University</p> <p><b>Work Experience:</b> Public Administrator: District Officer, District Commissioner, County Commissioner.</p>
Alt Nelson Agina		<p><b>Current Position:</b> Ag. Deputy Director, Finance and Administration, KWS</p> <p><b>Academic Qualifications:</b> MBA (Finance); B.Com (Accounting); CPA(K)</p> <p><b>Work Experience:</b> 1992-1996 - Ministry of Finance</p>
4. Dr Ibrahim Mohammed		<p><b>Current Position:</b> Principal Secretary, Ministry of East African Affairs, Commerce and Tourism.</p> <p><b>Academic Qualifications:</b> Ph.D.</p> <p><b>Work Experience:</b> Ministry of Health (Formerly Ministry of Medical</p>
Alt Dr Anne Kinyua		<p><b>Current Position:</b> Tourism Secretary, Ministry of East African Affairs, Commerce and Tourism</p> <p><b>Academic Qualifications:</b> Ph.D., M.Ed., B.Ed.</p>

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**  
**MANAGEMENT TEAM**

NAME	PHOTO	POSITION & KEY PROFESSIONAL/ACADEMIC QUALIFICATIONS
SILAS KITI		GENERAL MANAGER Bachelors in Science Tourism duties
MARTIN KIMATHI		FINANCE MANAGER Upto June 2015 MBA(Finance), IBA Accounting, CPA (K)
ZIPPORAH CHOMBO		Ag FINANCE MANAGER From May 2015 Bachelors in Arts Economics major
EUNICE NZILANI		HUMAN RESOURCE MANAGER Bachelors in Business Administration (HR option) Higher National Dip in HRM
VICTOR MWAMBUI		ADMINISTRATION MANAGER Diploma in Hotel Management, Practitioners diploma in Human Resource Management Advanced Dip in HRM
ANDERSON NDOLO		GROUP EXECUTIVE CHEF Up to 15th April 2015 Cert in Food Production
STELLA WAMBUA		MANAGER NGULIA SAFARI LODGE Swiss Hotel Mgt School: Cert. & Diploma in F&B Mgt/Dip-F&B Mgt. Internships: Hotel IC, Zurich & Other restaurants-CHICAGO
LILLIAN OBURA		INTERNAL AUDITOR Bachelors in commerce- Accounting options, Diploma in Banking (part I)

<p><b>TIMOTHY MBOGHO</b></p>		<p><b>FOOD AND BEVERAGE MANAGER</b> Bachelors in Science in Hotel &amp; Restaurant Management</p>
<p><b>MAUREEN OKETCH</b></p>		<p><b>ASSISTANT SALES AND MARKETING MANAGER</b> Up to 2nd February 2015 Bachelors in Arts -Sociology and Public Administration</p>
<p><b>IBRAHIM MAIYO</b></p>		<p><b>Ag ASSISTANT SALES AND MARKETING MANAGER</b> From March 2015 Diploma in Tourism and in 2<sup>nd</sup> year Bachelors in Hotel Management</p>
<p><b>STANLEY ONZERE</b></p>		<p><b>MANAGER VOI SAFARI LODGE</b>  Certificate in Food and Beverage Sales &amp; Service</p>



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

### **Reports and Financial Statements**

**For The Year Ended June 30, 2015**

#### **Chairman's Statement**

On behalf of the Board of Directors of Kenya Safari Lodges and Hotels Limited, I present to you the annual Report and Financial Statements of the Company for the year ended 30<sup>th</sup> June 2015. During the year 2014-2015, KSLH faced a challenging business landscape as the foreign business segment took a more cautious approach as experienced in the previous year. By May 2014, the United States, United Kingdom, France and Australia began issuing travel warnings to their citizens in Kenya. This had another immediate impact on Kenya's tourism industry, as European visitors left the country. On 16 May 2014, at Gikomba Market in Nairobi, there was a twin explosion. On 23 May 2014, a grenade was thrown at a police vehicle carrying two suspects in the City of Mombasa. On 16 June 2014, suspected Shebab militants from Somalia stormed into Mpeketoni town and launched a major assault on a police station, hotels and government offices, In late 2014, two attacks believed to have been carried out by Al Shabaab took place in Mandera County. On 22 November 2014, gunmen attacked a bus traveling from Mandera to Nairobi. On 2 December 2014, Al- Shabaab militants attacked quarry workers, near Mandera Town.

Other setbacks include the escalated poaching in Kenya and the introduction of 16% Value Added Tax on tourism services in Kenya including park entrance fees that made destination Kenya uncompetitive compared to other destinations. On this Note, KSLH Turnover decreased by 37% in 2014-15 compared to the previous year. KSLH with all the challenges continued to do extensive marketing campaign locally and increased focus in Conferencing business especially from the devolved units of County Governments which yielded positive returns.

The decrease in Revenue was however not enough to caution the business from the increased energy costs and wage bill. However during the year the company undertook a harmonization exercise for employees on contract to enable reduce the wage bill. In the process 32 employees on contract terms were terminated.

KSLH strategic plan covering years 2014 - 2018, clearly highlights the key strategies that the group intends to take to ensure that the business turnaround is immediate and sustainable. Among the strategies is the renovation of the key properties to ensure that we remain competitive and continue offering a heritage of hospitality. At least 40 rooms are earmarked for the 1<sup>st</sup> phase of renovations and are expected to be available by end of the 2015 -2016 financial year.

