

ORION HOTELS TANZANIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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COMPANY INFORMATION

BOARD OF DIRECTORS	: Andrew Stuart : Claudia Stuart : Robin Stuart	(Nationality) Kenyan Swiss Kenyan
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: Plot No 4/2/1 Block House : Arusha CBD, Themi Ward Njiro Street : Industrial Road : Arusha : Tanzania	
INDEPENDENT AUDITOR	: PKF Associates Tanzania : P.O. Box 7323 : Dar-es-salaam : Tanzania	
COMPANY SECRETARY	: Mohamed Osman Ibrahim : Plot 1207 Block DDD Housed III : Wireless Street, Lindi Road : Moshi CBD : Kilimanjaro : Tanzania	
PRINCIPAL BANKERS	: 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 together with the audited financial statements for the year ended 31 December 2022, which disclose the state of financial affairs of Orion Hotels Tanzania Limited.

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 ACTIVITIES

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

BUSINESS REVIEW

During the year 2022, the turnover of the company increased from Tshs 3,096,953,310 to Tshs 7,008,001,665. The company made profit for the year of Tshs 891,00,647 from a loss of Tshs 402,439,943.

As at 31 December 2022, the net asset position of the company was Tshs 1,687,651,367 compared to Tshs 789,794,199 as at 31 December 2021.

Key performance indicators	2022	2021
Turnover (Tshs)	7,008,001,665	3,096,953,310
Gross profit (Tshs)	5,371,417,779	2,166,485,231
Gross profit margin (%)	77%	70%
Profit/(loss) for the year (Tshs)	897,857,169	(402,439,943)
Net profit margin (%)	13%	-13%
Net Asset (Tshs)	1,687,651,367	789,794,199
Return on capital employed (%)	53%	-51%

PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging and this has a resultant effect on overall demand of the company's 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. The directors continue to monitor this situation closely with a view to assessing and mitigating its impact on the company.

In addition to the business risk(s) discussed above, the company's activities expose it to a number of financial risks including credit risk, cash flow and foreign currency risk and liquidity risk as set out below:

Cash flow and foreign currency risk

The majority of the company's sales and purchases are in US Dollar. Where sales and purchases are made in foreign currency, the company is exposed to currency risk. This risk is managed through appropriate operational offset of open receivable and payable foreign currency positions.

REPORT OF THE DIRECTORS (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Credit risk

The company's principal financial assets are cash and bank balances and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on cash and bank balances is limited because the company's main customers are banks with high credit ratings. The company has no significant concentration of credit risk, with exposure spread over a number of customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future development, the company monitors its need for cash on a regular basis and takes appropriate action through intercompany financing arrangements.

DIVIDENDS

The directors do not recommend the declaration of a dividend for the year (2021: Nil).

DIRECTORS

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

CAPITAL STRUCTURE AND SHAREHOLDING

The company's capital structure is as shown below:

	2022 Tshs	2021 Tshs
Authorised and issued:		
1,315,443 ordinary shares of Tshs 1,000 each	<u>1,315,443,000</u>	<u>1,315,443,000</u>
298,000 preference shares of Tshs 1,000 each	<u>298,000,000</u>	<u>298,000,000</u>

Shareholding

The shares of the company are held as follows:

Name of shareholder	No. of shares	% shareholding
Orion Hotels Limited	1,315,442	99%
Andrew Stuart	<u>1</u>	<u>1%</u>
	<u>1,315,443</u>	<u>100%</u>
Preference shares		
Orion Hotels Limited	<u>298,000</u>	<u>100%</u>

REPORT OF THE DIRECTORS (CONTINUED)

CORPORATE GOVERNANCE

The Board of directors consists of three directors. The Director of Operations takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Director of Operations is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and is responsible for compliance with sound corporate governance principles.

The Board is required to meet at least once a year. The Board delegates the day to day management of the business to the Director of Operations assisted by senior management. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between the various business units.

The company is committed to the principles of effective corporate governance. The directors recognize the importance of integrity, transparency and accountability.

EMPLOYEES' WELFARE

Management and Employees' Relationship

There were continued good relations between employees and management during the year ended 31 December 2022. There were no unresolved complaints received by management from the employees during the year. A healthy relationship continues to exist between management and the employees.

The Company is an equal opportunity employer. It gives equal access for 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 relevant duties.

