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REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS  
OF MOUNT ELDGON LODGE LIMITED FOR THE YEAR ENDED 30 JUNE JUNE  
2001

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KENYA NATIONAL ASSEMBLY

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MT. ELGON LODGE LIMITED

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MT. ELGON LODGE LIMITED

DIRECTORS:

MRS S.C. MOSS - CHAIRPERSON  
PS - MINISTRY OF TOURISM & INFORMATION  
MR. G.N. MACHARIA  
MR. W.K.B. arap CHELASHAW  
MR. J.M. KHISA  
MR. W. WABULUWENYI

COMPANY SECRETARY:

MR. R.M. KIATTU

REGISTERED OFFICE:

UTALII HOUSE  
UHURU HIGHWAY  
P.O. BOX 42013  
NAIROBI

LODGE:

MT. ELGON LODGE LIMITED  
P.O. BOX 7  
ENDEBESS

AUDITORS:

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

BANKERS:

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

# MT. ELGON LODGE LIMITED

## REPORT OF THE DIRECTORS

The Directors submit their Report and the Draft Financial Statements for the year ended 30th June 2001.

## PRINCIPAL ACTIVITY

The Principal activity of the Company is that of Operating a Lodge in Mt. Elgon National Park.

## RESULTS

The results for the year are set out in detail on page 4.

## DIVIDEND

The Directors do not recommend the payment of a dividend.

## RESERVES

The Directors propose to carry forward the balance of accumulated losses amounting to Kshs. 7,307,235.

## AUDITORS

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

BY ORDER OF THE BOARD

  
SECRETARY

**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON  
THE ACCOUNTS OF MOUNT ELGON LODGE LIMITED FOR THE  
YEAR ENDED 30 JUNE 2001**

I have examined the Accounts of Mount Elgon Lodge Limited for the year ended 30 June 2001 in accordance with Section 29(2) of the Exchequer and audit Act (Cap 412). I have obtained all the information and explanations which were considered necessary for the purpose of the audit. Proper books of accounts have been kept and the Accounts, which have been prepared under the historical cost convention, are in agreement therewith and comply with the Companies Act, (Cap 486).

In my opinion, and except for the reservations set out herebelow, the Accounts, when read together with the Notes thereon, present a true and fair view of the financial state of affairs of the Lodge as at 30 June 2001 and of its loss and cash flows for the year then ended.

**1. FINANCIAL POSITION**

During the year 2002/2001 and as was the case in the previous year the Lodge incurred a loss of Kshs.358,818 which brought its cumulative losses to Kshs.7,307,235 as at 30 June 2001. The Balance Sheet as of the same date also reflects negative working capital as well as negative shareholders' funds of Kshs.2,026,933 and Kshs.5,461,455 respectively. In addition the Lodge was still unable to meet its financial obligations as and when they fell due and was, therefore, technically insolvent. Its continued operation as a going concern was, therefore, dependent on the support of its creditors and the Kenya Tourist Development Corporation.

**2. KENYA TOURIST DEVELOPMENT CORPORATIONS LOAN**

Included in the Lodge's Balance Sheet as at 30 June 2001 is a long term loan of Kshs.3,087,784 and an advance of Kshs.1,647,649 received by the Lodge from the Kenya Tourist Development Corporation between the years 1987 and 1993. The correct balance of the loan could, however, not be verified due to lack of supporting documents.

Accordingly, it has not been possible to confirm the accuracy of the total outstanding loan and advance balance of Kshs.4,735,433 reflected in the Accounts as owed to KTDC as at 30 June 2001.

### 3. DEBTORS AND PREPAYMENTS

As in previous years the Balance Sheet Debtors and Prepayments figure of Kshs.1,544.524 as at 30 June 2001 still includes Kshs.783,855, being debtors which have been outstanding for over 5 years and whose recoverability remains doubtful. The Lodge has neither indicated how it intends to recover the debts nor has a provision been made in these Accounts to cater for any of the debts which may eventually become uncollectable. In the circumstances it has, therefore, not been possible to confirm that the Debtors and Prepayments position is fairly stated in these Accounts.