**Thank you**

**Michael Matu**

**Chairman-16<sup>th</sup> June, 2016**



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

**Report of the General Manager**

The Year 2014 - 2015 was very challenging within the Hospitality and Tourism sector especially in the coast region which we majorly operate from.

Insecurity has been a major challenge within the region, such as the Lamu ethnic violence, the on and off bomb blasts in addition to the Tourist advisories by UK and USA highly contributing to low bed occupancies and thus low revenues recorded in the coast region.

Revenues for the period were 57% below budgeted, however we also recorded 37% below the previous year. Competition is also rife within the region, thus leading to most establishments to underperform, with the worst hit areas being Malindi, Watamu and South Coast. Several hotels at the Kenyan coast have scaled down operations and others have closed down.

KSLH still maintained our staff compliment thus the big staff cost expense in comparison to the revenues achieved. However during the year, through the HR department, KSLH embarked on an exercise to ensure that all staff contracts are regularized and manning levels done in line with business levels. In the second half of the year 32 contract employees were laid off and the exercise is yet to be concluded based on the forecasted business levels. We are also doing a job match and skill analysis to evaluate our job needs and the manning levels expected at different occupancies.

In operations, we expanded our conferencing capacity with an additional of two new conference rooms which will enable us tap into the existing and emerging conferencing business. KSLH also intends to review its marketing strategies further in the first quarter of the next financial year 2015-2016.

Our focus for the short term will also include doing basic renovations on selected areas as the sports centre to ensure the product remains appealing and relevant.

We have also embarked on reforms in the finance side with negotiations with major stake holders including KRA to ensure that we harmonize on issues of tax liability. Our ICT program is still on and we hope to acquire a document management system that will ensure we cut on both cost and time involved in filling and tracing documents and records. We are also looking into acquiring more machines for Micros POS in order to enhance our revenue collection.

Thank you

General Manager-

, 2016



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

**CORPORATE GOVERNANCE STATEMENT**

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

**Board of Directors**

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

**Board Responsibilities**

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

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

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

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

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

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

**Board Committees**

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

**1. Audit Committee**

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

**2. Finance and General Purposes Committee**

This key standing committee of the board:

- Oversees the development of the annual company budget (reviews individual unit and KSLH consolidated budget proposals for onward approval by the Board);
- Ensures adequate financial controls are put in place
- Ensures accurate tracking, monitoring and accountability of company funds
- Identifies and facilitates the sourcing of funds for implementation of approved capital project
- Ensures compliance with the Companies Act

The 'general purpose' role covers the areas, human resources, legal and all other business activities of the company not handled by either the audit or tender committees. To accomplish its HR role the committee guides the development, review and/or amendment of HR policies and procedures and makes appropriate recommendations for Board approval. To support the company marketing, sales and PR functions. It oversees the development and implementation of the marketing plan in line with the overall Strategic Plan. To accomplish its corporate social responsibility role this committee represents the company to the community and enhances KSLH's image including communicating with the press.

**3. Sales & Marketing Committee**

This committee ensures that there is a sales and marketing plan and monitors its implementation. The day-to-day running of the business of KSLH is delegated to the General Manager but the Board is responsible for having and maintaining a system of internal controls so that value is added to KSLH.



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

**Directors Remuneration**

Following the Government guidelines as provided by the State Corporations Act on directors' remuneration. Director's expenses and remunerations is approved at the Annual General Meeting (AGM). The directors are also paid sitting allowance for every meeting attended as well as travel and accommodation allowance while on company duty.

**Communication with the Shareholders**

We believe in regular and timely communication with our shareholders to keep them fully informed of all major developments that have an impact on the Company. Notice of the AGM is dispatched to all shareholders at least 21 days before the meeting.

The company files yearly returns to meet continuing obligations as prescribed by the Companies Act.

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

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

**(i) Community involvement** -KSLH is committed to community involvement in line with this Policy, encouraging our employees' involvement in the community; seeking innovative ways to perform our social responsibilities.

**(iii) Environmental protection**-KSLH's work is mostly carried out in its office. Although the impact on the environment is not large, KSLH is nevertheless committed to sound business practices and will, where practical, minimize the impact by the KSLH on the environment. We will uphold the use of the green policy, use of both sides of the paper when printing, use of internet, email and modern technology in disseminating information, and coming up with an environmental policy. KSLH will also support activities geared towards protection and rehabilitation of the environment more specifically the beach environment.

**(iv) Education**- KSLH will endeavor to support educational activities which include but are not limited to the following: HIV/AIDS awareness, Career development among the vulnerable groups, Special projects geared towards empowerment of the girl child e.g. School facilities

**(vi) Promoting gender equity**- KSLH is committed to promoting activities geared towards gender equity in various areas. This will include Associations (non political) that promote professional gender equity

**(vii) Sports promotion** -KSLH will also support sport events in the bid of nurturing talent among the youth with KSLH fraternity as well as enabling our sportsmen/women achieve their goals while marketing our Units.

**(viii) Beautification projects** - KSLH will seek to partner with other stakeholders in beautification of the city of Mombasa where we have a major stake.

**(ix) Sponsorship of other special events**-There are various activities that may be organized by various organizations that KSLH may have interest in. The events may have an impact on the image of the KSLH in corporate citizenship.



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the Kenya Safari Lodges and Hotels affairs.

**Principal activities**

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

**Results**

The results of the entity for the year ended June 30, 2015 are set out on page 14-17

**Dividends**

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


**Directors**

The members of the Board of Directors who served during the year are shown on page 4 In accordance with Regulations of the *entity's* Articles of Association; Up to four more directors are expected to be appointed by the Cabinet Secretary, Ministry of East African Affairs, Commerce & Tourism.

