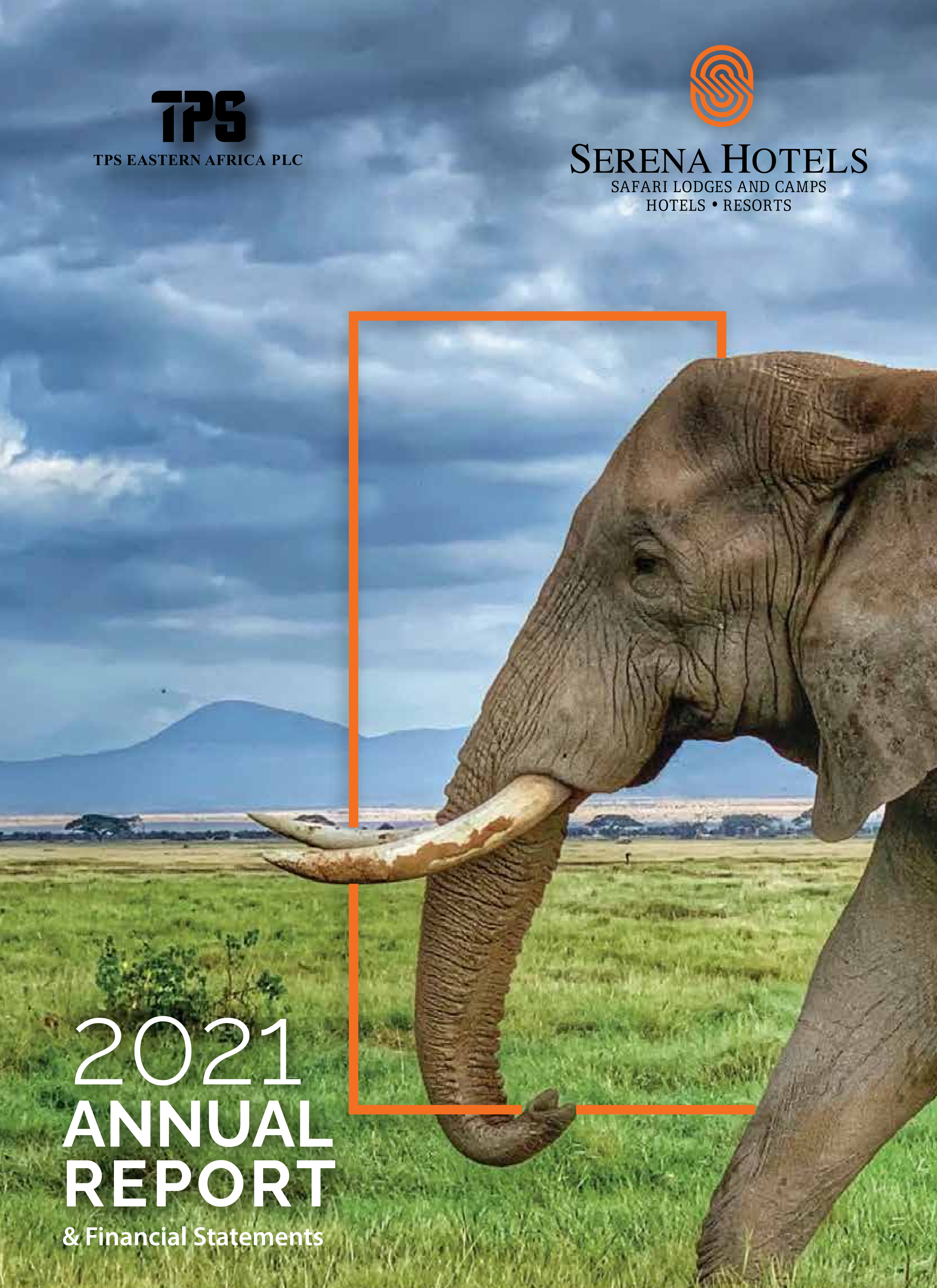
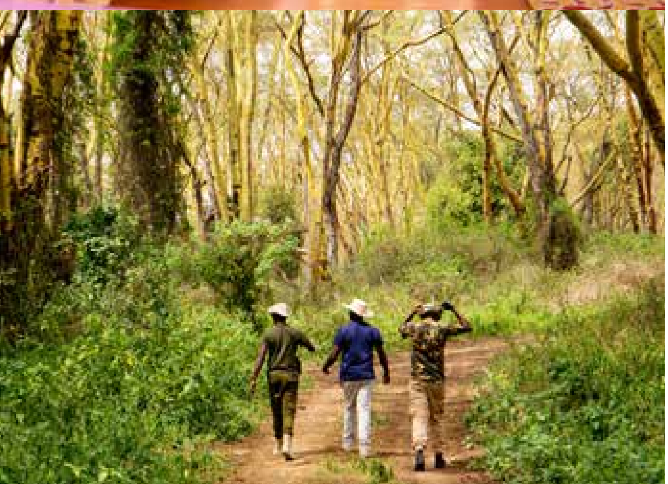


TPS EASTERN AFRICA PLC

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

2021 ANNUAL REPORT
& Financial Statements



Content

Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Nooren Hirjani**	(Chief Financial Officer)
Ameer Kassim-Lakha	(Deceased 03.08.2021)
Guedi Ainache*	
Mahmood Pyarali Manji	
Jean-Benoit Du Chalard*	
Alkarim Jiwa	(Appointed 20.01.22)

BOARD AUDIT COMMITTEE

Ameer Kassim-Lakha	(Deceased 03.08.2021)
Guedi Ainache*	
Mahmood Pyarali Manji	
Alkarim Jiwa	

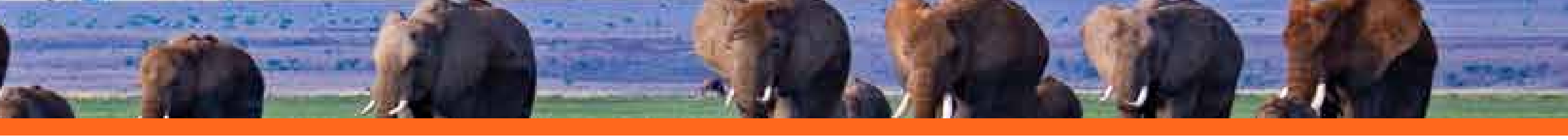
BOARD NOMINATION AND REMUNERATION COMMITTEE

Guedi Ainache*	(Chairman)
Mahmood Pyarali Manji	

*French **British ***Tanzanian

COMPANY SECRETARY

Dominic K. Ng'ang'a



Directors and Administration

PRINCIPAL OFFICERS

Catherine Waruhiu (Mrs)	Director of Human Resources E.A.
Christopher Karuru	Group Chief Accountant - TPS (M)
Mugo Maringa	Operations Director E.A.
Rosemary Mugambi (Ms)	Director of Sales and Marketing E.A.
Abhishek Negi	General Manager - TPS (T)
Surinder Sandhu	Director of Projects E.A.
Shenin Virji (Mrs)	Business Planning & Analysis Manager E.A.

TOURISM PROMOTION SERVICES (KENYA) LIMITED [TPS (K)]

Anthony Chege	General Manager	- Nairobi Serena Hotel
Alphaxad Chege	General Manager	- Serena Beach Resort and Spa, Mombasa
David Shitakha	Manager	- Amboseli Serena Safari Lodge
Kathurima Mburugu	Manager	- Mara Serena Safari Lodge
Dan Chahenza	Manager	- Sweetwaters Serena Camp
Henrietta Mwangola (Mrs)	Manager	- Kilaguni Serena Safari Lodge
Elizabeth Njeri (Ms)	Manager	- Lake Elmenteita Serena Camp

TOURISM PROMOTION SERVICES (TANZANIA) LIMITED [TPS (T)]

Daniel Mkina	Manager	- Kirawira Serena Camp
Lameck Kimaru	Manager	- Lake Manyara Serena Safari Lodge
Vincent Matei	Manager	- Serengeti Serena Safari Lodge
Nickson Kanyika	Manager	- Ngorongoro Serena Safari Lodge
Dismas Simba	Manager	- Arusha Serena Hotel
Elietta Mbisse	Manager	- Mbuzi Mawe Serena Camp
Simon Magaigwa	Manager	- Serena Mivumo River Lodge and Selous Serena Camp

TOURISM PROMOTION SERVICES (ZANZIBAR) LIMITED [TPS (Z)]

Wilfred Shirima	General Manager	- Zanzibar Serena Hotel

TPS (UGANDA) LIMITED [TPS (U)]

Daniel Kangu	General Manager	- Kampala Serena Hotel, Uganda

OTHER MANAGED PROPERTIES

Frankline Nyakundi	General Manager	- Lake Victoria Serena Resort, Uganda
Daniel Sambai	General Manager	- Kigali Serena Hotel, Rwanda
Herman Mwasaghua	Genera Manager	- Lake Kivu Serena Hotel, Rwanda
Anderson Mburugu	Ag. General Manager	- Polana Serena Hotel, Mozambique
Edwin Chemisto	General Manager	- Dar es Salaam Serena Hotel, Tanzania

Operating Subsidiaries and Properties

TOURISM PROMOTION SERVICES (KENYA) LIMITED
Nairobi Serena Hotel
Serena Beach Resort and Spa, Mombasa
Amboseli Serena Safari Lodge
Mara Serena Safari Lodge
Kilaguni Serena Safari Lodge
Sweetwaters Serena Camp
Lake Elmenteita Serena Camp

TOURISM PROMOTION SERVICES (ZANZIBAR) LIMITED
Zanzibar Serena Hotel

Operating Associated Companies and Properties

TANRUSS INVESTMENT LIMITED / TPS (D) LIMITED (25%)
Dar es Salaam Serena Hotel

TOURISM PROMOTION SERVICES (RWANDA) LIMITED (20%)
Kigali Serena Hotel - Rwanda
Lake Kivu Serena Hotel - Rwanda

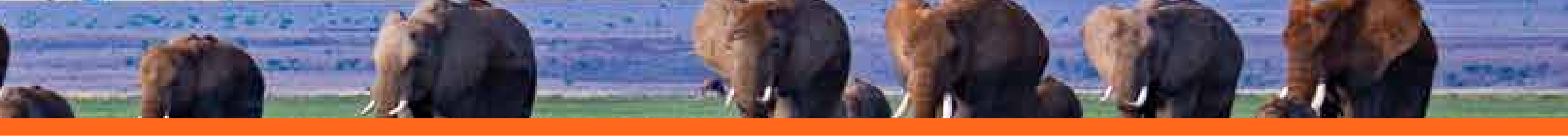
TOURISM PROMOTION SERVICES (TANZANIA) LIMITED
Kirawira Serena Camp
Lake Manyara Serena Safari Lodge
Serengeti Serena Safari Lodge
Ngorongoro Serena Safari Lodge
Arusha Serena Hotel
Mbuzi Mawe Serena Camp
Serena Mivumo River Lodge

TOURISM PROMOTION SERVICES (SOUTH AFRICA) (PROPRIETARY) LIMITED
Sales and Marketing office in Johannesburg, South Africa

TPS (UGANDA) LIMITED
Kampala Serena Hotel - Uganda

OTHER PROPERTIES MANAGED BY SERENA
Lake Victoria Serena Resort - Uganda
Polana Serena Hotel - Mozambique
Goma Serena Hotel - Democratic Republic of Congo

The last of the world's Northern White Rhinos at Olpajeta Conservancy



Other Corporate Information

REGISTERED OFFICE
4th Floor, Williamson House
4th Ngong Avenue
P.O. Box 48690-00100
Nairobi, Kenya
Telephone 254 (20) 2842000
E-mail: admin@serena.co.ke
Website: www.serenahotels.com

AUDITORS
PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way/Chiromo Road, Westlands
P.O. Box 47198-00100
Nairobi, Kenya

PRINCIPAL BANKERS
ABSA Bank Kenya PLC
P.O. Box 30120-00100
Nairobi, Kenya

REGISTRAR
Image Registrars Limited
5th Floor, ABSA Towers
Loita Street
P.O. Box 9287-00100
Nairobi, Kenya

Serena Hotels – Mission Statement
"Our Mission is to create outstanding facilities faithfully reflecting ethnic design that offer the highest standards of service and product and to provide management and our staff with an environment which enables all of us to deliver operating standards beyond the level of our guests' expectations, resulting in satisfactory returns to our stakeholders."

Notice of Annual General Meeting

Notice is hereby given that the Fiftieth Annual General Meeting of the Company will be held via electronic communication, on Thursday 30th June 2022, at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Forty Ninth Annual General Meeting held on 28th June 2021.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2021, together with the Directors' and Auditors' Reports thereon.
3. To approve and note that Directors had not recommended payment of a dividend for the year 2021.
4. To elect Directors:
   a. Mr. Alkarim Jiwa was appointed on 20th January, 2022 to fill a casual vacancy. He retires by rotation in accordance with Article No. 111 of the Company's Articles of Association and being eligible, offers himself for re-election.
   b. Mr. Francis Okomo-Okello retires by rotation in accordance with Articles No. 112, 113 & 114 of the Company's Articles of Association. Special notices have been received by the Company pursuant to section 287 of the Companies Act 2015 and subject to section 131 of the Act that if thought fit, the following resolutions be passed

   "That Mr. Francis Okomo-Okello (a Director retiring by rotation) who is over 70 years, be and is hereby re-elected as a Director of the Company".
5. To note that there was no Directors' remuneration paid in 2021.
6. To appoint PricewaterhouseCoopers, the Company's Auditors, in accordance with Section 721 (2) of the Companies Act 2015. PricewaterhouseCoopers have indicated their willingness to continue in office.
7. To approve the Auditors' remuneration for 2021 and to authorise the Directors to fix the Auditors' remuneration for 2022.
8. To appoint the Audit Committee members which comprises Mr. Mahmood Manji, Mr. Guedi Ainache and Mr. Alkarim Jiwa in accordance with section 769 (1) of the Companies Act 2015.
9. To transact any other ordinary Business of an Annual General Meeting.

SPECIAL BUSINESS

10. To consider and, if thought fit, to pass the following resolution which shall be proposed as an ordinary resolution:

    "THAT the Company's equity participation in Tourism Promotion Services (Kenya) Limited totaling KShs 1,622,550,000 be and is hereby ratified".

11 To consider and, if thought fit, to pass the following resolutions which shall be proposed as indicated below:

ORDINARY RESOLUTIONS

A. To note that the Company is indebted to The Aga Khan Fund For Economic Development S.A, **(AKFED)** in the sum of USD 14,500,000 **(Debt);** and

B. To further note that AKFED is willing to convert the Debt into ordinary shares in the Company in full satisfaction of that Debt (Conversion) in accordance with the terms of the debt **conversion** agreement dated 7th June 2022 **(Debt Conversion Agreement)**:

i) THAT, in accordance with section 329 of the Companies Act, 2015 and pursuant to the Conversion only,
   (a) the directors of the Company be authorised to allot and issue such number of ordinary shares of KES 1 each in the Company to AKFED which are equivalent to the aggregate amount of the KES equivalent of the Debt (based on the USD/KES exchange rate agreed by AKFED and the Company on the date the Debt Conversion Agreement becomes unconditional) at a Conversion price of KES 17 per ordinary share;
   (b) the shareholders recognise that there are 9,825,892 ordinary shares of KES 1 each which were created before the Companies Act, 2015 and which are not allotted or issued, and the directors are authorised to allot and issue these ordinary shares to AKFED, which ordinary shares shall form part of the ordinary shares to be issued and allotted under (a) above;
   (c) the maximum number of ordinary shares to be allotted and issued under the authority at i) (a) and (b) above is 150,000,000 ordinary shares;
   (d) each such new ordinary share will have the respective rights and be subject to the respective restrictions set out in the articles of association of the Company; and
   (e) the authority under (a) and (b) above shall, unless renewed, varied or revoked by the Company, expire on the fifth year anniversary of the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require ordinary shares to be allotted and issued (but only in relation to the Conversion) and the directors may allot and issue shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Notice of Annual General Meeting (continued)

SPECIAL RESOLUTIONS

ii) **Disapplication of statutory pre-emption rights**

THAT, subject to the passing of resolution i) above and in accordance with section 347 of the Companies Act, 2015, the directors of the Company be generally empowered to allot and issue the ordinary shares to AKFED pursuant to the authority conferred by resolution i) above, as if section 338 of the Companies Act, 2015 and any other applicable pre-emption provision under law or the Articles of Association did not apply to any such allotment, provided that this power shall:

(a) be limited to the ordinary shares of the Company up to an aggregate amount of the KES equivalent of the Debt at a Conversion price of KES 17 per ordinary share (based on the USD/KES exchange rate agreed by AKFED and the Company on the date the Debt Conversion Agreement becomes unconditional); and

(b) expire on the fifth anniversary of the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date), save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted but only in relation to the Conversion after such expiry and the Directors may allot ordinary shares in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

iii) Removal of restriction on authorised capital

THAT, the restriction on the authorised share capital of the Company set out in paragraph 5 of the memorandum of association of the Company, which by virtue of section 26 of the Companies Act 2015 is treated as a provision of the Company's articles of association and article 8 of the articles of association, is hereby revoked and deleted.

By Order of the Board.

Dominic K. Ng'ang'a
COMPANY SECRETARY

Dated at Nairobi this 07 June, 2022

Notice of Annual General Meeting (continued)

NOTE:

1. TPSEAP has convened and is conducting this virtual Annual General Meeting following an amendment of its Articles of Association to allow the holding of the Annual General Meeting through Electronic Communication (Virtual meeting).

2. Shareholders wishing to participate in the AGM should register by dialling ***483*806#** on their Safaricom, Airtel or Telkom mobile telephone and following the various prompts regarding the registration process. Shareholders will not incur any charges by contacting the helpline number **+254) 709 170 000** from 9.00am to 4.00pm, Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.

3. Registration for the AGM commences on 8th June, 2022 at 9.00am and will close on Tuesday 28th June, 2022 at 12.00pm. Shareholders will not be able to register after Tuesday 28th June, 2022 at 12.00pm.

4. In accordance with Section 283 (2) (c) of the Companies Act, 2015, the following documents may be viewed on the Company's website *www.serenahotel.com* (i) a copy of this notice and the proxy form, (ii) minutes of the last AGM held on 28th June, 2021, and (iii) the Company's audited financial statements and annual report for the year 2021

5. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

   (a) Sending their written questions by email to agmquestions@serenahotels.com; or

   (b) To the extent possible, physically delivering their written questions with a return postal address number or email address to the registered office of the Company at Williamson House, 4th Floor, 4th Ngong Avenue, or to Image Registrars offices situated at 5th Floor, ABSA Towers (formerly, Barclays Plaza) Loita Street, Nairobi; or

   (c) Sending their written questions with a return postal address number or email address by registered post to the Company's address using P.O. Box 48690 0010 Nairobi.

   Shareholders must provide their full details (Full name, ID/Passport Number/CDSC Account Number when submitting their questions and/or clarifications.

   All questions and /or clarifications must reach the Company on or before Sunday 26th June, 2022 at 12.00pm.

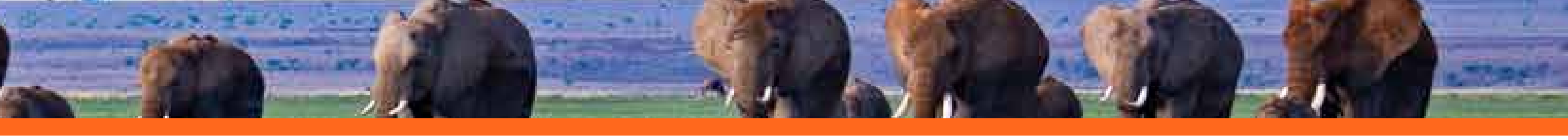
   Following the receipt of the questions and /or clarifications, the directors of the Company shall provide written responses to the questions received to the return postal address number or email address provided by the shareholder not later than 12 hours before the start of the AGM. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the AGM.

6. A Shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. The appointed proxy will need to have access to a mobile telephone. A proxy form is attached to this Notice and is available on the Company's website *www.serenahotels.com*. Physical copies of the proxy form are also available at Image Registrars Limited's offices on 5th floor ABSA Towers (formerly, Barclays Plaza), Loita Street, P.O Box 9287 00100 Nairobi. To be valid, a proxy form must be duly signed by the member. If the member is a body corporate, the proxy form shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. The completed proxy form should be emailed to *info@image.co.k*e or sent/delivered to Image Registrars Limited, 5th floor ABSA Towers (formerly, Barclays Plaza), Loita Street, Nairobi so as to be received not later than Sunday, 26th June,2022 at 11.00am. Any person appointed as a proxy should submit his/her mobile telephone number to the Company not later than Sunday, 26th June,2022 at 11.00am. Any rejected proxy registration will be communicated to the shareholder concerned not later than Wednesday 29th June, 2022 to allow time to address any issues.

7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second (SMS/USSD) prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the livestream.

8. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the Agenda and vote when prompted by the Chairman via the USSD prompts.

9. Results of the AGM shall be published within 24 hours following conclusion of the AGM.



Notisi ya Mkutano Mkuu Wa Pamoja Wa Mwaka

Notisi inatolewa hapa kwamba, mkutano wa 50 wa pamoja wa mwaka wa kampuni utafanyika kwa mfumo wa kielektroniki siku ya Alhamisi Juni 30, 2022 kuanzia saa tatu na nusu asubuhi ili kuangazia maswala yafuatayo kibiashara:-

SHUGHULI ZA KAWAIDA

1. Kuthibitisha kumbukumbu za mkutano wa 49 wa pamoja wa mwaka uliofanyika Juni 28, 2021.
2. Kupokea, kuzingatia na endapo itakubalika kupitisha hesabu za pesa kwa kipindi cha mwaka uliomalizika Desemba 31, 2021 pamoja na ripoti kutoka kwa wakurugenzi na wakaguzi wa pesa.
3. Kupitisha na kutambua kwamba, wakurugenzi hawakuwa wametoa pendekezo la malipoa ya mgawo wa faida kipindi cha mwaka 2021.
4. Kuwachagua wakurugenzi:
   a. Bw. Alkarim Jiwa aliteuliwa Januari 20, 2022 ili kujaza nafasi iliyokuwa wazi. Anastaafu kwa zamu kwa mujibu wa kifungu nambari 111 cha sheria za makampuni na kwa kuwa hali inamruhusu, anajitokeza ili kuchaguliwa tena.
   b. Bw. Francis Okomo-Okello anastaafu kwa zamu kwa mjibu wa vipengele nambari 112, 113 na 114 vya sheria za makampuni. Notisi maalumu imepolekewa na kampuni kwa mujibu wa sehemu ya 287 ya sheria za makampuni ya mwaka 2015, na kwa kufungamana na sehemu ya 131 ya sheria , ikiwa itaonekana kuwa sawa, kupitisha azimio lifuatalo:

   "Kwamba, Bw. Francis Okomo-Okello (Mkurugenzi anayestaafu kwa zamu) ambaye umri wake ni zaidi ya miaka 70, aweze na ateuliwe tena kama mkurugenzi katika Kampuni".
5. Kutambua kwamba hakukuwa na marupurupu ya wakurugenzi yaliyotolewa mwaka 2021.
6. Kuteua PricewaterhouseCoopers kuwa wakaguzi wa pesa za kampuni kwa mujibu wa sehemu 721 (2) ya sheria za makampuni ya mwaka 2015. PricewaterhouseCoopers wameonyesha nia yao kuendelea na jukumu hili.
7. Kupitisha marupurupu ya wakaguzi wa pesa ya mwaka 2021 na kuwaamuru wakurugenzi kuamua marupurupu yao ya mwaka 2022.
8. Kuteua kamati ya wanachama wa uhasibu ambayo inajumuisha Bw. Mahmood Manji, Bw. Guedi Ainache na Bw. Alkarim Jiwa kwa mujibu wa sehemu ya 769 (1) ya sheria za makampuni ya mwaka 2015.
9. Kuetekeleza shughuli nyinginezo za kibiashara zinazohusiana na mkutano wa pamoja wa mwaka.

SHUGHULI MAALUM

10. Kuzingatia na endapo itaonekana kuwa sawa, kupitisha azilimio lifuatalo ambalo litapendekezwa kama azimio la kawaida:

    "KWAMBA, ushiriki wa mtaji wa kampuni katika Tourism Promotion Services (Kenya) Limited ambao jumla yake ni KShs 1,622,550,000 upitishwe".
11. Kuzingatia na endapo itakubalika, kupitisha azimio lifuatalo ambalo litapendekezwa kama inavyoonyeshwa hapa chini;

MAAZIMIO YA KAWAIDA

A. Kutambua kwamba, kampuni ina deni la The Aga Khan Fund For Economic Development S.A, (AKFED) la dola za kimarekani la 14,500,000 (deni); na ;

B. Kutambua zaidi kwamba AKFED ina nia ya kubadilisha deni hili na kuwa hisa za kawaida katika kampuni sawia na deni hilo (kubadilisha) kwa mujibu wa kanuni za makubaliano yake yaliyonukuliwa Juni 7, 2022 (makubaliano ya kubadilisha deni)

i) KWAMBA , kwa mujibu wa sehemu ya 329 ya sheria za makampuni ya mwaka 2015 na kwa kufungamana na mabadiliko pekee,

(a) Wakurugenzi wa kampuni wapewe idhini kugawa na kutoa idadi ya hisa kama hizo za kawaida za Kshs. 1 kila moja katika kampuni hadi AKFED ambazo ni kiwango sawa cha Kshs. za deni (kwa kutegemea kiwango cha ubadilishanaji fedha kutoka dola ya marekani hadi shilingi ya Kenya kilichokubaliwa na AKFED na kampuni tarehe ambapo makubaliano ya ubadilishanaji deni yalianza kutumika) kwa kiwango cha ubadilishanaji cha thamani ya Kshs. 17 kwa kila hisa za kawaida.

