

**ORION HOTELS TANZANIA LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**COMPANY INFORMATION**

|                           |                  |                         |
|---------------------------|------------------|-------------------------|
| <b>BOARD OF DIRECTORS</b> | : Andrew Stuart  | (Nationality)<br>Kenyan |
|                           | : Claudia Stuart | Swiss                   |
|                           | : Robin Stuart   | Kenyan                  |

|  |  |
|--|--|
| <b>REGISTERED OFFICE AND<br/>PRINCIPAL PLACE OF BUSINESS</b> | : Plot No 4/2/1 Block House            |
|  | : Arusha CBD, Themis Ward Njiro Street |
|  | : Industrial Road                      |
|  | : Arusha                               |
|  | : Tanzania                             |

|                            |                           |
|----------------------------|---------------------------|
| <b>INDEPENDENT AUDITOR</b> | : PKF Associates Tanzania |
|                            | : P.O. Box 7323           |
|                            | : Dar-es-salaam           |
|                            | : Tanzania                |

|                          |                                  |
|--------------------------|----------------------------------|
| <b>COMPANY SECRETARY</b> | : Mohamed Osman Ibrahim          |
|                          | : Plot 1207 Block DDD Housed III |
|                          | : Wireless Street, Lindi Road    |
|                          | : Moshi CBD                      |
|                          | : Kilimanjaro                    |
| : Tanzania               |                                  |

|                          |   |
|--------------------------|---|
| <b>PRINCIPAL BANKERS</b> | : Diamond Trust Bank (Tanzania) Limited |
|                          | : Sokoine Road/ Naura Street            |
|                          | : P.O. Box 2502                         |
|                          | : Arusha                                |
|                          | : Tanzania                              |

|  |                                     |
|--|-------------------------------------|
|  | : I & M Bank (T) Limited            |
|  | : Plot No. 4, Block R, Sokoine Road |
|  | : P.O. Box 16821                    |
|  | : Arusha                            |
|  | : Tanzania                          |

**REPORT OF THE DIRECTORS**

The directors submit their report and the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of the company.

**INCORPORATION**

The Company was incorporated in Tanzania on 3 April 2008 under the Tanzania Companies Act, 2002 as a private company limited by shares through Certificate of incorporation no. 64958.

**PRINCIPAL ACTIVITY**

The Company's principal activity is the operation of tourist hotels, lodges and camps.

**RESULTS**

|                     | <b>2021</b><br><b>Tshs.</b> | <b>2020</b><br><b>Tshs.</b> |
|---------------------|-----------------------------|-----------------------------|
| Loss before tax     | (390,064,344)               | (1,007,705,620)             |
| Tax (charge)/credit | <u>(12,375,599)</u>         | <u>267,311,686</u>          |
| Loss for the year   | <u><u>(402,439,943)</u></u> | <u><u>(740,393,934)</u></u> |

**BUSINESS REVIEW**

During the year 2021, the turnover of the company increased from Tshs 1,797,594,678 to Tshs 3,096,953,310. This was mainly attributed to increase in number of guests during the year. On the ceasing of the Corona virus pandemic and restricted travel, the loss before tax decreased from Tshs 1,007,705,620 to a loss of Tshs 390,064,344 reflecting the effects of increased revenue.

As at 31 December 2021, the net asset position of the company was Tshs 789,794,198 compared to Tshs 1,192,234,141 as at 31 December 2020.

**KEY PERFORMANCE INDICATORS**

|                                | <b>2021</b>   | <b>2020</b>   |
|--------------------------------|---------------|---------------|
| Turnover (Tshs)                | 3,096,953,310 | 1,797,594,678 |
| Gross profit (Tshs)            | 2,166,485,231 | 1,191,517,907 |
| Gross profit margin (%)        | 70%           | 66%           |
| Loss for the year (Tshs)       | (402,439,943) | (740,393,934) |
| Net loss margin (%)            | -13%          | -41%          |
| Net asset (Tshs)               | 789,794,198   | 1,192,234,141 |
| Return on capital employed (%) | -46%          | -84%          |

**REPORT OF THE DIRECTORS (CONTINUED)**

| <b>CAPITAL STRUCTURE</b>                     |                                      | <b>2021<br/>Tshs</b>                 | <b>2020<br/>Tshs</b>               |
|--|--------------------------------------|--------------------------------------|------------------------------------|
| <b>Authorised, issued and fully paid:</b>    |                                      | <u>1,315,443,000</u>                 | <u>1,315,443,000</u>               |
| 1,315,443 ordinary shares of Tshs 1,000 each |                                      |                                      |                                    |
| 298,000 preference shares of Tshs 1,000 each |                                      | <u>298,000,000</u>                   | <u>298,000,000</u>                 |
|  | <b>2021<br/>Number of<br/>shares</b> | <b>2020<br/>Number of<br/>shares</b> | <b>2021<br/>Shareholding<br/>%</b> |
| <b>Authorised, issued and fully paid</b>     |                                      |                                      | <b>2020<br/>Shareholding<br/>%</b> |
| Orion Hotels Limited                         | 1,315,442                            | 1,315,442                            | 99%                                |
| Andrew Stuart                                | 1                                    | 1                                    | 1%                                 |
|  | <u>1,315,443</u>                     | <u>1,315,443</u>                     | <u>100%</u>                        |
| <b>Preference shares</b>                     |                                      |                                      |                                    |
| Orion Hotels Limited                         | <u>298,000</u>                       | <u>298,000</u>                       | <u>100%</u>                        |

**DIVIDENDS**

The directors do not recommend the declaration of a dividend for the year (2020: NIL)

**DIRECTORS**

The names of directors who held office during the year and to the date of this report are shown on page 1.

