

**ORION HOTELS TANZANIA LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**COMPANY INFORMATION**

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

<b>REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS</b>	:	Uhuru Street
	:	P.O. Box 14708
	:	Arusha
	:	Tanzania

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

<b>COMPANY SECRETARY</b>	:	PKF Advisory Limited
	:	P.O. Box 7323
	:	Dar-es-salaam
	:	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 together with the audited financial statements for the year ended 31 December 2020, which discloses the state of 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 and lodges and camps.

**RESULTS**

	2020 Tshs.	2019 Tshs.
(Loss)/profit before tax	(1,007,705,620)	744,798,620
Tax credit/(charge)	<u>267,311,686</u>	<u>(253,608,576)</u>
(Loss)/profit before tax	<u><u>(740,393,934)</u></u>	<u><u>491,190,044</u></u>

**DIVIDENDS**

The directors do not recommend the declaration of a dividend for the year (2019: Nil).

**DIRECTORS**

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

**INDEPENDENT AUDITOR**

PKF Associates Tanzania has expressed willingness to continue in office and is eligible for re-appointment. A resolution to re-appoint PKF Associates Tanzania, as auditor will be put to the Annual General Meeting.

**BY ORDER OF THE BOARD**

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

23<sup>rd</sup> JUNE 2021

**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:

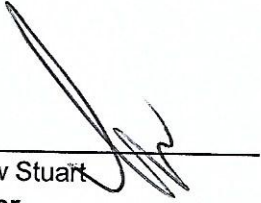
- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies;
- iii. Making accounting 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 2020 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 23<sup>rd</sup> JUNE 2021 and signed on its behalf by:

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

**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 standards 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 3.

In regard thereof, I RIZIKI MESSA being the Outsourced Accountant of Orion Hotels Tanzania Limited hereby acknowledge my responsibility of ensuring that the company's financial statements for the year ended 31 December 2020 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: 23<sup>rd</sup> JUNE 2021

**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 7 to 21 which comprise the statement of financial position for the year ended 31 December 2020, 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 2020, 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 the Company had accumulated deficit of Tshs 740,393,934 (2019: Profit of Tshs 491,190,044) and net current liabilities of Tshs 2,343,739,110 (2019: Tshs 2,038,210,646). 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.

**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**

**Auditor's Responsibilities for the Audit of the Financial Statements (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 page 2 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 Accountants Dar es Salaam  
CPA (Innocent K. Mokaya), Registration certificate No.TACPA 834  
Signing partner responsible for the independent audit  
PKF Associates Tanzania  
Ref: PKF/A/O010/130/21/km

Date: 29 JUNE 2021

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

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

	Notes	2020 Tshs	2019 Tshs
Revenue	2	1,797,594,678	7,537,895,709
Cost of sales		<u>(606,076,771)</u>	<u>(1,935,948,204)</u>
<b>Gross profit</b>		1,191,517,907	5,601,947,505
Selling and distribution expenses		(62,703,791)	(856,359,910)
Administrative expenses		(1,238,417,499)	(2,656,152,044)
Other operating expenses		<u>(888,389,612)</u>	<u>(1,352,511,717)</u>
<b>Operating (loss)/profit</b>	3	(997,992,995)	736,923,834
Finance (costs)/income	5	<u>(9,712,625)</u>	<u>7,874,787</u>
<b>(Loss)/profit before tax</b>		(1,007,705,620)	744,798,620
Tax credit/(charge)	6	<u>267,311,686</u>	<u>(253,608,576)</u>
<b>(Loss)/profit for the year</b>		<u>(740,393,934)</u>	<u>491,190,044</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive (loss)/income for the year</b>		<u><u>(740,393,934)</u></u>	<u><u>491,190,044</u></u>

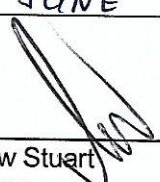
The notes on pages 11 to 21 form an integral part of these financial statements


Report of the independent auditor - page 5 and 6.