(b) Wanahisa watambue kwamba, kuna hisa za kawaida 9, 825, 892 za shilingi moja kwa kila moja zilizobuniwa kabla ya sheria za kampuni za mwaka 2015 ambazo hazijagawanywa au kutolewa na kwamba, wakurugenzi wapewe idhini kugawa na kutoa hisa hizi za kawaida kwa AKFED ambapo hisa za kawaida zitakuwa sehemu ya hisa hizo zitakazotolewa na kugawanywa kwa mujibu wa sehemu ya (a) hapo juu;

(c) Idadi ya juu kabisa ya hisa za kawaida zitakazogawanywa na kutolewa chini ya masharti i) (a) na (b) hapo juu ni 150,000,000 ya hisa za kawaida;

(d) Kila hisa mpya kama hiyo ya kawaida itakuwa na haki sawa na iwe chini ya masharti husika kama ilivyoonyeshwa kwenye sheria za kampuni ; na

(e) Mamlaka chini ya (a) na (b) hapo juu, labda ifanyiwe mabadiliko au kukataliwa na kampuni, kumalizika muda wake mwaka wa tano wa maadhimisho baada ya kupitishwa kwa azimio hili isipokuwa kampuni inaweza , kabla ya kukamilika kwa muda huo, itoe ombi au makubaliano ambayo yangehitaji hisa za kawaida kugawanywa na kutolewa (lakini tu kwa kuhusiana na mabadiliko) na wakurugenzi wanaweza kugawanya na kutoa hisa kufungamana na toleo au makubaliano bila kuzingatia kwamba mamlaka iliyotoa azimio kama hili imekamilisha muda wake.

Notisi ya Mkutano Mkuu Wa Pamoja Wa Mwaka (kuendelea)

MAAZIMIO MAALUM

i) Makubaliano ya kuchukuliwa kwa hisa za serikali na mwanahisa mgeni

KWAMBA, kwa kutegemea kupitishwa kwa azimio i) hapo juu na kwa mujibu wa sehemu ya 347 ya sheria za makampuni ya mwaka 2015, wakurugenzi wa kampuni wapewe uwezo kugawa na kutoa hisa za kawaida kwa AKFED kwa kutegemea mamlaka iliyotolewa na azimio la i) hapo juu na kana kwamba sehemu ya 338 ya sheria za makampuni ya mwaka 2015 haikutumika kwa utoaji wa hisa kama hizo na kwa kuzingatia kwamba, mamlaka kama haya;

(a) yatahusu tu hisa za kawaida za kampuni kwa kiwango sawa na Kshs. ambacho ni sawia na deni kwa kiwango cha ubadilishanaji fedha cha Kshs. 17 kwa kila hisa za kawaida (kwa kutegemea kiwango kilichokubalika cha ubadilishanaji pesa kutoka dola ya marekani hadi Ksh. na AKFED na kampuni katika tarehe ya makubaliano ya ubadilishanaji iliyokubalika); na

(b) Baada ya kukamilika kwa adhimisho la miaka 5 ya kupitishwa kwa azimio hili (labda kufanywa upya, kuhalalishwa au kufutiliwa mbali na kampuni kabla au tarehe kama hiyo), kampuni inaweza kabla ya muda huo kukamilika kutoa ombi au makubaliano ambayo yanaweza kuhitaji hisa zitakazogawanywa lakini tu kuhusiana na ubalishanaji baada ya kukamilika kwa muda huo ambapo wakurugenzi wanaweza kugawa hisa kufungamana na toleo kama hilo au makubaliano bila ya kujali mamlaka iliyotolewa na azimio hili imefikia kikomo.

ii) Kuondolewa kwa kikwazo kuhusiana na mtaji wa hisa ulioidhinishwa

KWAMBA, kikwazo kuhusiana na mtaji wa hisa za kampuni ulioidhinishwa kama ilivyoonyeshwa kupitia aya ya 5 ya memoranda ya muungano wa ushirika wa kampuni ambayo kwa sehemu ya 26 ya sheria za makampuni ya mwaka 2015 inachukuliwa kama kifungu cha sheria za makampuni na kwamba kifungu nambari 8 cha sheria za ushirika inafutiliwa na kuondolewa.

Kwa Amri ya Halmashauri.

Dominic K. Ng'ang'a
KATIBU WA KAMPUNI

Imenukuliwa Juni,7 2022

Notisi ya Mkutano Mkuu Wa Pamoja Wa Mwaka (kuendelea)

NUKUU:

1. TPSEAP inaendesha mkutano huu wa pamoja wa mwaka kufuatia kufanyiwa kwa mabadiliko ya sheria ya ushirika ili kuruhusu kutekelezwa kwa Kongamano la pamoja la mwaka kupitia njia ya kielektroniki

2. Wanahisa Wanahisa ambao wanataka kushiriki mkutano huu wa pamoja wa mwaka (AGM) wajisajili kwa kupiga nambari *483*806# kupitia laini za simu za Safaricom, Airtel au Telkom na kufuata maagizo ya taratibu za usajili. Wanahisa hawatatozwa matozo yoyote kwa kupiga simu ya huduma (+254) 709 170 000 kuanzia saa tatu asubuhi hadi kumi jioni siku za Jumatatu hadi Ijumaa. Mwanahisa yeyote aliye nje ya Kenya atumie nambari ya huduma ili asaidiwe kujisajili.

3. Usajili wa mkutano (AGM) utaanza Juni 8, 2022 kuanzia saa tatu asubuhi na kufungwa Jumanne Juni 28 2022 saa sita adhuhuri. Wanahisa hawataweza kusajiliwa baada ya saa sita adhuhuri Jumanne Juni 28 2022.

4. Kwa mujibu wa sehemu ya 283 (2) (c) ya sheria za makampuni ya mwaka 2015, sitakabadhi zifuatazo zinaweza kukaguliwa kupitia wavuti wa kampuni:www.serenahotel.com (i) nakala ya notisi hii na fomu ya wakala (ii) kumbukumbu za mkutano wa awali na ambao ulifanyika Juni 28,2021 (iii) taarifa za matumizi ya pesa za kampuni zilizofanyiwa ukaguzi na ripoti ya mwaka kwa kipindi cha mwaka 2021.

5. Wanahisa wanaotaka kuuliza maswali au kupata ufafanuzi kuhusiana na mkutano wa pamoja wa mwaka (AGM) wanaweza kufanya hivyo kwa:

    a) Kutuma maswali yao waliyoyaandika kwa njia ya barua pepe kwa: agmquestions@serenahotels.com au
    b) Pale inapowezekana, kuwasilisha maswali yao waliyoaandika wakiambatanisha nambari za anwani zao za kupokea majibu au barua pepe kwa ofisi iliyosajiliwa ya kampuni katika jumba la Williamson House, orofa ya nne , barabara ya 4th Ngong Avenue, au kwa ofisi za Image Registrars zilizoko orofa ya 5, jumba la ABSA Towers (zamani , Barclays Plaza) barabara ya Loita Street, Nairobi; au
    c) Kwa kutuma maswali yao waliyoyaandika pamoja na anwani zao za kupokea majibu au barua pepe kupitia nambari za Posta zilizosajiliwa ambazo ni S.L.P 48690 0010 Nairobi.

    Wanahisa watoe maelezo yao kamili (jina kamili, nambari za Kitambulisho/ nambari ya hati ya usafiri/nambari ya akaunti ya CDSC wakati wa kuwasilisha maswali yao au ufafanuzi.

    Maswali yoyote au ufafanuzi lazima yaifikie Kampuni kabla au ifikiapo Jumapili Juni 26, 2022 saa sita adhuhuri.

    Baada ya kupokea maswali au ufafanuzi, wakurugenzi wa kampuni watatoa majibu yaliyoandikwa kuhusiana na maswali yaliyopokelewa kupitia anwani au barua pepe iliyotolewa na mwanahisa saa 12 kabla ya kuanza kwa mkutano wa pamoja wa mwaka. Orodha kamili ya maswali yaliyopokelewa na majibu yaliyotolewa itachapishwa kupitia wavuti wa kampuni kabla ya kuanza kwa mkutano wa pamoja wa mwaka.

6. Mwanachama aliye na ruhusa kuhudhuria mkutano na kupiga kura ana uhuru kumteua wakala wake kumwakilisha na kupiga kura kwa niaba yake. Si lazima kwa wakala kama huyo kuwa mwanachama wa kampuni. Itabidi kwa wakala aliyeteuliwa kuwa na nambari ya simu ya mkononi. Fomu ya wakala imeambatanishwa na notisi hii na inaweza kupatikana kupitia wavuti wa kampuni www.serenahotels.com. Pia, nakala za fomu ya wakala zinapatikana kupitia ofisi za Image Registrars Limited's orofa ya jumba la 5 ABSA Towers (zamani, Barclays Plaza),barabara ya Loita Street, Slp 9287 00100 Nairobi. Ili kukubaliwa, fomu ya wakala iwe na sahihi kamilifu ya mwanachama. Endapo mwanachama ni shirika, fomu ya uwakala iwe imepigwa mhuri wa kawaida au imetiwa sahihi na afisa au kuidhinishwa na mwanasheria wa shirika kama hilo. Fomu ya wakala itumwe kupitia barua pepe kwa; info@image.co.ke au itumwe / ipokelewe kwa Image Registrars Limited, orofa ya 5 jumba la ABSA Towers (zamani, Barclays Plaza), barabara ya Loita Street, Nairobi na kupokelewa kabla ya Jumapili Juni 26, 2022 kabla ya saa tano asubuhi. Mtu yeyote aliyeteuliwa kama wakala awasilishe nambari yake ya simu ya mkononi kwa kampuni kabla ya Jumapili Juni 26, 2022 saa tano asubuhi. Usajili wowote wa wakala uliokataliwa utajulishwa kwa mwanahisa mhusika kabla ya Jumatano Juni 29, 2022 ili kutoa nafasi ya kushughulikia swala lolote.

7. Mkutano wa pamoja wa mwaka utaendeshwa kwa njia ya moja kwa moja kupitia njia ya kielektroniki (live stream) ambao kiunganishi chake kitatolewa kwa wanahisa ambao watakuwa wamejisajili kuuhudhuria. Wanahisa waliosajiliwa kikamilifu na mawakala watapokea ujumbe mfupi wa kuwakumbusha (SMS/USSD) kupitia nambari za simu zao za mkononi saa 24 kabla ya kuanza kwa mkutano. Ujumbe wa pili mfupi (SMS/USSD) utatumwa saa moja kabla ya kuanza kwa mkutano ili kuwakumbusha wanachama waliosajiliwa kikamlifu na mawakala kuwa mkutano wa pamoja wa mwaka utaanza chini ya muda was aa moja na kuwapa kiunganishi cha kuwaruhusu kuufuatilia kwa njia ya kielektroniki.

8. Wanahisa waliosajiliwa kikamilifu pamoja na mawakala wanaweza kufuatilia matukio ya mkutano moja kwa moja kwa njia ya kielektroni na kuweza kupata Agenda na kupiga kura watakapojulishwa na mwenyekiti kupitia jumbe mfupi wa USSD.

9. Matokeo ya mkutano mkuu wa pamoja wa mwaka yatachapishwa chini ya muda wa saa 24 baada ya kukamilika kwake.

Chairman's Statement

MR. FRANCIS OKOMO-OKELLO
CHAIRMAN

On behalf of the Board of Directors of TPS Eastern Africa PLC (TPSEAP/the "Company") and its subsidiaries (together the "Group"), it is my pleasure, honour, and privilege to present to you the Annual Report and Financial Statements of the Company for the year ended 31st December 2021.

Coronavirus Disease (Covid-19) has been the biggest crisis in the Serena Group's history as well as on the global hospitality front. Year 2021 started on a positive note, with business enquiries steadily increasing for the first half of the year. However, global tourism suffered further setbacks as international and regional source market countries tightened travel restrictions in response to the outbreaks of the more virulent variants of the Covid-19. Nevertheless, it was encouraging that business levels gradually improved during the first half of year 2021 compared to the second half of year 2020 when the Serena properties re-opened after temporarily being closed during the period April to June 2020.

Due to the global distribution of vaccines, travel restrictions and curfews progressively eased from Q3 2021 as Covid-19 related fatalities, reduced remarkably. Thus, as the world was headed towards an uneven recovery, the Group was required to demonstrate agility in response to the rapidly changing circumstances on various fronts of the business. This entailed re-strategizing and managing the Group's financial and operational resources to meet region-specific demands as and when their markets gradually opened up for travel. Whilst recovery trajectories within our international source markets vary, all Serena properties continued to rely on the domestic and regional markets that patronized our units for leisure and corporate travel. From Q3 2021, some international leisure bookings were witnessed from the USA and European markets, which was encouraging.

During the year under review, the Group achieved a turnover of Shs. 3.3 billion (2020: Shs. 2.0 billion), and 'Profit before depreciation, finance income/costs, results of associates and taxation' of Shs. 285 million (2020: Loss of Shs. 438 million), an improvement of 165%. Management has continued to implement effective contingency plans to mitigate risks and minimize the operational and financial impact on our business while ensuring that cash is sensitively managed and preserved across the Group. Through the vital support from our senior lenders, the Group managed to defer senior debt repayments in order to support operations under the exceptionally difficult circumstances.

Consequently, the Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2021. TPSEAP is concentrating its efforts on ensuring the return to profitability by capitalizing on the expected business rebound and continuous implementation of cost savings plans.

The Company and its subsidiaries contributed to the revenues of the Governments of Kenya, Tanzania and Uganda in 2021. During the year, the Group contributed in aggregate the equivalent of: Shs. 783 million (2020: Shs. 591 million) in direct and indirect taxes as well as Shs. 105 million (2020: Shs. 112 million) in royalties and rents to the revenues of counties and local authorities in the various jurisdictions in which we have a presence within the Eastern Africa region.

The Board and Management have reviewed the TPSEAP mid-term strategy and plans to continuously assess, adapt and improve the Serena operating model during our journey to the post-pandemic phase; whilst always conserving costs and improving operational efficiencies.

The Group will progress essential property maintenance across the Serena portfolio. As recovery gathers pace in year 2022 and beyond, the Group will be ready to resume expansion, by actively pursuing management contracts in strategic locations.

Whilst the markets were further disrupted by the Omicron variant which caused increased uncertainty in travel during early 2022, Management is pleased to report that business levels during Q1 2022 have been reassuring. As the trends in business performance particularly, in the second half of year 2022 indicate a marked positive trajectory, based on forward bookings the Board and Management are hopeful that the worst is behind us.

The Group will continue to nurture its Human Resource Management practices; and actively adopts Environmental, Social, Economic and Governance practices through daily interactions of its business processes, imperative to achieving our medium to long-term business strategy. Additional details on the Corporate Social Responsibility programs and initiatives are included at page 30 to 32 of this Annual Report. The Company continues to pursue new business opportunities aligned to its diversification strategy, including enhancing its marketing and sales outreach to the traditional and non-traditional source markets.

On behalf of the Board and Management, I wish to express our appreciation to the respective East African Governments for

Chairman's Statement (continued)

formulating the appropriate economic stimulus programs to stabilize the tourism sector in the short and medium-term.

The Board and Management continues to recognise with gratitude, the vital support, confidence, loyalty and trust that Serena Hotels are receiving from its shareholders, staff, customers, various regulatory authorities and other stakeholders within the industry as well as other related ancillary sectors. We acknowledge their sacrifices during this exceptionally challenging period. Without their loyalty and self-sacrifice, our situation would have been more challenging. We at Serena look forward to their continued support during the year 2022 and beyond.

I would also like to acknowledge, with appreciation, the invaluable support that I continue to receive from my colleagues on the Board in successfully steering the Group's business activities and strategies during the year 2021. To this end it would be appropriate to recognise Mr. Ameerally Kassim-Lakha who sadly died on 3rd August 2021. The late Mr. Ameerally Kassim-Lakha joined the TPS Board on 30th June 1971, and was a past Chairman. Until his demise, the late Mr. Ameerally Kassim-Lakha was a Director on the TPSEAP Board and served as Chairman of the Board Audit Committee. The generosity with his time and his contribution was invaluable to the Company during his tenure of service. Our prayers and thoughts are with his family and friends during this difficult period even as we continue to beseech the Almighty to continue resting his departed soul in eternal peace.

May I use this opportunity to welcome Mr. Alkarim Jiwa as a new member of the TPSEAP Board following his appointment as a TPSEAP Director on 20th January 2022. Mr. Jiwa is a Fellow of the United Kingdom based Association of Chartered Certified Accountants (ACCA), a member of the Institute of Certified Public Accountants of Kenya (CPA, K), holds a certificate in Management Audits, London School of Economics (2008) and is a member of the Institute of Directors – Kenya. Currently, Mr. Jiwa is the Finance Director of Diamond Trust Bank Kenya Limited, as well as a Non-Executive Director of Diamond Trust Bank Burundi S.A. and Diamond Trust Bancassurance Intermediary Limited.

Lastly, our remarkable Management and Staff deserve special recognition for enduring an extremely difficult last two years. I would therefore like to especially thank them for their continued diligence, commitment and dedication during these years and beyond.

FRANCIS OKOMO-OKELLO
CHAIRMAN

Jahazi Grill at Serena Beach Resort & Spa

Taarifa ya Mwenyekiti

BW FRANCIS OKOMO-OKELLO
MWENYEKITI

Kwa niaba ya Halmashauri ya Wakurugenzi wa TPS Eastern Africa PLC (TPSEAP/ Kampuni/ kundi), ni fahari, hadhi na fursa yangu kuwaletea ripoti ya mwaka na taarifa za matumizi ya pesa ya kundi kwa kipindi cha mwaka uliomalizika Desemba 31, 2021.

Janga la Covid-19 limekuwa tishio kubwa kwa historia ya Kundi la Serena kama lilivyoathiri sekta ya utalii ulimwenguni. Mwaka 2021 ulianza kwa matumaini huku maombi ya biashara yakiongezeka kwa haraka kipindi cha kwanza cha mwaka . Hata hivyo, sekta ya utalii ulimwenguni iliathirika zaidi kwani mataifa ambayo ni chimbuko la masoko ya kimataifa na kanda yaliweka vikwazo vya usafiri kukabiliana na usambazaji wa virusi vya Korona. Hata hivyo, ilitia moyo kuwa viwango vya biashara viliimarika kwa hatua wakati wa awamu ya kwanza ya mwaka 2021 ikilinganishwa na awamu ya pili ya mwaka 2020 wakati raslimali za Serena zilifunguliwa tena baada ya kufungwa kwa muda kuanzia mwezi Apili hadi Juni 2020.

Kutokana na usambazaji wa chanjo duniani, masharti ya usafiri na uwekaji wa kafyu zilipungua kuanzia kipindi cha tatu cha mwaka 2021 na kupungua kwa maambukizi na vifo kutokana na Covid-19. Huku ulimwengu ukielekea kujinasua dhidi ya janga hili, kundi lilihitajika kudhihirisha ukakamavu wa kukabiliana na mabadiliko ya haraka ya hali kuhusiana na maswala mbali mbali ya biashara. Hii ilihusu kubadilisha mkakati na kusimamia raslimali za fedha na utekelezaji ili kuafikia mahitaji muhimu ya kanda wakati masoko yatakapofunguliwa hatua kwa hatua kwa usafiri. Huku mikondo ya ufufuzi katika vituo vya masoko ya kimataifa ikitofautiana, raslimali zote za Serena ziliendelea kutegemea masoko ya nyumbani na kanda ambayo yalisimamia vitengo vyetu vya starehe na usafiri wa mashirika. Baadhi ya maombi ya starehe za kimataifa yalishuhudiwa kutoka taifa la Marekani na masoko ya bara Uropa kuanzia kipindi cha awamu ya tatu hali ambayo ilikuwa ni ya kutia moyo.

Wakati wa kipindi cha mwaka unaongaziwa, TPS Eastern Africa PLC ilipata mapato ya jumla ya Kshs. Bilioni 3.3 (2020 Kshs.Bilioni 2) na faida kabla ya mfumuko, mapato ya kifedha/ gharama, matokeo ya washirika na ushuru ya Kshs milioni 285 (2020 Hasara ya Kshs. milioni 438) hili likiwa ni imariko la asilimia 165%. Usimamizi unaendelea kuzindua mipango mahsusi kukabiliana na hatari na kupunguza athari za gharama za utekelezaji kwenye biashara yetu huku ikihakikisha kuwa pesa zinasimamiwa vyema na kuhifadhiwa kote katika kundi. Kupitia msaada muhimu kutoka kwa wafadhili wake wakuu, tuliweza kuahirisha mkataba wa ulipaji madeni ili kusimamia shughuli za utekelezaji chini ya hali ngumu ya kipekee.

Kwa sababu hiyo, Halmashauri ya Wakurugenzi haitoi pendekezo la malipo yoyote ya mgawo wa faida kwa kipindi cha mwaka 2021. TPSEAP inaweka juhudi zake kuhakikisha urejeleaji wa faida kwa kuwekeza mtaji wake katika matarajio ya kuinuka tena kwa biashara na kuendelea kuzindua mipango ya kuhifadhi pesa.

Kampuni na washirika wake tanzu walichangia pakubwa mapato ya serikali za mataifa ya Kenya, Tanzania na Uganda mwaka 2021. Wakati wa kipindi hiki cha mwaka, kundi lilitoa malipo sawa na Kshs. milioni 783 (2020 zilikuwa Kshs.milioni 591) kama ushuru wa moja kwa moja au usio wa moja kwa moja na Kshs milioni 105 (mwaka 2020 ulikuwa Kshs milioni 112) kama nia njema na mapato kwa serikali za kaunti na halmashauri za utawala katika maeneo mbali mbali ya usimamizi ambako tunatekeleza shughuli kanda ya Arika Mashariki.

Halmashauri ya wakurugenzi imechunguza upya mkakati wa TPSEAP wa muda wa kadri na tuna mipango ya kuendelea kutathmini, kukabili na kuimarisha muundo wa utekelezaji wa Serena wakati wa safari yetu baada ya janga huku tukizingatia uthibiti wa gharama na kuimarisha ufanisi wa utendaji.

Kundi litaendeleza utuzaji wa raslimali kote kuliko bidhaa za Serena. Huku hali ya urudiaji wa kawaida inaposhika kasi mwaka 2022 na hapo mbele, kundi litakuwa tayari kurejelea upanuzi kwa kushiriki kikamilifu kwenye kandarasi za usimamizi katika maeneo ya mkakati.

Huku hali ya masoko ikizidi kuathiriwa na homa aina ya Omicron athari ambayo ilisababisha kuongezeka kwa taharuki ya usafiri kipindi cha mwaka 2022, usimamizi una furaha kuripoti kuwa viwango vya biashara wakati wa kipindi cha awamu ya kwanza mwaka 2022 vimekuwa ni vya kuleta matumaini. Halmashauri ya usimamizi inatarajiwa kuwa hali ngumu imepita huku mikondo ya matokeo ya biashara na hasa kipindi cha pili cha mwaka 2022 ikiashiria mkondo wa ufanisi.

Kundi litaendelea kuimarisha mpango wake wa usimamizi wa wafanyakazi (HRM) na kusaidia mipango ya kuwajibikia maslahi ya jamii (CSR) ambayo inachangia mtazamo wetu wa mkakati wa muda mfupi na wa kadri. Maelezo zaidi kuhusu mipango ya maslahi ya

Taarifa ya Mwenyekiti (kuendelea)

jamii (CSR) na mikakati imeorodheshwa kupitia kurasa 30 hadi 32 ya taarifa hii ya mwaka. Wakati huo huo, kampuni inazidi kutafuta nafasi mpya za kibiashara ambazo zinaenda sambamba na mkakati wake wa upanuzi ikiwemo kuimarisha upeo wake wa uvumishaji na mauzo kwenye masoko ya kawaida na yasiyo ya kawaida.

Kwa niaba ya Halmashauri ya bodi na wakurugenzi, ningependa kutoa shukrani za dhati kwa Serikali husika za Afrika Mashariki kwa kubuni mipango madhubuti ya kuchochea ukuaji wa uchumi ili kuimarisha sekta ya utalii kwa kipindi cha muda mfupi na wa kadri.

Halmshauri ya usimamizi inaendelea kutambua kwa dhati mchango muhimu, imani na uaminifu ambao Hoteli za Serena zinazidi kupokea kutoka kwa wanahisa wake, wafanyakazi, wateja, halmashauri mbali mbali za utawala na wadau wengine walioko ndani ya sekta hii pamoja na sekta nyingine saidizi. Tunatambua kujitolea kwao wakati wa kipindi hiki cha kipekee chenye changamoto. Bila ya uwepo wa imani na kutolea kwao, hali yetu ingekuwa na changamoto nyingi. Sisi katika Serena tunatarajia kupata msaada wao wakati wa kipindi cha mwaka 2022 na hapo mbele.

Pia,ningependa kutambua kwa dhati msaada ambao ninazidi kupokea kutoka kwa wanahalmashauri wenzangu ambao umechangia pakubwa shughuli na mikakati ya biashara ya kundi wakati wa kipindi cha mwaka 2021. Kufikia sasa, itakuwa bora kumtambua Bw. Ameerally Kassim- Lakha ambaye kwa huzuni aliaga dunia Agosti 3, 2021. Marehemu Ameerally Kassim-Lakha alijiunga na Halmashauri ya TPS Juni 30, 1971 na alikuwa Mwenyekiti wa zamani na hadi wakati wa kifo chake alikuwa Mkurugenzi katika Halmashauri ya TPSEAP na alihudumu kama mwenyekiti wa kamati ya uhasibu. Ukarimu wake , wakati na mchango haukuwa na kipimo kwa kampuni wakati wa kipindi chake cha utoaji huduma. Maombi yetu na fikra ziko na familia yake na marafiki wakati wa kipindi hiki kigumu tunapozidi kumuomba Mola ailaze roho yake mahali pema.

Nachukua fursa hii kumkaribisha Bw. Alkarim Jiwa kama mwanachama mpya katika Halmshauri ya TPSEAP kufuatia kuteuliwa kwake kama Mkurungezi mnamo Januari 20, 2022. Bw. Jiwa ni mwanachama wa United Kingdom based Association of Chartered Certified Accountants (ACCA), mwanachama wa Institute of Certified Public Accountants of Kenya (CPA, K) na ana cheti cha usimamizi wa uhasibu kutoka chuo cha London School of Economics (2008) na ni mwanchama wa Institute of Directors – Kenya. Kwa sasa, Jiwa ni Mkurugenzi wa fedha katika benki ya Diamond Trust Bank Kenya Limited na ni Mkurugenzi asiye na mamlaka katika Diamond Trust Bank Burundi S.A. na Diamond Trust Bancassurance Intermediary Limited.

Mwisho,usimamizi na wafanyakazi wanahitaji kutambuliwa kwa dhati kutokana na huduma zao wakati wa kipindi hiki kigumu cha miaka miwili. Kwa sababu hiyo, ningependa kuwashukuru kwa kuendeleza bidii yao, kujitolea na kuwajibika wakati wa kipindi cha miaka hii na hata zaidi.