**Auditors**

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

By Order of the Board

  
Corporate Secretary  
Nairobi.  
Date: 16/6/2016



**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements  
For The Year Ended June 30, 2015**

**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, 2015. 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, 2015, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Company's financial statements were approved by the Board on the ...<sup>x</sup>16<sup>←</sup>... Day of <sup>←</sup>June 2016 and signed on its behalf by:



DIRECTOR



DIRECTOR



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA SAFARI LODGES AND HOTELS LIMITED FOR THE YEAR ENDED 30 JUNE 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Safari Lodges and Hotels Limited set out on pages 15 to 35, which comprise the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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.

#### **Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **Basis for Qualified Opinion**

### **1. Inaccuracy of the Financial Statements**

The statement of cash flows for the year ended 30 June 2015 reflects proceeds from sale of fixed assets of Kshs.2,440,000 which differs with Kshs.2,575,734 shown under note 29 to the financial statements . The difference of Kshs.135,734 between the two figures has not been explained or reconciled.

Consequently, the cash flow statement for the year ended 30 June 2015 is understated by Kshs.135,734.

### **2. Advertising and Promotion Expenditure**

Included in Note 9 to the financial statements is Kshs.7,381,000 relating to sales promotion out of which Kshs.5,336,000(about 72%) relates to sales commissions which increased by Kshs.2,625,000 (about 96%) from Kshs.2,748,000 for the previous year. However, contracts details with the firms and individuals paid the sales commissions totaling Kshs.5,336,000 were not provided for audit verification.

Consequently, the propriety of and value for money for sales commissions totaling Kshs.5,336,000 paid during the year ended 30 June 2015 could not be confirmed.

### **3.0 Property, Plant and Equipment**

#### **3.1 Land and Buildings**

Included in the property, plant and equipment balance of Kshs.773,109,000 shown in the statement of financial position as at 30 June 2015 is Kshs.2,125,282 in respect of conversion of Maxim and Maxim Main Hall to conference rooms. However, the project was not in the Hotel's procurement plan for the year under review. Further, the Engineer's cost estimate for the project was not availed for audit verification.

### **3.2 Plant and Machinery**

Included in the property, plant and equipment balance of Kshs.773,109,000 shown in the statement of financial position as at 30 June 2015 is plant and machinery balance of Kshs.27,635,000, out of which Kshs.105,000 relates to a new juice dispenser for which evaluation report was not availed for audit verification and one new air conditioner costing Kshs.204,000 for which both the evaluation and inspection reports were not availed for audit verification. In addition, the plant and machinery balance of Kshs.27,635,000 includes the cost of a new amplifier, a disco mixer and a DStv mixer costing Kshs.111,207 which were not availed for audit verification. The property, plant and equipment balance of Ksh.773,109,000 also includes an addition to plant and machinery at a cost of Ksh.997,309 in respect of a water bottling plant purchased in the year 2013/2014. However, although, the plant was procured and installed, it was yet to be commissioned two years later.

### **3.3 Computers**

Included in the property, plant and equipment balance of Kshs.773,109,000 shown in the statement of financial position as at 30 June 2015, is Kshs.642,640, being purchase of seven computers, a printer and a mail server which were not availed for audit verification nor inspection reports availed for audit verification.

Consequently, it has not been possible to confirm the accuracy and completeness of property, plant and equipment balance of Kshs.773,109,000 as at 30 June 2015.

### **4. Trade and Other Receivables**

The statement of financial position as at 30 June 2015 reflects trade and other receivables balance of Kshs.96,918,000 which is net of bad debts provision of Kshs.8,208,000.

However, debtors' ageing analysis availed for audit review indicated that debtors amounting to Kshs.93,884,058 have been outstanding for more than one year. As a result of the long outstanding debtors it has not been possible to confirm if trade and other receivables balance of Kshs.96,918,000 is fairly stated as at 30 June 2015.

### **5. Trade and Other Payables**

The trade and other payables balance of Ksh.370,763,000 disclosed under note 19 to the financial statements includes long outstanding amounts payable to various statutory bodies in respect of various payroll deductions, withholding taxes, value added taxes and other levies amounting to Kshs.245,751,000. However, no provision for the penalties arising out of the non-remittance of these statutory deductions have been included in these financial statements.

Consequently, it was not possible to ascertain that the trade and other payables balance of Kshs.370,763,000 is fairly stated as at 30 June 2015.

## **6. Share Capital**

As reported in the year 2013/2014, the share capital of the Company was increased from Kshs.9,319,000 to Kshs.100,954,000 through creation of 4,581,750 ordinary shares of Kshs.20 each. The additional shares were issued through a rights issue to existing shareholders as at 08 November, 2013 at a price of Ksh.20 per share. However, no evidence was availed for audit verification to support how the share valuation was determined.

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

Consequently, the accuracy and validity of the share capital value of Kshs.100,954,000 shown in the statement of financial position as at 30 June 2015 could not be confirmed.

## **7.0 Cash and Cash Equivalents**

The audit of cash and cash equivalents balance of Kshs.19,057,000 shown in the statement of financial position as at 30 June 2015 revealed the following issues:

### **7.1 Kenya Commercial Bank Dollar A/C No.1107647819**

The cash and cash equivalents balance of Kshs.19,057,000 reflected in the statement of financial position as at 30 June 2015 includes dollar account balance of Kshs.901,000. However, the bank reconciliation statement as at 30 June 2015 reflects a balance of USD 9,284.31(Kshs.908,006) at Kshs.97.80 to the dollar. Further, documents in support of the exchange rate used were not availed for audit verification.