**STATEMENT OF FINANCIAL POSITION**

	Notes	2020 Tshs	2019 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		384,661,190	1,091,668,458
Retained earnings		(805,870,049)	(772,483,383)
<b>Equity attributable to owners of the company</b>		<u>1,192,234,141</u>	<u>1,932,628,075</u>
<b>Non-current liabilities</b>			
Borrowings	8	213,360,000	-
Deferred tax	9	-	204,275,964
		<u>1,405,594,141</u>	<u>2,136,904,039</u>
<b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	3,603,250,828	4,127,067,985
Intangible assets	11	48,046,701	48,046,701
Deferred tax	9	98,035,722	-
		<u>3,749,333,250</u>	<u>4,175,114,686</u>
<b>Current assets</b>			
Inventories	12	387,700,201	424,720,538
Trade and other receivables	13	111,746,548	351,067,124
Cash and cash equivalents	14	25,417,060	123,446,930
Tax recoverable		137,277,534	100,277,534
		<u>662,141,344</u>	<u>999,512,125</u>
<b>Current liabilities</b>			
Trade and other payables	15	2,470,348,728	2,658,007,413
Borrowings	8	535,531,726	379,715,359
		<u>3,005,880,454</u>	<u>3,037,722,772</u>
<b>Net current liabilities</b>		<u>(2,343,739,110)</u>	<u>(2,038,210,646)</u>
		<u>1,405,594,141</u>	<u>2,136,904,039</u>

The financial statements on pages 7 to 21 were approved and authorised for issue by the Board of Directors on 23<sup>rd</sup> JUNE 2021 and were signed on its behalf by:

  
Andrew Stuart  
Director

  
Claudia Stuart  
Director

The notes on pages 11 to 21 form an integral part of these financial statements

Report of the independent auditor - page 5 and 6.

Orion Hotels Tanzania Limited  
 Annual report and financial statements  
 For the year ended 31 December 2020

**STATEMENT OF CHANGES IN EQUITY**

	Ordinary Share capital Tshs	Preferential Share capital Tshs	Revaluation reserve Tshs	Retained earnings Tshs	Total Tshs
<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>
<b>Year ended 31 December 2019</b>					
At start of year	1,315,443,000	298,000,000	1,323,234,495	(1,495,239,464)	1,441,438,031
Total comprehensive income for the year	-	-	-	491,190,044	491,190,044
Transfer of excess depreciation	-	-	(330,808,624)	330,808,624	-
Deferred tax on depreciation transfer	-	-	99,242,587	(99,242,587)	-
At end of year	<u>1,315,443,000</u>	<u>298,000,000</u>	<u>1,091,668,458</u>	<u>(772,483,383)</u>	<u>1,932,628,075</u>

The notes on pages 11 to 21 form an integral part of these financial statements

Report of the independent auditor - page 5 and 6.

**STATEMENT OF CASH FLOWS**

	Notes	2020 Tshs	2019 Tshs
<b>Operating activities</b>			
Cash (used in)/generated from operations	16	(257,570,124)	1,989,029,503
Interest paid		(57,109,309)	(49,244,218)
Tax paid		(72,000,000)	(344,171,100)
Net cash (used in)/from operating activities		<u>(386,679,433)</u>	<u>1,595,614,185</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment	10	<u>(80,526,803)</u>	<u>(1,209,645,862)</u>
Net cash used in investing activities		<u>(80,526,803)</u>	<u>(1,209,645,862)</u>
<b>Financing activities</b>			
Repayment of borrowings	8	<u>(79,053,391)</u>	<u>(601,833,907)</u>
Net cash from/(used in) financing activities		<u>(79,053,391)</u>	<u>(601,833,907)</u>
Decrease in cash and cash equivalents		<u>(546,259,626)</u>	<u>(215,865,583)</u>
<b>Movement in cash and cash equivalents</b>			
At start of year		123,446,930	339,312,512
Decrease in cash and cash equivalents		<u>(546,259,626)</u>	<u>(215,865,583)</u>
At end of year	14	<u>(422,812,699)</u>	<u>123,446,930</u>

Report of the independent auditor - page 5 and 6.

**NOTES**

**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.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Tanzania Companies Act, 2002.

**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). 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.

**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.

**NOTES (CONTINUED)**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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) Investment property**

Investment property are long-term investments in land and buildings that are not occupied substantially for own use. Investment property are initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date Changes in fair value are recorded in profit or loss

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.

Gains and losses on disposal of investment property are determined by reference to their carrying amount and are taken into account in determining operating profit/(loss).

**NOTES (CONTINUED)**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) 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.

**g) 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.

**h) 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.

**i) 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.

**j) 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.

**k) 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.

**l) 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.

**NOTES (CONTINUED)**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**m) 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.

**n) 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.

**o) 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.

**p) 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.

**NOTES (CONTINUED)**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**p) Current and deferred income tax (continued)**

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.

**q) 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.

**r) Share capital**

Ordinary shares are classified as equity.