FRANCIS OKOMO-OKELLO
MWENYEKITI

Nairobi Serena Hotel's Lounge

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
MANAGING DIRECTOR

For the second consecutive year, the Group passed through a challenging business landscape due to the Coronavirus Disease (Covid-19) pandemic. Fortunately, despite a disrupted start to the year 2021 as a result of the tightened travel restrictions in response to the outbreak of a new Covid-19 variant, the second half of year 2021 witnessed re-assuring improvement with business trends picking up month after month. Indeed, the vital support from the local and regional market segments that have been patronizing our units for leisure and corporate travel is much appreciated. We aim to continue capturing the domestic market for a diversified mix of stable domestic and regional business as the traditional and emerging international source markets open up to travel.

From the second half of 2021, the Serena City Hotels portfolio secured high profile delegations which we believe provided a positive endorsement of the region. Operating Mombasa Serena Beach Resort & Spa at 61% inventory (100 rooms) with a new approach to product, experience and service delivery has been a great success in repositioning the property and performance.

During the year under review, TPS Eastern Africa PLC (TPSEAP/the Company/the Group) achieved a turnover of Shs. 3.3 billion (2020: Shs. 2.0 billion), and 'Profit before depreciation, finance income/costs, results of associates and taxation' of Shs. 285 million compared to a Loss of Shs. 438 million, for the same period last year. The improved performance was attributed to the strength and regional presence of the Serena brand; refining our strategy to anticipate, connect and respond to our customers' expectations whilst driving more resilience towards volatility; ability to carefully mitigate risk; our financial discipline and the sterling efforts of our teams who demonstrated determination and commitment throughout the year.

Although the effects of the Covid-19 have not yet fully disappeared, all of the Group's presence markets appear to be on their way to realizing 'normalized' levels of business, though below pre-pandemic levels. With the Omicron variant outbreak, January 2022 marked a 'pause' in improvement of business level experienced since the second half of year 2021.However, February 2022 recorded a turning point and the Company has begun to experience some 'green shoots' of recovery from the foreign leisure market segment. This is expected to complement the growth trajectory in business levels from the domestic and regional markets that are patronizing our units for leisure, corporate travel and in the recent past events.

Whilst forecasting remains difficult due to the short lead times in booking patterns, the outlook for the second half of year 2022 remains cautiously optimistic as the desire 'to escape and to resume' travelling both on the regional and international front has never been stronger. Based on feedback received from our suppliers of business in traditional and emerging source markets, there is increased interest in selling destination Kenya and East Africa, and the recent exemption by destination Kenya, Uganda and Tanzania for travellers who are fully vaccinated from the requirement of Polymerase Chain Reaction (PCR) test for Covid-19, has indeed been well received globally.

While the situation remains highly fluid, the economic consequences of the Russia-Ukraine conflict will impact global economies. Energy and commodity prices have surged, adding to inflationary pressures from supply chain disruptions caused by the Covid-19 pandemic. Consequently, going forward, as the Group leverages on our core competencies to secure competitive advantage, the resilience and agility of our business and operating models across our East African portfolio will continue to be key in further enriching the evolving shift in customer expectations whilst cost efficiency and cash management will remain critical.

During the year 2022, the Group will continue to deliver engaging sales and marketing campaigns as well as implement creative and pro-active sales and marketing strategy in response to the rapid changes in market dynamics and trends of customers' preferences. This will be imperative in pursuing existing and new business opportunities, building on the new source markets, increasing the brand outreach and driving repeat and incremental business.

The Managing Director's Report (continued)

Serena continues to believe that its employees constitute a key determinant for mutual long-term sustainable success, growth and reputation of our brand values. In anticipation of the dynamic guest expectations, we shall continue to enhance and sustain the trust and confidence of our customers as well as the quality of service so synonymous with Serena being the destination of choice for our guests.

In this regard, we will further invest in our Group Productivity Improvement Strategy, through carefully targeted resource planning to deliver our Staff / Management training, development and welfare programs.

Even as the world evolves to the "new normal" post pandemic, Serena Hotels will continue with its long tradition of maintaining high standards of hygiene, safety and comfort in our guest rooms, public spaces and back of house operations; as the well-being of our guests, staff and partners remains our top priority.

Integration of the United Nations Sustainable Development Goals has enabled Serena Hotels across the Eastern Africa region to create meaningful impact in support of: eco-tourism; climate change; water and energy conservation; re-afforestation; installation of solar plants; species conservation; respect for local tradition, culture and heritage; education; public health and essentially, community development.

I wish to recognize and thank the respective Governments of East Africa for their tireless efforts in responding to the pandemic. As tourism slowly restarts in an increasing number of countries, we look forward to the materialization of the promotion efforts in place on various platforms that are aimed at restoring confidence for travel; and ensuring that the regional tourism industry repositions and strengthens destination East Africa.

On behalf of the Staff and Management, may I express our sincere appreciation to the Board of Directors for their guidance, diligence, invaluable support, and encouragement during the year 2021 as I also recognise with gratitude the support and sacrifices, confidence, loyalty and trust that Serena Hotels have continued to receive from its shareholders, staff, customers, various regulatory authorities and other stakeholders during this exceptionally challenging period. We are stronger together, and we wish you continued safety and good health.

MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Birding Safari at Lake Elmenteita Serena Camp

Taarifa Kutoka kwa Meneja Mkurugenzi

MR. MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Kwa kipindi cha mwaka wa pili mfululizo, kundi lilipitia mikondo yenye changamoto za kibisahara kutokana na janga la ugonjwa wa Covid-19. Hata hivyo, licha ya kuvurugika kipindi cha mwanzo wa mwaka 2021 kutokana na kuwekwa kwa vikwazo vikali vya usafiri kufuatia aina mpya ya virusi vya Covid -19, mkondo wa pili wa mwaka 2021 ulishuhudia hakikisho jipya la imariko la biashara huku mikondo yake ikishamiri mwezi baada ya mwingne. Hakika, msaada wa kimtandao kutoka vitengo vya masoko ya humu nchini na kanda ambayo imekuwa ikisimamia usafiri wa starehe na mashirika umepongezwa sana. Tunalenga kuendelea kutega masoko ya nyumbani kwa upanuzi thabiti wa biashara za humu nchini na kanda huku masoko ya kawaida na yanayoibuka yakifunguka kwa usafiri.

Kuanzia mkondo wa awamu ya pili ya mwaka 2021, mkusanyiko wa Hoteli za Serena maeneo ya miji ulipata idadi kubwa ya wajumbe ambayo tunaamini ilithibitisha ishara zuri kanda hii. Utendaji wa Mombasa Serena Resort & Spa kwa asilimia hesabu ya 61% (vyumba 100) kwa mfumo mpya wa bidhaa, matarajio na utoaji huduma zimetoa ufanisi mkubwa kuweka vyema raslimali na matokeo.

Wakati wa kipindi cha mwaka unaoangaziwa, TPS Eastern Africa PLC ilipata mapato ya jumla ya Kshs. Bilioni 3.3 (2020 zilikuwa Kshs, bilioni 2) na faida kabla ya kushuka thamani, mapato ya kifedha/ gharama, matokeo ya washirika na ushuru ya Kshs. milioni 285 ikilinganishwa na hasara ya Kshs milioni 438 kipindi sawa na mwaka uliopita. Imariko la matokeo liliafikiwa kutokana na uthabtii na uwepo wa bidhaa za Serena katika kanda, kupiga msasa mkakati kwa matarajio, kuunganisha na kushughulikia matarajio ya wateja huku tukiwekeza zaidi kukabiliana na hali tete, uwezo wa kukabiliana vyema na hatari, nidhamu yetu kwenye matumizi ya fedha na juhudi kubwa za timu zetu ambazo kwa kipindi chote cha mwaka zilionyesha ukakamavu na kujitolea.

Ingawa athari zilizotokana na janga hili ambalo halikutarajiwa hazijaisha kabisa, uwepo wote wa masoko ya kundi unaonekana kuwa kwenye mkondo kuafikia viwango halisi vya biashara hata ingawa ni vya chini kabla ya janga kuingia. Kutokana na mlipuko wa homa ya Omicron Mwezi Januari 2022 uliashiria kusitishwa kwa imariko la viwango vya biashara vilivyoshuhudiwa tangu kipindi cha pili cha mwaka cha 2021. Hata hivyo, mwezi Februari 2022 ulirekodi mabadiliko na kampuni imeanza kushuhudia kuchipuka kwa matokeo mema kuanzia soko la wageni kutoka kitengo cha mataifa ya nje. Hali hii inatarajiwa kuchochea mkondo wa ukuaji wa viwango vya biashara kutoka masoko ya humu nchini na kanda ambayo yanaunga mkono vitengo vyetu vya starehe, usafiri wa mashirika na shughuli za hivi punde zilizopita.

Huku utabiri ukisalia kuwa mgumu kutokana na ishara za muda mfupi kuhusiana na mienendo ya utumaji maombi, mtazamo kuhusiana na kipindi cha pili cha mwaka 2022 unabakia kuwa na matumaini huku matamanio ya "kuponyoka na kurejea" kwa usafiri wa kanda na kimataifa ukikosa kuimarika. Kufungamana na majibu tuliyopokea kutoka kwa wadau wa biashara katika masoko ya kawaida na yanayoibuka, kuna ongezeko kubwa la hamu ya kuuza kituo cha Kenya na eneo la Afrika Mashariki na uamuzi wa hivi majuzi wa mataifa ya Kenya, Uganda na Tanzania kuwahurusu wasafiri ambao wamepokea chanjo kamili kutopimwa dhidi ya mahitaji ya Polymerase Chain Reaction (PCR) ya Covid-19 umepokelea vyema kimataifa.

Huku hali ikisalia kuwa tatanishi, athari za kiuchumi kutokana na vita vya Urusi na Ukraine zitaathiri pakubwa uchumi wa dunia. Bei ya kawi na bidhaa imepanda sana na kuchangia pakubwa msukumo wa mfumuko wa usambazaji uliosababishwa na janga la Covid-19. Kwa hivyo, kuendelea mbele, huku tukitathmini uwezo wetu kwenye ushindani ili kutwaa nafasi bora ya ushindani, uthabiti na wepesi wa biashara yetu na mbinu za utekelezaji katika raslimali zetu Afrika Mashariki zitaendelea kuwa muhimu kuendelea kukabiliana na mabadiliko ya matarajio ya wateja huku usimamizi wa gharama na fedha zikiendelea.

Wakati wa kipindi cha mwaka 2022, kundi litaendeleza juhudi za uhusishaji wa mauzo na uvumishaji. Mkakati wa ubunifu, umakini wa mauzo na uvumishaji utakaolenga mabadiliko ya haraka ya masoko na mienendo ya mahitaji ya wateja itaendelea kuzinduliwa. Hili litakuwa muhimu ili kutafuta nafasi zilizoko na zile mpya za kibiashara, kustawisha masoko mapya, kupanua upeo wa bidhaa na kudumisha matumizi ya mara kwa mara ya bidhaa na kuzipanua.

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

Serena inaendelea kuamini kwamba wafanyakazi wake wanatekeleza wajibu mkubwa wa kufanikisha uthabiti wa ufanisi wa muda mrefu, ukuaji na sifa za thamani ya bidhaa zetu. Kwa kuangalia matarajio makubwa ya wateja, tutaendelea kudumisha na kuimarisha uaminifu na imani ya wateja pamoja na ubora wa huduma ambazo ni sawia na Serena kuwa kituo teule kwa wateja wetu.

Kwa sababu hiyo, tutawekeza zaidi kwenye uimarishaji wa mkakati wa uzalishaji wa kundi kupitia mipango iliyolengwa vyema ili kusadia utoaji mafunzo kwa wafanyakazi / usimamizi, uimarishaji na mipango ya kimaslahi.

Huku ulimwengu unapojihami kukabiliana na mabadliko mapya baada ya janga, hoteli za Serena zitazidi kudumisha utamaduni wake wa muda mrefu wa kudhibiti viwango vya juu vya usafi, usalama na utulivu kwenye vyumba vya wageni wetu, nafasi za umma na shughuli za ndani huku maslahi ya wateja, wafanyakazi na washirika yakisalia kupewa kipaumbele.

Ninegependa kutambua na kuzishukuru Serikali za Afrika Mashariki kwa juhudi zao zisizo kifani kukabiliana na janga hili. Huku utalii ukiendelea kuinuka pole pole katika mataifa kadhaa, tunatarajia kuona manufaa kamili ya juhudi zilizowekwa kwenye majukwaa mbali mbali ambazo lengo lake ni kudumisha imani ya usafiri na kuhakikisha kuwa sekta ya utalii wa kanda inarejelea nafasi yake na kuimarisha kituo cha Afrika Mashariki.

Kwa niaba ya Wafanyakazi na Usimamizi natoa shukrani zetu za dhati kwa Halmashauri ya Wakurugenzi kwa mwongozo wao, msaada usio na kifani na himizo mwaka 2021 huku nikitambua pia kwa dhati msaada na kujitolea, imani na uaminifu ambao Hoteli za Serena inazidi kupokea kutoka kwa wanahisa, wafanyakazi, wateja, halmashauri mbali mbali za usimamizi na wadau wengine wakati huu wa kipindi teule chenye changamoto. Tuna nguvu tukiwa pamoja na tunakutakia usalama na afya jema.

MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Goma Serena Hotel

SCRIBE Services

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GOVERNANCE AUDITOR'S REPORT

STATEMENT OF THE RESPONSIBILITY OF DIRECTORS

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organization. The responsibility includes planning, designing, and maintaining governance structures through policy formulation, which is necessary for efficient and effective governance of the organization. The Board is also responsible for ethical leadership, risk governance and internal control, transparency and disclosure, equitable protection and exercising of members' rights and obligations, compliance with laws and regulations, sustainability, performance management and strategy formulation and oversight.

The Board of Directors of TPS Eastern Africa Plc ("the Company") is committed to the highest standards of Corporate Governance and strives for continuous improvement by identifying any loopholes and gaps in the Company's governance structures and processes. It is on this premise that the Board commissioned a governance audit, with the aim of ensuring that all processes necessary for directing and controlling the Company are in place.

The Directors have therefore ensured that the Company has undergone a governance audit for the year ended 31 December 2021, and obtained a report, which discloses the state of governance within the Company.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organization, in accordance with the best governance practices as envisaged within the legal and regulatory framework. We conducted our audit in accordance with the Institute of Certified Secretaries' Governance Audit Standards and Guidelines, which conform to global standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organization's policies, systems, practices and processes. The audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Being part of a continuous audit process, the auditor has assessed the continual application of recommendations from previous audits and has ensured that the current recommendations are in line with the Company's vision and mission in order to ensure that the Board's goals, structure and operations are consistent with the latest developments in in Corporate Governance. The structure of the report, findings and recommendations will therefore focus on providing a progressive approach following the seven steps of governance auditing.

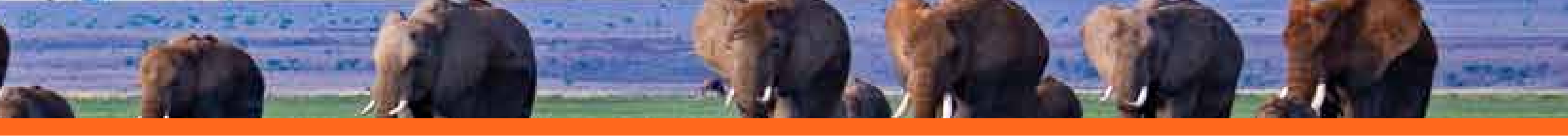
OPINION

In our opinion, the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders. In this regard, we issue an unqualified opinion.

CS. Bernard Kiragu, ICS GA. No 159
For: Scribe Services Registrars Limited

Date: 27 May 2022

S. IKINGI | B. KIRAGU | L. KAYIKA



Board of Directors

1

MR. FRANCIS OKOMO-OKELLO – Chairman 1

Mr. Okello (aged 72 yrs) is a qualified lawyer. He holds an LLB degree from the University of Dar-es- Salaam. He is an Albert Parvin Fellow of Princeton University, Woodrow Wilson School of Public and International Affairs (USA) and a Fellow of The Kenya Institute of Bankers (FKIB). He is an independent Non-Executive Director of Absa Group Limited (formerly Barclays Africa Group Limited), Absa Bank Limited (South Africa) and the immediate former Chairman of Absa Bank Kenya PLC (formerly Barclays Bank of Kenya PLC). He is also a Director of the Nation Media Group Limited, among other Companies. He is a member of the Advisory Board of Strathmore Business School, Strathmore University – Nairobi and also is a member of the Advisory Committee of the Aga Khan University, Faculty of Arts and Sciences – East Africa. He is currently an Executive Director at Industrial Promotion Services Group (East Africa).

2

MR. MAHMUD JAN MOHAMED – Managing Director 2

Mr. Jan Mohamed (aged 69 yrs) has vast experience in the hotel industry in Europe, USA, Africa and Asia. He is the Chief Executive, TPS Group of Companies in Eastern Africa. He is the founder Chairman of the Kenya Tourism Federation, Trustee of the East African Wildlife Society, Director of British America Tobacco Kenya, TPS Central Asia, Mountain Lodges Limited and a member of the East Africa Association advisory council. He is an associate member of the Hotel Catering Institutional Management Association (UK) and a member of the Cornell Hotel Society (USA).

3

MR. NOOREN HIRJANI - Chief Financial Officer 3

Mr. Hirjani (Aged 55 yrs) is an Associate of the Institute of Chartered Accountants in England & Wales and holds a BA (Honors) degree from Manchester University. He is a senior finance executive with over 25 years' relevant experience from the United Kingdom, United Arab Emirates, Bahrain, Qatar and East Africa markets. Previously, Mr. Hirjani served in senior positions at Marston's PLC, Carlsberg UK, Merlin Entertainments PLC, Lagan Group, Dubai Holdings, Gulf Finance House; and Qatar Foundation. He is a member of ICPAK.

4

MR. MAHMOOD PYARALI MANJI - Non-executive Director 4

Mr Manji (aged 68 yrs) is a Fellow of the Institute of Chartered Accountants in England and Wales and the Kenyan Institute of Bankers. He is the Chairman of Towertech Africa Limited and the Chairman of the Aga Khan Schools in Kenya. He is the former Chairman of The Diamond Trust Banks in East Africa and a Director of the Capital Markets Authority in Kenya. In December 2012, Mr Manji was awarded the Order of the Grand Warrior of Kenya (OGW) by His Excellency the President of the Republic of Kenya, in recognition of distinguished services rendered to the nation.

Board of Directors (continued)

MR. GUEDI AINACHE - Non-executive Director 5

5

Mr. Guédi Aïnaché (aged 46 yrs) holds a Masters Degree in Audit and Risk Management from the University of Angers, France and he is also a graduate of Economic Science, from the University of Le Mans, France. Currently he is the Corporate Finance Director at MMD Investments Limited. He has previously worked with PTA Bank as Head of Syndication, based in Nairobi, PROPARCO in Nairobi as Regional Head for East Africa and in Paris as Senior Investment Officer within the Corporate Division handling various large corporate financing transactions across various regions in Africa, Latin America & Asia and as an Associate Director with Crédit Agricole Corporate and Investment Bank in France.

MR. JEAN-BENOIT DU CHALARD – Non-Executive Director 6

6

Mr. Du Chalard (aged 42 yrs) is an MBA graduate from ESSEC Business School in Paris. He is currently the Regional Head of PROPARCO in East Africa. Previously, he served as a Financial Engineer in charge of municipal debt management then as a Project Finance Analyst on infrastructure at DEXIA Credit Local, a French-Belgian Bank. He joined the AFD Group in 2009 as an Investment Officer in charge of monitoring and supervising transactions in Asia. He also served in Bangladesh under the AFD Group as a Country Representative in charge of opening the Country's office and providing financial support to Bangladesh Government for the provision of water and sanitation services, power, transport and urban development.

MR. ALKARIM JIWA – Non-Executive Director 7

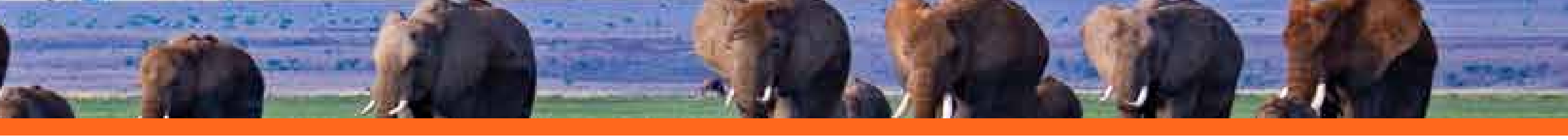
7

Mr. Alkarim Jiwa (aged 53 yrs) is a Fellow of the United Kingdom based Association of Chartered Certified Accountants (ACCA), a member of the Institute of Certified Public Accountants of Kenya (CPA, K), holds a certificate in Management Audits, London School of Economics (2008) and is a member of the Institute of Directors –Kenya. Currently, Mr. Jiwa is the Finance Director of Diamond Trust Bank Kenya Limited, as well as a Non-Executive Director of Diamond Trust Bank Burundi S.A., Diamond Trust Bancassurance Intermediary Limited (Kenya), Diamond Jubilee Investment Trust (Uganda) Limited, Network Insurance Agency Limited (Uganda).

MR. DOMINIC K. NG'ANG'A - Company Secretary 8

8

Mr. Ng'ang'a (aged 47 yrs) holds a Bachelor of Commerce (Accounting) Degree from KCA University. He is a CPA finalist and a Certified Public Secretary CPS (K). He is also a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).



Corporate Governance Statement

The Board of Directors of TPS Eastern Africa PLC (TPSEAP/ "the Company") is responsible for the formulation, implementation and oversight of the Company's policies, overall management of the Company's operations, strategic direction, and governance of the Company and its subsidiaries ("TPS Group"). The Board is thus accountable to the Group's shareholders for ensuring that the Company complies with the relevant laws and regulations. The TPS Group is founded on strong corporate governance principles underpinned by consistent application of ethical standards in its relationships with its clients, employees, suppliers and other stakeholders. This is consistent with the TPS Group's core values of effective corporate governance that has led to a strong commitment and resolve to conduct business in accordance with best business practices based on the principles of transparency, accountability, responsibility, sound risk management, and compliance with relevant laws and regulations, appropriate checks and balances and delivery on its commitments to all stakeholders.

The Company has complied with the Nairobi Securities Exchange (NSE) requirements under the Continuing Listing Obligations and most of the provisions of the revised Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 as issued by the Capital Markets Authority (CMA) (the CMA Guidelines) and gazetted in 2017 save for a few areas noted below. In this respect, the Directors of the Company have committed to ensuring that the integrity of internal systems remains sufficiently robust in enhancing the Group's financial performance and sustainability.

BOARD OF DIRECTORS

The Board consisted of six substantive directors as at 31 December, 2021. The Chairman is a Non-Executive director. A majority of the directors are Non-Executive and independent, a manifestation that the interests of the minority shareholders are taken into consideration. There are two executive directors, i.e. the Managing Director and Chief Financial Officer. Re-election and appointment of directors is subject to the provisions of the Company's Articles of Association and CMA Guidelines. The directors have a wide breadth and depth of business and professional skills and experience, and each contributes independently and collectively to the Board's deliberations. The directors meet at least four (4) times a year in accordance with the Board's Charter. In addition, the Board holds special meetings to deliberate on issues of strategic importance, or as required by statute, or in compliance with the requirements of regulatory authorities.

The Board held three (3) scheduled Board meetings in 2021 attended by directors as indicated below:

	NAME OF DIRECTOR	NO. OF BOARD MEETINGS ATTENDED
1	Francis Okomo-Okello	3
2	Mahmud Jan Mohamed	3
3	Guedi Ainache	3
4	Mahmood Manji	3
5	Nooren Hirjani	3
6	Jean-Benoit Du Chalard	3

Notes:

1. Three (3) Board meetings were held in 2021 (2020: 4).
2. Due to the Covid-19 pandemic, all Board meetings were held virtually via electronic communication.

Management provides the directors with adequate notice of Board meetings and timely information so that the directors are duly informed and able to contribute constructively at Board meetings. This also enables the directors to maintain effective oversight and control over strategic, financial, operational, and compliance matters. The separation of the Board's Non-Executive, independent Chairman's role from that of the Group's Management obviates the possibility of conflict between the respective roles of the Chairman and those of the executive Managing Director. This segregation strengthens the Board's independence and further ensures in-built checks and balances. Consequently, the Board continued to maximize shareholders' value whilst maintaining the long-term sustainability of the TPS Group through active leadership particularly during this most challenging period as occasioned by the pandemic.

The Company's shareholders re-elected Messrs Francis Okomo-Okello, Ameer Kassim-Lakha, and Mr. Guedi Ainache, as directors of TPSEAP Board at the last Annual General Meeting, held on 28th June, 2021.

On 3rd August, 2021, sadly, Mr. Ameer Kassim-Lakha died and this regrettably reduced the number of substantive directors of the Company to six (6).

Corporate Governance Statement (continued)

BOARD OF DIRECTORS' OVERSIGHT ROLE

As noted above, the Board provides direction on policy and oversight in respect of the Group's internal controls, strategy, finance, operations, budgets and compliance matters in order to ensure sustainable returns to the shareholders. The Board, in collaboration with Management, carries out periodic reviews comparing actual performance with set targets and takes corrective measures where necessary, to ensure that the Company's business performance is optimized. As at the date of this report i.e 31.12.2021, the Company had no known trends that would have material effect on the financial position and operations of the Company in the future. However as noted elsewhere in the Report, the outbreak of Covid-19 pandemic has and continues to fundamentally change the financial position and operations of the Company now and as we assess the future. On a positive note there is renewed market optimism as the Group's source markets reopen following successful rollout of Covid-19 vaccinations and worldwide lifting of travel restrictions.

BOARD COMMITTEES

The Board has set up two main Committees (the Committees) and has delegated specific mandates to each one of them. The Committees, namely, Board Audit Committee and Board Nomination and Remuneration Committee, function under specific written Terms of Reference (ToR). The Board reviews the number of Committees and their respective ToR from time to time so as to plan and proactively respond to the dynamic business environment and comply with the ever-changing relevant legislation and regulations. The Committees meet at least quarterly each calendar year as stipulated in their respective ToR.