Health and Safety

The Company has a strong health and safety committee which ensures that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision, as necessary.

RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in Note 15 to these financial statements

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.

Employees benefits plan

The Company pays contributions to a publicly administered pension plan (National Social Security Fund (NSSF) on a mandatory basis.

REPORT OF THE DIRECTORS (CONTINUED)

STATEMENT AS TO DIRECTOR DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

- (a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
- (b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 Decemebr 2022 there were no serious prejudicial matters to report as required by Tanzania Financial Reporting Standard No. 1 (TFRS 1) on Director's report.

STATEMENT OF COMPLIANCE

The Director's Report has been prepared in full compliance with Tanzania Financial Reporting Standard No. 1 (TFRS 1) on Director's Report.

TERMS OF APPOINTMENT OF THE AUDITOR

PKF Associates Tanzania has expressed willingness to continue in office in accordance with the Tanzania Companies Act, 2002. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fee.

BY ORDER OF THE BOARD



Andrew Stuart
Director

ARUSHA

27/06/2023

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 2022 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 27/06/ 2023 and signed on its behalf by:


Andrew Stuart
Director


Claudia Stuart
Director

Orion Hotels Tanzania Limited
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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 RIZKI 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 2022 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-PP 2062

Date: 27/06/2023

**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 2022, the statement of profit or loss and other comprehensive income, the 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 2022, 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.

Other information

The Directors are responsible for the other information. The other information comprises the company 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.

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.

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

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.

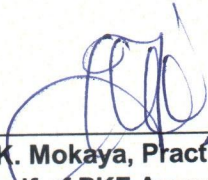
Report on other matters prescribed by the Tanzania Companies Act, 2002

In our opinion the information given in the report of the directors report on pages 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.

The engagement partner responsible for the audit resulting in this independent audit report is:


 CPA Innocent K. Mokaya, Practising certificate TACPA-PP No. 834
 For and on behalf of PKF Associates Tanzania
 Certified Public Accountants
 Dar Es Salaam
 Ref: PKF/A/O010/114/23/km

Date: 30 June.....2023

PKF ASSOCIATES TANZANIA
 P.O. Box 7323
 DAR-ES-SALAAM

Orion Hotels Tanzania Limited
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 Tshs	2021 Tshs
Revenue	2	7,008,001,665	3,096,953,310
Cost of sales		<u>(1,636,583,886)</u>	<u>(930,468,079)</u>
Gross profit		5,371,417,779	2,166,485,231
Other income		10,155,264	-
Selling and distribution expenses		(624,232,272)	(10,708,113)
Administrative expenses		(2,597,790,825)	(1,700,593,677)
Other operating expenses		<u>(925,905,154)</u>	<u>(816,080,147)</u>
Operating profit/(loss)	3	1,233,644,792	(360,896,706)
Finance income/(costs)	5	<u>49,008,308</u>	<u>(29,167,638)</u>
Profit/(loss) before tax		1,282,653,100	(390,064,344)
Tax charge	6	<u>(384,795,931)</u>	<u>(12,375,599)</u>
Profit/(loss) for the year		<u>897,857,169</u>	<u>(402,439,943)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u><u>897,857,169</u></u>	<u><u>(402,439,943)</u></u>

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

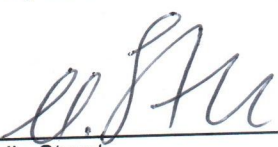
Report of the independent auditor - pages 8 and 9.

STATEMENT OF FINANCIAL POSITION

	Notes	2022 Tshs	2021 Tshs
CAPITAL EMPLOYED			
Ordinary share capital	7	1,315,443,000	1,315,443,000
Preference share capital	7	298,000,000	298,000,000
Revaluation reserve		96,165,297	250,029,773
Retained earnings		(21,956,930)	(1,073,678,575)
		<u>1,687,651,367</u>	<u>789,794,199</u>
Equity attributable to owners of the company			
Non-current liabilities			
Borrowings	8	219,792,000	328,416,000
Deferred tax		174,486,467	-
		<u>2,081,929,835</u>	<u>1,118,210,198</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	10	3,327,194,291	3,111,852,641
Deferred tax	9	-	85,660,123
		<u>3,327,194,291</u>	<u>3,197,512,764</u>
Current assets			
Inventories	11	514,143,103	375,145,007
Trade and other receivables	12	259,157,694	100,062,086
Cash and cash equivalents	13	260,715,455	59,211,899
Tax recoverable		114,815,612	137,277,534
		<u>1,148,831,863</u>	<u>671,696,526</u>
Current liabilities			
Trade and other payables	14	2,283,264,319	2,361,485,545
Borrowings	8	110,832,000	389,513,547
		<u>2,394,096,319</u>	<u>2,750,999,092</u>
Net current liabilities		<u>(1,245,264,455)</u>	<u>(2,079,302,566)</u>
		<u>2,081,929,835</u>	<u>1,118,210,198</u>