**s) 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.

**t) 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	2020 Tshs	2019 Tshs
Recognised at a point in time:		
- Revenue from game package and flight transfers	1,418,905,403	6,533,848,200
- Revenue from camp shop sales and other sales	169,406,366	212,314,854
- Revenue from tanapa park and camping fees	185,811,557	791,732,655
- Revenue from service charge	23,471,352	-
	<u>1,797,594,678</u>	<u>7,537,895,709</u>
<b>3. Operating (loss)/profit</b>		
The following items have been charged in arriving at the operating profit		
Depreciation on property, plant and equipment (Note 10)	604,343,960	706,679,340
Auditor's remuneration	13,423,244	15,925,000
Rent and rates	34,403,050	42,109,850
Staff costs (Note 4)	708,887,007	1,689,827,485
	<u>708,887,007</u>	<u>1,689,827,485</u>
<b>4. Staff costs</b>		
Salaries and wages	526,369,280	1,256,809,170
Other staff costs	123,870,095	281,490,955
National social security fund contributions	58,647,632	151,527,360
	<u>708,887,007</u>	<u>1,689,827,485</u>
<b>5. Finance costs/(income)</b>		
Foreign exchange loss/(gain)	(47,396,684)	(57,119,004)
Interest expense	57,109,309	49,244,218
	<u>9,712,625</u>	<u>(7,874,787)</u>
<b>6. Tax</b>		
Current tax	-	249,452,862
Prior year current tax - 2016 and 2018	35,000,000	-
Deferred tax credit (Note 9)	(302,311,686)	4,155,714
<b>Tax charge</b>	<u>(267,311,686)</u>	<u>253,608,576</u>
The tax on the company's (loss)/profit before tax differs from the theoretical amount that would arise using the basic rate as follows:		
(Loss)/profit before tax	<u>(1,007,705,620)</u>	<u>744,798,620</u>
Tax calculated at a tax rate of 30% (2019: 30%)	(302,311,686)	223,439,586
Tax effect of:		
- expenses not deductible for tax purpose	-	30,168,990
<b>Tax charge</b>	<u>(302,311,686)</u>	<u>253,608,576</u>

**NOTES (CONTINUED)**

	2020 Tshs	2019 Tshs
<b>7. Share capital</b>		
<b>Authorised, issued and fully paid:</b>		
1,315,443 (2019: 1,315,443) ordinary shares of Tshs 1,000 each	1,315,443,000	1,315,443,000
298,000 (2019: 298,000) preference shares of Tshs 1,000 each	298,000,000	298,000,000
<b>8. Borrowings</b>		
<b>Non-current</b>		
Term loan - Diamond Trust Bank Tanzania Limited	213,360,000	-
<b>Current</b>		
Bank overdraft - Diamond Trust Bank Tanzania Limited (Note 14)	448,229,759	-
Term loan - Diamond Trust Bank Tanzania Limited	15,240,000	308,000,147
Private Safaris Switzerland DER Touristik Suisse AG (Kuoni loan)	72,061,967	71,715,212
<b>Total borrowings</b>	<b>535,531,726</b>	<b>379,715,359</b>
<b>Reconciliation of liabilities arising from borrowings excluding bank overdrafts:</b>		
At start of year	379,715,359	981,549,266
Interest charged to profit or loss	57,109,309	49,244,218
Cash flows:		
- Operating activities (interest paid)	(57,109,309)	(49,244,218)
- Repayments of borrowings	35,246,608	(601,833,907)
At end of year	<b>414,961,967</b>	<b>379,715,359</b>

The loans are secured by:

- i) Fixed and floating debenture over all the movable 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 at the reporting date were:

	2020 Tshs %	2019 Tshs %
Bank loan - Diamond Trust Bank Tanzania Limited	12 Month Libor + 3%	12 Month Libor + 3%
Private Safaris Switzerland DER Touristik Suisse AG (Kuoni loan)	3	3

As per the loan agreement dated 6 October 2020. The other loans are unsecured and are payable on demand. The company has a Diamond Trust Bank Overdraft facility of USD 300,000 and term loan facility of USD 100,000 payable over 60 months with a 10 months moratorium payable upto December 2025

Undrawn facilities as at the reporting date on bank overdraft was USD 300,000.