In addition, the reconciliation statement availed for audit review reflects uncredited receipts of USD 6,225.26 (Kshs.608,030), out of which USD 3,406(Kshs.333,107) have been outstanding for more than one year. Further, the reconciliation statement reflects unidentified credits of USD 2,575.40 of which USD 890(Kshs.87,042) is in respect of an item which has been outstanding for more than one year. No explanation has been given for non-clearance of these long outstanding items and what they represent.

## **7.2 Barclays Bank of Kenya Ltd A/C No.0168207166**

The bank reconciliation statement as at 30 June 2015 for Barclays Bank (Kenya) Ltd reflects a bank balance of Kshs.298,539 while the supporting bank certificate has a balance of Kshs.410,246 as at the same date, resulting in unexplained nor reconciled difference of Kshs.111,707.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.19,057,000 as at 30 June 2015 could not be confirmed.

## **8. Going Concern**

The statement of financial position reflect a current liabilities balance of Kshs.399,827,000 which exceeded the current assets balance of Kshs.124,431,000, resulting to a negative working capital of Kshs.275,396,000. Further, the Company realized a loss of Kshs.137,243,000 (2013/2014 - loss of Kshs.126,272,000) resulting to accumulated loss of Kshs.257,187,000 as at 30 June 2015. Further, the statement of profit or loss and other comprehensive income for the year ended 30 June 2015 shows total income of Kshs.178,428,000 against a budget of Kshs.444,200,100 representing 40.2% performance level or under-collection of Kshs.265,772,100(59.8%). Further a comparative analysis revealed that total income declined by Kshs.106,734,000 (37.4%) from Kshs.285,162,000 in the year 2013/2014 to Kshs.178,428,000 in the current year. The management has not provided reasons as to why the revenue targets could not be achieved.

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

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

## **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2015 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Kenya Companies Act, Cap.486 of the Laws of Kenya.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit:
- (ii) In my opinion, proper books of accounts have been kept by the Company, so far as appears from examination of those books: and,
- (iii) The Company's statement of financial position is in agreement with the books of accounts.



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

**Nairobi**

**05 May 2016**

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2015**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2015**

		2015	2014
	Note	Kshs'000	Kshs'000
TURNOVER	2	232,568	362,343
COST OF SALES	4	61,553	90,399
<b>GROSS PROFIT</b>		<b>171,015</b>	<b>271,944</b>
OTHER INCOME	3A	7,413	13,218
<b>TOTAL INCOME</b>		<b>178,428</b>	<b>285,162</b>
OPERATING COSTS	5	70,053	84,560
EMPLOYMENT COSTS	6	174,690	192,079
ADMINISTRATIVE COSTS	7A	20,992	21,687
CONTINGENCY LIABILITY	7B	5,754	72,415
REPAIRS AND RENEWALS	8	13,253	18,998
ADVERTISING AND PROMOTION	9	7,916	6,718
GENERAL CHARGES	10	8,703	12,331
DEPRECIATION	13	17,966	13,932
AMORTISATION	13A	364	60
<b>TOTAL OPERATING EXPENSES</b>		<b>319,691</b>	<b>422,780</b>
OPERATING PROFIT/(LOSS)		(141,263)	(137,618)
FINANCE INCOME	3B	5,883	12,492
FINANCE COSTS	11	(1,863)	(1,146)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(137,243)</b>	<b>(126,272)</b>
INCOME TAX EXPENSE/(CREDIT)		-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(137,243)</b>	<b>(126,272)</b>



**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2015**

**STATEMENT OF FINANCIAL POSITION**

**AS AT JUNE 30, 2015**

<u>ASSETS</u>	<u>Notes</u>	<u>2015</u> <u>Kshs'000</u>	<u>2014</u> <u>Kshs'000</u>
<b><u>NON-CURRENT ASSETS</u></b>			
Property, Plant and Equipment	13	773,109	814,716
Intangible assets	13A	730	1,094
<b><u>CURRENT ASSETS</u></b>			
Inventories	14	8,456	14,065
Trade and other receivables	15	96,918	109,403
Cash and cash equivalent	20	19,057	31,670
<b>Sub-total</b>		<b>124,431</b>	<b>155,138</b>
<b>TOTAL ASSETS</b>		<b>898,270</b>	<b>970,948</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>OWNERS' EQUITY</u></b>			
<b><u>CAPITAL AND RESERVES</u></b>			
Share Capital	16	100,954	100,954
Revaluation Reserve	17	595,330	621,770
Retained Earnings	16	(257,187)	(119,943)
<b>Shareholders' Funds</b>		<b>439,097</b>	<b>602,781</b>
<b><u>NON-CURRENT LIABILITES</u></b>			
Borrowings -long term	18	-	1,712
Service Gratuity	18	59,346	74,848
<b>Sub-total</b>		<b>59,346</b>	<b>76,560</b>
<b><u>CURRENT LIABILITIES</u></b>			
Borrowings-short term	21	14,805	1,801
KCB Loan	21	1,712	2,669
Trade and other payables	19	370,763	281,854
Other payables	22	12,547	5,283
		<b>399,827</b>	<b>291,607</b>
<b>TOTAL EQUITY AND LIABILITY</b>		<b>898,270</b>	<b>970,948</b>

The financial statement were approved by the Board of directors on the ... 16 ... day ... June ... of 2016.