**RISK MANAGEMENT AND INTERNAL CONTROL**

The overall business environment continues to remain challenging and this has a resultant effect on overall demand of the company's products and services. The company's strategic focus is to enhance sales growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions and other factors such as the impact of the recent coronavirus outbreak.

The Board accepts final responsibility for the risk management and internal control system of the company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on going basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards the stakeholders.

**REPORT OF THE DIRECTORS (CONTINUED)**

**RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)**

**EMPLOYEES' WELFARE**

**Management/Employee relationship**

There were continued good relations between employees and management. There were no complaints received by management from the employees during the year, which remained unresolved.

The company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

**Training facilities**

The company has committed sufficient funds for training of staff, in order to improve their technical and soft skills. Training programs are continually being developed to ensure the employees are adequately trained at all levels. Further, as part of the training program, all employees receive training annually to upgrade their skills and enhance personal character development.

**Health and safety**

The company has strong and proactive health and safety management policies which ensure that a strong culture of safety prevails at all times within the company. A safe working environment is ensured for all employees by providing them with adequate and proper protective equipment, training and supervision as required.

**Employees pension scheme**

All eligible employees are members of the statutory National Social Security Fund (NSSF) to which the company and employees each contributes its 10% share of the employees' salary.

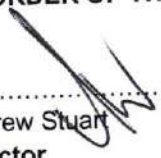
**SUBSEQUENT EVENTS**

No material events or circumstances have arisen between the accounting date and the date of this report that required either disclosure or adjustment in the financial statements.

**INDEPENDENT AUDITOR**

PKF Associates Tanzania (PKF) is the auditor of the Company for the year ended 31 December 2021. The address and other details of the auditor are shown on page 1. PKF has indicated their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of PKF as the auditor of the Company will be put to the Annual General Meeting.

**BY ORDER OF THE BOARD**

  
.....  
Andrew Stuart  
Director  
Arusha

28 JUNE 2022

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzania Companies Act, 2002 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company that disclose, with reasonable accuracy, the financial position of the company and that enables them to prepare financial statements of the company that comply with the International Financial Reporting Standard for Small and Medium Sized Entities and the requirements of the Tanzania Companies Act, 2002. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and in the manner required by the Tanzania Companies Act, 2002. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies;
- iii. Making accounting estimates and judgements that are reasonable in the circumstances;

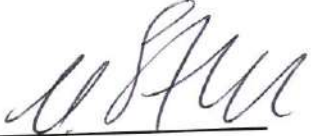
The Directors are of the opinion that the financial statements give a true and fair view of the company's financial position as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and the requirements of Tanzania Companies Act, 2002.

In preparing these financial statements the directors have assessed the company's ability to continue as a going concern. 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.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of Directors on 28 JUNE 2022 and signed on its behalf by:

  
\_\_\_\_\_  
Andrew Stuart  
Director

  
\_\_\_\_\_  
Claudia Stuart  
Director

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**DECLARATION OF THE HEAD OF FINANCE/ACCOUNTING OF ORION HOTELS TANZANIA LIMITED**

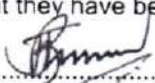
The National Board of Accountants and Auditors (NBAA) according to the powers conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as detailed under the Directors Responsibility statement on page 6.

In regard thereof, I RIZIKI MESSA being the Head of Finance of Orion Hotels Tanzania Limited hereby acknowledge my responsibility of ensuring that the company's financial statements for the year ended 31 December 2021 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Orion Hotels Tanzania Limited as of that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: outsourced Accountant

NBAA Membership No.: ACPA 2062

Date: 28 JUNE 2022

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF ORION HOTELS TANZANIA LIMITED**

**Opinion**

We have audited the financial statements of Orion Hotels Tanzania Limited set out on pages 10 to 24 which comprise the statement of financial position for the year ended 31 December 2021, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities (SME's) and the Tanzania Companies Act, 2002.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to Note 2 in the financial statements, which indicates that as at year end, the company had a loss of Tshs 402,439,943 (2020: 740,393,934) and net current liabilities of Tshs 2,079,302,566 (2020: Tshs 2,343,739,110). This condition along with other matters as stated in note 2 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The Directors are responsible for the other information. The other information comprises the companies information, report of the directors, statement of directors responsibilities, declaration of the head of finance and the schedule of expenditure but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors for the Financial Statements**

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the IFRS for small and medium sized entities, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF ORION HOTELS TANZANIA LIMITED (CONTINUED)****Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit carried out in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on other matters prescribed by the Tanzania Companies Act, 2002**

In our opinion the information given in the report of the directors report on page 2 - 5 is consistent with the financial statements.

As required by the Tanzania Companies Act, 2002 we report to you, based on our audit, that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- (iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

  
Certified Public Accountant (Dar es Salaam) PKF ASSOCIATES TANZANIA  
CPA (Innocent K. Mokaya), Registration certificate No. TACPA 834  
Signing partner responsible for the independent audit  
PKF Associates Tanzania  
Ref: PKF/A/O010/085/22/mg

Date: 28 JUNE 2022

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

|  | Notes | 2021<br>Tshs                | 2020<br>Tshs                |
|--|-------|-----------------------------|-----------------------------|
| Revenue                                      | 2     | 3,096,953,310               | 1,797,594,678               |
| Cost of sales                                |       | <u>(930,468,079)</u>        | <u>(606,076,771)</u>        |
| <b>Gross profit</b>                          |       | 2,166,485,231               | 1,191,517,907               |
| Selling and distribution expenses            |       | (10,708,113)                | (62,703,791)                |
| Administrative expenses                      |       | (1,700,593,677)             | (1,238,417,499)             |
| Other operating expenses                     |       | <u>(816,080,147)</u>        | <u>(888,389,612)</u>        |
| <b>Operating loss</b>                        | 3     | (360,896,706)               | (997,992,995)               |
| Finance costs                                | 5     | <u>(29,167,638)</u>         | <u>(9,712,625)</u>          |
| <b>Loss before tax</b>                       |       | (390,064,344)               | (1,007,705,620)             |
| Tax (charge)/credit                          | 6     | <u>(12,375,599)</u>         | <u>267,311,686</u>          |
| <b>Loss for the year</b>                     |       | <u>(402,439,943)</u>        | <u>(740,393,934)</u>        |
| <b>Other comprehensive income</b>            |       | <u>-</u>                    | <u>-</u>                    |
| <b>Total comprehensive loss for the year</b> |       | <u><u>(402,439,943)</u></u> | <u><u>(740,393,934)</u></u> |