The financial statements on pages 10 to 24 were approved and authorised for issue by the Board of Directors on 27/06/2023 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 - pages 8 and 9.

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STATEMENT OF CHANGES IN EQUITY

	Ordinary Share capital Tshs	Preferential Share capital Tshs	Revaluation reserve Tshs	Retained earnings Tshs	Total Tshs
Year ended 31 December 2022					
At start of year	1,315,443,000	298,000,000	250,029,773	(1,073,678,575)	789,794,199
Total comprehensive income for the year	-	-	-	897,857,169	897,857,169
Transfer of excess depreciation	-	-	(219,806,394)	219,806,394	-
Deferred tax on depreciation transfer	-	-	65,941,918	(65,941,918)	-
At end of year	1,315,443,000	298,000,000	96,165,297	(21,956,930)	1,687,651,367
Year ended 31 December 2021					
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	1,315,443,000	298,000,000	250,029,773	(1,073,678,575)	789,794,198

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

Report of the independent auditor - pages 8 and 9.

Orion Hotels Tanzania Limited
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STATEMENT OF CASH FLOWS

	Notes	2022 Tshs	2021 Tshs
Operating activities			
Profit/(loss) before tax		1,282,653,100	(390,064,344)
Adjustments for:			
Depreciation on property, plant and equipment (Note 10)		460,731,364	511,389,667
Loss on impairment of intangible asset		-	48,046,701
Interest expense (Note 5)		47,036,141	62,995,075
Unrealised foreign exchange loss		1,824,000	(300,000)
Changes in working capital:			
- inventories		(138,998,096)	12,555,194
- trade and other receivables		(159,095,608)	11,684,462
- trade and other payables		(78,221,226)	5,436,817
		<u>1,415,929,676</u>	<u>261,743,573</u>
Cash generated from operations			
Interest paid		(47,036,141)	(62,995,075)
Tax paid		(102,187,420)	-
		<u>1,266,706,114</u>	<u>198,748,498</u>
Net cash from operating activities			
Investing activities			
Purchase of property, plant and equipment	10	(676,073,012)	(19,991,480)
		<u>(676,073,012)</u>	<u>(19,991,480)</u>
Net cash used in investing activities			
Financing activities			
Proceeds from borrowings		-	228,700,000
Repayment of borrowings	8	(214,698,405)	(99,863,562)
		<u>(214,698,405)</u>	<u>128,836,438</u>
Net cash (used in)/from financing activities			
		<u>375,934,697</u>	<u>307,593,456</u>
Increase in cash and cash equivalents			
Movement in cash and cash equivalents			
At start of year		(115,219,243)	(422,812,699)
Increase in cash and cash equivalents		<u>375,934,697</u>	<u>307,593,456</u>
		<u>260,715,455</u>	<u>(115,219,243)</u>
At end of year	13		

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

Report of the independent auditor - pages 8 and 9.

NOTES

General information

Orion Hotels Tanzania 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.

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

1) 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.

a) Basis of preparation

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) issued by the International Accounting Standards Board and are consistent with the previous period.

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 judgment in the process of applying the company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in note 1 (b).

These financial statements comply with the requirements of the Tanzania Companies Act, 2003. The statement of profit or loss and statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Going concern

The financial performance of the company is set out in the report of the directors 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 and judgements

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Useful lives, depreciation methods and residual values of property, plant and equipment accounted for using the cost model and intangible assets

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment accounted for using the cost model and intangible assets and on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 10.

NOTES (CONTINUED)

1) **Significant Accounting Policies (continued)**

b) **Key sources of estimation uncertainty and judgements (continued)**

- Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DC) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

- 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 arrange 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.

Income taxes

The Company is subject to income taxes. Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when: the amount of revenue can be reliably measured it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities.