BOARD AUDIT COMMITTEE

Members of this Committee comprised: Mr. Mahmood Manji (Chairman), Mr. Guedi Ainache, and Mr. Alkarim Jiwa. The Committee engages closely with the Internal Audit Department and External Auditors. It plays a critical role in reviewing financial information and ensuring that the system of internal controls is sound, effectively administered and reviewed as necessary. During the year under review, the Committee evaluated significant audit findings identified by both internal and external auditors, and progressed implementation of necessary remedial, and continuous improvement measures.

The Board authorized the Committee to seek direct feedback from the Company's employees and independent professionals, whenever necessary, regarding important information or advice on matters pertaining to its work. The Board reviewed the membership of the Committee during the year under review in accordance with the CMA Guidelines as well as the Committee's own ToR. The Committee held Four (4) scheduled meetings during the year under review. External auditors and the Management Team also attended the Committee's meetings as required to deal with and /or respond to specific matters under review. The Committee also meets with the external auditors independently of the Management Team in assessing key audit and risk management matters.

The Board has adopted the Enterprise Risk Management Policy. This Policy is aimed at addressing inherent business risks given the Company's fast paced operating environment across Eastern Africa. The Board and Management have rolled out a framework for the operationalization and implementation of the Policy and ensure its adherence across the business. This initiative is being spearheaded by the Board Audit Committee.

The Company has a Whistle Blowing Protection and Fraud Prevention Policy which is a necessary Policy document in enhancing transparency and ethical practices. A copy of the Policy can be downloaded from the Company's website *www.serenahotels.com.*

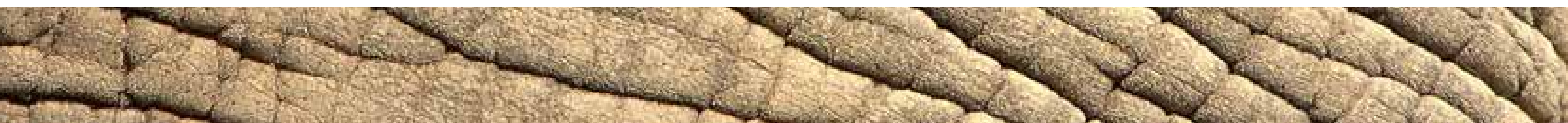
BOARD NOMINATION AND REMUNERATION COMMITTEE

The Committee's membership comprised: Mr. Guedi Ainache (Chairman), and Mr. Mahmood Manji. The Board mandated the Committee to consult independent experts, where necessary, to evaluate the Company's organizational structure and staff establishments and recommend to the Board appropriate Human Resources policies, senior employee's remuneration scales and general talent capacity enhancement. The Committee held two (2) scheduled meeting during 2021.

The Board mandates the Committee to propose nominees for appointment to the Board as may be required from time to time, and to assess the effectiveness of the Board, Committees of the Board, as well as individual directors and make necessary recommendations to the Board to enhance the overall effectiveness of the Board's governance. This is effectively undertaken in liaison with an external consultant. Upon recommendation by the Committee, Mr. Alkarim Jiwa was appointed as a TPSEAP director on 20th January, 2022.

The Committee liaises with an external Consultant to ensure that a Board evaluation exercise is undertaken every two years to independently assess the performance of the Board and its Committees, the Board Chairman, the Managing Director, individual directors and the Company Secretary. Any areas of improvement recommended as consequence of the evaluation are carefully addressed with a view to improving the Board's overall effectiveness and performance. The last Board evaluation exercise was undertaken in 2019 and thus the next similar exercise is now due.

The Committee has engaged an external Consultant to ensure that a Governance Audit is undertaken as per the CMA requirement to assess TPSEAP's compliance with the revised Code of Corporate Governance Practices for Issuers of Securities to the Public 2015. Key recommendations from the Governance audit will be diligently assessed and implemented to improve the Company's overall best practice compliance. Please refer to page 22 for an executive summary of the Governance Audit Report.



Corporate Governance Statement (continued)

INTERNAL CONTROLS

The Company has an organizational structure with appropriate segregation of duties and responsibilities. The structure is complemented by detailed policies and procedures manuals, which provide an effective and robust operational framework for the Management Team. The Company periodically updates its policies and procedures manuals to incorporate relevant changes for continuous improvement and to ensure that they remain relevant to the Group's operational requirements. The Company held monthly credit control, sales and marketing, and finance review meetings focusing on critical aspects of the Company's operations. The internal control function is largely complemented by the Internal Audit function, which undertakes an independent appraisal and review of operations. Key findings and recommendations are discussed at various levels across the Group and adopted for continuous improvement as necessary. The Company's ongoing investment in its long established audit software application – 'TeamMate Audit Management System' underpins the Company's existing internal audit competencies, thereby harmonizing and strengthening the risk management function, and enhancing the effectiveness of internal control processes across the Group through automation.

COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

The Company is committed to ensuring that Management provides shareholders, securities & bond markets, and other stakeholders with accurate and timely information as regards the Company's performance. This is achieved by electronic e-mail communication of the TPSEAP Annual Report & Financial Statements at least 21 days before the Annual General Meeting, release of half-year and year-end financial results through print media and regulatory bodies, and issuing of monthly disclosures of shareholding statistics to the Nairobi Securities Exchange (NSE) and the Capital Markets Authority (CMA).

Shareholders and other stakeholders have direct access to the Company's information through the internet and Management responds to all such enquiries in a thoughtful and timely manner. Management also regularly updates the Company's website so as to provide current information regarding the Company's affairs. During the year under review, the Company complied with its obligations under the NSE Continuing Listing Rules and the CMA Act.

The Company ensures that enquiries from shareholders and other stakeholders are addressed expeditiously through its longstanding 'open-door' communication policy both at Board and Management levels.

DIRECTORS' EMOLUMENTS AND LOANS

In consequence of the outbreak of Covid-19, the Non-Executive directors supported the Company's financial predicament by voluntarily suspending payment of Director's Fees and Sitting Allowances with effect from January 2020 until further notice. Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement under which the TPS Group was a party whereby directors might have acquired benefits to facilitate the acquisition of the Company's shares by such directors. There were no Non-Executive directors' loans during the year.

DIRECTORS' INTEREST

There were no material contracts involving directors' interests during the year ended 31st December 2021 nor indeed in the previous financial year (2020). However, some directors remain longstanding minority shareholders of the Company as at 31st December, 2021 (and 2020) as shown below:

Name of Director	No of Shares	% Shareholding
Francis Okomo-Okello	1,456	0.00080
Mahmood Manji	1,456	0.00080
Mahmud Jan Mohamed	6,720	0.0037

Corporate Governance Statement (continued)

CONFLICT OF INTEREST

In line with the established corporate governance best practice within the Company, the Directors were required to disclose any areas of conflict(s) of interest during the year 2021. The Directors are also required to refrain from contributing to discussions and voting on matters in which they have, or could have any such conflict. In addition, the directors are required, on an ongoing basis, to notify the Company Secretary of and declare in advance, any potential conflicts of interest whether from other directorships, shareholdings, associations, and/ or conflicts arising from any specific transactions. The Company Secretary maintains and updates a register of such interests as part of the Company's corporate records.

OTHER DISCLOSURES

The Company has a Board Charter, Whistle Blowing Policy and Fraud Prevention Policy, Insider Trading Policy, HR Policy & Procedures Manual and Enterprise Risk Management Policy copies of which can be downloaded from the Company's website *www.serenahotels.com.*

The Company has an extensive Information and Communication Technology Policy in place that safeguards the Assets and data resource of the Company. Additionally, the Company has a robust and up to date Procurement Policy which ensures best practice corporate governance in procurement risk management, and supply chain operations.

As for insider trading dealings, the Board is not aware of any known or reported dealings pertaining to the Group during the year under review.

AREAS OF NON-COMPLIANCE WITH THE NEW CODE OF CORPORATE GOVERNANCE

The Company has complied with most of the provisions under the new code of corporate governance save for a few areas which include for example; legal & compliance audit which is slated for implementation in due course.

OTHER CORPORATE INFORMATION

The Company and its subsidiaries in Kenya, Uganda, Tanzania, Zanzibar and South Africa had a total of 1819 employees. TPSEAP is a holding Company and did not own any land and buildings during the year under review.

The Company has a fully qualified and registered Company Secretary, Mr. Dominic K. Ng'ang'a, whose office is situated at the Company's registered office at Williamson House, 4th Floor, 4thNgong Avenue, Nairobi, Kenya.

Nairobi Serena Hotel "new look"

Corporate Governance Statement (continued)

SHAREHOLDERS' PROFILE AS AT 31 DECEMBER 2021

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Aga Khan Fund for Economic Development,S.A	82,048,626	45.04
2	Pyrus Investments Limited	12,470,400	6.85
3	Standard Chartered Nominee Account 9292-GCS	10,892,900	5.98
4	Craysell Investments Limited	8,898,132	4.88
5	The Jubilee Insurance Company of Kenya Limited	7,722,106	4.24
6	Industrial Promotion Services (Kenya) Limited	7,697,088	4.23
7	Aga Khan University Foundation	6,851,000	3.76
8	PDM (Holdings) Limited	6,607,440	3.63
9	Executive Healthcare Solutions Limited	3,294,700	1.80
10	Kanchanben Ramniklal Khimji Shah	2,290,744	1.26
11	Others	33,400,972	18.33
		182,174,108	100.00

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2021

	NO. OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Less than 500 shares	3,326	447,425	0.25
500 - 5000 shares	4,612	6,176,434	3.39
5001 - 10,000 shares	179	1,295,151	0.71
10,001 - 100,000 shares	201	5,547,465	3.05
100,001 - 1,000,000 shares	32	10,352,741	5.69
Over 1,000,000 shares	15	158,354,892	86.91
	8,365	182,174,108	100.00

SHAREHOLDER CATEGORIES

	NO.OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Foreign Investors	149	120,743,796	66.28
Local Institutions	436	44,678,095	24.52
Local Individuals	7,780	16,752,217	9.20
	8,365	182,174,108	100.00

Corporate Social Responsibility Footprint in East Africa

The Company's daily interactions, business processes and developments continue to be guided by various policies and working documents focusing on Environmental, Social and Governance related actions.

Responsible business and the broad spectrum of our eco-practices exist in our activities along the value chain which creates shared value between our business, the communities and the wider eco-system within which we operate. Focusing on a holistic approach towards concrete actions and projects that encapsulate our responsibility to the natural environment which sustains us, is a fundamental approach that has and will continue to lie at the heart of Serena Hotels corporate culture.

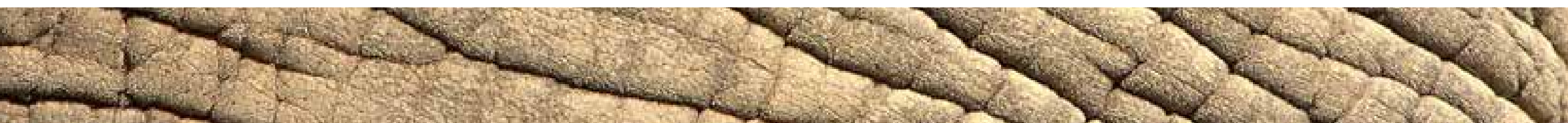
Integration of the United Nations Sustainable Development Goals has enabled Serena Hotels across the Eastern Africa region to create meaningful impact in support of: eco-tourism; climate change; water and energy conservation; re-afforestation; installation of solar plants; species conservation; respect for local tradition, culture and heritage; education; public health and essentially, community development.

Our efforts are aimed to inspire our various stakeholders to take a wider consideration encompassing a long-term view when making business decisions.

This report indicates the Company's environmental, social and economic footprint as a result of its responsible stewardship.

ENVIRONMENTAL FOOTPRINT

- Our operations in Kenya, Tanzania, Uganda and Rwanda cumulatively recorded carbon emissions [under Scope 1 (direct emissions from owned and controlled sources) and Scope 2 (indirect emissions from purchased electricity) as defined under the Greenhouse Gas Protocol] of 12,154 tCO_2e (metric tonnes of carbon dioxide equivalent) in year 2021 (2020: 10,798 tCO_2e; 2019: 19,347 tCO_2e). The 37% drop in carbon emissions in year 2021 relative to 2019 is largely due to reduced business levels as a result of the pandemic. Addressing the global challenge of climate change requires urgent action to reduce greenhouse gas (GHG) emissions. Serena Hotels is in the process of establishing a decarbonization action plan for our operations (Scope 1 and Scope 2) that will align with the latest climate science on limiting global warming to 1.5°C. This is equivalent to a reduction in GHG emissions of at least 4.2% each year from year 2019 (base-line target setting year) until year 2030.
- Our reforestation commitment has been in place since year 1991. Approximately 6.7 million trees have been planted in East Africa by our guests, staff and local community school children. Each Serena property has its own seedling nursery and our efforts have been focused on reforestation while in the recent past, on agroforestry which includes the planting of fruit and herb trees. Whilst contributing towards reducing our carbon footprint, it is hoped that this will enhance food security.
- Renewable Energy: Currently, Kilaguni Serena (since July 2017), Amboseli Serena (since July 2018) and Mara Serena (since December 2019) are fully solar powered (off-grid solar system); Lake Elmenteita Serena and Sweetwaters Serena are on a grid-tied solar system and; Mombasa Serena Beach, Lake Elementaita Serena, Sweetwaters Serena, Kigali Serena, Lake Kivu Serena and Kampala Serena have solar water heating systems. From July 2017 until 31 December 2021, our efforts on clean renewable energy has resulted in elimination of 3,884 tCO_2e; and to put this into perspective, to extract this amount of carbon dioxide from the environment naturally, 117,709 trees would be required over 10 years.
- Water conservation is achieved through efficient laundry and kitchen washing process formulations and waste water recycling. Treated effluent water is re-used for irrigation and the excess effluent is let back into the environment.
- Our sea turtle conservation program plays a vital role within the ocean eco-system that directly/indirectly contributes towards the climate change agenda. Since inception of the program by Serena Beach Resort & Spa, Mombasa (SBRS), 29 years ago, 570 turtle nests have been protected (Green Turtle: 444; Hawksbill Turtle: 67; and Olive Ridley Turtle: 59) as were reported and secured with the help of the local fishermen, beach operators and Kenya Wildlife Service Rangers. During this period 73,715 eggs were secured at SBRS hatcheries of which 62,868 turtle hatchlings (85%) have been released into the Indian Ocean. To complement the release of the hatchlings experience, weekly lectures are conducted at SBRS in order to educate guests and the local community about various sea turtle species that exist in Mombasa, the threat of extinction, and how individuals can play a role in conserving sea turtles.
- At our butterfly conservation sanctuary, we breed 65 species and over the last 19 years we have released 399,025 butterflies into the coastal environment. Within the Butterfly Sanctuary, separate enclosures of a butterfly display house; pupa, egg and caterpillar hatchery and female unit are provided. Butterflies have a unique role in the environment, the first of which is that they are conservational as they not only pollinate the wild flowering plants as they feed on the nectar, but also serves to enhance the biodiversity by maintaining ecological balance. Butterflies are also a key indicator on the assessment of the health of the surrounding forest as they feed on a particular food plant. Therefore, the absence of a certain species of butterflies may indicate the depletion of a certain forest component.



Corporate Social Responsibility (continued)

- Research indicates that plastic pollution is a 'climate issue', an 'ocean issue', and a 'human health issue' as micro plastics enter our food chain. Serena Hotels has and continues to make conscious efforts to reduce 'Single Use Plastic' since year 2016 within operations in Kenya, Tanzania, Uganda and Rwanda through initiatives such as:
    - transitioning to a large format of guest amenities that replaces the traditional single-use miniature bottled shampoo, shower gel and lotion resulting in over 266,000 bottles eliminated per annum from thirteen of nineteen Serena properties;
    - elimination of over 146,000 plastic straws per annum from nineteen Serena properties;
    - transitioning to the use of glass recyclable mineral water bottles from single-use plastic mineral water bottles resulting in elimination of over 540,000 plastic bottles from seven Serena Kenya properties.
- Clean-ups on the beach, national parks and conservancies takes place on a regular basis, correct disposal of toxic waste is ensured and ongoing waste management and recycling programs are in place to the extent possible.

SOCIAL FOOTPRINT

- Average jobs created as a result of our operations in Kenya, Tanzania, Uganda and Rwanda: Direct Jobs: 3,638 per annum (Male: 69%; Female; 31%); Indirect & Induced Jobs: 13,570 per annum.
- Our procurement strategy is to provide priority to local sourcing. We encourage and promote local community-based suppliers including companies that support small scale producers and dis-advantaged groups. Our suppliers are informed of the standard expected of them and if a gap is identified, training is offered to the local entrepreneurs. Suppliers are encouraged to reduce packaging or package in recyclable/biodegradable material.
- Serena Clinics are in place at each property and accessible to guests, staff and the local community who receive free medical and wellness consultation.
- Artefacts and handicrafts from various local community groups are sold in our gift shops.
- We enhance guest experience by exposing them to the diverse range of local cultures and ethnic groups through art, dance, song, musical and theatrical displays whilst economically empowering the local people.
- Serena Hotels has, in the last decade, worked with 28 schools that includes 12,700 children around our properties in East Africa in various ways. This is through the "Adopt a School" program that includes access to libraries; eco-clubs that involves education on the impact of climate change, planting of trees, environmental clean-up, education on renewable energy and recycling of waste water; human-wildlife conflict; health outreach programs; infrastructure and learning aids.

ECONOMIC FOOTPRINT: YEAR 2013 TO 2021 (9 YEARS)

It will be recalled that in year 2016, Horwath HTL was engaged by TPS Serena Hotels and Proparco (a French Development Finance Institution) to develop a formalized and standardized system allowing for systematic measurement of the local footprint and contribution to local development and economic activity generated by Serena Hotels in East Africa since year 2013.

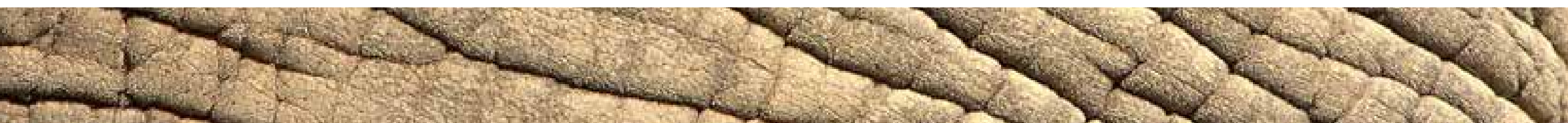
Using the Development Impact Assessment system, the Total Local Economic Activity Generated in East Africa by Serena Hotels presence in Kenya, Tanzania, Zanzibar, Uganda and Rwanda over a nine-year period (2013 to 2021) is equivalent to approximately USD 2,119 Million as tabulated below. It is important to recognise that the Total Local Economic Activity for the year 2021 was at 51% of 2019 levels (pre-pandemic year) compared to 26% of 2019 levels for the year 2020 (pandemic year). The increased percentage for the year 2021 is on account of the improved business levels (mainly from the local and regional market segments) compared to that in year 2020, though below pre-pandemic levels.

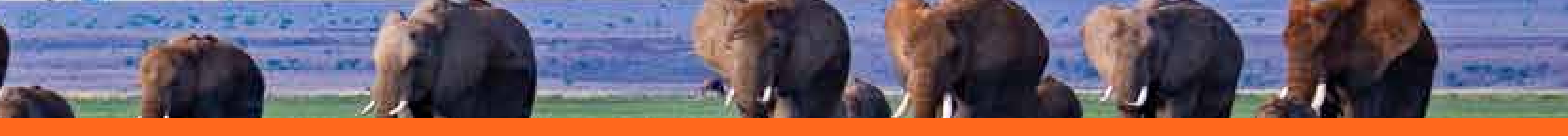
Corporate Social Responsibility (continued)

	ECONOMIC IMPACT IN EAST AFRICA (9 Years)					
	Direct	Indirect	Induced	Spillover	TOTAL	Basis Used
Per Annum						
Jobs Created – average per annum	3,638	9,934	3,135	501	**17,208**	Headcount expressed in Full Time Equivalent (FTE) per annum.
Number of People Supported within the Households as a result of the Jobs Created – average per annum	16,130	44,991	14,216	2,314	**77,651**	Headcount multiplied by the Country's average number of people per household.
9 Years (2013 to 2021)						
TOTAL ECONOMIC IMPACT - Contribution to Gross Domestic Product in East Africa - $ Million (Note 1)	1,015	1,035	57	12	**2,119**	Direct, indirect, induced, spillover revenues and tax collection deriving from Serena Hotels operations.
Note 1: The ECONOMIC IMPACT in the line above has been derived from the below and covers 19 Serena properties:						
Value Creation by Guests - $ Million	167	501	-	-	**669**	Value creation at Serena Hotels and non-hotel expenditure during their visit.
Payroll & Related - $ Million	188	177	57	12	**434**	Amounts paid to Serena Direct employees and all along the value chain.
Local Procurement (food, beverage, utilities, repairs & maintenance and other operating costs)- $ Million	406	-	-	-	**406**	Consumption of non-imported goods and services by Serena Hotels operations.
Direct & Indirect Taxes (includes park/ conservancy fees, visas) - $ Million	206	356	-	-	**562**	Taxes collected from Serena Hotels and indirect tax through Serena Hotels supply chain.
Capital Expenditure (renovations, expansions, improvements) - $ Million	48	-	-	-	**48**	Capital investments by Serena Hotels for renovations, expansions or improvements.

The impact of Serena Hotels operations in East Africa on the local economy is calculated using the Horwath HTL system with relevant quantitative indicators such as monetary amounts injected from each stakeholder (the Serena Properties, Suppliers, Employees, Guests) to the economic system and total number of jobs created. The several levels of impacts that the Development Impact Assessment system considers has been summarized below:

- Direct Impacts: Local Economic Impacts generated by the operations of Serena Hotels in East Africa. Measured through key indicators such as procurement; wages through direct employment; taxes; concession fees; park/conservancy fees; and capital expenditure.
- Indirect Impacts: Related to Serena Hotels value chain in East Africa and is the result of expenses incurred by the Serena Hotels direct stakeholders (based on specific macroeconomic and socio-demographic ratios, and limited to the revenues generated from Serena Hotels value chain) which includes: Wages paid by suppliers; average guest spending in the local economies; consumption by Serena Hotels employees in the local economies and the related impact on employment and taxes.
- Induced Impacts: Multiplier effect as a result of expenses incurred and jobs created by the indirect impacts described above related to Serena Hotels.
- Spillover Effect: This is the result of the various rounds of re-spending in the local economies. Following usual tourism economic principles, each previous impact generates successive waves of revenues for the local economies. Ultimately, this translates into the tourism expenditure multiplier.





National and International Awards and Accolades

Despite the adverse effects of the pandemic, Serena Hotels were proud recipients of a number of national and international awards and accolades during year 2021, details of which are below:

Mombasa Business Awards 2021:

Serena Beach Resort & Spa was awarded for the Best Service in Tourism and Hospitality.

Gold Eco-Rated Properties by Eco-Tourism Kenya:

Designed to embrace innovation in responsible resource use, environmental conservation, community empowerment, cultural preservation and promotion; and holistic business practices.

Through an in-depth biennial on-site audit that took place during the year 2021, the below six Serena Kenya properties retained their Gold Eco-rating Certification (the certification program is recognized by the Global Sustainable Tourism Council):

- Serena Beach Resort & Spa, Mombasa
- Mara Serena Safari Lodge
- Kilaguni Serena Safari Lodge
- Amboseli Serena Safari Lodge
- Lake Elmenteita Serena Camp
- Sweetwaters Serena Camp

World Travel Awards 2021:

Voted by travel and tourism professionals worldwide which recognizes commitment to excellence, Serena Hotels won the below:

- Rwanda's Leading Hotel: Kigali Serena Hotel
- Rwanda's Leading Hotel Suite: Presidential Suite at Kigali Serena Hotel
- Uganda's Leading Hotel: Kampala Serena Hotel
- Uganda's Leading Hotel Suite: Royal Suite at Kampala Serena Hotel
- Uganda's Best MICE (Meetings, Incentives, Conference, Events) Hotel: Kampala Serena Hotel

Travelmyth Awards 2021

Travelmyth is the hotel search engine for the sophisticated traveler and according to the search algorithm Zanzibar Serena Hotel is ranked in the 'Top 5 Hotels in Zanzibar'.