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

**9. Deferred tax**

Deferred tax is calculated in full on all temporary timing differences under the liability method using a tax rate of 30% (2019: 30%). The movement on the deferred tax account is as follows:

	2020 Tshs	2019 Tshs
At start of year		
Charge to profit or loss (Note 6)	204,275,964 <u>(302,311,686)</u>	200,120,250 <u>4,155,714</u>
At end of year	<u><u>(98,035,722)</u></u>	<u><u>204,275,964</u></u>

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

	At start of year Tshs	Charge/(credit) to profit or loss Tshs	At end of year Tshs
<b>Deferred tax (assets)/liabilities</b>			
Property, plant and equipment			
- Accelerated capital allowance	213,641,854	(7,724,981)	205,916,873
Unrealised exchange differences	(9,365,890)	-	(9,365,890)
Tax losses	-	(294,586,705)	(294,586,705)
Deferred tax charge	<u><u>204,275,964</u></u>	<u><u>(302,311,686)</u></u>	<u><u>(98,035,722)</u></u>

10. Property, plant and equipment

Year ended 31 December 2020

	Tents and camps Tshs	Motor vehicles Tshs	Tractors and trailers Tshs	Furniture and fittings Tshs	Other machinery and equipment Tshs	Computer and peripherals Tshs	Crockery and utensils Tshs	Work in progress Tshs	Total 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>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 book value</b>	2,112,970,165	444,626,589	1,620,575	442,743,441	584,086,261	14,792,641	2,411,156	-	3,603,250,828

Year ended 31 December 2019

	Tents and camps Tshs	Motor vehicles Tshs	Tractors and trailers Tshs	Furniture and fittings Tshs	Other machinery and equipment Tshs	Computer and peripherals Tshs	Crockery and utensils Tshs	Work in progress Tshs	Total Tshs
<b>Cost</b>									
At start of year	4,747,346,505	1,413,781,167	11,381,836	629,625,246	712,642,152	42,238,062	6,907,506	48,046,701	7,611,969,175
Additions	282,531,298	399,505,467	-	182,837,496	330,191,901	14,579,700	-	-	1,209,645,862
Transfer to intangible assets	-	-	-	-	-	-	-	(48,046,701)	(48,046,701)
At end 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
<b>Depreciation</b>									
At start of year	2,272,362,315	1,042,353,485	9,221,069	300,863,080	285,626,386	25,636,434	3,758,241	-	3,939,821,010
Charge for the year	344,305,062	192,733,287	540,192	63,949,957	94,753,456	10,003,729	393,658	-	706,679,340
At end 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
<b>Net book value</b>	2,413,210,426	578,199,862	1,620,575	447,649,705	662,454,211	21,177,599	2,755,607	-	4,127,067,985

The company's tents and camps were revalued in 2015. As of year end, the directors considered the company's value of the tents and camps to approximate their carrying value.

**NOTES (CONTINUED)**

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

	<b>2020 Tshs</b>	<b>2019 Tshs</b>
<b>Cost</b>		
At start of year	48,046,701	-
Reclassified from property, plant and equipment	-	48,046,701
Additions	-	-
At end of year	<u>48,046,701</u>	<u>48,046,701</u>
<b>Depreciation</b>		
At start of year	-	-
Charge for the year	-	-
At end of year	<u>-</u>	<u>-</u>
<b>Net book value</b>	<u>48,046,701</u>	<u>48,046,701</u>

**12. Inventories**

Food	11,109,069	19,267,026
Beverages	25,368,346	21,561,926
Other inventories	351,222,786	383,891,586
	<u>387,700,201</u>	<u>424,720,538</u>

**13. Trade and other receivables**

Trade receivables	-	168,223,507
Other receivables and prepayments	95,874,576	168,506,057
Receivables from related party (Note 17 (i))	11,045,853	9,511,440
Receivables from directors	4,826,120	4,826,120
<b>Total trade and other receivables</b>	<u>111,746,548</u>	<u>351,067,124</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>2020 Tshs</b>	<b>2019 Tshs</b>
Cash in hand	5,831,729	28,304,023
Bank balance	19,585,331	95,142,907
	<u>25,417,060</u>	<u>123,446,930</u>

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

	<b>2020 Tshs</b>	<b>2019 Tshs</b>
Cash and bank balances	25,417,060	123,446,930
Bank overdraft (Note 8)	(448,229,759)	-
	<u>(422,812,699)</u>	<u>123,446,930</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)**

15. Trade and other payables	2020 Tshs	2019 Tshs
Trade payables	200,969,016	214,046,787
Advance receipt from customers	1,936,922,009	1,820,590,989
Other payables	7,014,491	412,644,905
Payables to related parties (Note 17 (ii))	325,443,211	210,724,731
	<u>2,470,348,728</u>	<u>2,658,007,413</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.