..... Director

..... Director



A Heritage of Hospitality

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2015**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Ordinary Shares Kshs '000</b>	<b>Revaluation Reserve Kshs '000</b>	<b>Retained Earnings Kshs'000</b>	<b>Total Kshs'000</b>
<b>As at 30 June 2013</b>	<b>9,319</b>	<b>651,749</b>	<b>6,331</b>	<b>667,399</b>
Rights Issue	91,635			91,635
Prior year adjustment		-	(2)	(2)
Revaluation surplus		-		-
Net Profit for The year			(126,272)	(126,272)
Prior year adjustment on revaluation		-		-
Transfer To Depreciation Equivalent		(29,979)	-	(29,979)
				-
<b>As at 30 June 2014</b>	<b>100,954</b>	<b>621,770</b>	<b>(119,944)</b>	<b>602,780</b>
Rights Issue	-		-	-
Revaluation surplus		-		-
Loss for The year			(137,243)	(137,243)
				-
Transfer To Depreciation Equivalent		(26,440)	-	(26,440)
				-
<b>As at 30 June 2015</b>	<b>100,954</b>	<b>595,330</b>	<b>(257,187)</b>	<b>439,097</b>

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED JUNE 30, 2015**

		June 2015 <u>Kshs'000</u>	June 2014 <u>Kshs'000</u>
<b>Operating activities</b>			
Profit/(Loss) before tax		(137,243.00)	(126,272.00)
<b>Adjustments for:-</b>			
Gain on sale of fixed assets	3A	(1,792.00)	-
Depreciation	13	17,966.00	13,932.00
Amortization	13A	364.00	60.00
Prior year adjustment		-	2.00
Interest income (from KCB fixed deposit )	3B	(420.00)	(535.00)
Finance cost	11	1,863.00	1,146.00
<b>Cash flow from operations before</b>		<b>(119,262.00)</b>	<b>(111,667.00)</b>
Working capital changes:			
(Increase)/Decrease in inventories	14	5,609.00	(3,137.00)
(Increase)/Decrease in Trade and receivables	15	12,485.00	(9,915.00)
Increase/(Decrease) in Payables and accruals	19,22	96,173.00	132,676.00
Sub-Total		114,267.00	119,624.00
<b>Net cash flow from operating activities</b>		<b>(4,995.00)</b>	<b>7,957.00</b>
<b>Investing activities</b>			
Purchase of fixed assets	13	(3,448.00)	(10,370.00)
Proceed from sale of Fixed Assets	29	2,440.00	-
Interest received	3B	420.00	535.00
<b>Net cash flow from investing activities</b>		<b>(588.00)</b>	<b>(9,835.00)</b>
<b>Financing activities</b>			
Rights Issue proceeds		-	91,636.00
Loan repayment	21	(2,669.00)	(78,223.00)
Service Gratuity settlement	18	(15,502.00)	
Bank overdraft	21	13,004.00	(215.00)
Payment of Finance cost	11	(1,863.00)	(1,146.00)
<b>Net cash flow from financing activities</b>		<b>(7,030.00)</b>	<b>12,052.00</b>
<b>Net Cash Flow from the year 2015</b>		<b>(12,613.00)</b>	<b>10,174.00</b>
<b>Cash and Cash Equivalents at the Start of the Year</b>		<b>31,670.00</b>	<b>21,496.00</b>
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>19,057.00</b>	<b>31,670.00</b>



**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

*SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 2015*

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

**1. ACCOUNTING POLICIES**

**Statement of compliance**

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

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

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

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

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

**a) Basis of Preparation**

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

**b) Revenue Recognition**

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

**KENYA SAFARI LODGES AND HOTELS LIMITED**  
**Reports and Financial Statements**  
**For The Year Ended June 30, 2015**

*SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

**c) Property, Plant and Equipment**

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

Lodges are for a term of 50 years up to 2018 and 2019 respectively. Property, Plant and Equipment acquired under finance lease agreement are capitalized at the date of the agreement. The interest element of each installment is charged to the Profit and Loss account in the period in which each installment falls due. Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in the profit and loss account. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings. 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	3.3 - 5.4%
Plant, Machinery, Furniture & Fittings	12.50%
Vehicles	25%
Computers	33.30%
Intangible assets (soft ware's)	33.30%

**d) Intangible Assets**

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

**e) Inventories**

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



## KENYA SAFARI LODGES AND HOTELS LIMITED

### Reports and Financial Statements

For The Year Ended June 30, 2015

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

**f) Foreign Currency**

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

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

**g) Trade Receivables**

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

**h) Loans/Bank Borrowings**

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

**i) Trade Payables**

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

**j) Taxation**

Current taxation is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognized for all deductible **temporary** differences, carry forward of unusual tax losses and unused tax credits

to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilized.

**k) Employee Benefit Costs**

The company operates a pension scheme which commenced 1<sup>st</sup> January 1975 RBA 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 rules.

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2015**

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

Being a Defined Contribution scheme liability is limited to the contribution and the organization has no obligation if the fund does not have sufficient funds to pay members retirement funds. Employer and Employee contribution rate is 10% and 5% respectively. The scheme net asset available for benefit as at December 2014 was Kshs 68,259,304.

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

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

**Provision for staff leave and service pay**

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

Employees' entitled to annual leave are charged to the Income Statement as they fall due. Employees on contract are entitled to gratuity at the end of the contract or employment, whichever comes earlier. The estimated monetary liability for such entitlement at the end of the balance sheet date is recognized as an expense accrual.