Traveler Review Awards (booking.com) 2021:

For the exceptional review scores and commitment shown to offering travelers outstanding hospitality, the below properties, received the award:

- Zanzibar Serena Hotel
- Kampala Serena Hotel

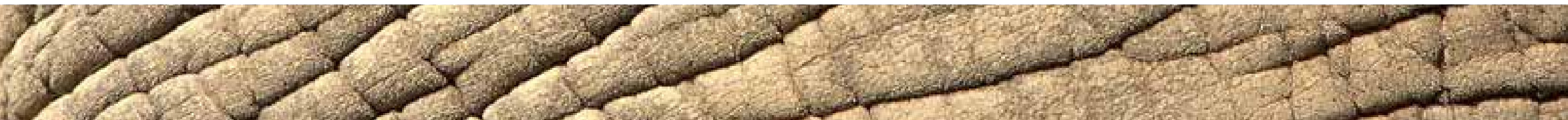
TripAdvisor Travelers' Choice Awards 2021:

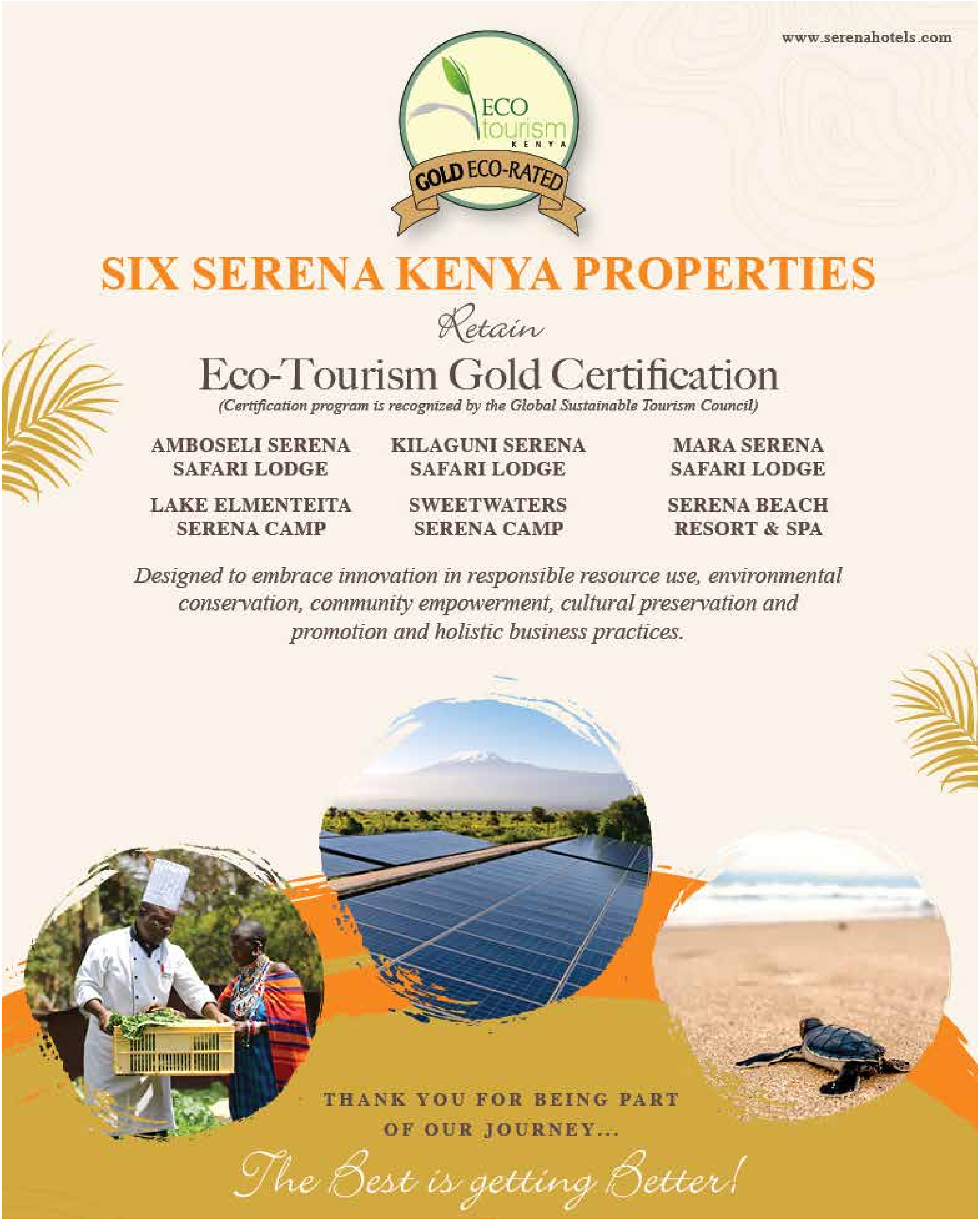
Winners are determined based on the quality and quantity of traveler reviews and ratings posted on Tripadvisor over a 12-month period, as well as an additional editorial process. Zanzibar Serena Hotel received the award.

World Quality Commitment Award:

The World Quality Commitment Convention (WQC) presents an innovative programme that aims to highlight the commitment to key issues of business development, such as quality, sustainability, technology, leadership and excellence, which precisely coincide with the ESG (Environment, Social and Governance) objectives set by the United Nations.

At the convention in Paris, France on 13th November 2021, Goma Serena Hotel received the award as an outstanding example of commitment to leadership and excellence.





Eco-Tourism Gold Certification for Six Serena Units

Directors' Report

The directors submit their report together with the audited financial statements of TPS Eastern Africa PLC (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2021 which disclose the state of affairs of the Company and the Group.

Business review

The principal activity of the Group continues to be to own and operate hotel and lodge facilities in East Africa, serving the business and tourist markets.

The Group's performance

The Group's loss before income tax for the year of Shs 703,987,000 (2020: Shs 1,658,909,000) improved 57.6% on year 2020. This was primarily due to a 61.6% increase in revenue supported by efficiencies in operating and financing costs. The ongoing Covid-19 pandemic continued to impinge on the Group's performance potential.

The table below highlights some of the key performance indicators:

	2021 Shs 000	2020 Shs 000
Revenue	3,287,798	2,034,160
EBITDA	284,513	(437,785)
*EBITDA (%)	8.7%	(21.5%)
(Loss) / Profit before income tax	(703,987)	(1,658,909)
(Loss) / Profit before tax (%)	(21.4%)	(81.6%)
Earnings per share (Shs.)	(3.40)	(6.32)
Net assets	(492,138)	(745,522)

*EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of: taxation, net finance costs, depreciation, amortisation, impairment losses; and reversals related to goodwill, intangible assets and property, plant and equipment and share of associates' results.

Dividend

The loss for the year attributable to equity shareholders of the Company of Shs 618,670,000 (2020: loss of Shs 1,150,491,000) has been deducted from retained earnings. The directors do not recommend a final dividend for the year (2020: Nil).

Directors

The directors who held office during the year and to the date of this report were:

Francis Okomo-Okello	Chairman
Mahmud Jan Mohamed	Managing Director
Nooren Hirjani***	Chief Financial Officer
Mahmood Pyarali Manji	
Alkarim Jiwa	Appointed 20/01/2022
Guedi Ainache*	
Jean-Benoit Du Chalard*	
Teddy Hollo Mapunda (Mrs)**	(Deceased 04/05/2021)
Ameer Kassim-Lakha	(Deceased 03/08/2021)

*French **Tanzanian ***British

Auditor

Disclosures to auditor

The directors confirm that with respect to each director at the time of approval of this report:

(a) There was, as far as each director is aware, no relevant audit information of which the company's auditor is unaware; and

(b) Each director had taken all steps that ought to have been 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.

Terms of appointment of auditor

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 721 of the Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board

DOMINIC NG'ANG'A
COMPANY SECRETARY
11th May, 2022

Directors’ Remuneration Report

Information not subject to audit

The Group and Company’s remuneration policy and strategy for executive and non-executive Directors are set by the Board Nomination and Remuneration Committee. This Report has been prepared in accordance with the relevant provisions of both the CMA Code of Corporate Governance guidelines on Director’s remuneration and the Kenyan Companies Act, 2015.

- The Group’s and Company’s overall policy and strategy for remuneration of Directors aims to fairly and objectively reward performance in the medium and longer term interests of shareholders. The remuneration structure is designed to recognise the requisite skills, expertise and experience of Directors given market competitive forces and demand.
- Executive Directors remuneration primarily comprises fixed elements including: salary and benefits. Benefits are largely fixed in nature comprising housing, travel, and pension. There is no variable element such as performance based incentive or bonus scheme.
- Terms of service for the directors include fixed term contacts ranging up to four years, with varying notice periods subject to requisite employment law requirements.
- There are no share option arrangements or long term incentive scheme methods used in assessing the performance conditions.
- During the year 2021, there were no significant amendments to the terms and conditions of any entitlement of a director to share options or under a long term incentive scheme.
- Non-Executive Directors receive fees and sitting allowances as shown in the table on the next page.

Significant changes to director’s during the year

- There were no significant changes during the year.

Statement of voting on the Director’s remuneration report at the previous Annual General Meeting

- In respect of a resolution to approve the director’s remuneration, shareholders voted unanimously by a show of hands having received written notice of their right to vote before the AGM.
- A resolution to approve the director’s remuneration policy will be put to a resolution of shareholders for approval at the forthcoming AGM.

Information subject to audit

The following table shows a single figure remuneration for the Executive Directors, Non-Executive Chairman and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2021 together with the comparative figures for 2020. The aggregate Directors’ emoluments are shown at Note 31 (iv).

For the year ended 31 December 2021	Salary Shs 000	Fees Shs 000	Bonus Shs 000	Expense allowances Shs 000	Loss of office/ Termination Shs 000	Pension Shs 000	Estimated value for non-cash benefits Shs 000	Total Shs 000
F. Okomo-Okello, Non-Executive Chairman	-	-	-	-	-	-	-	-
M. Jan Mohamed, Managing Director	6,295	-	-	-	-	-	2,885	9,180
N. Hirjani, Chief Financial Officer	22,509	-	-	-	-	-	122	22,631
A. Kassim-Lakha, Non-Executive Director	-	-	-	-	-	-	-	-
T. Mapunda (Mrs.) Non-Executive Director	-	-	-	-	-	-	-	-
M. Manji, Non-Executive Director	-	-	-	-	-	-	-	-
G. Ainache, Non-Executive Director	-	-	-	-	-	-	-	-
J-B Du Chalard, Non-Executive Director	-	-	-	-	-	-	-	-
	28,804	-	-	-	-	-	3,007	31,811

*The non-executive directors waived their fees for 2020 and 2021 in support of the Group during the COVID-19 pandemic.

Directors’ Remuneration Report (continued)

Information subject to audit (continued)

For the year ended 31 December 2020	Salary Shs 000	Fees Shs 000	Bonus Shs 000	Expense allow-ances Shs 000	Loss of office/ Termina-tion Shs 000	Pension Shs 000	Esti-mated value for non-cash benefits Shs 000	Total Shs 000
F. Okomo-Okello, Non-Executive Chairman	-	-	-	-	-	-	-	-
M. Janmohamed, Managing Director	11,686	-	-	-	-	345	3,757	15,788
N. Hirjani, Chief Financial Officer	21,150	-	-	-	-	442	122	21,714
A. Kassim-Lakha, Non-Executive Director	-	-	-	-	-	-	-	-
T. Mapunda (Mrs.) Non-Executive Director	-	-	-	-	-	-	-	-
M. Manji, Non-Executive Director	-	-	-	-	-	-	-	-
G. Ainache, Non-Executive Director	-	-	-	-	-	-	-	-
J-B Du Chalard, Non-Executive Director	-	-	-	-	-	-	-	-
	32,836	-	-	-	-	787	3,879	37,502

Pension related benefits

	2021 Shs’000	2020 Shs’000
M. Jan Mohamed, Managing Director	-	345
N. Hirjani, Chief Financial Officer	-	442
	-	787

On behalf of the Board

Mr. Nooren Hirjani
Director
11th May, 2022

Statement of Directors' Responsibilities

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and Company at the end of the financial year and their financial performance for the year then ended. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company, disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards and the requirements of the Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2015. They also accept responsibility for:

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

Having made an assessment of the Company's ability to continue as a going concern, the directors have disclosed in note 2(a) of these financial statements matters relating to the use of the going concern basis of preparation of the financial statements.

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

Approved by the board of directors on 11th May 2022 and signed on its behalf by:

Mr. Francis Okomo-Okello
DIRECTOR

Mr. Mahmud Jan Mohamed
DIRECTOR

Independent Auditor's Report to the Shareholders of TPS Eastern Africa PLC

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of TPS Eastern Africa PLC (the Company) and its subsidiaries (together, the Group) set out on pages 43 to 104, which comprise the consolidated statement of financial position at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2021 and the Company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, 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 Group and the Company at 31 December 2021 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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 (a) to the financial statements which describes the continued impact of the Covid-19 pandemic on the Group's operations, and also discloses that the Group's current liabilities exceeded current assets by Shs 492 million at 31 December 2021 (2020: Shs 746 million). As stated in Note 2(a), these events or conditions, along with other matters set out in Note 2(a) indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Nobert's B Okundi K Saiti

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment As described in Note 21, the Group carries out a goodwill impairment assessment annually to determine if any impairment exists. The impairment assessment involves significant judgement on key assumptions such as earnings before interest, taxes, depreciation and amortisation (EBITDA) margin, long-term growth rates, pre-tax discount rates and future cash flows. This is an areas of focus because the future cash flows are based on management's assessment of the future profitability of the cash generating units and involves significant estimation uncertainty and judgement.	We evaluated and challenged the composition of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business and the macro economic outlook. We assessed the projected cash flows against the approved strategic and business plan of the cash generating units. We assessed the reasonableness of management's assumptions in relation to the: - Long term growth rates by comparing them to economic forecasts. - Pre-tax discount rate by assessing the cost of capital for the company as well as considering country specific factors. - EBITDA assumption by comparing them with historical revenue and expenditure performance and the approved financial budgets of the business. We challenged management on the sensitivity of the assumptions used. We determined that the calculations were most sensitive to assumptions for EBITDA margin, long term growth rates and the pre-tax discount rates. We also assessed the adequacy of the disclosures in Note 21 of the financial statements.

Other information

The other information comprises the Directors' report, Chairman's statement, Managing Director's statement, Directors' Remuneration report, Statement of directors' responsibilities and Principal shareholders and share distribution report which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report 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.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015, 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 Group'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 Group 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 Group'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 the 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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the directors' report on page 35 is consistent with the financial statements.

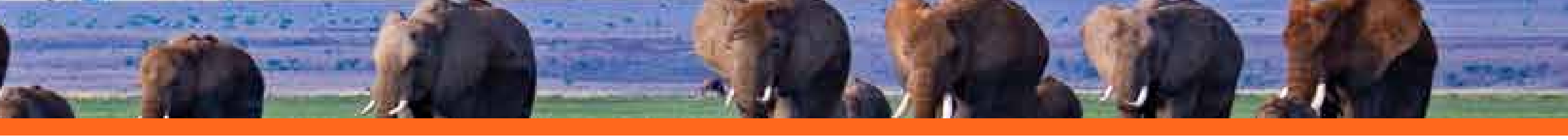
Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 36 to 37 has been properly prepared in accordance with the Companies Act, 2015.

Bernice Kimacia

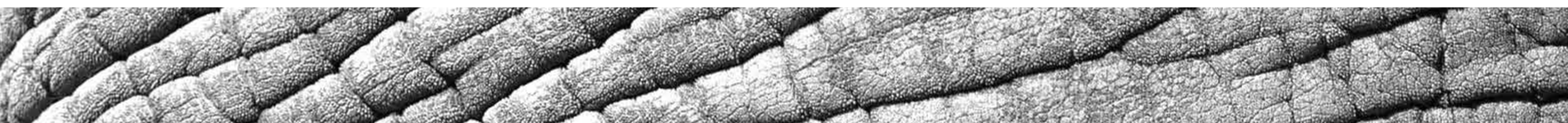
CPA Bernice Kimacia - Practising certificate No. 1457
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi
11th May, 2022



Consolidated Statement of Profit or Loss

	Notes	2021 Shs'000	2020 Shs'000
Revenue from contracts with customers	5	3,287,798	2,034,160
Other income	6	155,760	222,460
Inventory expensed		(563,330)	(363,245)
Employee benefits expense	8	(1,265,219)	(1,248,338)
Other operating expenses	9	(1,293,459)	(1,041,549)
Impairment losses	26	(37,037)	(41,273)
Profit /(Loss) before depreciation, finance income / (costs), results of associates and income tax credit / (expense)	5	284,513	(437,785)
Depreciation on right of use asset	22	(44,531)	(43,919)
Depreciation on property and equipment	20	(577,742)	(496,064)
Finance costs	10	(325,002)	(586,137)
Share of loss of associates accounted for using the equity method	24	(41,225)	(95,004)
Loss before income tax	7	(703,987)	(1,658,909)
Income tax credit	11	71,046	448,902
Loss for the year		(632,941)	(1,210,007)
Attributable to:			
Equity holders of the Company		(618,670)	(1,150,491)
Non-controlling interest	30	(14,271)	(59,516)
		(632,941)	(1,210,007)
(Loss)/ Earnings per share attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	12	(3.40)	(6.32)



Consolidated Statement of Comprehensive Income

	Notes	2021 Shs'000	2020 Shs'000
Loss for the year		(632,941)	(1,210,007)
Other comprehensive income Items that may be subsequently reclassified to profit or loss			
Currency translation differences, net of tax		68,714	317,390
Items that may be subsequently reclassified to profit or loss			
Revaluation on land and buildings	20	-	(67,577)
Deferred tax on revaluation	18	-	20,273
Total other comprehensive profit for the year		68,714	270,086
Total comprehensive loss for the year		(564,227)	(939,921)
Attributable to:			
Equity holders of the Company		(549,956)	(857,503)
Non-controlling interest		(14,271)	(82,418)
Total comprehensive loss for the year		(564,227)	(939,921)

Company Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2021 Shs'000	2020 Shs'000
Other operating expenses	9	(28,267)	(10,407)
Finance cost	10	(113,834)	-
Loss before income tax	7	(142,101)	(10,407)
Income tax expense	11	-	-
Total comprehensive loss for the year		(142,101)	(10,407)
Attributable to:			
Equity holders of the Company		(142,101)	(10,407)
Non-controlling interest		-	-
Total comprehensive loss for the year		(142,101)	(10,407)

Consolidated Statement of Financial Position

	Notes	2021 Shs'000	2020 Shs'000
Non-current assets			
Property and equipment	20	13,012,786	13,369,879
Intangible assets	21	1,271,952	1,271,952
Right of use asset	22	318,271	345,293
Investment in associates	24	785,605	826,830
Deferred income tax asset	18	11,188	8,991
		15,399,802	15,822,945
Current assets			
Inventories	25	411,965	422,090
Receivables and prepayments	26	1,093,954	738,092
Current income tax		212,852	201,373
Cash and cash equivalents	27	310,805	122,711
		2,029,576	1,484,266
Total assets		17,429,378	17,307,211
Capital and reserves attributable to the Company's equity holders			
Share capital	14	182,174	182,174
Share premium	14	4,392,668	4,392,668
Revaluation reserve	15	2,314,606	2,332,251
Translation reserve	15	(829,534)	(898,248)
Retained earnings	15	897,958	1,498,983
		6,957,872	7,507,828
Non-controlling interest	30	739,219	753,490
Total equity non-current liabilities		7,697,091	8,261,318
Borrowings	16	5,591,952	4,963,551
Deferred income tax liability	18	1,334,937	1,438,446
Lease liability	17	243,917	369,950
Retirement benefit obligation	19	39,767	44,158
Total equity non-current liabilities		7,210,573	6,816,105
Current liabilities			
Trade and other payables	28	1,884,648	1,420,403
Borrowings	16	602,540	766,048
Lease liability	17	30,517	43,337
Current income tax		4,009	-
Total current liabilities		2,521,714	2,229,788
Total equity and liabilities		17,429,378	17,307,211

The financial statements on pages 43 to 104 were approved and authorised for issue by the board of directors on 11 May 2022 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mahmud Jan Mohamed
DIRECTOR

Company Statement of Financial Position

	Notes	2021 Shs'000	2020 Shs'000
		Year ended 31 December	
Non-current assets			
Investment in subsidiaries	23	5,749,826	4,186,002
Investment in associates	24	840,330	840,330
		6,590,156	5,026,332
Current assets			
Receivables and prepayments	26	359,996	389,957
Cash and cash equivalents	27	188	-
		360,184	389,957
Total assets		6,950,340	5,416,289
Equity			
Share capital	14	182,174	182,174
Share premium	14	4,392,668	4,392,668
Retained earnings		679,520	822,321
Total equity		5,254,362	5,397,163
Non-Current liabilities			
Borrowing	16	1,640,675	-
Current liabilities			
Trade and other payables	28	55,303	17,710
Bank overdraft	27	-	1,416
		55,303	19,126
Total equity and liabilities		6,950,340	5,416,289

The financial statements on pages 43 to 104 were approved for issue by the board of directors on 11 May 2022 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mahmud Jan Mohamed
DIRECTOR

Consolidated Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 2020									
At start of year		182,174	4,392,668	2,389,133	(1,215,638)	2,616,994	-	835,908	9,201,239
Comprehensive (loss) / income for the year									
Loss for the year		-	-	-	-	(1,150,491)	-	(59,516)	(1,210,007)
Other comprehensive income:									
Currency translation differences		-	-	-	317,390	-	-	-	317,390
Revaluation during the year		-	-	(34,860)	-	-	-	(32,717)	(67,577)
Deferred tax on revaluation		-	-	10,458	-	-	-	9,815	20,273
Transfer of excess depreciation to retained earnings		-	-	(46,400)	-	46,400	-	-	-
Deferred income tax on transfer	18	-	-	13,920	-	(13,920)	-	-	-
Total other comprehensive income		-	-	(56,882)	317,390	32,480	-	(22,902)	(270,086)
Total comprehensive (loss) / income for the year		-	-	(56,882)	317,390	(1,118,011)	-	(82,418)	(939,921)
Transactions with owners									
Dividends:									
- final for 2019 paid	13	-	-	-	-	-	-	-	-
- proposed for 2020	13	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
At end of year		182,174	4,392,668	2,332,251	(898,248)	1,498,983	-	753,490	8,261,318

Consolidated Statement of Changes in Equity (continued)

	Notes	Share capital Shs'000	Share premium Shs'000	Reval-uation reserves Shs'000	Trans-lation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 2021									
At start of year		182,174	4,392,668	2,332,251	(898,248)	1,498,983	-	753,490	8,261,318
Comprehensive (loss) / income for the year									
Loss for the year		-	-	-	-	(618,670)	-	(14,271)	(632,941)
Other comprehensive (loss) / income:									
Currency translation differences		-	-	-	68,714	-	-	-	68,714
Revaluation during the year		-	-	-	-	-	-	-	-
Deferred tax on revaluation		-	-	-	-	-	-	-	-
Transfer of excess depreciation to retained earnings		-	-	(25,207)	-	25,207	-	-	-
Deferred income tax on transfer	18	-	-	7,562	-	(7,562)	-	-	-
Total other comprehensive (loss) / income		-	-	(17,645)	68,714	17,645	-	-	68,714
Total comprehensive (loss) / income for the year		-	-	(17,645)	68,714	(601,025)	-	(14,271)	(564,227)
Transactions with owners									
Dividends:									
- final for 2020 paid	13	-	-	-	-	-	-	-	-
- proposed for 2021	13	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
At end of year		182,174	4,392,668	2,314,606	(829,534)	897,958	-	739,219	7,697,091

Company Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2020						
At start of year		182,174	4,392,668	832,728	-	5,407,570
Comprehensive loss for the year						
Loss for the year		-	-	(10,407)	-	(10,407)
Total comprehensive loss for the year		-	-	(10,407)	-	(10,407)
Transactions with owners						
Dividends:						
- final for 2019 paid	13	-	-	-	-	-
- proposed for 2020	13	-	-	-	-	-
		-	-	-	-	-
At end of year		182,174	4,392,668	822,321	-	5,397,163

Company Statement of Changes in Equity (continued)

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2021						
At start of year		182,174	4,392,668	822,321	-	5,397,163
Comprehensive loss for the year						
Loss for the year		-	-	(142,101)	-	(142,101)
Total comprehensive loss for the year						
Transactions with owners						
Dividends:						
- final for 2020 paid	13	-	-	-	-	(700)
- proposed for 2021	13	-	-	700	-	-
		-	-	(700)	-	(700)
At end of year		182,174	4,392,668	679,520	-	5,254,362

Consolidated Statement of Cash Flows

		Year ended 31 December	
			Restated*
	Notes	2021 Shs'000	2020 Shs'000
Operating activities			
Cash generated from /(used in) operations	29(a)	207,044	(386,995)
Interest received	10	4,346	11,497
Interest paid		(43,130)	(55,477)
Income tax paid		(38,776)	(26,738)
Net cash generated from / (used in) operating activities		129,484	(457,713)
Investing activities			
Purchase of property and equipment		(63,093)	(146,248)
Proceeds from disposal of property and equipment		35,466	309
Net cash utilised in investing activities		(27,627)	(145,939)
Financing activities			
Proceeds from long term borrowings		277,171	752,694
Payments of long term borrowings		-	(39,800)
Dividends paid to Asset recovery		(700)	-
Lease payments		(147,264)	(82,868)
Net cash generated from financing activities		129,207	630,026
Net increase /(decrease) in cash and cash equivalents		231,064	26,374
Movement in cash and cash equivalents			
At start of year		(133,596)	(152,735)
Increase / (decrease) during the year		231,064	26,374
Effect of currency translation differences		(4,244)	(7,235)
At end of year	27	93,234	(133,596)

***The restatement of the consolidated statement of cash flows for the year ended 31 December 2020 has been explained under note 29(b).**

Company Statement of Cash Flows

	Notes	Year ended 31 December 2021 Shs'000	2020 Shs'000
Loss before income tax		(142,101)	(10,407)
Add back			
Interest expense		36,984	-
Exchange loss		76,850	-
Adjustments for:			
Changes in working capital			
- receivables and prepayments		29,961	7,978
- payables and accrued expenses		37,593	1,402
Cash generated from operations		39,288	(1,027)
Interest capitalised		(36,984)	-
Net cash generated from operating activities		2,304	(1,027)
Financing activities			
Dividends paid to Company's shareholders	13	(700)	-
Net cash generated from financing activities		(700)	-
Net increase / (decrease) in cash and cash equivalents		1,604	(1,027)
Movement in cash and cash equivalents			
At start of year		(1,416)	(389)
Increase / (decrease) during the year		1,604	(1,027)
At end of year	27	188	(1,416)

Notes to Financial Statements

1. General information

TPS Eastern Africa PLC is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya. The address of its registered office is:

Williamson House
4th Ngong Avenue
PO Box 48690
00100 Nairobi
Kenya

The Company's shares are listed on the Nairobi Securities Exchange.

For the Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and profit and loss account by the income statement in these financial statements.

2. Summary of 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 years presented, unless otherwise stated.

(a) Going concern

The financial statements have been prepared on the assumption that the Group will continue operating as a going concern. The directors have considered the following matters relating to the use of the going concern basis in preparation of the financial statements.

Impact assessment

The seemingly enduring pandemic has evidently been receding since Q4 2021 with sustained herd immunity developing worldwide and hence the gradual return of global travel underway soon thereafter. This positive backdrop now provides an environment for sustainable return of business particularly from H1 2022, hence the Group's strategy for Serena properties to remain relevant in the new norm, ensuring absolute market competitiveness; and product excellence akin to Serena's leading standards. Such a plan cannot thrive in isolation of prudent risk management across operations, and so it is with careful planning and continuous monitoring and assessment of: market segment booking patterns, forecasts, effective cash flow and yield management that the Group plans to navigate this important next phase of post pandemic recovery. To this end, the Group remains committed to continuously evaluating its Covid-19 recovery strategy based on the following risk assessed market scenarios and operating assumptions.