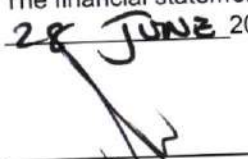
The notes on pages 14 to 24 form an integral part of these financial statements

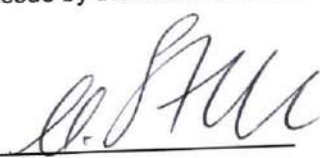
Report of the independent auditor - page 8 and 9.

**STATEMENT OF FINANCIAL POSITION**

|   | Notes | 2021<br>Tshs           | 2020<br>Tshs           |
|---|-------|------------------------|------------------------|
| <b>EQUITY</b>                                       |       |                        |                        |
| Ordinary share capital                              | 7     | 1,315,443,000          | 1,315,443,000          |
| Preference share capital                            | 7     | 298,000,000            | 298,000,000            |
| Revaluation reserve                                 |       | 250,029,773            | 384,661,190            |
| Retained earnings                                   |       | (1,073,678,575)        | (805,870,049)          |
| <b>Equity attributable to owners of the company</b> |       | <u>789,794,198</u>     | <u>1,192,234,141</u>   |
| <b>Non-current liabilities</b>                      |       |                        |                        |
| Borrowings  | 8     | <u>328,416,000</u>     | <u>213,360,000</u>     |
|   |       | <u>1,118,210,198</u>   | <u>1,405,594,141</u>   |
| <b>REPRESENTED BY</b>                               |       |                        |                        |
| <b>Non-current assets</b>                           |       |                        |                        |
| Property, plant and equipment                       | 10    | 3,111,852,641          | 3,603,250,828          |
| Intangible assets                                   | 11    | -                      | 48,046,701             |
| Deferred tax  | 9     | <u>85,660,123</u>      | <u>98,035,722</u>      |
|   |       | <u>3,197,512,764</u>   | <u>3,749,333,250</u>   |
| <b>Current assets</b>                               |       |                        |                        |
| Inventories   | 12    | 375,145,007            | 387,700,201            |
| Trade and other receivables                         | 13    | 100,062,086            | 111,746,548            |
| Cash and cash equivalents                           | 14    | 59,211,899             | 25,417,060             |
| Tax recoverable                                     |       | <u>137,277,534</u>     | <u>137,277,534</u>     |
|   |       | <u>671,696,526</u>     | <u>662,141,344</u>     |
| <b>Current liabilities</b>                          |       |                        |                        |
| Trade and other payables                            | 15    | 2,361,485,545          | 2,356,048,728          |
| Borrowings  | 8     | <u>389,513,547</u>     | <u>649,831,726</u>     |
|   |       | <u>2,750,999,092</u>   | <u>3,005,880,454</u>   |
| <b>Net current liabilities</b>                      |       | <u>(2,079,302,566)</u> | <u>(2,343,739,110)</u> |
|   |       | <u>1,118,210,198</u>   | <u>1,405,594,141</u>   |

The financial statements on pages 10 to 24 were approved and authorised for issue by the Board of Directors on 28 JUNE 2022 and were signed on its behalf by:

  
Andrew Stuart  
Director

  
Claudia Stuart  
Director

The notes on pages 14 to 24 form an integral part of these financial statements

Report of the independent auditor - page 8 and 9.

**STATEMENT OF CHANGES IN EQUITY**

|   | Ordinary<br>Share<br>capital<br>Tshs | Preferential<br>Share<br>capital<br>Tshs | Revaluation<br>reserve<br>Tshs | Retained<br>earnings<br>Tshs | Total<br>Tshs        |
|---|--------------------------------------|--|--------------------------------|------------------------------|----------------------|
| <b>Year ended 31 December 2021</b>        |                                      |  |                                |                              |                      |
| At start of year                          | 1,315,443,000                        | 298,000,000                              | 384,661,190                    | (805,870,049)                | 1,192,234,141        |
| Total comprehensive income for the year   | -                                    | -  | -                              | (402,439,943)                | (402,439,943)        |
| Transfer of excess depreciation           | -                                    | -  | (192,330,595)                  | 192,330,595                  | -                    |
| Deferred tax on depreciation transfer     | -                                    | -  | 57,699,179                     | (57,699,179)                 | -                    |
| At end of year                            | <u>1,315,443,000</u>                 | <u>298,000,000</u>                       | <u>250,029,773</u>             | <u>(1,073,678,575)</u>       | <u>789,794,198</u>   |
| <b>Year ended 31 December 2020</b>        |                                      |  |                                |                              |                      |
| At start of year                          | 1,315,443,000                        | 298,000,000                              | 1,091,668,458                  | (772,483,383)                | 1,932,628,075        |
| Total comprehensive loss for the year end | -                                    | -  | -                              | (740,393,934)                | (740,393,934)        |
| Transfer of excess depreciation           | -                                    | -  | (1,010,010,383)                | 1,010,010,383                | -                    |
| Deferred tax on depreciation transfer     | -                                    | -  | 303,003,115                    | (303,003,115)                | -                    |
| At end of year                            | <u>1,315,443,000</u>                 | <u>298,000,000</u>                       | <u>384,661,190</u>             | <u>(805,870,049)</u>         | <u>1,192,234,141</u> |

The notes on pages 14 to 24 form an integral part of these financial statements

Report of the independent auditor - page 8 and 9.