  
S. M. MALUKI

AUDITOR GENERAL (CORPORATIONS)

6 August 2002

MT. ELGON LODGE LIMITED

BALANCE SHEET AS AT 30TH JUNE 2001

	<u>Notes:</u>	2001 <u>(Kshs)</u>	2000 <u>(Kshs)</u>
<u>FIXED ASSETS</u>	1	<u>1,300,911</u>	<u>1,208,911</u>
 <u>CURRENT ASSETS:-</u>			
Stock & Stores		26,538	73,980
Debtors & Prepayments		1,544,524	1,305,620
Cash & Bank balances		64,631	189,620
		<u>1,635,693</u>	<u>1,569,220</u>
 <u>CURRENT LIABILITIES:-</u>			
Creditors, accruals & provisions		3,662,626	3,382,430
African Tours & Hotels		0	689,040
		<u>3,662,626</u>	<u>4,071,470</u>
 NET CURRENT LIABILITIES		 <u>(2,026,933)</u>	 <u>(2,502,240)</u>
NET ASSETS		<u>(726,022)</u>	<u>(1,293,330)</u>
 <u>FINANCED BY:-</u>			
Share Capital	2	1,845,780	1,845,780
Accumulated Losses	5	<u>(7,307,235)</u>	<u>(7,637,462)</u>
Shareholders Funds		(5,461,455)	(5,791,682)
KTDC Advance		1,647,649	1,410,560
Long term loan - KTDC	3	<u>3,087,784</u>	<u>3,087,784</u>
		<u>(726,022)</u>	<u>(1,293,330)</u>

DIRECTOR

S. O. Njoroge

SIGNATURE

[Signature]

DIRECTOR

J. W. Munge

SIGNATURE

[Signature]

## MT. ELGON LODGE LIMITED

### TRADING PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2001

	2001 <u>(Kshs)</u>	2000 <u>(Kshs)</u>
Sales	1,625,039	1,056,088
Cost of Sales	<u>910,166</u>	<u>525,158</u>
	714,873	530,930
Other Income	<u>49,788</u>	<u>24,707</u>
<b>GROSS PROFIT</b>	<b><u><u>764,661</u></u></b>	<b><u><u>555,637</u></u></b>
 <b><u>EXPENDITURE</u></b>		
Salaries & Wages	353,021	656,066
Staff Expenses	130,775	90,677
Staff Travel	103,119	89,539
Property Upkeep & Expenses	43,780	34,103
Repairs & Renewals	5,022	9,098
Operating Costs	249,110	168,245
Office Expenses	56,323	7,416
Administration Expenses	49,255	47,558
Advertising & Promotion	28,404	6,164
General Charges	53,615	31,975
Central Services	10,000	10,000
Interest & Other Charges	6,000	0
Depreciation	<u>35,055</u>	<u>31,305</u>
<b>Total Expenditure</b>	<b><u>1,123,479</u></b>	<b><u>1,182,146</u></b>
<b>Net Profit/(Loss) for the year</b>	<b><u><u>(358,818)</u></u></b>	<b><u><u>(626,509)</u></u></b>



MT. ELGON LODGE LIMITED

TRADING PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH JUNE 2001

	2001 (Kshs)	2000 (Kshs)
<u>TURNOVER</u>	<u>1,625,039</u>	<u>1,056,088</u>
Profit(Loss) before Taxation	(358,818)	(626,509)
 <u>AFTER CHARGING</u>		
Depreciation	35,055	31,305
Directors Emoluments	0	0
Auditors Fees	40,000	40,000
 <u>TAXATION</u>		
Loss after taxation	(358,818)	(626,509)
Prior Year Adjustment	689,045	(570,615)
Retained Loss b/f	<u>(7,637,462)</u>	<u>(6,440,338)</u>
	<u>(7,307,235)</u>	<u>(7,637,462)</u>