- Best case scenario: Assuming the global pandemic is now well contained since Q4 2021 following successfully accelerated international vaccination programmes in place, leading to a sustainably managed slowdown in the spread of the virus; and thus accelerating a return of traveller confidence from H1 2022
  - Outbreak in Kenya and worldwide is contained as at the date of this report. All Serena properties fully open for business in the new norm
  - No more risk of curfews and lockdowns
  - Normalcy commenced from Q4 2021 with consistent and progressive return of business
  - From H2 2022 upside demand change is expected from local, national and regional corporate markets, with a step change effect in place for H2 2022
  - Increasing return of demand for Safari high season from June 2022 gaining momentum from international source markets of USA, Western Europe and the Far East / Australasia
  - Economic activity returns to January 2020 levels from Q3 2022 as international pent up demand crysalises across destination East Africa
  - Peaceful national elections in August 2022

2. Summary of significant accounting policies (continued)

(a) Going concern (continued)

Impact assessment (continued)

- Worst case scenario: Assuming the pandemic recovery will be slower and more gradual in 2022

    - No major widespread outbreak in Kenya or wider East Africa or resurgence internationally
    - No prolonged lockdowns
    - Normalcy to return from late 2022 at the earliest
    - Progressive return of business by end of year 2022
    - Economic activity returns to January 2020 levels by end of 2022 / Q1 2023
    - Serena properties remain open during 2022 with risk-mitigating, skeleton operations
    - Low demand for Safari business due to ongoing lack of international tourists
    - National elections temporarily impinge on regional and international arrivals to Kenya

Impact on financial performance

Since Q4 2021, the spread of Covid-19 has persistently been curtailed locally, regionally and internationally, following proactive and successful national and international vaccination programmes worldwide. The Group's results for year 2021 reflect this year-on-year improvement with:

- Revenue of Shs. 3.3 billion (2020: Shs. 2.0 billion), up by 61.6%.
- Loss Before Tax of Shs. 0.7 billion (2020: 1.66 billion), lower by 57.6%.

Consequently, many economies have lifted travel restrictions not seen since Q1 2020 when the pandemic first broke; and thereby providing much needed impetus for macroeconomic recovery, but also particularly for the tourism, travel and hospitality sector. Indeed, since March 2022, several positive national announcements from respective Ministries of Health in Kenya, Uganda, Tanzania, and Zanzibar have all led to the relaxation of the requirement for 72-hour negative PCR tests; and rapid antigen tests for fully vaccinated arrivals. This most welcome change, coupled with similar international announcements across Western Europe, USA, the Far East and Australia / New Zealand, collectively provide the essential springboard for greater domestic, regional and international travel momentum across all the Group's key source markets from H2 2022.

The Group is well positioned to take advantage of this market recovery, having reported early step-change performance growth across its key markets since Q4 2021. Further opportunities now exist across Serena's city hotels and lodges where new infrastructure, reduced competition and leaner post pandemic operations provide upside potential for the Group; notwithstanding the continued threat from new market entrants. Meanwhile, the pent up demand evidenced from suppliers of business for international tourists (yearning for safari and beach destinations), continues apace and so bodes well for the Group in the medium term.

As the Group recovers from the impact of Covid-19, the directors are confident that the business will generate sufficient cash flows to cover its working capital requirements including meeting its current liability obligations. Despite the impact of Covid-19 on trading cash flows, the Group continues to hold a strong liquidity position with an overall consolidated cash 'generated from' operating activities of Shs.129 million as at 31 December 2021 (2020: cash 'used in' operating activities of Shs. 458 million).

The Group continued its effective working capital management through ongoing supplier contract modifications, lease re-negotiations, mutually agreed employment cost sacrifices, as well as improved bookings business evidenced since Q4 2021.

Furthermore, the Group's prudent resource management strategy during the pandemic from effective and mutually agreed employment and supply chain contracts, aided by a generally leaner operating capability, will now stand Serena's operations in good stead to meet and overcome anticipated inflationary pressures; and the challenges of scaling-up operations in readiness for the hospitality market to rebound.

Notes to Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(a) Going concern (continued)

Impact on projected cash flows and borrowings

As at 31 December 2021, the Group has total equity amounting to Shs. 7.7 billion (2020: Shs 8.3 billion), and current liabilities exceeding current assets by Shs 492.1 million (2020: Shs 745.5 million).The Group had total borrowings as at 31 December 2021 of Shs. 6.19 billion (2020: Shs 5.73 billion), resulting in total gearing of 43% (2020: 40%). The Board remain engaged in their strategy to reduce this debt level as the market recovery crystallises over the medium term.

As at 31 December 2021, performance improvement was achieved in: net cash 'generated from' operations of Shs. 129.4 million (2020: Net cash 'used in' operations of Shs. 457.7 million); and positive Cash & Cash Equivalents (Note 27) of Shs. 93.2 million (2020: Shs. 133.6 million net overdraft).

Notwithstanding the above positive underlying market impetus, the Group undertook material balance sheet restructuring during the year 2021 in readiness for the post pandemic market recovery; and so endorsing Going Concern, most notably in Kenya: -

- As disclosed under Note 23, majority shareholder novation of debt ($14.5 million) from Tourism Promotion Services (Kenya) Limited to the Parent Company, TPS Eastern Africa PLC., followed by essential debt to equity conversion in the Kenya subsidiary; and
- Inter-company restructure between Kenya subsidiaries through a capital reduction (Shs. 303.7 million) and a paper dividend (Shs. 272.9 million).

Subsequent to the year 2021, the Group has also progressed various debt refinancing strategies to build on the market recovery cited above; and so safeguard the Group's debt finances with key lenders. In doing so, to the date of this report the Directors have advanced refinancing negotiations with senior lenders across its primary subsidiaries. This refinancing will further support the Group in its post pandemic recovery plan in time for a return to pre-Covid-19 business levels across its operations by 2024/2025, particularly: -

Kenya

Where advanced refinancing arrangements are under Proparco's final credit review for the $20 million loan to be refinanced and the term extended for a further 12 months to 15 December 2030. Agreement in principle, subject to Proparco's Board approval, was received on 7 April 2022 accordingly. This in-principle modification has been agreed by the parties to be formalised prior to the next scheduled repayment date of 15 June 2022, subject to the lenders Board approval.

In addition, Absa Bank Kenya's loan is similarly at final stage of the lenders approval for extension to November 2026. The parties expect to formalise closure on this modification imminently given the proposal is at final lender approval stage at the time of this report.

Furthermore, credit facility arrangements in place with Absa Bank Kenya (Shs. 300 million) and Equity Bank (Shs. 100 million) are both planned to be renewed in the ordinary course of business on their annual expiry. This total credit facility of Shs. 400 million was 0% utilised as at 31 March 2022.

Uganda

Advanced refinancing arrangements are under Proparco's credit review to restructure the current loan for 6-month deferral of the next repayment due in June 2022; and an extended 18-month period of term to cease on 15 June 2024. The lender provided its positive in principle decision on 1 April 2022, which is now subject to final Credit approval at the date of this report for closure before the next scheduled repayment on 15 June 2022.

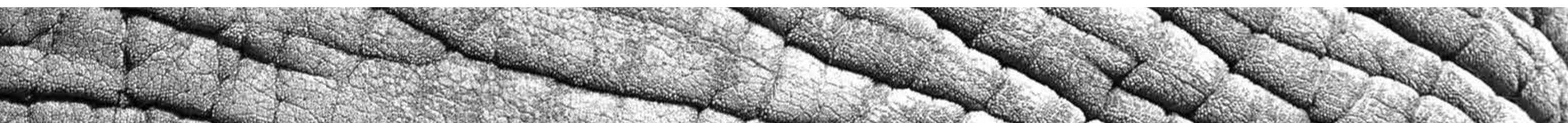
Furthermore, credit facility arrangement in place with Equity Bank of USD$ 1.5 Million is planned to be renewed on its annual expiry as usual. This total sum facility was 0% utilised as at 31 March 2022.

Tanzania

Absa Bank Tanzania's loan is at advanced approval stage with the lender and expected to be confirmed imminently as at the date of this report. These revised terms include a further 6-month moratorium to allow for market recovery.

As at 31 March 2022 the credit facility in place with Absa Bank Tanzania totalled USD$ 2.2 Million; and is planned to be renewed on its annual expiry. This total sum facility was 82% utilised as at 31 March 2022.

The above refinancing is planned to be funded from the majority shareholders continued critical support of the Group; and the Directors anticipate such debt refinancing to be secured by H1 2022.



2. Summary of significant accounting policies (continued)

(a) Going concern (continued)

Conclusion

The Directors are of the view that at best, market demand for recovery of travel, meetings, conferences and events is now on a step-change growth trajectory, particularly since March 2022 when 72-hour negative PCR tests and rapid antigen tests for fully vaccinated arrivals were lifted in Kenya, Uganda, Tanzania and Zanzibar. The Group is well placed to capitalise on the difficult yet prudent cost curtailment, re-adjustment; and re-financing decisions implemented since Q2 2020, and continued throughout the pandemic. This, coupled with the opportunity to renew the Serena brand in the new normal marketplace from H2 2022, is planned to enable the Group to bounce back and get back on track from end of year 2022.

Notwithstanding the above, the Directors remain guarded of the inherent regional and international market uncertainty as to any new development of the virus, instability in Eastern Europe, increasing inflationary pressure; and new and renewed market competition on the Group's business. Consequently, the Directors remain focussed to clearly align and ensure that the Group continues to meet its funding requirements via the above diligent refinancing measures; and so adhere to all credit facilities and related obligations as they fall due. If for any reason, the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values, in particular property, plant & equipment and goodwill; and to extinguish borrowings and other liabilities in the normal course of business, at the amounts stated in these financial statements.

(b) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousands, except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following amendments applied for the first time to the Company and did not have a significant impact on the Company's financial statements:

Covid-19-related Rent Concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases, which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022.

If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.

This amendment did not have a material impact on the Company's financial statements

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards not yet adopted by the Group (continued)

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

This came into effect on 1 January 2021.

The directors have carried out a preliminary assessment of the impact of the IBOR reform and note that it recognises a transition period for all existing loans until 30 June 2023. Until such a time, any amendments to existing loans will remain as per LIBOR. This is under refinancing discussions being finalised with both Proparco where the Group has existing facilities based on LIBOR.

(ii) New and amended standards not yet adopted by the Group

Number	Effective Date	Executive summary
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	1 January 2023 (deferred from 1 January 2022)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The directors do not plan to apply the above standards until they become effective. There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on near future transactions.

(c) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2. Summary of significant accounting policies (continued)

(c) Consolidation (continued)

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies. Acquisition of entities under common control is accounted for using predecessor accounting.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit / (loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

2. Summary of significant accounting policies (continued)

(c) Consolidation (continued)

(v) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

(vi) Separate financial statements

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Dividend income is recognised when the right to receive payment is established.

(d) Functional currency and translation of foreign currencies

(i) Functional and Presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The consolidated financial statements are presented in Kenya Shillings (Shs), which is the Company's Functional and Presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income' or 'other expenses'.

Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income are recognised under other comprehensive income.

2. Summary of significant accounting policies (continued)

(d) Functional currency and translation of foreign currencies (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each income statement amount are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that are recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM who makes strategic decisions and who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Managing Director.

(f) Revenue recognition

The Group recognises revenue for direct sales of goods and rendering of services. Revenue is recognised as and when the Group satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognised is the amount the Group expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax (VAT).

Room revenue is recognised on occupancy. Food and beverage revenue is recognized on billing, following consumption, whereas gift shop sales are recognized on transfer of goods. Revenue from other sources such as gym, bird walks, archery etc. is recognised based on the performance of the service.

For each of the revenue streams, the Group recognises revenue over time or at a point in time specifically after the performance obligation of transfer of goods or service to the customer has been fulfilled.

The Group policy is to allocate the total transaction price to the performance obligations in the product offer / contract by reference to their relative stand-alone selling prices, e.g. for Food & Beverage at standard cost price grossed up for industry margins. Where such a stand-alone selling price is not directly observable, e.g. Bird Walks, Archery etc., the Group undertakes reasoned standard estimates based on cost plus a margin. Contracts with tour operators stipulate the transaction price of the product offer which are recorded at gross as there is no agency relationship.

Interest income is recognised using the effective interest method.

Dividends are recognised as income in the period the right to receive payment is established.

Notes to Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(g) Land and buildings, property and equipment

All categories of land and buildings, property and equipment are initially recorded at cost. Land and buildings are subsequently shown at fair value, based on periodic, (at least once every five years), valuations by external independent valuers, less subsequent depreciation for leasehold land and buildings. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings

Depreciation on assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Useful life
Leasehold land and buildings	Over the period of the lease
Computers	3 - 4 years
Motor vehicles	4 years
Furniture and fittings	10 years
Lift installations	10 years
Laundry equipment	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

On opening of a new unit, initial purchases of operating equipment, such as crockery and beddings are capitalised at cost and subsequent replacements to maintain operating equipment at par stock level are expensed in the year of purchase. Carrying values are validated every three years.

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

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are included in profit or loss. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(h) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. Summary of significant accounting policies (continued)

(i) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use- are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial instruments

(i) Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

(ii) Classification

The Group classifies its financial instruments into the following categories:

a) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

b) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.

c) All other financial assets are classified and measured at fair value through profit or loss.

d) Financial liabilities that are held for trading, financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Group may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

e) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Trade and other receivables were classified as at amortised cost.
- Trade and other liabilities were classified as at amortised cost.
- Borrowings and lease liability are classified at amortised cost.
- Cash and cash equivalents are classified at amortised cost

(iii) Initial measurement

On initial recognition:

- Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
- Trade receivables are measured at their transaction price.
- All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

(iv) Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income, and exchange gains and losses are recognised in profit or loss.

Fair value is determined as set out in *Note 4 fair value estimation*. Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Notes to Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(j) Financial instruments (continued)

(v) Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). For cash and cash equivalents, the Group banks with reputable banking institutions and the assessed probability of default is low and the expected credit loss, if any, would be immaterial.

All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(vi) Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

(vii) De-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(k) Leases

The Group's leases majorly comprise of property leases which include office space, parks, land occupied by hotels and various camps.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability recognised at the date at which the leased asset is available for use by the Group.

2. Summary of significant accounting policies (continued)

(k) Leases (continued)

(i) Initial recognition

Assets and liabilities arising from a lease are initially measured on a present value basis..

(ii) Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(iii) Right of use asset

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group re-values its land and buildings that are presented within property, plant and equipment, the Group does not do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(iv) Variable lease payments

Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

2. Summary of significant accounting policies (continued)

(k) Leases (continued)

(v) Extension and termination options

Extension and termination options are included in several property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Most of the extension and termination options held are exercisable only by the Company and not by the respective lessor. The Company takes into consideration the extension and termination options in determining the right of use asset and lease liability.

(L) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and computed as the cost of purchase plus any incidental costs incurred in bringing inventory items to their present location. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventories mainly comprise hotel consumables, food and beverage items.

(m) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(n) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(o) Employee benefits

(i) Retirement benefit obligations

For unionised employees in two Subsidiaries, the Group has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the union. Employees who resign after serving for periods of between five years and ten years, receive eighteen days' salary and house allowance for each completed year of service at the rate of pay applicable at the date of resigning. Those who resign after serving for more than ten years receive twenty-four days' salary and house allowance for each completed year of service. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The Group operates a defined contribution benefit scheme for all its permanent employees after their first year of employment. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Group and the employees. The Group and all its permanent employees also contribute to the statutory National Social Security Funds, which are defined contribution schemes. The Group's contributions to both these defined contribution schemes are charged to the income statement in the year in which they fall due. The Group has no further obligation once the contributions have been paid.

(ii) Leave

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination; when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

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

2. Summary of significant accounting policies (continued)

(q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which they are declared. Dividends are declared upon approval at the annual general meeting. Proposed dividends are disclosed separately within equity until declared.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Grants

Grants are recognised in the income statement on a systematic basis over the periods in which the related costs towards which they are intended to compensate are recognised as expenses.

(t) Comparatives

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

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group and 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 addressed below:

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions which are disclosed in detail under Note 21.

3. Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions (continued)

Trade receivables

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for the definition of default; and
- Choosing appropriate models and assumptions for the measurement of ECL.

Significant debtors, mainly relating to related party balance are assessed for impairment on an individual basis. As at 31 December 2021, certain key judgements and estimations were made regarding the above items, as they relate to the determination of expected credit losses on financial assets.

Fair value of property

The determination of the carrying value and the related depreciation of property requires use of judgements and assumptions. These are further disclosed in Note 20.

Income taxes

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the Group'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 Group 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.

Incremental borrowing rate on leases

Critical estimates are made on the determination of the incremental borrowing rate as described under note 2(k). Sensitivity on the discount rate by 1% higher/lower with all other variables held constant, interest on lease liability for the year would have been Shs 2,973,387 higher or lower.

(ii) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the determination of whether the Group has control over an entity, which requires the consideration of several factors, as set out in note 2(c); and
- the measurement basis for financial assets under IFRS 9 depends on an assessment of the Group's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. For financial liabilities, the measurement basis is amortised cost unless the liability is designated at FVTPL. Further detail is given in note 2(j).

4. Financial risk management

The Group's and the Company's activity expose it to a variety of financial risks comprising market risk (including foreign exchange risks, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects on its financial performance within the options available in East Africa to hedge against such risks.

Financial risk management is carried out by Management under the guidance of the Board of Directors. Board of directors identifies, evaluates and hedges financial risks. The Board of Directors provides guidance on principles for overall risk management covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises four types of risks: foreign exchange risk, price risk, interest rate risk and fair value risk.

4. Financial risk management (continued)

Market risk (continued)

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group aims to minimise volatility arising from fluctuations in exchange rates by adopting natural hedges such as holding cash balances in foreign currencies to hedge against any foreign currency denominated amounts payable.

The Group manages foreign exchange risk by converting its foreign currency collections into local currency on an ongoing basis to cater for its operational requirements. As a result, the Group does not hold large amounts of foreign currency deposits. In addition, the Group receives its collections in foreign currency and therefore any future foreign currency commercial transactions are settled in the same currency to avoid the effect of swinging currency exchange rates.

Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2021, if the Kenya Shilling had weakened/strengthened by 5% against the US Dollar with all other variables held constant, consolidated post tax profit/loss for the year would have been Shs 180,694,358 higher or lower (2020: post tax loss for the year would have been Shs 258,944,000 higher or lower), mainly as a result of US dollar receivables, payables, bank balances and borrowings.

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2021 (2020: nil).

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will vary as market rates of interest vary. The Group is exposed to cash flow interest rate risk on its variable rate borrowings resulting from changes in market interest rates. The Group manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs. Management consider that a change in interest rates of 1% in the year ending 31st December 2021 is reasonably possible. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. At 31 December 2021, an increase/decrease of 1% on interest rate would have resulted in an increase/decrease in consolidated post tax profit/loss of Shs 4,943,326 (2020: increase / decrease of Shs 5,489,525 in post-tax losses).

(iv) Fair value risk

The Group does not have any significant assets subject to fair value risk as at 31 December 2021 (2020: Nil).

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Group does not have any significant concentrations of credit risk.

The credit controller is responsible for managing and analysing credit risk for each new customer before standard payment and delivery terms are offered. The credit controller assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

For banks and financial institutions, only reputable well established financial institutions are accepted. The amounts that represent the Group's maximum exposure to credit risk is equal to the carrying amount of financial assets in the statement of financial position.

The Group has adopted the Expected Credit Losses (ECL) model to determine the impairment of trade receivables. The Group opted to adopt the simplified approach of determining the impairment provision. This model includes some operational simplifications for trade receivables, contract assets and lease receivables, because they are often held by entities that do not have sophisticated credit risk management systems. These simplifications eliminate the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. Debts that are considered to be non-performing are impaired at 100%.

An expected credit loss is computed for the performing balances based on a loss rate computed as the average loss rate on credit sales over the preceding 5 years.

Related party receivable balances are assessed for impairment based on the counterparty's ability to settle on demand.

Notes to Financial Statements (continued)

4. Financial risk management (continued)

Credit risk (continued)

For cash at bank, management assesses the expected credit loss based on probability of default attached to the various banks by external rating agencies.

The age analysis of the trade receivables and loss allowance as at 31 December was as follows:

	Not past due	30 to 90 days	90 to 150 days	Over 150 days	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 31st December 2021					
Gross trade debtors	161,276	109,332	74,502	265,602	610,711
Loss allowance	(368)	(2,208)	(15,823)	(90,337)	(108,737)
Net trade debtors	160,908	107,124	58,679	175,265	501,974
At 31st December 2020					
Gross trade debtors	2,308	119,990	33,258	124,660	280,217
Loss allowance	(248)	(1,488)	(10,662)	(60,871)	(73,268)
Net trade debtors	2,060	118,502	22,596	63,789	206,949

The changes in the loss allowance during the year were as follows:

	GROUP		
	Gross Carrying amount Shs'000	Expected Credit Loss Shs'000	Net Carrying amount Shs'000
At 31st December 2021			
Corporate debtors	284,273	(50,615)	233,659
Government	180,811	(32,193)	148,618
Tour operators	135,845	(24,187)	111,658
Other debtors	9,782	(1,742)	8,040
Total Trade Receivables	610,711	(108,737)	501,975
At 31st December 2020			
Corporate debtors	117,346	(30,683)	86,664
Government	72,569	(18,975)	53,594
Tour operators	79,799	(20,865)	58,934
Other debtors	10,502	(2,746)	7,756
Total Trade Receivables	280,216	(73,269)	206,948

4. Financial risk management (continued)

Credit risk (continued)

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31 December is made up as follows:

	Group		Company	
Trade receivables	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Trade receivables (Note 26)	610,712	280,216	-	-
Loss allowance (Note 26)	(108,737)	(73,268)	-	-
Carrying amount	501,975	206,948	-	-
Other receivables				
Advances to related parties	629,671	533,546	435,862	448,792
Loss allowance	(130,928)	(129,359)	(80,041)	(63,004)
Other receivables	30,676	84,070	4,175	4,169
	529,419	488,257	359,996	389,957
Cash at bank	310,805	122,711	188	-

The Company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Management has a framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual discounted cash flows.

(a) Group	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2021:				
- borrowings and interest	1,296,522	444,427	1,179,011	4,136,529
- trade and other payables	1,838,396	-	-	-
- lease liability	29,826	29,826	88,491	134,082
	3,164,744	474,253	1,267,502	4,270,611
At 31 December 2020:				
- borrowings and interest	1,047,526	590,041	1,270,285	3,783,751
- trade and other payables	1,420,403	-	-	-
- lease liability	49,566	49,566	148,698	224,857
	2,517,495	639,607	1,418,983	4,008,608

4. Financial risk management (continued)

Liquidity risk (continued)

(b) Company	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2021:				
- borrowings and interest	-	-	1,832,634	-
- trade and other payables	55,303	-	-	-
	55,303	-	1,832,634	-
At 31 December 2020:				
- borrowings and interest	1,514			
- trade and other payables	17,710	-	-	-
- trade and other payables	19,224	-	-	-

See further disclosures in relation to borrowings under Note 16

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt. During 2021 the Group's strategy, which was unchanged from 2020, was to maintain a gearing ratio below 40%.The gearing ratios at 31 December 2021 and 2020 are as follows:

	2021 Shs'000	2020 Shs'000
Total borrowings (Note 16)	6,194,492	5,729,599
Less: cash and bank balances (Note 27)	(310,805)	(122,711)
Net debt	5,883,687	5,606,888
Total equity	7,697,091	8,261,318
Total capital	13,580,778	13,868,206
Gearing ratio	43%	40%

4. Financial risk management (continued)

Fair value estimation

The different level of fair value measurement hierarchy is described as follows:

- Quoted prices (unadjusted) in active markets for identical assets (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset that are not based on observable market data (that is, unobservable data) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the year-end date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as discounted cash flow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Land and buildings under property and equipment disclosed under Note 20 represent the fair value estimation in these financial statements. Their fair valuation is determined using level 3 data.

Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value:

	Carrying Value		Fair Value	
	2021 Shs 000	2020 Shs 000	2021 Shs 000	2020 Shs 000
Financial assets				
Receivables	1,031,395	695,205	1,031,395	695,205
Cash and cash equivalents	310,805	122,711	310,805	122,711
	1,342,200	817,916	1,342,200	817,916
Financial liabilities				
Borrowings	6,194,492	5,729,598	7,056,489	6,691,603
Trade and other payables	1,884,648	1,420,403	1,884,648	1,420,403
Lease liability	274,433	413,287	282,225	472,687
	8,353,573	7,563,288	9,223,362	8,584,693
Company				
Financial assets				
Receivables and prepayments	359,996	389,957	359,996	389,957
Cash and cash equivalents	188	-	188	-
	360,184	389,957	360,184	389,957
Financial liabilities				
Borrowings	1,640,675	1,416	1,832,634	1,514
Trade and other payables	55,303	17,710	55,303	17,710
	1,695,978	19,126	1,887,937	19,224

5. Segment information

Management has determined the operating segments based on the reports reviewed by the Managing Director that are used to make strategic decisions.

Geographically, management considers the performance in Kenya, Uganda and Tanzania as the key operating segments. Zanzibar is included within the Tanzania segment as it has similar economic characteristics and is managed jointly.

The reportable operating segments derive their revenue primarily from accommodation, food and beverage sales.

The Managing Director assesses the performance of the operating segments based on profits before depreciation and amortisation, interest and tax, which is a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). The measure also excludes the effects of unrealised gains / losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The revenue from external parties reported to the Managing Director is measured in a manner consistent with that in the income statement. Segment assets are apportioned on a contractual basis. The measurement basis applied is consistent with Group accounting policies.

Intersegmental sales relate to management fees charged by Tourism Promotion Services (Management) Limited and are eliminated on consolidation.