Orion Hotels Tanzania Limited  
Annual report and financial statements  
For the year ended 31 December 2021

**STATEMENT OF CASH FLOWS**

|  | Notes | 2021<br>Tshs         | 2020<br>Tshs         |
|--|-------|----------------------|----------------------|
| <b>Operating activities</b>                      |       |                      |                      |
| Cash from/(used in) from operations              | 16    | 261,743,573          | (371,870,124)        |
| Interest paid                                    |       | (62,995,075)         | (57,109,309)         |
| Tax paid   |       | -                    | (72,000,000)         |
| Net cash from/(used in) operating activities     |       | <u>198,748,498</u>   | <u>(500,979,433)</u> |
| <b>Investing activities</b>                      |       |                      |                      |
| Purchase of property, plant and equipment        | 10    | <u>(19,991,480)</u>  | <u>(80,526,803)</u>  |
| Net cash used in investing activities            |       | <u>(19,991,480)</u>  | <u>(80,526,803)</u>  |
| <b>Financing activities</b>                      |       |                      |                      |
| Proceeds from borrowings                         |       | 228,700,000          | 114,300,000          |
| Repayment of borrowings                          | 8     | <u>(99,863,562)</u>  | <u>(79,053,392)</u>  |
| Net cash from/(used in) financing activities     |       | <u>128,836,438</u>   | <u>35,246,608</u>    |
| Increase/(decrease) in cash and cash equivalents |       | <u>307,593,456</u>   | <u>(546,259,628)</u> |
| <b>Movement in cash and cash equivalents</b>     |       |                      |                      |
| At start of year                                 |       | (422,812,699)        | 123,446,930          |
| Increase/(decrease) in cash and cash equivalents |       | <u>307,593,456</u>   | <u>(546,259,628)</u> |
| At end of year                                   | 14    | <u>(115,219,243)</u> | <u>(422,812,699)</u> |

Report of the independent auditor - page 8 and 9.

## **NOTES: SIGNIFICANT ACCOUNTING POLICIES**

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

### **1. General information**

Orion Hotels Limited is a limited liability company incorporated in Tanzania. The address of its registered office and its principal place of business is in Arusha CBD, Themi Ward Njiro Street, Industrial Road Arusha.

### **2a) Basis of preparation and summary of significant accounting policies**

The financial statements of Orion Hotels Tanzania Limited have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). The adoption of the amendments has not resulted in any prior period restatements or other material changes in presentation.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Areas involving a higher degree of judgement or complexity, or are as where assumptions and estimations are significant to the financial statements, are disclosed in note 1 (b).

#### **Going concern**

The financial performance of the company is set out in the Director's report and in the statement of profit or loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

### **b) Key sources of estimation uncertainty**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

#### **Provision for doubtful debts**

Provision is made against accounts that in the estimation of management may be impaired. The management assesses the recoverability of the accounts receivables based on a range of factors, including the age of the balance and the credit worthiness of the customer. The management on a regular basis estimates the likely financial condition of the customer and their ability to subsequently make payments.

#### **Provision for inventory**

The Company evaluates its inventory to ensure it is carried at lower cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Provision for slow moving and obsolete inventories is assessed by each department as part of their on going financial reporting. Damaged inventories are identified and written down through the inventory counting procedures conducted within each department.

### **c) Revenue recognition**

The company recognises revenue from accommodation and related services. The company recognises revenue as and when it satisfies a performance of obligations by transferring obligation of goods and services to a customer. The amount of revenue recognised is the amount the company expect to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax and Bed Night Levy.

**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Property, plant and equipment**

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on straight line method to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

|                                       | <u>Rate %</u> |
|---------------------------------------|---------------|
| Tents and camps                       | 12.5          |
| Motor vehicles                        | 25            |
| Trailers and tractors                 | 25            |
| Furniture and fittings                | 12.5          |
| Kitchen equipment machinery and tools | 12.5          |
| Computer equipment and peripherals    | 37.5          |
| Crockery and utensils                 | 12.5          |
| Software                              | 33            |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

**e) Intangible assets**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which is estimated at three years.

**f) Impairment of non-financial assets other than inventories**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**g) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits with bank.

**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h) Financial assets**

Trade and other receivables are initially recognised at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method.

**i) Financial liabilities**

Financial liabilities are initially recognised at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

**j) Inventories**

Inventories comprise work in progress and are stated at the lower of cost and net realisable value. Cost is determined by the first-in-first-out (FIFO) basis and comprises all costs attributable to bringing the properties to their current location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Costs incurred on long term contracts where the profit is not yet recognised is reflected in work in progress, and stated at the lower of cost and net realisable value.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

**k) Borrowings**

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

**l) Provisions**

Provisions for restructuring costs and legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**m) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Tanzanian shillings at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Tanzanian shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**n) Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The company leases certain items of property, plant and equipment. Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The Company leases out (as an operating lease) an office building that it owns. The asset is included in the statement of financial position as an investment property. Rental income is recognised in accordance with the rental income accounting policy.

**o) Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the comprehensive income or in equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

**Offsetting**

An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**p) Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

The Company and its employees contribute to the statutory pension fund which is a defined contribution scheme. Contributions are determined by local statute and the Company's contributions are charged to the statement of comprehensive income in the year to which they relate.

**q) Share capital**

Ordinary shares are classified as equity.