**l) Dividends**

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

**m) Cash & Cash Equivalents**

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

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



**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2015**

**NOTES TO THE FINANCIAL STATEMENTS**

	2015 Kshs'000	2014 Kshs'000
<b>2.TURNOVER</b>		
Accommodation	79,026	114,775
Food	125,991	200,713
Beverage	18,953	32,395
Tobacco	267	311
Telephone	1	8
Laundry	238	338
Business Center	662	1,163
Functions	5,743	11,423
Petrol and oil	4	15
Sporting Facilities	1,683	1,201
	<b>232,568</b>	<b>362,343</b>
<b>3A.OTHER INCOME</b>		
Rent	1,782	1,892
Sales of Fixed Assets	1,792	0
Other income	3,839	11,326
	<b>7,413</b>	<b>13,218</b>
<b>3B. FINANCE INCOME</b>		
Foreign Exchange Gain	5,463	11,957
Interest Income	420	535
	<b>5,883</b>	<b>12,492</b>

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

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

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

**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2015**

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

**4. COST OF SALES**

Food	50,123	73,736
Drinks	7,434	11,891
Tobacco	339	312
Telephone	0	0
Functions	3,657	4,459
Petrol and Oil	0	1
	<b>61,553</b>	<b>90,399</b>

**5. OPERATING COSTS**

Electricity	20,397	23,427
Fuel & Gas	21,150	26,456
Water	10,947	8,802
Laundry & Cleaning	7,674	10,597
Vehicle operating costs	3,243	3,704
Guest entertainment	3,342	8,080
Others	3,300	3,494
	<b>70,053</b>	<b>84,560</b>

**6. EMPLOYMENT COSTS**

Salaries and Wages	106,676	115,744
Staff Expenses	56,606	65,390
Staff Travel	11,408	10,945
	<b>174,690</b>	<b>192,079</b>

**7A. ADMINISTRATIVE COSTS**

Audit Fees	450	450
Professional Fees	2,141	1,214
Directors Expenses	1,398	1,792
Bad Debts provision	2,090	2,950
Bad Debts written off	0	0
Legal Fees	812	122
Office Expenses	6,236	6,458
General Expenses	7,865	8,701
	<b>20,992</b>	<b>21,687</b>



**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2015**

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

	2015 Kshs'000	2014 Kshs'000
<b>7 B. Contingency liability</b>	<b>5,754</b>	<b>72,415</b>

The figure for Contingency liability above relates to penalty for non submission of staff pension dues amounting to Kshs.1,206,127.49, Kshs. 104,000.00 penalty for long overdue debt for Ngulia project of Kshs.104,000.00 and increase in staff service pay provision of Kshs. 4,444,020.97.

**8. REPAIRS & RENEWALS EXPENSES**

Building	3,526	4,982
Plant & Machinery	5,317	7,738
Motor Vehicles	1,443	2,519
Others	2,967	3,759
	<b>13,253</b>	<b>18,998</b>

**9. ADVERTISING & PROMOTION**

Advertising Expenses	535	1,178
Sales Promotion	7,381	5,540
	<b>7,916</b>	<b>6,718</b>

**10. GENERAL CHARGES**

Rent & rates	2,941	4,821
Insurance	3,854	5,019
Gardens & Grounds	28	228
Maintenance Contracts	1,880	2,263
	<b>8,703</b>	<b>12,331</b>

**11. FINANCE COSTS**

Long/Short -term interest	0	0
Bank charges including overdraft	1,863	1,146
	<b>1,863</b>	<b>1,146</b>

**12. TAXATION**

Tax charge for the year is nil (the company has recorded a loss of Kshs. 137,243,000.00 bringing accumulative loss to Kshs. 257,187,000.00)

**13. PROPERTIES, PLANT AND EQUIPMENT**

	LAND & BUILDINGS Kshs'000	PLANT & MACHINERY Kshs '000	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	WIP Kshs '000	TOTAL Kshs '000
<b>COST/VALUATION</b>						
TOTAL as at 30/06/2014	1,055,340	111,043	18,768	16,292	150	1,201,593
Prior year adjustment		115	1	(116)		-
Disposal		(1091)	(4148)	(123)		(5362)
Additions	2,152	566		730		3,448
Depreciating fully depreciated						
TOTAL as at 30/06/2015	1,057,492	110,633	14,621	16,783	150	1,199,679
Comprising						
Cost	168,693	17,171	14,621	16,783	150	217,418
Valuation	390,140	70,133	-	-	-	460,273
Valuation 2010	498,659	23,329	-	-	-	521,988
<b>DEPRECIATION</b>						
Balance as at 01/07/2014	283,116	71,440	17,517	14,804	-	386,877
Prior year adjustment		(1)	1	6		6
Disposal		(1073)	(3523)	(123)		(4719)
Charge for the year						
Comprising of Cost	7,233	8,025	626	2,082		17,966
- Valuation	21,825	4,607		8		26,440
Total	29,058	11,558	(2,896)	1,973		39,693
Total accumulated depreciation	312,174	82,998	14,621	16,777		426,570
NET BOOK VALUE 30/06/14	772,224	39,603	1,251	1,488	150	814,716
NET BOOK VALUE 30/06/15	745,318	27,635	-	6	150	773,109