## MT. ELGON LODGE LIMITED

### STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2001

<u>SOURCES</u>	<u>2001</u> <u>(Kshs)</u>	<u>2000</u> <u>(Kshs)</u>
<u>Cashflow from Operating activities</u>		
Net Profit/ (Loss) for the year	(358,818)	(626,509)
<u>Adjustments:</u>		
Prior Year Adjustment	0	(570,615)
Depreciation	35,055	31,305
Operating Profit/(Loss) before working capital charges	<u>(323,763)</u>	<u>(1,165,819)</u>
(Increase)/Decrease in Stocks	47,446	(35,732)
(Increase)/Decrease in Debtors	(238,902)	(51,636)
Increase/(Decrease) in Creditors	280,195	218,205
Cash generated from Operations	<u>(235,024)</u>	<u>(1,034,982)</u>
Taxes Paid	0	0
Net Cash Generated from operation	<u>(235,024)</u>	<u>(1,034,982)</u>
<u>Cashflow from Investing activities</u>		
Purchase of Fixed Assets	<u>(127,055)</u>	<u>(169,271)</u>
	<u>(362,079)</u>	<u>(1,204,253)</u>
<u>Cashflow from Financing activities</u>		
Increase in KTDC Advance	237,085	776,819
Loan Repayment	0	0
Net changes in Cash and Cash equivalent	<u>(124,994)</u>	<u>(427,434)</u>
Cash & Cash equivalent at the beginning	189,625	617,059
Cash & Cash equivalent at the end of the year	<u>64,631</u>	<u>189,625</u>
CASH IN HAND	<u>64,631</u>	<u>189,625</u>

# MT. ELGON LODGE LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2001

### 1. ACCOUNTING POLICIES

#### (a) ACCOUNTING CONVENTION

These accounts have been prepared under the historical cost convention

#### (b) TURNOVER

The turnover represents the amount receivable for services provided net of Government Taxes and Levies

#### (c) NO DEPRECIATION IS CHARGED ON LAND

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

BUILDINGS	2.5% p.a
FURNITURE & EQUIPMENT	12.5% p.a
MOTOR VEHICLE	25% p.a

#### (d) STOCKS

Stocks are valued at the lower of cost or net realisable value less further costs expected to be incurred.

#### (e) FOREIGN CURRENCY

Foreign currency transactions during the year were converted at the exchange rates ruling at the date of transactions and any gains or losses resulting there from were taken direct to the Profit and Loss account.

MT. ELGON LODGE LIMITED

1. SCHEDULE OF FIXED ASSETS AS AT 30TH JUNE 2001 - (KShs.)

	LAND & BUILDING	FURNITURE & FITTINGS	MACHINERY	MOTOR VEHICLE	TOTAL
<u>COSTS</u>					
AS AT 01.07.2000	1,127,326	204,861	476,956	116,010	1,925,153
Additions	127,055	0	0	0	127,055
Disposals	0	0	0	0	0
	1,254,381	204,861	476,956	116,010	2,052,208
<u>DEPRECIATION</u>					
As at 01.07.2000	0	204,861	395,371	116,010	716,242
Charge for the year	0	0	35,055	0	35,055
	0	204,861	430,426	116,010	751,297
<u>NET BOOK VALUE</u>					
As at 30.06.2001	1,254,381	0	46,530	0	1,300,911
As at 30.06.2000	1,127,326	0	81,585	0	1,208,911

Note:

1. Additions on Land & Building

The amount of Kshs. 127,055 being additions on Land & Building is Survey Fees paid to Challan Associates by KTDC

## MT. ELGON LODGE LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2001

#### 2 SHARE CAPITAL

	SHARES	AUTHORISED Kshs.
Kenya Tourist Development Corporation	67,289	1,345,780
Municipal Council of Kitale	12,500	250,000
Nzoia County Council	12,500	250,000
Issued Shares	92,289	1,845,780
Un-issued Shares	22,711	454,220
	115,000	2,300,000

#### NOTE

Each Ordinary Share is valued at Kshs.20/=

#### 3. LONG TERM LOAN - K.T.D.C.

The KTDC Long Term Loan is not secured formally and charging of interest has been deferred effective 1st July 1991. This follows KTDC Investment Guidelines of February 1991 which requires Investments to be stated on the basis of their earning power and realistic values.

The Loan is restructured as follows:-

	2001 (Kshs)	2000 (Kshs)
Principal Loan	1,412,418	1,412,418
Deferred Interest	1,675,366	1,675,366
	3,087,784	3,087,784

#### 4 CORPORATION TAX

Corporation tax has not been provided for since the Company incurred a loss.