**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**r) Impairment of assets**

At each reporting date, property, plant and equipment and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**s) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**NOTES (CONTINUED)**

| 2. Revenue from contracts with customers   | 2021<br>Tshs         | 2020<br>Tshs         |
|--|----------------------|----------------------|
| Recognised at a point in time:   |                      |                      |
| - Revenue from game package and flight transfers   | 2,507,988,172        | 1,418,905,403        |
| - Revenue from camp shop sales and other sales   | 169,444,018          | 169,406,366          |
| - Revenue from tanapa park and camping fees  | 324,437,077          | 185,811,557          |
| - Revenue from service charge  | 95,084,043           | 23,471,352           |
|  | <u>3,096,953,310</u> | <u>1,797,594,678</u> |
| <b>3. Operating loss</b>   |                      |                      |
| The following items have been charged in arriving at the operating loss  |                      |                      |
| Depreciation on property, plant and equipment (Note 10)  | 511,389,667          | 604,343,960          |
| Auditor's remuneration   | 10,341,000           | 13,423,244           |
| Rent and rates   | 33,354,000           | 34,403,050           |
| Staff costs (Note 4)   | 812,347,989          | 708,887,007          |
|  | <u>812,347,989</u>   | <u>708,887,007</u>   |
| <b>4. Staff costs</b>  |                      |                      |
| Salaries and wages   | 534,803,440          | 526,369,280          |
| Other staff costs  | 217,254,286          | 123,870,095          |
| National social security fund contributions  | 60,290,263           | 58,647,632           |
|  | <u>812,347,989</u>   | <u>708,887,007</u>   |
| <b>5. Finance costs</b>  |                      |                      |
| Foreign exchange gain  | (33,827,437)         | (47,396,684)         |
| Interest expense   | 62,995,075           | 57,109,309           |
|  | <u>29,167,638</u>    | <u>9,712,625</u>     |
| <b>6. Tax</b>  |                      |                      |
| Current tax  | -                    | -                    |
| Prior year current tax - 2016 and 2018   | -                    | 35,000,000           |
| Deferred tax credit (Note 9)   | 12,375,599           | (302,311,686)        |
| <b>Tax charge</b>  | <u>12,375,599</u>    | <u>(267,311,686)</u> |
| The tax on the company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows: |                      |                      |
| Loss before tax  | (390,064,344)        | (1,007,705,620)      |
| Tax calculated at a tax rate of 30% (2020: 30%)  | (117,019,303)        | (302,311,686)        |
| Tax effect of:   |                      |                      |
| - expenses not deductible for tax purpose  | 129,394,902          | -                    |
| - prior year current tax - 2016 and 2018   | -                    | 35,000,000           |
| <b>Tax charge</b>  | <u>12,375,599</u>    | <u>(267,311,686)</u> |

**NOTES (CONTINUED)**

|   | 2021<br>Tshs         | 2020<br>Tshs         |
|---|----------------------|----------------------|
| <b>7. Share capital</b>   |                      |                      |
| <b>Authorised, issued and fully paid:</b>   |                      |                      |
| 1,315,443 (2020: 1,315,443) ordinary shares of Tshs 1,000 each                          | <u>1,315,443,000</u> | <u>1,315,443,000</u> |
| 298,000 (2020: 298,000) preference shares of Tshs 1,000 each                            | <u>298,000,000</u>   | <u>298,000,000</u>   |
| <b>8. Borrowings</b>  |                      |                      |
| <b>Non-current</b>  | <u>328,416,000</u>   | <u>213,360,000</u>   |
| Term loan - Diamond Trust Bank Tanzania Limited   |                      |                      |
| <b>Current</b>  |                      |                      |
| Bank overdraft - Diamond Trust Bank Tanzania Limited (Note 14)                          | 174,431,142          | 448,229,759          |
| Term loan - Diamond Trust Bank Tanzania Limited   | 110,304,000          | 15,240,000           |
| Orion Hotels Limited (Note 17 (iii))  | 104,778,405          | 114,300,000          |
| Private Safaris Switzerland DER Touristk Suisse AG (Kuoni loan)                         | -                    | 72,061,967           |
| <b>Total borrowings</b>   | <u>389,513,547</u>   | <u>649,831,726</u>   |
| <b>Reconciliation of liabilities arising from borrowings excluding bank overdrafts:</b> |                      |                      |
| At start of year  | 414,961,967          | 379,715,359          |
| Interest charged to profit or loss  | 43,543,006           | 57,109,309           |
| Foreign exchange loss   | (300,000)            | -                    |
| Reclassification from trade and other payables  |                      |                      |
| Cash flows:   |                      |                      |
| - Operating activities (interest paid)  | (43,543,006)         | (57,109,309)         |
| - Proceeds from borrowings  | 228,700,000          | 114,300,000          |
| - Repayments of borrowings  | (99,863,562)         | (79,053,392)         |
| At end of year  | <u>543,498,405</u>   | <u>414,961,967</u>   |

The company has a Diamond Trust Bank Tanzania Limited Overdraft facility of USD 300,000 and a Term loan facility of USD 500,000.

The bank borrowings are secured by:

- i) Fixed and floating debenture over all the current and future assets of Orion Hotels Tanzania Limited (including movable properties). (Charged for USD 800,000/= plus Interest and Other charges).
- ii) Joint and several guarantee of the directors of the company:
  - Mr. Andrew Stuart
  - Mrs. Claudia Stuart
  - Mr. Robin Stuart
- iii) Corporate guarantee of Orion Hotels Limited

The carrying amounts of the company's borrowings are denominated in US Dollars.

Weighted average effective interest rates on bank borrowings at the reporting date were:

|                | 2021<br>Tshs<br>%          | 2020<br>Tshs<br>%          |
|----------------|----------------------------|----------------------------|
| Bank overdraft | 9                          | 9                          |
| Bank term loan | <u>12 Month Libor + 3%</u> | <u>12 Month Libor + 3%</u> |

The other loans are unsecured and are payable on demand.