**KENYA SAFARI LODGES AND HOTELS LIMITED**

**Reports and Financial Statements**

**For The Year Ended June 30, 2015**

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

**PROPERTIES, PLANT AND EQUIPMENT**

**AS AT 30<sup>TH</sup> JUNE 2014**

	LAND & BUILDINGS Kshs'000	PLANT & MACHINERY Kshs '000	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	WIP Kshs '000	TOTAL Kshs '000
<b>COST/VALUATION</b>						
<b>TOTAL as at 30/06/2013</b>	<b>1,031,043</b>	<b>106,929</b>	<b>18,768</b>	<b>15,228</b>	<b>19,392</b>	<b>1,191,360</b>
Prior year adjustment	19,276	-	-		(19,242)	34
Disposal	-	-		-	-	0
Additions	5,021	4,114	-	1,064		10,199
<b>TOTAL as at 30/06/2014</b>	<b>1,055,340</b>	<b>111,043</b>	<b>18,768</b>	<b>16,292</b>	<b>150</b>	<b>1,201,593</b>
Comprising						0
Cost	166,541	17,581	18,768	16,292	150	219,332
Valuation	390,140	70,133	-	-	-	460,273
Valuation 2010	498,659	23,329	-	-	-	521,988
<b>DEPRECIATION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>0</b>
Balance as at 01/07/2013	256,116	58,508	15,877	12,463	-	342,964
Prior year adj	2	-	-	-		2
Disposal	-		-			0
Charge for the year						0
Comprising of Cost	3,364	6,587	1,640	2,341		13,932
- Valuation	23,634	6,345	-	-	-	29,979
Total	27,000	12,932	1,640	2,341	-	43,913
<b>Total accumulated depreciation</b>	<b>283,116</b>	<b>71,440</b>	<b>17,517</b>	<b>14,804</b>	<b>-</b>	<b>386,877</b>
<b>NET BOOK VALUE 30/06/13</b>	<b>799,224</b>	<b>48,421</b>	<b>2,891</b>	<b>2,765</b>	<b>19,392</b>	<b>872,693</b>
<b>NET BOOK VALUE 30/06/14</b>	<b>772,224</b>	<b>39,603</b>	<b>1,251</b>	<b>1,488</b>	<b>150</b>	<b>814,716</b>

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**13A. INTANGIBLE ASSETS**  
**AS AT 30<sup>TH</sup> JUNE 2015**

	SOFT WARES Kshs '000'
<b>COST/VALUATION</b>	
<b>TOTAL as at 30/06/2014</b>	<b>3,845</b>
Prior year adjustment	
Disposal	
Additions	
Amortization	
fully amortized	
<b>TOTAL as at 30/06/2015</b>	<b>3,845</b>
Comprising	
Cost	3,845
Valuation	-
Valuation 2010	-
<b>AMORTISATION</b>	
Balance as at 01/07/2014	2,751
Prior year adjustment	
Disposal	
Charge for the year	
Comprising of Cost	364
- Valuation	
Total	364
<b>Total accumulated</b>	<b>3,115</b>
<b>NET BOOK VALUE 30/06/14</b>	<b>1,094</b>
<b>NET BOOK VALUE 30/06/15</b>	<b>730</b>



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

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**INTANGIBLE ASSETS**  
**AS AT 30<sup>TH</sup> JUNE 2014**

	SOFT WARES Kshs '000'
<b>COST/VALUATION</b>	
<b>TOTAL as at 30/06/2013</b>	<b>3,665</b>
Prior year adjustment	-
Disposal	-
Additions	180
<b>TOTAL as at 30/06/2014</b>	<b>3,845</b>
Comprising	
Cost	3,845
Valuation	-
Valuation 2010	-
<b>AMORTISATION</b>	
Balance as at 01/07/2013	<b>2,691</b>
Prior year adj	
Disposal	
Charge for the year	
Comprising of Cost	60
- Valuation	-
Total	60
<b>Total accumulated</b>	<b>2,751</b>
<b>NET BOOK VALUE 30/06/13</b>	<b>974</b>
<b>NET BOOK VALUE 30/06/14</b>	<b>1,094</b>

**KENYA SAFARI LODGES AND HOTELS LIMITED**

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**14. INVENTORIES**

	2015 Kshs'000	2014 Kshs'000
Food	664	2,998
Beverage	1,603	2,282
Tobacco	87	100
Stationary	206	218
Others	5,896	8,467
<b>Total</b>	<b>8,456</b>	<b>14,065</b>

**15. TRADE AND OTHER  
RECEIVABLE**

Trade debtors,	97,427	106,706
Bad debts provision	(8,208)	(6,118)
Other debtors and prepayments	7,699	8,814
<b>Total</b>	<b>96,918</b>	<b>109,403</b>

**16.SHARE CAPITAL**

Authorised, issued and fully paid 5,047,724

Ordinary shares  
of Kshs. 20/= each.

**SHAREHOLDERS**

Tourism Finance Corporation (TFC).	82.45 %	<b>100,954</b>	<b>100,954</b>
Mountain Lodge	17.53 %		
Kenya National Parks	0.02%		

**17.REVALUATION RESERVE**

Balance b/f	621,770	651,749
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Depreciation transferred to retained earnings relates to revaluation gain on assets (crystal valuers 2010)  
Balance C/F

(26,440)	(29,979)
<b>595,330</b>	<b>621,770</b>

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	2015 Kshs'000	2014 Kshs'000
<b><u>18. BORROWING LONG TERM</u></b>		
KCB asset financing	0	1,712
Service Gratuity (gratuity 57,084+ leave pay 2,262 =59,346)	59,346	74,848
<b>Total</b>	<b>59,346</b>	<b>76,560</b>