Entity wide information

The Group derives revenue from the transfer of goods and services in the following categories:

	2021 Shs'000	2020 Shs'000
Room revenue	1,339,763	861,623
Food	1,332,406	788,802
Beverage	238,872	138,230
Others	376,757	245,505
	3,287,798	2,034,160
Timing of revenue recognition - Over time Room revenue	1,339,763	861,623
- At a point in time		
Food	1,332,406	788,802
Beverage	238,872	138,230
Others	376,757	245,505
	1,948,035	1,172,537

5. Segment information (continued)

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2021 is as follows:

	Kenya Hotels and Lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotel Shs '000	All other segments Shs '000	Total Shs '000
Revenue	1,865,608	672,546	749,644	223,015	3,510,813
Less inter segmental sales	-	-	-	(223,015)	(223,015)
Net revenue from third parties	1,865,608	672,546	749,644	-	3,287,798
EBITDA	561,736	(130,200)	84,726	(231,749)	284,513
Depreciation and amortisation	(314,969)	(107,618)	(153,704)	(1,451)	(577,742)
Income tax credit/(expense)	(21,892)	91,774	15,844	(14,680)	71,046
Share of loss from associate	-	-	-	(41,225)	(41,225)
Investment in associate	-	-	-	786,956	786,956
Additions to non-current assets	41,910	9,857	11,280	46	63,093
Total assets	9,594,241	3,025,903	3,264,380	1,544,852	17,429,376
Total liabilities	(5,444,495)	(2,017,607)	(1,275,384)	(994,801)	(9,732,287)
Goodwill	324,643	681,016	266,293	-	1,271,952

The segment information for the year ended 31 December 2020 is as follows:

	Kenya Hotels and Lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotel Shs '000	All other segments Shs '000	Total Shs '000
Revenue	961,293	546,664	526,203	195,421	2,229,580
Less inter segmental sales	-	-	-	(195,421)	(195,421)
Net revenue from third parties	961,293	546,664	526,203	-	2,034,160
EBITDA	(138,355)	(225,868)	(77,749)	4,187	(437,785)
Depreciation and amortisation	(224,059)	(130,610)	(140,216)	(1,179)	(496,064)
Income tax credit/(expense)	271,105	106,141	72,739	(1,083)	448,902
Share of loss from associate	-	-	-	(95,004)	(95,004)
Investment in associate	-	-	-	826,830	826,830
Additions to non-current assets	87,155	41,858	16,743	492	146,248
Total assets	10,248,261	2,968,114	3,097,455	993,380	17,307,210
Total liabilities	(7,230,512)	(1,835,976)	(1,236,177)	1,256,773	(9,045,892)
Goodwill	324,643	681,016	266,293	-	1,271,952

5. Segment information (continued)

The company has disclosed EBITDA because management believes that this measure is relevant to a better understanding of the financial performance. EBITDA is not a defined performance measure in IFRS. The Company's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities. This disclosure is provided for illustrative purposes only.

EBITDA is calculated by adjusting profit from the continuing operations to exclude share of associate results, the impact of taxation, net finance costs, depreciation, amortisation, impairment losses and reversals related to goodwill, intangible assets and property, plant and equipment. A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2021 Shs'000	2020 Shs'000
EBITDA	284,513	(437,785)
Depreciation and amortisation	(577,742)	(496,064)
Depreciation on right of use asset	(44,531)	(43,919)
Finance costs – net	(325,002)	(586,137)
Share of loss of associates accounted for using the equity method	(41,225)	(95,004)
Loss before tax	(703,987)	(1,658,909)

There are no significant revenues derived from a single external customer.

6. Other income

Other income comprise income generated from all the non-principal activities of the Group.

	Group	
	2021 Shs'000	2020 Shs'000
Net foreign exchange gain	36,842	74,890
Loss on disposal of property and equipment	(27,041)	(38,953)
Ancillary income	48,970	33,611
Management fees	46,470	32,006
Other operating income	50,519	120,906
	155,760	222,460

7. Loss before tax

The following items have been charged in arriving at loss before income tax:

	Group	
	2021 Shs'000	2020 Shs'000
Employee benefit expense (Note 8)	1,265,219	1,248,338
Advertising and promotion expenses (Note 9)	185,763	192,056
Repairs and maintenance of property and equipment (Note 9)	242,386	200,823
Net finance costs (Note 10)	325,002	586,137
Receivables – provision for impairment losses (Note 26)	37,038	41,273
Auditors' remuneration (Company: 2021: Shs 2,620,131 (2020: Shs 2,620,131))	16,160	14,696
(Profit) / loss on disposal of property, plant and equipment	(12,355)	19,482

8. Employee benefits expense

	2021 Shs'000	2020 Shs'000
Salaries, wages and other staff costs	1,213,706	1,182,705
Retirement benefits costs:		
- Defined benefit scheme (Note 19)	1,912	1,311
- Defined contribution scheme	2,095	15,739
- National Social Security Funds	47,506	48,583
	1,265,219	1,248,338
Average number of employees	2,339	2,449

9. Other operating expenses

Group	2021 Shs'000	2020 Shs'000
Advertising and promotions	185,763	192,056
Heat, light, power and water	389,996	279,950
Insurance premiums	135,361	136,957
Operating supplies	103,301	69,009
Variable lease	103,028	79,971
Security	46,144	48,724
Repairs and maintenance	242,386	200,823
Other expenses	87,480	34,059
	1,293,459	1,041,549
Company		
Annual General Meeting expenses	1,364	447
Registry expenses	3,602	4,401
Directors expenses	-	313
Audit fees	2,620	2,620
Trade publications	1,591	762
Other expenses	19,090	1,864
	28,267	10,407

Notes to Financial Statements (continued)

10. Finance income and costs

Group	2021 Shs'000	2020 Shs'000
Finance income:		
Fixed and call deposits	4,346	11,497
Finance income	4,346	11,497
Finance costs:		
Interest expense on borrowings	(296,802)	(225,485)
Net foreign currency exchange loss on borrowings	(41,719)	(312,972)
Interest on lease liability	9,173	(59,177)
Finance costs	(329,348)	(597,634)
Net finance costs	(325,002)	(586,137)

Company		
Interest expense on borrowings	36,984	-
Net foreign currency exchange loss on borrowings	76,850	-
Finance costs	113,834	-

11. Income tax expense

	Group	
	2021 Shs'000	2020 Shs'000
Current income tax	26,674	32,626
Deferred income tax (Note 17)	(97,720)	(481,528)
Income tax (credit) / expense	(71,046)	(448,902)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Loss before income tax	(703,987)	(1,658,909)
Tax calculated at domestic rates applicable to profits in the respective countries at 30% (2020: 25-30%)	(211,196)	(446,063)
Tax effect of:		
Income not subject to tax	(69,508)	-
Expenses not deductible for tax purposes	201,442	38,928
Effect of change in tax rate	-	(51,610)
Under provision of deferred income tax in prior year	8,216	9,843
Income tax expense	(71,046)	(448,902)

As part of the Kenyan Government's measure to curb the adverse effects of the pandemic, the corporate tax rate was reduced from 30% to 25% between April 2020 and December 2020.

The Company's income relates to dividend income which is not subject to Corporate Income Tax.

Notes to Financial Statements (continued)

12. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Loss attributable to equity holders of the Company (Shs 000s)	(618,670)	(1,150,491)
Weighted average number of ordinary shares in issue (thousands)	182,174	182,174
Basic earnings per share (Shs)	(3.40)	(6.32)

There were no potentially dilutive shares outstanding at 31 December 2021 or 31 December 2020. Diluted earnings per share are therefore the same as basic earnings per share.

13. Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the Annual General Meeting. Qualifying shares for 2021 were 182,174,108 shares (2020: 182,174,108 shares). No dividend for the year ended 31 December 2021 is to be proposed at the forthcoming Annual General Meeting (2020: Nil)

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

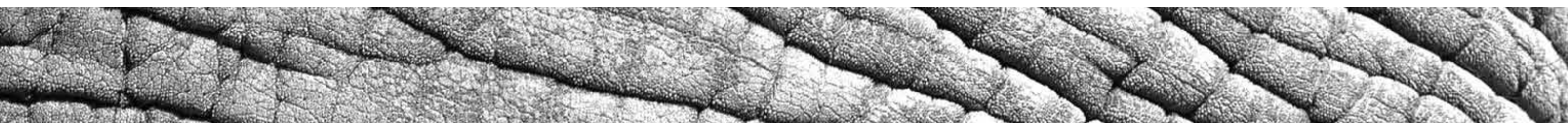
14. Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 2020, 31 December 2020 and 31 December 2021	182,174	182,174	4,392,668

Total authorised number of ordinary shares is 400,000,000 shares with a par value of Shs 1.00 per share. As at 31 December 2021 182,174,108 (2020: 182,174,108) shares are issued and are fully paid.

15. Revaluation reserve

The revaluation reserve represents solely the surplus on the revaluation of buildings net of deferred income tax and is non-distributable.



16. Borrowings

The borrowings are made up as follows:	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
Non-current				
Term loans	5,591,952	4,963,551	1,640,675	-
Current				
Bank overdraft	217,571	256,307	-	1,416
Term loans	384,969	509,741	-	-
	602,540	766,048	-	1,416
Total borrowings	6,194,492	5,729,599	1,640,675	1,416

Reconciliation of liabilities arising from financing activities

Year ended 31 December	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
At start of year	5,729,598	4,535,026	1,416	-
Interest expense	296,802	225,485	-	-
Bank overdraft	(38,736)	(43,997)	(1,416)	1,416
Foreign exchange loss	(27,213)	315,867	-	-
Debt novation from subsidiary	-	-	1,640,675	-
Cash flows:				
Proceeds from borrowings	277,171	752,695	-	-
Interest repayments	(43,130)	(55,477)	-	-
At end of year	6,194,492	5,729,599	1,640,675	1,416

16. Borrowings (continued)

Bank loans and overdrafts are secured by legal charges over certain land, buildings and other assets of the Group and a certificate of shares in the name of TPS Eastern Africa PLC. for Tourism Promotion Services (Kenya) Limited, in addition to a floating debenture over all assets of Tourism Promotion Services (Kenya) Limited, Tourism Promotion Services (Tanzania) Limited; and Tourism Promotion Services (Zanzibar) Limited. The PROPARCO loans are guaranteed by TPS Eastern Africa PLC, the Parent Company.

Group Financial Institution Tanzania	Currency	Facility	Interest %	Effective	Maturity Date	2021 Shs'000	2020 Shs'000
ABSA Bank Tanzania Limited-Overdraft	US$	1,700,000	4.46%	21/09/2021	20/09/2022	188,475	175,995
ABSA Bank Tanzania Limited - Term loan	US$	4,000,000	4.71%	17/05/2015	(Note i) 01/06/2023	28,270	27,286
ABSA Bank Tanzania Limited - Term loan	US$	1,500,000	4.71%	25/08/2019	(Note i) 25/03/2023	89,521	86,401
AKFED	US$	3,550,000	2.34%	30/04/2020	(Note ii) 31/12/2025	581,790	387,441
AKFED	US$	740,000	2.34%	30/04/2020	(Note ii) 31/12/2025	83,678	80,736
Kenya							
Bank overdraft - ABSA Bank Kenya PLC	KShs	300,000,000	10.87%	26/01/2020	25/01/2021	-	1,415
Bank overdraft - Equity Kenya Ltd	KShs	100,000,000	11.00%	9/09/2021	8/09/2022	-	-
PROPARCO - Term loan	US$	20,000,000	4.27%	24/08/2015	(Note iii) 15/06/2027	2,493,514	2,310,717
ABSA Bank Kenya PLC - Term loans	KShs	970,000,000	10.25%	13/02/2015	(Note i) 29/12/2026	603,353	549,311
AKFED	US$	14,500,000	2.34%	30/07/2017	(Note ii) 31/12/2025	1,640,675	1,584,215
Uganda							
Bank overdraft – Equity Bank Uganda Limited	US$	1,000,000	5.50%	3/12/2021	02/12/2022	29,096	78,896
PROPARCO - Long Term loan	US$	8,000,000	4.07%	15/06/2017	(Note iii) 15/06/2023	456,120	447,186
Total borrowings						6,194,492	5,729,599

Fair values of the borrowings are disclosed in Note 4.

16. Borrowings (continued)

Notes to the above table of borrowings:

(i) As at 31 December 2021, the Group was in breach of certain loan covenants on loans from Absa Bank of Kenya and Absa Bank of Tanzania. The lenders issued waivers by 31 December 2021 in relation to the breaches. Subsequent to the year-end, the parties are in advanced discussions to reschedule repayments of ABSA Bank Kenya PLC and ABSA Bank Tanzania Limited loans in 2022, due to the ongoing impact of Covid-19 on the business as disclosed in Note 2a.

(ii) AKFED loans have no fixed maturity, however they are not payable within 12 months of the reporting date. During the year, AKFED loans amounting to $14.5 million were novated from the subsidiary, Tourism Promotion Services (Kenya) Limited, to the Company and the resulting inter-company debt being converted to equity within the subsidiary (Note 23).

(iii) As at 31 December 2021, the Group was in breach of certain PROPARCO loan covenants. The lender issued waivers by 31 December 2021 in relation to the breaches. Subsequent to the year end, the parties are in advanced discussions to refinance and extend the PROPARCO loans in Kenya and Uganda as disclosed in Note 2a.

Borrowings in respective currencies were as follows:

	Group	
Currency	**2021 Shs'000**	**2020 Shs'000**
US Dollars	5,591,139	5,178,872
Kenya Shillings	603,353	550,726
Total borrowings	6,194,492	5,729,598

17. Lease liability

	2021	2020
Opening balance	413,287	437,586
Addition	17,868	10,963
Release from IFRS 16*	-	(11,794)
Interest charge	(9,173)	59,176
Lease payments during the year	(147,264)	(82,868)
Translation difference	(284)	224
	274,434	413,287
The lease liability is classified as follows:		
Non-current lease liability	243,917	369,950
Current lease liability	30,517	43,337
	274,434	413,287

*The release from IFRS 16 relates to the lease with JAJA Limited which was converted to a variable lease in 2021, hence not applicable under IFRS 16.

18. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2020: 30%). The movement on the deferred income tax account is as follows:

	Group	
Deferred income tax asset	**2021 Shs'000**	**2020 Shs'000**
At start of year	(8,991)	(2,699)
Charge to profit or loss (Note 11)	(2,440)	(6,284)
Charge to OCI	243	(8)
At end of year	(11,188)	(8,991)
Deferred income tax liability		
At start of year	1,438,446	1,842,764
Charge to profit or loss (Note 11)	(95,280)	(475,244)
Charge to OCI	(8,229)	70,926
At end of year	1,334,937	1,438,446

Deferred income tax asset

Deferred tax liabilities	1.1.2021 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/(credit) to OCI Shs'000	31.12.2021 Shs'000
Property, plant & equipment				
- on historical cost	107,256	162	-	107,094
	107,256	162	-	107,094
Deferred tax assets				
Other temporary differences	(116,247)	(2,278)	243	(118,282)
	(116,247)	(2,278)	243	(118,282)
Net deferred tax asset	(8,991)	(2,440)	243	(11,188)

18. Deferred income tax (continued)

Deferred income tax liabilities	1.1.2021 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/(credit) to OCI Shs'000	31.12.2021 Shs'000
Property, plant & equipment				
- on historical cost	1,503,131	(38,957)	-	1,464,173
- on revaluation surpluses	1,144,163	(38,281)	-	1,105,883
Other temporary differences	274,037	41,853	-	315,890
	2,921,331	(35,385)	-	2,885,946
Deferred tax assets				
Provisions	(58,972)	(15,935)	-	(74,907)
Tax losses carried forward	(1,340,963)	(132,322)	-	(1,473,285)
Exchange rate variance	(82,950)	88,362	(8,229)	(2,817)
	(1,482,885)	(59,895)	(8,229)	(1,551,009)
Net deferred tax liability	1,438,446	(95,280)	(8,229)	1,334,937

Deferred income tax of Shs 92,220,000 is anticipated to be utilised in the next 12 months in relation to tax losses.

Deferred income tax asset

Deferred tax liabilities	1.1.2020 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/(credit) to OCI Shs'000	31.12.2020 Shs'000
Property, plant & equipment				
- on historical cost	107,191	65	-	107,256
	107,191	65	-	107,256
Deferred tax assets				
Other temporary differences	(109,890)	(6,349)	(8)	(116,247)
	(109,890)	(6,349)	(8)	(116,247)
Net deferred tax asset	(2,699)	(6,284)	(8)	(8,991)

Notes to Financial Statements (continued)

18. Deferred income tax (continued)

Deferred income tax liabilities	1.1.2020 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/ (credit) to equity Shs'000	31.12.2020 Shs'000
Property, plant & equipment				
- on historical cost	1,530,465	(27,334)	-	1,503,131
- on revaluation surpluses	1,162,393	(4,310)	(13,920)	1,144,163
Other temporary differences	382,537	(108,502)	-	274,037
	3,075,396	(140,146)	(13,920)	2,921,331
Deferred tax assets				
Provisions	(41,178)	(17,794)	-	(58,972)
Tax losses carried forward	(1,011,018)	(329,945)	-	(1,340,963)
Exchange rate variance	(180,437)	12,641	84,846	(82,950)
	(1,232,633)	(335,098)	84,846	(1,482,885)
Net deferred tax liability	1,842,763	(475,244)	70,926	1,438,446

19. Retirement benefit obligations

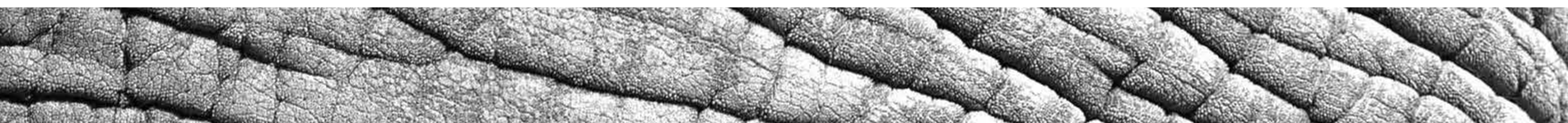
For unionised employees in two subsidiaries, the Group has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the union. Employees who resign after serving for periods of between five years and ten years, receive eighteen days' salary and house allowance for each completed year of service at the rate of pay applicable at the date of resigning. Employees who resign after serving for more than ten years receive twenty-four days' salary and house allowance for each completed year of service. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Provision for employees' entitlement to gratuity is based on the number of years worked by individual employees up to the reporting date. The movement during the year is as follows:

	Group	
	2021 Shs'000	2020 Shs'000
At start of year	44,158	41,983
Additional provision	1,912	1,311
Unused amounts reversed	-	864
Benefits paid / transferred to pension scheme	(6,303)	-
At end of year	39,767	44,158

The scheme was last valued by an independent actuary as at 31 December 2020. The significant actuarial assumptions were as follows;

	2020 Shs'000	2019 Shs'000
- discount rate	15%	15%
- future salary increases	7.0%	7.0%



19. Retirement benefit obligations (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is not significant for 2021 (2020: not significant).

Under IAS 19 revised, actuarial gains and losses are recognised in the other comprehensive income. Consistent with prior year, actuarial losses are charged to income statement on the basis of materiality. The charge to profit or loss is made up of interest charge and current service cost.

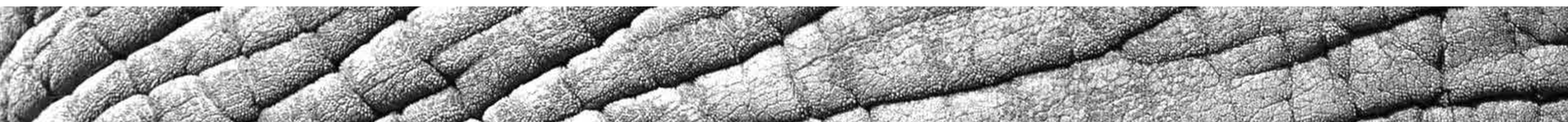
Assumptions regarding future mortality experience are set based on actuarial advice, published statistics and experience in the industry. The Directors do not anticipate variation of the assumptions to impact the obligations significantly.

In the opinion of the Directors, the provision for gratuity entitlement for employees fairly reflects the Group's future obligation under the terms of the Collective Bargaining Agreement. The scheme has no dedicated assets.

A marginal increase or reduction in the actuarial assumptions does not result in a material change in the liability and the Group adopted the most conservative resultant liability.

20. Property and equipment - Group

At 1 January 2020	Land & buildings Shs'000	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At cost	16,448,402	4,732,168	357,562	118,752	21,656,884
Accumulated depreciation	(3,358,721)	(2,883,761)	(321,755)	-	(6,564,237)
Translation differences	(1,447,711)	(112,923)	(27,493)	(56,259)	(1,644,386)
Net book amount as reported	11,641,970	1,735,484	8,314	62,493	13,448,261
Year ended 31 December 2020					
Opening net book amount	11,641,970	1,735,484	8,314	62,493	13,448,261
Additions	6,762	67,175	-	72,311	146,248
Disposals	24,904	(94,284)	-	(1,971)	(71,351)
Transfers	45,667	33,402	-	(79,069)	-
Depreciation charge	(282,584)	(209,527)	(3,953)	-	(496,064)
Depreciation on disposal	-	51,869	-	-	51,869
Revaluation	(67,577)	-	-	-	(67,577)
Translation differences	363,900	(3,722)	180	(1,865)	358,493
Closing net book amount	11,733,042	1,580,397	4,541	51,899	13,369,879
At 31 December 2020					
At cost	16,458,158	4,738,461	357,562	110,023	21,664,204
Accumulated depreciation	(3,641,304)	(3,041,419)	(325,708)	-	(7,008,431)
Translation differences	(1,083,812)	(116,645)	(27,313)	(58,124)	(1,285,894)
Net book amount	11,733,042	1,580,397	4,541	51,899	13,369,879



20. Property and equipment - Group (continued)

At 1 January 2021	Land & buildings Shs'000	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At cost	16,458,158	4,738,461	357,562	110,023	21,664,204
Accumulated depreciation	(3,641,304)	(3,041,419)	(325,708)	-	(7,008,431)
Translation differences	(1,083,812)	(116,645)	(27,313)	(58,124)	(1,285,894)
Net book amount as reported	11,733,042	1,580,397	4,541	51,899	13,369,879
Year ended 31 December 2021					
Opening net book amount	11,733,042	1,580,397	4,541	51,899	13,369,879
Additions	30,606	28,026	316	4,145	63,093
Disposals	(49,865)	(59,817)	(2,677)	(3,768)	(116,127)
Transfers	(78,209)	87,073	(15)	(8,849)	-
Depreciation charge	(274,369)	(303,339)	(34)	-	(577,742)
Depreciation on disposal	1,631	14,266	2,677	-	18,574
Translation differences	238,487	15,720	2	900	255,109
Closing net book amount	11,601,323	1,362,326	4,810	44,327	13,012,786
At 31 December 2021					
At cost	16,360,690	4,793,743	355,186	101,551	21,611,170
Accumulated depreciation	(3,914,042)	(3,330,492)	(323,065)	-	(7,567,599)
Translation differences	(845,325)	(100,925)	(27,311)	(57,224)	(1,030,785)
Net book amount	11,601,323	1,362,326	4,810	44,327	13,012,786

20. Property and equipment – Group (continued)

In the opinion of the directors, there is no impairment of Property and Equipment.

Land and Buildings for Tourism Promotion Services (Kenya) Limited, JAJA Limited, TPS (OP) Limited and TPS (Uganda) Limited were all revalued on 31 December 2020 by independent professional valuer C.P. Robertson-Dunn; whilst that for Tourism Promotion Services (Tanzania) Limited and Tourism Promotion Services (Zanzibar) Limited were revalued by H & R Consultancy Limited in Tanzania.

Revaluations of properties were made on the basis of earnings for existing use. The assumptions applied were as follows:

	Zanzibar	Tanzania	Uganda	Kenya
Discount rate	15%	15%	15%	14%
Long term growth rate	6%	6%	6%	6%
EBITDA margin	16%	10%	22%	21%

The resultant revaluation loss net of deferred income tax of Shs 47 million was recognised in the revaluation reserve through other comprehensive income.

As at 31 December 2021, if the discount rate had increased by 1% with all other variables held constant, the valuation would have been lower by Shs 759,026,000.

As at 31 December 2021, if the discount rate had decreased 1% with all other variables held constant, the valuation would have been higher by Shs 1,028,761,000.

As at 31 December 2021, if the gross margin rate had decreased / increased by 1% with all other variables held constant, the valuation would have been higher / lower by Shs 60,982,000.

As at 31 December 2021, if the growth rate had decreased / increased by 1% with all other variables held constant, the valuation would have been higher / lower by Shs 293,515,000.

Management has assessed the recoverable amount by calculating the value in use using a discounted cash flow model (DCF) and the fair value of the land and buildings are not materially different since the last valuation.

Capital work in progress is mainly in relation to capital projects being undertaken with respect to properties in Kenya, Uganda and Tanzania.

If the buildings, freehold and leasehold land were stated on the historical cost basis (adjusted for translation differences), the amounts would be as follows:

	Group	
	2021 Shs'000	2020 Shs'000
Cost	11,098,303	11,195,772
Accumulated depreciation	(2,590,191)	(2,317,453)
Net book amount	8,508,112	8,878,319

21. Intangible assets - Goodwill

Intangible assets comprise of goodwill arising from acquisitions over the years. The allocation of goodwill by cash generating unit is as follows:

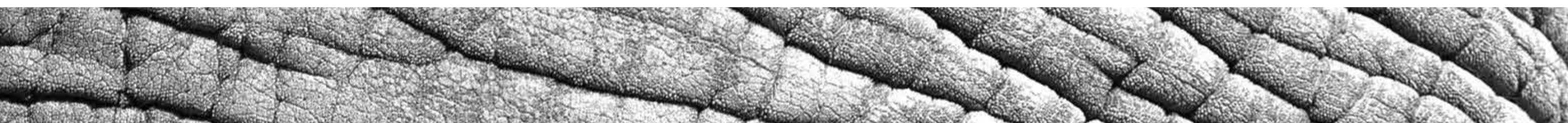
	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Total Shs'000
At start of year	324,643	681,016	266,293	1,271,952
At end of year	324,643	681,016	266,293	1,271,952

The directors monitor goodwill impairment at the segment level, being the cash generating unit (CGU). The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial projections approved by the management covering a five-year period. The Managing Director considers the business from a geographic perspective. Geographically, management considers the performance in Kenya, Uganda and Tanzania.

Management has made the following assumptions in assessing for goodwill impairment:

2021	Tanzania	Zanzibar	Uganda	Kenya
Budgeted average EBITDA margin (%)	10%	16%	22%	21%
Long term growth rate (%)	6%	6%	6%	6%
Pre-tax discount rate (%)	15%	15%	15%	14%
Annual capital expenditure as a % of revenue	4%	4%	4%	4%
2020				
Budgeted average EBITDA margin (%)	11%	13%	21%	26%
Long term growth rate (%)	6%	6%	6%	6%
Pre-tax discount rate (%)	15%	15%	15%	14%
Annual capital expenditure as a % of revenue	4%	4%	4%	4%

These assumptions have been used for the analysis of each operating unit within the business segment. Management determined budgeted EBITDA margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.