Undrawn facilities as at the reporting date were as follows:

|                | 2021<br>USD | 2020<br>USD |
|----------------|-------------|-------------|
| Bank overdraft | 223,663     | 103,924     |
| Bank term loan | 200,000     | 300,000     |

The related party loan is denominated in USD, is unsecured with fixed repayment terms. It attracts interest of 7% per annum.

**9. Deferred tax**

Deferred tax is calculated in full on all temporary timing differences under the liability method using a tax rate of 30% (2020:30%). The movement on the deferred tax account is as follows:

|                                   | 2021<br>Tshs        | 2020<br>Tshs         |
|-----------------------------------|---------------------|----------------------|
| At start of year                  | (98,035,722)        | 204,275,964          |
| Charge to profit or loss (Note 6) | <u>12,375,599</u>   | <u>(302,311,686)</u> |
| At end of year                    | <u>(85,660,123)</u> | <u>(98,035,722)</u>  |

Deferred tax (assets) and liabilities, deferred tax charge/(credit) in profit or loss are attributable to the following items:

|  | At start<br>of year<br>Tshs | Charge/(credit)<br>to profit or loss<br>Tshs | At end<br>of year<br>Tshs |
|--|-----------------------------|--|---------------------------|
| <b>Deferred tax (assets)/liabilities</b> |                             |  |                           |
| Property, plant and equipment            | 205,916,873                 | (14,138,641)                                 | 191,778,232               |
| - Accelerated capital allowance          | (9,365,890)                 | -  | (9,365,890)               |
| Unrealised exchange differences          | <u>(294,586,705)</u>        | <u>26,514,240</u>                            | <u>(268,072,465)</u>      |
| Tax losses                               |                             |  |                           |
| Deferred tax charge                      | <u>(98,035,722)</u>         | <u>12,375,599</u>                            | <u>(85,660,123)</u>       |

10. Property, plant and equipment

Year ended 31 December 2021

|                                 | Tents and camps<br>Tshs | Motor vehicles<br>Tshs | Tractors and trailers<br>Tshs | Furniture and fittings<br>Tshs | Other machinery and equipment<br>Tshs | Computer and peripherals<br>Tshs | Crockery and utensils<br>Tshs | Total<br>Tshs        |
|---------------------------------|-------------------------|------------------------|-------------------------------|--------------------------------|---------------------------------------|----------------------------------|-------------------------------|----------------------|
| <b>Cost</b>                     |                         |                        |                               |                                |                                       |                                  |                               |                      |
| At start of year                | 5,031,490,423           | 1,824,668,470          | 11,381,836                    | 870,731,682                    | 1,049,606,832                         | 59,308,389                       | 6,907,506                     | 8,854,095,138        |
| Additions                       | -                       | -                      | -                             | 14,214,123                     | 4,065,154                             | 1,712,203                        | -                             | 19,991,480           |
| At end of year                  | 5,031,490,423           | 1,824,668,470          | 11,381,836                    | 884,945,806                    | 1,053,671,986                         | 61,020,592                       | 6,907,506                     | 8,874,086,619        |
| <b>Accumulated depreciation</b> |                         |                        |                               |                                |                                       |                                  |                               |                      |
| At start of year                | 2,918,520,259           | 1,380,041,881          | 9,761,261                     | 427,988,241                    | 465,520,571                           | 44,515,748                       | 4,496,350                     | 5,250,844,310        |
| Charge for the year             | 264,121,271             | 108,716,332            | -                             | 57,055,071                     | 75,006,281                            | 6,490,712                        | -                             | 511,389,667          |
| At end of year                  | 3,182,641,529           | 1,488,758,213          | 9,761,261                     | 485,043,312                    | 540,526,852                           | 51,006,459                       | 4,496,350                     | 5,762,233,977        |
| <b>Net carrying amount</b>      | <u>1,848,848,894</u>    | <u>335,910,257</u>     | <u>1,620,575</u>              | <u>399,902,494</u>             | <u>513,145,133</u>                    | <u>10,014,133</u>                | <u>2,411,156</u>              | <u>3,111,852,641</u> |

Year ended 31 December 2020

|                                 | Tents and camps<br>Tshs | Motor vehicles<br>Tshs | Tractors and trailers<br>Tshs | Furniture and fittings<br>Tshs | Other machinery and equipment<br>Tshs | Computer and peripherals<br>Tshs | Crockery and utensils<br>Tshs | Total<br>Tshs        |
|---------------------------------|-------------------------|------------------------|-------------------------------|--------------------------------|---------------------------------------|----------------------------------|-------------------------------|----------------------|
| <b>Cost</b>                     |                         |                        |                               |                                |                                       |                                  |                               |                      |
| At start of year                | 5,029,877,803           | 1,813,286,634          | 11,381,836                    | 812,462,741                    | 1,042,834,053                         | 56,817,762                       | 6,907,506                     | 8,773,568,335        |
| Additions                       | 1,612,620               | 11,381,836             | -                             | 58,268,941                     | 6,772,779                             | 2,490,627                        | -                             | 80,526,803           |
| At end of year                  | 5,031,490,423           | 1,824,668,470          | 11,381,836                    | 870,731,682                    | 1,049,606,832                         | 59,308,389                       | 6,907,506                     | 8,854,095,138        |
| <b>Accumulated depreciation</b> |                         |                        |                               |                                |                                       |                                  |                               |                      |
| At start of year                | 2,616,667,378           | 1,235,086,772          | 9,761,261                     | 364,813,036                    | 380,379,842                           | 35,640,163                       | 4,151,899                     | 4,646,500,350        |
| Charge for the year             | 301,852,881             | 144,955,109            | -                             | 63,175,205                     | 85,140,729                            | 8,875,585                        | 344,451                       | 604,343,960          |
| At end of year                  | 2,918,520,259           | 1,380,041,881          | 9,761,261                     | 427,988,241                    | 465,520,571                           | 44,515,748                       | 4,496,350                     | 5,250,844,310        |
| <b>Net carrying amount</b>      | <u>2,112,970,165</u>    | <u>444,626,589</u>     | <u>1,620,575</u>              | <u>442,743,441</u>             | <u>584,086,261</u>                    | <u>14,792,641</u>                | <u>2,411,156</u>              | <u>3,603,250,828</u> |