<b><u>19. TRADE AND OTHER PAYABLES</u></b>		
Trade creditors	107,606	99,549
Unearned income	4,392	5,334
Accruals	13,014	1,673
Other Payables including VAT & CLT	245,751	175,298
<b>Total</b>	<b>370,763</b>	<b>281,854</b>

<b><u>20. CASH &amp; CASH EQUIVALENT</u></b>		
Cash investments (Fixed deposit held at KCB TRY SQ Acc No 1124550186)	17,000	5,728
Cash in hand	1,071	1,447
Dollar equivalent KCB \$ A/C	908	3,577
Cash in Bank BBKA/C	78	81
Cash in KCB KSH A/C	0	20,837
<b>Total</b>	<b>19,057</b>	<b>31,670</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><u>21. BORROWING SHORT TERM</u></b>		
Bank Overdraft	14,805	1,801

KCB asset financing (desalination plant 36months@  
Kshs 222,421.47 20% interest).

1,712	2669
<b>16,517</b>	<b>4,470</b>

The bank overdraft is secured by cash investment Fixed Deposit.

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**22. OTHER PAYABLES**

Other payables represent municipal charges, Legal fees and penalty on unpaid pension contribution

2015 Kshs'000	2014 Kshs'000
<b>12,547</b>	<b>5,283</b>

**23. DIVIDENDS**

No dividends were declared during the year.

**24. CONTINGENT LIABILITIES**

Included under here, were Service charge Accruals, gratuity for all staff, leave and off-days earned by staff at the end of the year amounting to Kshs. 59,346,000 and risk exposure of Kshs1,692,350 on all legal matters pending in courts.

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

**25. SUBSEQUENT EVENTS**

No other events have become known or occurred that may lead to significant changes to these financial statements. These would be like court judgments or regulatory decisions that may affect reported assets/liabilities or adversely reflect upon the integrity of the decision-makers.

**26. RELATED PARTY TRANSACTIONS**

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

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



During the year TFC has given the company business through conference and workshops.

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;

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<b>ORGANIZATION</b>	<b>Amounts Kshs</b>
Ministry of Finance & Planning	13,203,640.00
Office of The President	13,135,693.00
Taita Taveta County	10,591,305.00
Kenya School of Government	9,026,405.00
Judiciary Commission Of Inquiry	5,490,800.00
Min of Justice and Constitutional Affairs	4,093,084.50
Ministry of Lands	3,527,780.00
Ministry of East Africa and Commerce	3,386,580.00
Ministry of Education	2,697,860.00
Kenya Anti Corruption	2,687,570.00
Ministry of Defence	2,667,150.00
County Government of Kajiado	2,232,285.00
NEEMA	1,921,200.00
Institute of Internal Auditors	1,912,010.00
NHIF	1,406,970.00
National Council for people with disability	1,237,000.00
Transition Authority	1,025,260.00
Kenya Wildlife Service	794,000.00

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

**27. RISK MANAGEMENT**

**Going Concern**

The current state of the company has a negative working capital of Kshs (275,071,000), with current assets of Kshs 124,418,000 as compared to current liabilities of Kshs 399,489,000. This state of affair attributed mainly by the company decreasing revenues and profitability experienced in the last three years.

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

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**Performance analysis**

Kshs '000	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
<b>REVENUE</b>	432,460	437,296	358,350	388,053	245,378
<b>Profit/Loss</b>	49,763	27,404	(33,322)	(126,272)	(137,243)

The Management is hopeful the company is going to move to profitability as the insecurity problem in the coastal region has been minimized and also the travel advisory have been lifted. Meanwhile the Management is in the process of reviewing its marketing strategies to ensure revenues start rising to enable the company reduce the trade creditors and also pay other liabilities.

The current liabilities include tax (VAT), (PAYE) and CLT arrears dating back to 2003. KRA officers undertook a tax audit towards the end of the year and final findings are yet to be submitted.

KSLH is also in the process of computing its deferred income tax from the period 2012 to 2014.

	Principal	Interest	Totals	Remarks
VAT	115,902,311		115,902,311	Penalties to be determined
WITHOLDING TAX	9,934,696		9,934,696	"
PAYE	60,901,720		60,901,720	"
CLT	23,521,399		23,521,399	"
PENSION	16,775,504.50	1,206,127.49	17,981,631.99	concluded
TRADE CREDITORS				

**28. MANAGEMENT FRAUD**

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

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**29. PROCEEDS ON SELL OF FIXED ASSETS AND NON CONSUMABLE STOCKS**

This relates to disposal of assets which had net book values as below

Date	Item	Cost Price	Sale price	NBV	Profit on disposal	Remarks
M/V	Double cabin	2,504,345	1,939,500	626,086	1,313,413	accident
M/V	KAQ	1,643,395	200,000		200,000	Disposal
		20,000				
MACHINES	Fridges					
MACHINES	Weighing scale	20,000				
MACHINES	Beds/mattresses	400,000	254,203		254,203	Disposal
MACHINES	Photocopier	345,900				
MACHINES	Televisions	140,000				
	Non consumable stocks e g beddings, utensils, others )		171,731			Disposal
MACHINES	LG TV	32,672	2,000	0	2,000	
MACHINES	Lawn mower	35,000	1,000	17,500	16,500	Disposal
MACHINES	Car washing machine	72,900	3,100	0	3,100	Disposal
MACHINES	Fridge	25,000	3,000	0	3,000	Disposal
COMP	Computer	123,000	200	0	200	Disposal
	<b>Total</b>	<b>5,362,212</b>	<b>2,574,734</b>	<b>643,586</b>	<b>1,792,416</b>	