Sales of services are recognised upon performance of the services rendered by reference to the stage of completion of the service contract.

d) **Property, plant and equipment**

All plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated 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 in the financial year in which they are incurred.

NOTES (CONTINUED)

1) **Significant Accounting Policies (continued)**

d) **Property, plant and equipment**

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

	<u>Rates %</u>
Tents and camps	12.5
Motor vehicles	25
Trailers and tractors	25
Furniture and fittings	12.5
Other machinery and equipment	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, and methods of depreciation are reviewed at the end each reporting date and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

e) **Impairment of non-financial 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 cash generating unit (CGU)) is estimated and compared with its carrying amount. If the 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 with its selling price less costs to complete and sell. If an item of inventory 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 CGU) 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 (CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES (CONTINUED)

1) **Significant Accounting Policies (continued)**

f) **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprises of cash at banks.

g) **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.

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

h) **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.

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.

i) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in-first-out (FIFO) method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. 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.

j) **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.

k) **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 (CONTINUED)

1) **Significant Accounting Policies (continued)**

l) **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.

m) **Taxation**

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.

Current tax

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 tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised for all which the deductible temporary differences, the carry forward of unused tax credits and unused unused tax losses to the extent that it is probable that future taxable profits will be available against deductible temporary differences, the carry forward of unused tax credits and any tax losses can be utilised.

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

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.

n) **Share capital**

Ordinary shares are classified as equity.

o) **Borrowing costs**

Borrowing costs are interest and other costs that the company incurs in connection with the borrowing of funds. All borrowing costs are recognised in profit or loss in the period in which they are incurred.

p) **Comparatives**

There were no changes in presentation in the current year.

NOTES (CONTINUED)

2. Revenue from contracts with customers	2022 Tshs	2021 Tshs
Recognised at a point in time:		
- Revenue from game package and flight transfers	5,402,075,339	2,507,988,172
- Revenue from camp shop sales and other sales	627,790,693	169,444,018
- Revenue from tanapa park and camping fees	737,931,825	324,437,077
- Revenue from service charge	240,203,808	95,084,043
	<u>7,008,001,665</u>	<u>3,096,953,310</u>
Other income		
Recovery from insurance claim	10,155,264	-
	<u>10,155,264</u>	<u>-</u>
3. Operating profit/(loss)		
The following items have been charged in arriving at the operating profit/(loss)		
Depreciation on property, plant and equipment (Note 10)	460,731,364	511,389,667
Auditor's remuneration	11,480,000	10,341,000
Rent and rates	41,160,000	33,354,000
Staff costs (Note 4)	1,704,492,249	812,347,989
	<u>1,704,492,249</u>	<u>812,347,989</u>
4. Staff costs		
Salaries and wages	1,142,245,578	534,803,440
Other staff costs	429,281,996	217,254,286
National social security fund contributions	132,964,676	60,290,263
	<u>1,704,492,249</u>	<u>812,347,989</u>
5. Finance income/(costs)		
Foreign exchange gain	(96,044,449)	(33,827,437)
Interest expense	47,036,141	62,995,075
	<u>(49,008,308)</u>	<u>29,167,638</u>
6. Tax		
Current tax	124,649,340	-
Deferred tax credit (Note 9)	260,146,591	12,375,599
Tax charge	<u>384,795,931</u>	<u>12,375,599</u>
The tax on the company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Profit/(loss) before tax	1,282,653,100	(390,064,344)
Tax calculated at a tax rate of 30% (2021: 30%)	384,795,931	(117,019,303)
Tax effect of:		
- expenses not deductible for tax purpose	-	129,394,902
Tax charge	<u>384,795,931</u>	<u>12,375,599</u>

NOTES (CONTINUED)