The company's property, plant and equipment is secured on the bank borrowings (Note 8)

**NOTES (CONTINUED)**

**11. Intangible assets - Guest booking software**

|                  | <b>2021<br/>Tshs</b> | <b>2020<br/>Tshs</b>     |
|------------------|----------------------|--------------------------|
| <b>Cost</b>      |                      |                          |
| At start of year | 48,046,701           | 48,046,701               |
| Impairment       | <u>(48,046,701)</u>  | <u>-</u>                 |
| At end of year   | <u><u>-</u></u>      | <u><u>48,046,701</u></u> |

**12. Inventories**

|                   |                           |                           |
|-------------------|---------------------------|---------------------------|
| Food              | 12,456,571                | 11,109,069                |
| Beverages         | 27,128,616                | 25,368,346                |
| Other inventories | <u>335,559,820</u>        | <u>351,222,786</u>        |
|                   | <u><u>375,145,007</u></u> | <u><u>387,700,201</u></u> |

**13. Trade and other receivables**

|  |                           |                           |
|--|---------------------------|---------------------------|
| Trade receivables                            | 2,102,593                 | -                         |
| Other receivables and prepayments            | 96,447,957                | 95,874,576                |
| Receivables from related party (Note 17 (i)) | 1,511,536                 | 11,045,853                |
| Receivables from directors                   | <u>-</u>                  | <u>4,826,120</u>          |
| <b>Total trade and other receivables</b>     | <u><u>100,062,086</u></u> | <u><u>111,746,548</u></u> |

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair values.

**14. Cash and cash equivalents**

|              | <b>2021<br/>Tshs</b>     | <b>2020<br/>Tshs</b>     |
|--------------|--------------------------|--------------------------|
| Cash in hand | 9,626,089                | 5,831,729                |
| Bank balance | <u>49,585,810</u>        | <u>19,585,331</u>        |
|              | <u><u>59,211,899</u></u> | <u><u>25,417,060</u></u> |

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

|                         | <b>2021<br/>Tshs</b>        | <b>2020<br/>Tshs</b>        |
|-------------------------|-----------------------------|-----------------------------|
| Cash and bank balances  | 59,211,899                  | 25,417,060                  |
| Bank overdraft (Note 8) | <u>(174,431,142)</u>        | <u>(448,229,759)</u>        |
|                         | <u><u>(115,219,243)</u></u> | <u><u>(422,812,699)</u></u> |

The Company's bank balances are held with major Tanzanian financial institutions and in so far the directors are able to measure any credit risk to their assets. It is deemed to be limited.

**NOTES (CONTINUED)**

| <b>15. Trade and other payables</b>        | <b>2021<br/>Tshs</b> | <b>2020<br/>Tshs</b> |
|--|----------------------|----------------------|
| Trade payables                             | 228,785,887          | 200,969,016          |
| Advance receipt from customers             | 1,803,185,142        | 1,936,922,009        |
| Other payables                             | 137,095,104          | 7,014,491            |
| Payables to related parties (Note 17 (ii)) | 192,419,412          | 211,143,211          |
|  | <u>2,361,485,545</u> | <u>2,356,048,728</u> |

The carrying amount of trade and other payables approximate to their fair values.

The carrying amounts of the company's trade and other payables are denominated in Tanzania Shillings.

| <b>16. Cash used in operations</b>                                | <b>2021<br/>Tshs</b> | <b>2020<br/>Tshs</b> |
|---|----------------------|----------------------|
| Reconciliation of the loss before tax to cash used in operations: |                      |                      |
| Loss before tax   | (390,064,344)        | (1,007,705,620)      |
| <b>Adjustments for:</b>   |                      |                      |
| Depreciation on property, plant and equipment (Note 10)           | 511,389,667          | 604,343,960          |
| Reclassification of loans from trade and other payables           | -                    | -                    |
| Loss on impairment of intangible asset                            | 48,046,701           | -                    |
| Interest expense (Note 5)   | 62,995,075           | 57,109,309           |
| Unrealised foreign exchange loss                                  | (300,000)            | -                    |
| <b>Changes in working capital:</b>                                |                      |                      |
| - inventories   | 12,555,194           | 37,020,336           |
| - trade and other receivables                                     | 11,684,462           | 239,320,575          |
| - trade and other payables  | 5,436,817            | (301,958,685)        |
| Cash generated from/(used in) operations                          | <u>261,743,573</u>   | <u>(371,870,124)</u> |

**17. Related party transactions**

The ultimate holding company of Orion Hotels Tanzania Limited is Orion Hotels Limited, a company registered in Kenya, which owns 1,315,442 of ordinary shares and 298,000 preference shares in the company. One ordinary share is held by Andrew Stuart.