16. Cash used in operations	2020 Tshs	2019 Tshs
Reconciliation of the (loss)/profit before tax to cash used in operations:		
(Loss)/profit before tax	(1,007,705,620)	744,798,620
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment (Note 10)	604,343,960	706,679,340
Interest expense (Note 5)	57,109,309	49,244,218
Unrealised foreign exchange loss	-	-
<b>Changes in working capital:</b>		
- inventories	37,020,336	(103,092,430)
- trade and other receivables	239,320,575	(173,917,405)
- trade and other payables	(187,658,685)	765,317,160
Cash (used in)/generated from operations	<u>(257,570,124)</u>	<u>1,989,029,503</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 were carried out between entities related to the company through common directorship/shareholding. Outstanding balances arising from sale and purchase of goods and services:

i) Receivables from related parties (Note 13)	2020 Tshs	2019 Tshs
Orion Hotels Limited - trading account	11,045,853	9,511,440
Amount due from directors	4,826,120	4,826,120
	<u>15,871,973</u>	<u>14,337,560</u>
<b>ii) Payables to related parties (Note 15)</b>		
Payables to related parties - Orion Hotels Limited	<u>325,443,211</u>	<u>210,724,731</u>
<b>iii) Amount due to director - Andrew Stuart</b>		
At start of year	-	20,484,380
Payment on behalf of directors	-	(20,484,380)
At end of year (Note 15)	<u>-</u>	<u>-</u>

**18. Presentation currency**

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

**SCHEDULE OF EXPENDITURE**

	2020 Tshs	2019 Tshs
<b>1. COST OF SALES</b>		
Food, beverages and other guest supplies	83,640,979	282,928,990
Telephone and communication expenses	1,865,000	3,674,192
Internet subscriptions	46,716,924	50,931,481
Migration shop	8,821,323	8,553,081
Park fees and conservancy fees	160,495,425	582,614,754
Flights and transfers	119,857,130	370,670,784
Accommodation	27,444,171	26,247,494
Uniforms replacement	132,706	4,463,871
Printing	5,085	1,541,972
Pool chemicals	1,146,169	1,109,925
Licenses	2,626,300	2,898,600
Miscellaneous	7,195,780	37,232,204
Credit card commission	6,972,625	18,292,829
Generator running expenses	48,138,259	65,951,370
Safari vehicle running expenses	11,478,028	35,869,873
Tanapa fees	79,540,867	442,966,784
	<u>606,076,771</u>	<u>1,935,948,204</u>
<b>2. SELLING AND DISTRIBUTION EXPENSES</b>		
Market research	<u>62,703,791</u>	<u>856,359,910</u>
<b>3. ADMINISTRATIVE EXPENSES</b>		
<b>Employment:</b>		
Salaries and wages	526,369,280	1,256,809,170
National social security fund contributions	58,647,632	151,527,360
Staff training	21,350,488	67,504,480
Skills and development levy	31,096,556	62,616,913
Other staff costs	2,121,897	2,513,100
Staff meals	47,304,253	116,759,874
Staff service charge	7,617,047	-
Work Permit	7,420,500	17,503,350
Workers compensation fund	6,959,355	14,593,238
<b>Total employment costs</b>	<u>708,887,007</u>	<u>1,689,827,485</u>
<b>Other administrative expenses:</b>		
Printing and stationaries	3,740,288	10,829,467
Data processing maintenance	26,606,444	35,470,136
Donations	-	5,858,178
Bank charges	32,972,099	55,055,659
Audit fees	13,423,244	15,925,000
Legal and professional fees	205,046,729	202,086,814
Fines and penalties	-	160,000
Postage and freight charges	9,001,101	50,268,030
Vehicles running expenses	155,083,410	244,726,210
Travelling expenses	83,657,177	251,399,948
VAT tax assessment	-	94,545,116
<b>Total other administration expenses</b>	<u>529,530,492</u>	<u>966,324,558</u>
<b>Total administrative expenses</b>	<u>1,238,417,499</u>	<u>2,656,152,044</u>

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**SCHEDULE OF EXPENDITURE**

	2020 Tshs	2019 Tshs
<b>4. OTHER OPERATING EXPENSES</b>		
Insurance	39,130,789	54,926,555
Licenses	18,156,800	31,546,000
Security expenses	5,501,881	4,600,331
Rent expenses	34,403,050	42,109,850
Water and electricity	2,569,095	2,944,623
Repairs and maintenance	171,229,237	460,232,787
City service levy	13,054,799	49,472,231
Depreciation on property, plant and equipment	604,343,960	706,679,340
<b>Total other operating expenses</b>	<u>888,389,612</u>	<u>1,352,511,717</u>