#### 5 STATEMENT OF RETAINED PROFIT/(LOSS)

	2001 (Kshs)	2000 (Kshs)
Balance b/f	(7,637,462)	(6,440,338)
Prior Year Adjustments	689,045	(570,615)
Profit /(loss) for the year	(358,818)	(626,509)
Retained Profit/(loss) c/f	(7,307,235)	(7,637,462)

**MT. ELGON LODGE LIMITED**  
**TRIAL BALANCE AS AT 30TH JUNE 2001**

	DR	CR
<b><u>A. SALES:</u></b>		
Accommodation		332,993
Food - Resident		264,147
- Casual		129,634
Beverages		896,465
Tobacco		1,800
		1,625,039
<b><u>B. MISC. INCOME</u></b>		
Camping Fees		11,950
Service Charge		11,077
Other Income		26,761
		49,788
<b><u>C. COST OF SALES</u></b>		
Food	160,630	
Beverages	749,536	
	910,166	
<b><u>D. SALARIES &amp; WAGES</u></b>		
Administration	78,432	
Rooms	36,684	
Bar	52,350	
Food	79,872	
Maintenance	27,513	
NSSF Employees Contribution	5,520	
Gratuity	0	
Casuals	72,650	
	353,021	
<b><u>E. STAFF EXPENSES</u></b>		
Meals & Food Allowance	102,950	
Medical Expenses	27,825	
	130,775	
<b><u>F. STAFF TRAVEL</u></b>		
Leave Travel	0	
Travelling Expenses	103,119	
Staff Transport	0	
	103,119	
<b><u>G. PROPERTY UPKEEP &amp; EXPENSES</u></b>		
Building Maintenance	0	
Rent	2,400	
Garden & Grounds	11,380	
Rates	30,000	
	43,780	

## MT. ELGON LODGE LIMITED

### H. REPAIRS & RENEWALS

Plant & Machinery	5,022
Misc. Electrical & Tools	0
Furniture & Equipment	0
	<u>5,022</u>

### I. OPERATING COSTS

Fuel & Gas	159,326
Water Sanitation	19,240
Toilet Requisites	166
Kitchen Restaurant & Bar	17,983
Guest Supplies	0
Licences	52,395
	<u>249,110</u>

### J. OFFICE EXPENSES

Printing & Stationery	55,148
Office Miscellaneous	1,175
	<u>56,323</u>

### K. ADMINISTRATION EXPENSES

Audit Fees	40,000
Bank Charges	9,155
Legal Expenses	100
	<u>49,255</u>

### L. ADVERTISING & PROMOTION

Advertising & Marketing	0
Entertainment	21,000
Agents Commission	0
Bar Discount	7,404
	<u>28,404</u>

### M. GENERAL CHARGES

Flowers & Decorations	0
Insurance	36,025
Subscription	17,590
	<u>53,615</u>

### N. CENTRAL SERVICES

Secretarial Services	<u>10,000</u>
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## MT. ELGON LODGE LIMITED

### O. DEPRECIATION

Furniture & Equipment	0
Machinery	35,055
	35,055
	35,055

### P. INTEREST & OTHER CHARGES

Long Term Interest	0
Loss/Gain on Exchange	0
Directors Fees & Expenses	6,000
	6,000
	6,000

### Q. STOCKS & STORES

Food	3,388
Drinks	12,010
Tobacco	7,595
Consumable Stores	0
Containers	3,545
	26,538
	26,538

### R. DEBTORS & PREPAYMENT

Trade Debtors	395,332
Staff Debtors	317,312 *
Msafiri Debtors	296,033
Sundry Debtors & Prepayments	535,847
	1,544,524
	1,544,524

### S. CREDITORS & PROVISION

Trade Creditors	
Sundry Creditors & Provisions	25,587
	3,637,039
	3,662,626

### CASH AND BANK BALANCES

Barclays Bank - Kitale	59,976
Petty Cash	4,655
	64,631
	64,631

### FIXED ASSETS

Land & Building	1,254,381
Furniture & Fittings	204,861
Machinery	476,956
Motor Vehicle	116,010
	2,052,208
	2,052,208



MT. ELGON LODGE LIMITED

ACCUMULATED DEPRECIATION

Furniture & Fittings		204,861
Machinery		430,426
Motor Vehicle		116,010
		<u>751,297</u>
KTDC deferred loan interest		1,675,366
KTDC Loan		1,412,418
KTDC Advance		1,647,649
Retained Loss b/f	6,948,417	1,845,780
Share Capital		<u>12,669,963</u>
	<u>12,669,963</u>	