21. Intangible assets – Goodwill (continued)

Management has determined the values assigned to each of the key assumptions used as follows:

Assumption	Approach used to determine values:
1. EBITDA growth as determined by : i) Room occupancy rates	Average room occupancy rate over the five-year forecast period; based on past performance and management expectations of market development.
ii) Room rates	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term country inflation forecast.
iii) Projected average gross margins	Based on past performance and management expectations of the future.
2. Annual capital expenditure as a % of revenue	Expected cash costs in the CGUs.This is based on the historical experience of management, the planned refurbishment, or sustaining expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
3. Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rate is based on long term growth rate forecasts for the industry and Country.
4. Pre-tax discount rate	Based on specific risks relating to the industry and country. Factors considered for the industry include regulatory environment, market competition, and barriers to entry.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU's to exceed its recoverable amount.

Tourism Promotion Services (Kenya) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2021 by Shs 4.8 billion

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher/ lower than the management estimates at 31 December 2020 with all other assumptions in the table above unchanged, the head room would have increased/ decreased by Shs 73 million.

The 1% change in forecast EBITDA margins represents a reasonably possible reduction in sales prices and/or increase in production and other costs over the 5 year forecast period.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the headroom would have decreased by Shs 650 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the headroom would have increased by Shs 837 million.

TPS (Uganda) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2021 by Shs 2.7 billion

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher/ lower than the management estimates at 31 December 2021 with all other assumptions in the table above unchanged, the head room would have increased/ decreased by Shs 53 million.

The 1% change in forecast EBITDA margins represents a reasonably possible reduction in sales prices and/or increase in production and other costs over the 5 year forecast period.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the headroom would have decreased by Shs 472 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the headroom would have increased by Shs 590 million.

Notes to Financial Statements (continued)

21. Intangible assets – Goodwill (continued)

Tourism Promotion Services (Tanzania) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2021 by Shs 1.7 million.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher/ lower than the management estimates at 31 December 2017 with all other assumptions in the table above unchanged, the head room would have increased/ decreased by Shs 27 million.

The 1% change in forecast EBIDTA margins represents a reasonably possible reduction in sales prices and/or increase in production and other costs over the 5 year forecast period.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the headroom would have decreased by Shs 219 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the headroom would have increased by Shs 274 million

Tourism Promotion Services (Zanzibar) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2021 by Shs 26 million.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher/ lower than the management estimates at 31 December 2021 with all other assumptions in the table above unchanged, the headroom would have increased/ decreased by Shs 4 million.

The 1% change in forecast EBITDA margins represents a reasonably possible reduction in sales prices and/or increase in production and other costs over the 5 year forecast period.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the headroom would have decreased by Shs 37 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the headroom would have increased by Shs 46 million.

22. Right of use asset

Right of use assets relates to property leases which include office space, parks, land occupied by hotels and camps as relevant.

	Group	
	2021 Shs'000	2020 Shs'000
Opening balance	345,293	421,560
Adoption of IFRS 16*	-	(43,143)
Addition	17,768	10,963
Depreciation	(44,531)	(43,919)
Translation difference	(259)	(168)
	318,271	345,293

*The release from IFRS 16 relates to the lease with JAJA Limited which was converted to a variable lease in 2021, hence no longer applicable under IFRS 16.

23. Investment in subsidiaries (at cost)

The Company's interest in its subsidiaries (Tourism Promotion Services (Kenya) Limited – TPS(K), Tourism Promotion Services (Tanzania) Limited – TPS(T), Tourism Promotion Services (Zanzibar) Limited – TPS(Z), Tourism Promotion Services (Mangapwani) Limited – TPS(Mgp), Tourism Promotion Services (South Africa)(Pty) Limited – TPS(SA), Tourism Promotion Services (Management) Limited – TPS(M) and TPS (Uganda) Limited – TPS(U)), none of which is listed on a stock exchange and all of which have the same year end as the Company, were as follows:

	TPS(K) Shs'000	TPS(T) Shs'000	TPS(Z) Shs'000	TPS(Mgp) Shs'000	TPS(SA) Shs'000	TPS(M) Shs'000	TPS(U) Shs'000	Total Shs'000
At 1 January 2020, 31 December 2019 and 31 December 2020	828,621	1,487,783	437,423	-	1	-	1,432,174	4,186,002
Investment during the year	1,563,824	-	-	-	-	-	-	1,563,824
At 31 December 2021	2,392,445	1,487,783	437,423	-	1	-	1,432,174	5,749,826
Country of Incorporation	Kenya	Tanzania	Tanzania	Tanzania	South Africa	Kenya	Uganda	
% interest held – 2020 and 2021	100.00%	100.00%	100.00%	100.00%	100.00%	75.00%	65.19%	

Advances totalling $14.5 Million received from AKFED by Tourism Promotion Services (Kenya) Limited in consequence of financial support for the Nairobi Serena Hotel refurbishment and subsequent COVID-19 pandemic, were all converted to equity following novation of all advances to the Parent Company, TPS Eastern Africa PLC. The resulting inter-company receivable was thereafter converted to equity by the issue of one new share to the Parent Company. This conversion enabled a positive restructuring of the subsidiary's Balance Sheet following COVID-19 resulting in the Company recognising an amount equivalent to Shs. 1,563,825,000 as investment in the subsidiary.

Interests in subsidiaries are tested for impairment when there is an indicator of impairment by comparing the carrying value of the cash generating unit to the recoverable value of that cash generating unit. Recoverable amount for investment in subsidiaries is calculated on a consistent basis with that used for impairment testing of goodwill, as set out in Note 21.

Other indirect subsidiaries include JAJA Limited, which owns Lake Elementaita Serena Camp, and TPS (OP) Limited which owns Sweetwaters Tented Camp both of which are 100% subsidiaries of TPS(K); and Upekee Lodges Limited (100% subsidiary of TPS(T)) which is dormant.

In the opinion of the directors, there has been no impairment of any of the investments during the year under review.

Subsidiaries with significant non-controlling interest

The key financial data as at year end for TPS (Uganda) Limited incorporated in Uganda, is summarised below:

	% interest held	Non-current assets Shs'000	Current assets Shs'000	Total assets Shs'000	Non-current liabilities Shs'000	Current liabilities Shs'000	Total liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000
2021									
TPS (Uganda) Limited	65	2,383,693	612,648	2,996,342	669,102	434,914	1,104,016	749,644	(40,997)
2020									
TPS (Uganda) Limited	65	2,514,843	555,393	3,070,236	773,231	367,593	1,140,824	526,202	(170,974)

23. Investment in subsidiaries (at cost) (continued)

Cash Flow

	2021 Shs'000	2020 Shs'000
Cash flows from operating activities	133,639	(112,947)
Cash flows from investing activities	(9,343)	(15,933)
Cash flows from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	124,296	(128,880)

24. Investment in associates

	Group	
	2021 Shs'000	2020 Shs'000
At start of the year	826,830	921,834
Share of associate results before tax	(48,830)	(95,399)
Share of tax	7,605	395
Net share of results after tax	(41,225)	(95,004)
At end of year	785,605	826,830

	Company	
	2021 Shs'000	2020 Shs'000
At start and end of year	840,330	840,330

The Company holds 25.1% interest in TPS (D) Limited, a Kenyan domiciled entity which was established as the holding company to acquire the Movenpick Hotel (subsequently Dar es Salaam Serena Hotel) in Dar es Salaam, Tanzania. TPS (D) Limited owns 100% of an off- shore company, TPS (Cayman) Limited (previously Kingdom 5-KR-90 Limited), which owns the Tanzanian operating company, Tanruss Investment Limited the owner of Dar es Salaam Serena Hotel. Other shareholders in TPS (D) Limited include: The Aga Khan Fund for Economic Development, S.A and PDM Holdings Limited.

Other associates are Mountain Lodges Limited and Tourism Promotion Services (Rwanda) Limited.

Interests in associates are tested for impairment when there is an indicator of impairment by comparing the carrying value of the cash generating unit to the recoverable value of that cash generating unit. Recoverable amount for investment in associate is calculated on a consistent basis with that used for impairment testing of goodwill, as set out in Note 21.

24. Investment in associates (continued)

The key financial data as at year end of Mountain Lodges Limited (incorporated in Kenya), Tourism Promotion Services (Rwanda) Limited (incorporated in Rwanda) and TPS (D) Limited (incorporated in Kenya) is as follows:

	% interest held	Current Assets Shs'000	Non-current Assets Shs'000	Current Liabilities Shs'000	Non-current Liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000	Other comprehensive income Shs'000
2021								
TPS (Rwanda) Limited	20.15	210,498	1,024,045	278,993	353,304	624,832	(115,653)	-
TPS (D) Limited	25.10	237,077	3,699,157	846,582	488,681	665,653	(71,399)	(58,348)
Mountain Lodges Limited*	29.90	5,195	101,272	165,502	42,464	-	-	-
		452,770	4,824,474	1,291,077	884,449	1,290,485	(187,052)	(58,348)
2020								
TPS (Rwanda) Limited	20.15	239,856	1,061,124	333,780	249,301	376,775	(249,113)	-
TPS (D) Limited	25.10	135,036	3,751,182	780,274	570,824	428,432	(178,517)	-
Mountain Lodges Limited*	29.90	5,195	101,272	165,502	42,464	11,092	(35,021)	-
		380,087	4,913,578	1,279,556	862,589	816,299	(462,651)	-

*Mountain Lodges Limited has not traded since 2020 due to Covid-19.

25. Inventories

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Food, beverage and consumables	209,406	215,990	-	-
Other stock	202,559	206,100	-	-
	411,965	422,090	-	-

Inventory is stated at cost. The cost of inventories recognised as an expense and included in 'inventory expensed' amounted to Shs 563,330,000 (2020: Shs 363,245,000).

26. Receivables and prepayments

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Trade receivables – third parties	608,309	279,394	-	-
Less: Loss allowance	(108,737)	(73,268)	-	-
Trade receivables – other related companies (Note 31)	2,403	822	-	-
Net trade receivables	501,975	206,948	-	-
Prepayments	62,559	42,887	-	-
Advances to related companies (Note 31)	629,671	533,546	435,862	448,792
Less: Loss allowance of related party debts	(130,928)	(129,359)	(80,041)	(63,004)
Other receivables	30,676	84,070	4,175	4,169
	1,093,954	738,092	359,996	389,957

Movements on the provision for impairment of trade and other receivables are as follows:

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
At start of year	202,627	161,354	63,004	63,004
Loss allowance in the year	38,643	41,898	17,037	-
Receivables written off during the year	(1,606)	(625)	-	-
At end of year	239,664	202,627	80,041	63,004

In the opinion of the Directors, the carrying amounts of the receivables and prepayments approximate to their fair value.

The carrying amounts of the Group's receivables and prepayments are denominated in the following currencies:

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
US Dollar	186,415	169,228	-	-
Euro	1,222	1,242	-	-
Sterling Pound	256	785	-	-
Kenya Shillings	400,443	186,389	359,996	389,957
Tanzania Shillings	285,670	226,553	-	-
Uganda Shillings	219,948	153,895	-	-
	1,093,954	738,092	359,996	389,957

27. Cash and cash equivalents

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Cash at bank and in hand	310,805	122,711	188	-

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
Cash and bank balances as above	310,805	122,711	188	-
Bank overdrafts (Note 16)	(217,571)	(256,307)	-	(1,416)
	93,234	(133,596)	188	(1,416)

28. Payables and accrued expenses

	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
Trade payables	801,220	638,385	-	-
Trade payables – related companies (Note 31)	8,277	5,861	-	-
Advances from related companies (Note 31)	32,089	56,587	-	-
Accrued expenses and other payables	1,043,062	719,570	55,303	17,710
	1,884,648	1,420,403	55,303	17,710

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

Notes to Financial Statements (continued)

29. Cash flow

29. (a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	Group	
	2021 Shs'000	Restated 2020 Shs'000
Loss before income tax	(703,987)	(1,658,909)
Adjustments for:		
Interest expense (Note 10)	296,802	225,485
Interest income (Note 10)	(4,346)	(11,497)
Interest on lease liability (Note 10)	(9,173)	59,176
Release of lease liability (Note 17)	-	(11,794)
Depreciation (Note 20)	577,742	496,064
Depreciation on right of use asset (Note 22)	44,531	43,919
Release of right of use asset (Note 22)	-	43,143
Loss on sale of property, plant and equipment	62,088	19,173
Share of loss from associates (Note 24)	41,225	95,004
Changes in working capital		
- receivables and prepayments	(289,112)	632,086
- inventories	23,662	45,475
- payables and accrued expenses	173,447	(363,495)
- provisions for liabilities and charges	(5,815)	(825)
Cash (used in) / generated from operations	207,044	(386,995)

29. (b) Restatement of consolidated statement of cash flows

The Group has subsidiaries whose functional currency is different from the Group's presentation currency. In the year ended 31 December 2020, the cash flows relating to these foreign operations had been translated as follows:

- Movements in the statement of financial position balances had been translated at spot rate as at 31 December 2020.
- The statement of profit or loss had been translated at the average rate for the year ended 31 December 2020.

IAS 7 requires that these cash flows to be translated using the exchange rates at the date of those cash flows or an average rate that approximates the actual rate. The use of the spot rate and the average rate, resulted in a material currency translation movement as presented in the 2020 consolidated statement of cash flows. Consequently, given the materiality, the consolidated statement of cash flows has been retranslated using the average rate for the year ended 31 December 2020 in line with IAS 7 and IAS 21.

In addition, interest paid in 2020 was included as part of the repayment of borrowing, this resulted in a material overstatement of the repayment of borrowings as shown in the consolidated statement of cash flows for the year ended 31 December 2020. Consequently, the consolidated statement of cash flows has been restated to reclassify interest paid in 2020. The directors have assessed the impact from the earliest possible period and are confident that the restatement impacts the following lines in the consolidated statement of cash flows in 2020 only;

29. (b) Restatement of consolidated statement of cash flows (continued)

	2020 Shs'000	Increase/ (decrease) Shs'000	Restated 2020 Shs'000
Adjustments for:			
Profit on sale of property and equipment	19,482	309	19,173
Changes in working capital			
- receivables and prepayments	401,588	230,498	632,088
- inventories	37,893	7,582	45,475
- payables and accrued expenses	(505,883)	142,388	(363,495)
- provisions for liabilities and charges	2,175	(3,000)	(825)
Cash generated from operations	(764,155)	377,159	(386,995)
Operating activities			
Cash generated from operations	(764,155)	377,159	(386,995)
Interest paid	-	(55,477)	(55,477)
Income tax paid	(62,651)	35,913	(26,738)
Net cash generated from operating activities	(815,309)	357,595	(457,713)
Investing activities			
Proceeds from disposal of property and equipment	-	309	309
Net cash used in investing activities	(146,248)	309	(145,939)
Financing activities			
Proceeds from long term borrowings	841,293	(88,598)	752,695
Payments of long term borrowings	(40,764)	964	(39,800)
Net cash generated from financing activities	717,661	(87,634)	630,026
Net increase in cash and cash equivalents	(243,896)	270,270	26,374
Movement in cash and cash equivalents			
At start of year	(152,735)	-	(152,735)
Increase	(243,896)	(270,270)	26,374
Effect of currency translation differences	263,035	270,270	(7,235)
At end of year	**(133,596)**	**-**	**(133,596)**

Notes to Financial Statements (continued)

30. Non-controlling interest

	Group	
	2021 Shs'000	2020 Shs'000
At start of the year	753,490	835,908
Share of loss for the year	(14,271)	(59,516)
Revaluation loss on land and buildings	-	(32,717)
Deferred tax on revaluation of land and buildings	-	9,815
At end of year	739,219	753,490

TPS (Uganda) Limited's 34.8% shareholding is held by NSSF Uganda (13.99%) and the Aga Khan Fund for Economic Development, SA (20.81%).

31. Related party transactions

The group is controlled by Aga Khan Fund for Economic Development SA, incorporated in Switzerland. There are various other companies which are related to the Group through common shareholdings, common directorships or through management contracts.

The following transactions were carried out with related parties:

	Group	
i) Sale of goods and services to:	2021 Shs'000	2020 Shs'000
Mountain Lodges Limited	-	26,572
Diamond Trust Bank Kenya Limited	-	5,370
The Jubilee Insurance Company of Kenya Limited	-	392
Tourism Promotion Services (Rwanda) Limited	22,231	20,528
Hoteis Polana, S.A.	18,598	27,554
Nation Media Group	-	453
Industrial Promotion Services (Kenya) Limited	-	18
The Jubilee Insurance Company of Uganda Limited	-	1,992
Diamond Trust Bank of Uganda Limited	-	110
Tanruss Investment Limited	50,384	28,435
African Broadcasting (Uganda) Limited	-	17,623
Monitor Publication Limited	-	215
Frigoken Limited	-	230
Serena Tourism Promotion Services, S.A.	-	48,561
Pearl Development Group Limited	7,547	3,889
Ihusi SARL	39,195	3,434
	137,955	185,378

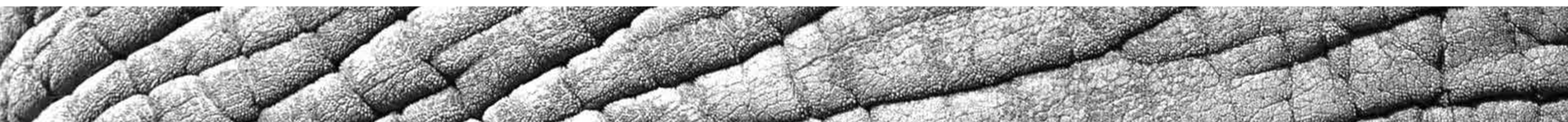
31. Related party transactions (continued)

	Group	
	2021 Shs'000	2020 Shs'000
ii) Purchase of goods and services from:		
Farmer's Choice Limited	48,043	61,639
Diamond Trust Bank Tanzania Limited	1,180	1,180
Nation Media Group	173	822
The Jubilee Insurance Company Tanzania Limited	3,908	3,657
The Jubilee Insurance Company of Uganda Limited	-	34,641
Monitor Publication Limited	-	298
	53,304	102,237
iii) Key management compensation		
Salaries and other short term employment benefits	95,718	93,666
iv) Directors' remuneration		
Fees for services as a non-executive director	-	-
Emoluments to executive directors (included in key management compensation above)	31,811	37,502
Total remuneration of directors of the Company and Group	31,811	37,502

v) Outstanding balances arising from sale and purchase of goods/ services from related parties

The trade receivables arise mainly from trading, are unsecured and bear no interest. Other receivables relate to management fees payable to the Group Companies. Other receivables are unsecured and bear no interest.

Trade receivables from related parties	2021 Shs'000	2020 Shs'000
Aga Khan Education Services (Uganda)	24	24
Aga Khan Foundation	309	147
Aga Khan University Hospital (Kenya & Uganda)	1,626	189
Diamond Trust Bank Kenya Limited	-	360
Industrial Promotion Services (Kenya) Limited	3	102
Nation Media Group	441	-
	2,403	822



Notes to Financial Statements (continued)

31. Related party transactions (continued)

v) Outstanding balances arising from sale and purchase of goods/services from related parties (continued)

	Group	
Other receivables from related parties	**2021 Shs'000**	**2020 Shs'000**
Hoteis Polana, S.A.	190,963	171,791
Mountain Lodges Limited	96,933	96,934
Pearl Development Group Limited	28,788	19,721
Tanruss Investment Limited	284,513	232,682
Tourism Promotion Services (Rwanda) Limited	1,671	6,276
TPS (Cayman) Limited	2,309	2,090
TPS (D) Limited	942	643
Ihusi SARL	23,552	4,052
	629,671	533,546
Trade and other receivables from related parties	632,074	534,368
Less: Loss allowance of related party debts	(130,928)	(129,359)
Net trade and other receivables from related parties	501,146	405,009

Expected credit losses on trade and other receivables from related parties are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

	Company	
Other receivables from related parties	**2021 Shs'000**	**2020 Shs'000**
Tourism Promotion Services (Kenya) Limited	358,849	371,779
Tourism Promotion Services (Tanzania) Limited	57,446	57,446
Tanruss Investment Limited	19,567	19,567
Other receivables from related parties	435,862	448,792
Less: Loss allowance of related party debts	(80,041)	(63,004)
Net other receivables from related parties	355,821	385,788

	Group	
Trade payables to related parties	**2021 Shs'000**	**2020 Shs'000**
Farmer's Choice Limited	8,171	5,861
Nation Media Group	46	-
Diamond Trust Bank Kenya Limited	4	-
The Jubilee Insurance Company Limited	56	-
	8,277	5,861

31. Related party transactions (continued)

v) Outstanding balances arising from sale and purchase of goods/services from related parties (continued)

	Group	
Other payables to related parties	2021 Shs'000	2020 Shs'000
Hoteis Polana, S.A.	9,705	9,788
Ihusi SARL	1,253	395
Pearl Development Group Limited	5,766	5,859
Tanruss Investment Limited	13,936	14,065
Tourism Promotion Services (Rwanda) Limited	1,429	26,480
	32,089	56,587
	40,366	62,448

vi) Guarantees

TPS Eastern Africa PLC has provided corporate guarantees to the lenders of Tanruss Investment Limited (TIL), Tourism Promotion Services (Kenya) Limited (TPS K) and TPS (Uganda) (TPS U). The table below summarises the corporate guarantees as at 31 December 2021:

Company	Facility	Initial Recognition Shs '000	Carrying Value Shs '000
TPS K	ABSA Loan	970,000	603,353
TPS K	ABSA OD	300,000	300,000
TPS K	EQUITY OD	100,000	100,000
TPS K	PROPARCO	2,493,514	2,493,514
TIL	ABSA Loan	169,725	55,910
TIL	ABSA OD	90,520	90,520
TPS U	PROPARCO	997,406	456,120

vii) Loans from related party

The Group has long term borrowing from the following related parties:

(i) Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO) of Shs 2,949,635,000 (2020; Shs 2,757,903,000) as disclosed at Note 16.

(ii) Aga Khan Fund for Economic Development, SA (AKFED) of Shs 2,306,143,000 (2020; Shs 2,052,392,000) as disclosed at Note 16.

32. Contingent liabilities

The subsidiaries in Kenya, Uganda and Tanzania are in various legal actions and claims made by third parties. In the opinion of the directors, after taking appropriate legal and other advice, no material liabilities are expected to crystallise from these claims. Consequently, no provision has been set against such claims in the books of accounts.

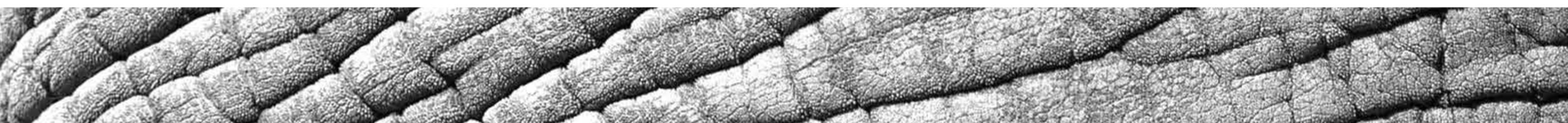
There are some open tax issues with tax authorities and local authorities in respect of some subsidiaries and an associate. In the view of directors there are no additional liabilities likely to arise from these matters. Consequently, no provision has been set against such matters in the books of accounts.

33. Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	Group	
	2021 Shs'000	2020 Shs'000
Property, plant and equipment	-	21,572

Notes



Proxy

TPS EASTERN AFRICA PLC

I/We ____

being a member/members of the above named Company, hereby appoint ______________________

of ______________________ and failing him, ______________________

of ______________________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 30th June 2022 at 9.30 a.m. and at any adjournment thereof.

No. of shares held: ______________________ Account number: ______________________

Signed this ______________________ day of ______________________ 2022

Signature: ______________________

Signature: ______________________

NOTES:

1. If you so wish you may appoint the Chairman of the meeting as your proxy.
2. To be valid, this Form of Proxy MUST be returned to the Company's Share Registrars, Image Registrars, 5th floor, ABSA Towers, Loita Street, P.O. Box 9287-00100, GPO, Nairobi, Kenya, not later than 26th June, 2022 at 11.00 a.m.
3. A person appointed as a proxy need not be a member of the Company.
4. In the case of a member being a limited liability Company/ Corporation, this Form of Proxy MUST be completed under its seal or under the hand of an officer or attorney duly authorized in writing.
5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated.

Fomu ya Uwakilishi

Mimi/ sisi ____

Kama mwanachama/ wanachama wa kampuni iliyotajwa hapo juu, namteua/Twamteua ______________________

Kutoka ______________________ na akikosa kufika ______________________

Kutoka ______________________ kama wakala wangu/wetu kupiga kura kwangu/kwetu na kwa niaba yangu/ sisi wakati wa mkutano wa pamoja wa mwaka wa kampuni utakaofanyika Juni 30 2022 kuanzia saa tatu na nusu au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ______________________ nambari ya akaunti

Imetiwa sahihi ______________________ Tarehe ______________________ 2022

Sahihi ______________________

Sahihi ______________________

MUHIMU

1) Kwa hiari yako unaweza kumteua Mwenyekiti wa Mkutano kuwa wakala wako
2) Ili kuwa halali, fomu hii ya uwakilishi LAZIMA irudishwe kwa msajili wa hisa za kampuni, Image Registrars, orofa ya tano Jumba la ABSA Towers, barabara ya Loita Street SLP 9287-00100, GPO, Nairobi, Kenya kabla ya Juni 26 2022 saa tano asubuhi.
3) Si lazima kwa mtu aliyeteuliwa kama wakala kuwa mwanachama wa kampuni
4) Endapo mwanachama atakuwa kampuni/shirika, fomu hii ya uwakilishi LAZIMA ijazwe na kupigwa mhuri wake rasmi na afisa au kutiwa sahihi na wakili aliyeruhusiwa kwa njia ya kuandika.
5) Endapo umiliki utakuwa wa pamoja, sahihi ya mmoja wao itatosha lakini majina ya wamiliki wote yaonyeshwe.

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

FOLD 1 / KUNJA 1

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Bandika
Stampu Hapa

IMAGE REGISTRARS

5th Floor (Orofa ya Tano), ABSA Towers,
Loita Street (Barabara ya Loita)
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