	2022 Tshs	2021 Tshs
7. Share capital		
Authorised, issued and fully paid:		
1,315,443 (2021: 1,315,443) ordinary shares of Tshs 1,000 each	<u>1,315,443,000</u>	<u>1,315,443,000</u>
298,000 (2021: 298,000) preference shares of Tshs 1,000 each	<u>298,000,000</u>	<u>298,000,000</u>
8. Borrowings		
Non-current		
Term loan - Diamond Trust Bank Tanzania Limited	<u>219,792,000</u>	<u>328,416,000</u>
Current		
Bank overdraft - Diamond Trust Bank Tanzania Limited	-	174,431,142
Term loan - Diamond Trust Bank Tanzania Limited	110,832,000	110,304,000
Orion Hotels Limited	<u>-</u>	<u>104,778,405</u>
	<u>110,832,000</u>	<u>389,513,547</u>
Reconciliation of liabilities arising from borrowings excluding bank overdrafts:		
At start of year	543,498,405	414,961,967
Interest charged to profit or loss	11,522,847	43,543,006
Foreign exchange loss/gain	1,824,000	(300,000)
Cash flows:		
- Operating activities (interest paid)	(11,522,847)	(43,543,006)
- Proceeds from borrowings	-	228,700,000
- Repayments of borrowings	<u>(214,698,405)</u>	<u>(99,863,562)</u>
At end of year	<u>330,624,000</u>	<u>543,498,405</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. Effective 3 December 2020 and maturity on 3 Decemeber 2023.		
The bank borrowings are secured by:		
i) Fixed and floating debenture over all the current and future assets of Orion Hotels Tanzania Limited		
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:		
	2022 Tshs %	2021 Tshs %
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:		
	2022 USD	2021 USD
Bank overdraft	300,000	223,663
Bank term loan	<u>144,000</u>	<u>300,000</u>

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

NOTES (CONTINUED)

9. Deferred tax

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

	At start of year Tshs	Charge/(credit) to profit or loss Tshs	At end of year Tshs
Deferred tax (assets)/liabilities			
Property, plant and equipment			
- Accelerated capital allowance	191,778,232	(7,441,984)	184,336,248
Unrealised exchange differences	(9,365,890)	(483,891)	(9,849,781)
Tax losses	<u>(268,072,465)</u>	<u>268,072,465</u>	<u>-</u>
Deferred tax charge	<u>(85,660,123)</u>	<u>260,146,591</u>	<u>174,486,467</u>

No deferred tax asset has been recognised in the accounts in respect of tax losses carried forward as the directors were not certain of the company's ability to generate sufficient taxable profits in the foreseeable future against which these losses will be utilised.

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For the year ended 31 December 2022
NOTES (CONTINUED)

10. Property, plant and equipment

Year ended 31 December 2022

	Tents and camps Tshs	Motor vehicles Tshs	Tractors and trailers Tshs	Capital Work in Progress Tshs	Furniture and fittings Tshs	Other machinery and equipment Tshs	Computer and peripherals Tshs	Crockery and utensils Tshs	Total Tshs
Cost									
At start 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
Additions	179,520,788	30,631,525	-	263,748,384	37,597,257	160,143,346	4,431,712	-	676,073,012
At end of year	5,211,011,211	1,855,299,995	11,381,836	263,748,384	922,543,063	1,213,815,332	65,452,304	6,907,506	9,550,159,631
Accumulated depreciation									
At start 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	5,762,233,976
Charge for the year	242,876,439	86,830,912	405,144	-	52,352,194	73,499,894	4,465,386	301,395	460,731,364
At end of year	3,425,517,968	1,575,589,125	10,166,405	-	537,395,506	614,026,746	55,471,845	4,797,745	6,222,965,340
Net carrying amount	1,785,493,243	279,710,870	1,215,431	263,748,384	385,147,557	599,788,585	9,980,459	2,109,761	3,327,194,290

Year ended 31 December 2021

	Tents and camps Tshs	Motor vehicles Tshs	Tractors and trailers Tshs	Capital Work in Progress Tshs	Furniture and fittings Tshs	Other machinery and equipment Tshs	Computer and peripherals Tshs	Crockery and utensils Tshs	Total Tshs
Cost									
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
Accumulated depreciation									
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
Net carrying amount	1,848,848,894	335,910,257	1,620,575	-	399,902,494	513,145,133	10,014,133	2,411,156	3,111,852,641

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

NOTES (CONTINUED)

	2022	2021
	Tshs	Tshs
11. Inventories		
Food	17,247,168	12,456,571
Beverages	33,831,922	27,128,616
Other inventories	463,064,013	335,559,820
	<u>514,143,103</u>	<u>375,145,007</u>

12. Trade and other receivables		
Trade receivables	63,164,763	2,102,593
Other receivables and prepayments	180,525,761	96,447,957
Receivables from related party (Note 15 (i))	15,467,170	1,511,536
	<u>259,157,694</u>	<u>100,062,086</u>