The following transactions and balances were carried out between entities related to the company through common directorship/shareholding.

| <b>i) Receivables from related parties (Note 13)</b> | <b>2021<br/>Tshs</b> | <b>2020<br/>Tshs</b> |
|--|----------------------|----------------------|
| Orion Hotels Limited - trading account               | 1,511,536            | 11,045,853           |
| Amount due from directors                            | -                    | 4,826,120            |
|  | <u>1,511,536</u>     | <u>15,871,973</u>    |
| <b>ii) Payables to related parties (Note 15)</b>     |                      |                      |
| Orion Hotels Limited                                 | 192,419,412          | 211,143,211          |
| <b>iii) Borrowings from related parties (Note 8)</b> |                      |                      |
| Orion Hotels Limited                                 | 104,778,405          | 114,300,000          |

**18. Events after the reporting period**

The directors confirm that there were no events subsequent to the year-end up to the date of this report that require either disclosure or adjustment in the financial statements.

**19. Contingent liabilities**

The company was issued with prior year corporate tax assessment by the TRA for three years (2016 - 2018) amounting to a total of Tshs 284,658,096 for which it lodged a statement of appeal to the TRA Commissioner General.

**20. Incorporation**

Orion Hotels Limited is a private company limited by shares. It was registered in the United Republic of Tanzania on 3 April 2008 through Certificate of Incorporation number 64958.

**21. Presentation currency**

These financial statements are presented in Tanzania Shillings (Tshs).

**SCHEDULE OF EXPENDITURE**

|  | 2021<br>Tshs         | 2020<br>Tshs         |
|--|----------------------|----------------------|
| <b>1. COST OF SALES</b>                      |                      |                      |
| Food, beverages and other guest supplies     | 103,762,689          | 83,640,979           |
| Telephone and communication expenses         | 1,200,500            | 1,865,000            |
| Internet subscriptions                       | 25,909,175           | 46,716,924           |
| Migration shop                               | 4,942,311            | 8,821,323            |
| Park fees and conservancy fees               | 274,367,160          | 160,495,425          |
| Flights and transfers                        | 218,889,074          | 119,857,130          |
| Accommodation                                | 14,376,968           | 27,444,171           |
| Uniforms replacement                         | 1,250,837            | 132,706              |
| Printing                                     | -                    | 5,085                |
| Pool chemicals                               | 1,897,949            | 1,146,169            |
| Licenses                                     | 4,501,000            | 2,626,300            |
| Miscellaneous                                | 8,718,900            | 7,195,780            |
| Credit card commission                       | 4,072,393            | 6,972,625            |
| Generator running expenses                   | 31,980,393           | 48,138,259           |
| Safari vehicle running expenses              | 19,868,396           | 11,478,028           |
| Tanapa fees                                  | 214,730,334          | 79,540,867           |
|  | <u>930,468,079</u>   | <u>606,076,771</u>   |
| <b>2. SELLING AND DISTRIBUTION EXPENSES</b>  |                      |                      |
| Market research                              | <u>10,708,113</u>    | <u>62,703,791</u>    |
| <b>3. ADMINISTRATIVE EXPENSES</b>            |                      |                      |
| <b>Employment:</b>                           |                      |                      |
| Salaries and wages                           | 534,803,440          | 526,369,280          |
| National social security fund contributions  | 60,290,263           | 58,647,632           |
| Staff training                               | -                    | 21,350,488           |
| Skills and development levy                  | 24,146,105           | 31,096,556           |
| Other staff costs                            | 7,070,809            | 2,121,897            |
| Staff meals                                  | 59,049,293           | 47,304,253           |
| Staff service charge                         | 85,575,639           | 7,617,047            |
| Work permit                                  | 36,909,325           | 7,420,500            |
| Workers compensation fund                    | 4,503,115            | 6,959,355            |
| <b>Total employment costs</b>                | <u>812,347,989</u>   | <u>708,887,007</u>   |
| <b>Other administrative expenses:</b>        |                      |                      |
| Printing and stationaries                    | 3,756,569            | 3,740,288            |
| Data processing maintenance                  | 15,075,532           | 26,606,444           |
| Bank charges                                 | 29,712,059           | 32,972,099           |
| Audit fees                                   | 10,341,000           | 13,423,244           |
| Legal and professional fees                  | 222,039,758          | 205,046,729          |
| Postage and freight charges                  | 13,463,050           | 9,001,101            |
| Vehicles running expenses                    | 125,544,658          | 155,083,410          |
| Travelling expenses                          | 85,043,424           | 83,657,177           |
| Prior year TRA tax assessments (2016 - 2018) |                      |                      |
| - VAT  | 97,338,810           | -                    |
| - Withholding tax on non-resident services   | 276,677,075          | -                    |
| - Withholding tax on resident services       | 303,335              | -                    |
| - Stamp duty                                 | 8,950,418            | -                    |
| <b>Total other administration expenses</b>   | <u>888,245,688</u>   | <u>529,530,492</u>   |
| <b>Total administrative expenses</b>         | <u>1,700,593,677</u> | <u>1,238,417,499</u> |

**SCHEDULE OF EXPENDITURE**

|   | <b>2021<br/>Tshs</b> | <b>2020<br/>Tshs</b> |
|---|----------------------|----------------------|
| <b>4. OTHER OPERATING EXPENSES</b>            |                      |                      |
| Insurance                                     | 38,402,598           | 39,130,789           |
| Licenses                                      | 63,477,454           | 18,156,800           |
| Security expenses                             | 6,550,161            | 5,501,881            |
| Rent expenses                                 | 33,354,000           | 34,403,050           |
| Water and electricity                         | 2,625,394            | 2,569,095            |
| Repairs and maintenance                       | 107,871,514          | 171,229,237          |
| City service levy                             | 4,362,658            | 13,054,799           |
| Loss on impairment of intangible asset        | 48,046,701           | -                    |
| Depreciation on property, plant and equipment | 511,389,667          | 604,343,960          |
| <b>Total other operating expenses</b>         | <b>816,080,147</b>   | <b>888,389,612</b>   |