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

	2022	2021
	Tshs	Tshs
13. Cash and cash equivalents		
Cash in hand	20,038,632	9,626,089
Bank balance	240,676,823	49,585,810
	<u>260,715,455</u>	<u>59,211,899</u>

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

	2022	2021
	Tshs	Tshs
Cash and bank balances	260,715,455	59,211,899
Bank overdraft	-	(174,431,142)
	<u>260,715,455</u>	<u>(115,219,243)</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)

14. Trade and other payables	2022 Tshs	2021 Tshs
Trade payables	306,822,576	228,785,887
Advance receipt from customers	1,401,669,205	1,803,185,142
Other payables	147,505,270	137,095,104
Payables to related parties (Note 15 (ii))	427,267,268	192,419,412
	<u>2,283,264,319</u>	<u>2,361,485,545</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.

15. 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 the ordinary shares and the 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.

i) Receivables from related parties (Note 12)	2022 Tshs	2021 Tshs
Orion Hotels Limited - trading account	15,467,170	1,511,536
Amount due from directors	-	-
	<u>15,467,170</u>	<u>1,511,536</u>
ii) Payables to related parties (Note 14)		
Orion Hotels Limited	<u>427,267,268</u>	<u>192,419,412</u>
iii) Borrowings from related parties (Note 8)		
Orion Hotels Limited	<u>-</u>	<u>104,778,405</u>

16. 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.

17. 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.

18. Presentation currency

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

SCHEDULE OF EXPENDITURE

	2022	2021
	Tshs	Tshs
1. COST OF SALES		
Food, beverages and other guest supplies	235,330,889	103,762,689
Telephone and communication expenses	1,759,153	1,200,500
Internet subscriptions	25,544,264	25,909,175
Migration shop	19,193,838	4,942,311
Park fees and conservancy fees	537,503,943	274,367,160
Flights and transfers	198,118,676	218,889,074
Accommodation	9,151,398	14,376,968
Uniforms replacement	26,507,380	1,250,837
Printing	1,738,742	-
Pool chemicals	757,576	1,897,949
Licenses	2,140,080	4,501,000
Miscellaneous	28,677,777	8,718,900
Credit card commission	5,731,715	4,072,393
Generator running expenses	63,814,965	31,980,393
Safari vehicle running expenses	28,857,076	19,868,396
Tanapa seasonal camping fees (concession fees)	382,696,414	214,730,334
Tanapa base land rent	69,060,000	-
	<u>1,636,583,886</u>	<u>930,468,079</u>
2. SELLING AND DISTRIBUTION EXPENSES		
Market research	<u>624,232,272</u>	<u>10,708,113</u>
3. ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	1,142,245,578	534,803,440
National social security fund contributions	132,964,676	60,290,263
Staff training	18,836,506	-
Skills and development levy expenses	53,215,870	24,146,105
Other staff costs	4,245,550	7,070,809
Staff meals	114,911,607	59,049,293
Staff service charge	216,183,427	85,575,639
Work permit	14,759,000	36,909,325
Workers compensation fund expenses	7,130,035	4,503,115
Total employment costs	<u>1,704,492,249</u>	<u>812,347,989</u>
Other administrative expenses:		
Printing and stationaries	7,390,824	3,756,569
Data processing maintenance	27,225,805	15,075,532
Donations	-	-
Bank charges	36,069,281	29,712,059
Audit fees	11,480,000	10,341,000
Legal and professional fees	246,711,470	222,039,758
Postage and freight charges	24,826,847	13,463,050
Vehicles running expenses	364,041,606	125,544,658
Travelling expenses	175,552,741	85,043,424
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
Total other administration expenses	<u>893,298,575</u>	<u>888,245,688</u>
Total administrative expenses	<u>2,597,790,825</u>	<u>1,700,593,677</u>

SCHEDULE OF EXPENDITURE

	2022	2021
	Tshs	Tshs
4. OTHER OPERATING EXPENSES		
Insurance	34,581,370	38,402,598
Licenses	46,741,244	63,477,454
Security expenses	6,571,200	6,550,161
Rent expenses	41,160,000	33,354,000
Water and electricity	2,999,030	2,625,394
Repairs and maintenance	329,584,041	107,871,514
City service levy	3,536,905	4,362,658
Loss on impairment of intangible asset	-	48,046,701
Depreciation on property, plant and equipment	460,731,364	511,389,667
Total other operating expenses	<u>925,905,154</u>	<u>816,080,147</u>