TPS EASTERN AFRICA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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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 2022 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 profit before income tax for the year of Shs 677,885,000 (2021: restated loss before tax of Shs 712,856,000) improved 195% on year 2021. This was primarily due to a 111% increase in revenue.

The table below highlights some of the key performance indicators:

	2022	2021 Restated
	Shs 000	Shs 000
Revenue	6,944,306	3,287,798
EBITDA	1,845,283	284,513
*EBITDA to revenue ratio (%)	26.6%	8.7%
Profit/(Loss) before income tax	677,885	(712,856)
Profit/ (Loss) before tax (%)	9.8%	(21.7%)
Earnings / (Loss) per share (Shs)	1.45	(3.43)
Net current liabilities	(23,366)	(492,145)

*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 profit for the year attributable to equity shareholders of the Company of Shs 337,587,000 (2021: restated loss of Shs 624,878,000) has been added to retained earnings. The directors do not recommend a final dividend for the year (2021: 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	
Guedi Ainache*	
Alkarim Jiwa	Appointed 20/01/2022
Audrey Maignan*	Appointed 02/12/2022
Jean-Benoit Du Chalard*	Resigned 02/12/2022

*** French   ** British**

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

(a) there is, as far as the director is aware, no relevant audit information of which the Company's auditor is unaware; and

(b) the director has 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 continues 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

SECRETARY

26/04/2023

On behalf of the Board of Directors of TPS Eastern Africa PLC (TPSEAP/the Company/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 31 December 2022.

Your Company, has remained steadfast and determined in its efforts to 'get back on track' after 30 challenging months from the Covid-19 pandemic disruptions. The granting of exemptions by destinations Kenya, Tanzania, Uganda, and Rwanda for travellers who are fully vaccinated from the requirement of the Polymerase Chain Reaction (PCR) test for Covid-19; and success of vaccination rollout programmes combined with the re-opening of borders, did indeed provide the Board and Management with confidence that performance from the second half of the year 2022 would at least be on a much more positive trajectory.

In view of the above, renewed momentum and an encouraging rebound in business levels was indeed witnessed from the second half of the year 2022, which particularly recorded an assuring recovery from the foreign corporate segment. The Group's foreign leisure business segment for its safari portfolio also improved, complementing the growth trajectory in business levels from the domestic and regional markets that patronised our units for leisure, corporate travel, and events/functions. The Serena city hotels portfolio secured high profile events and diplomatic delegations, further reinforcing the regional rebound in bookings, a trend we expect to continue in 2023, and beyond.

From mid-October 2022, the Ebola outbreak negatively impacted TPS Uganda business levels although thankfully, as of 11 January 2023, Uganda was declared Ebola free.

During the year under review, TPSEAP achieved a turnover of Shs.6.9billion (2021: Shs. 3.3 billion), and 'Profit before unrealised exchange loss, interest, depreciation, results of associates and taxation' of Shs. 1.8 billion (2021: Profit of Shs. 284.5 million), an improvement of 548.6%. This 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 resilience towards volatile markets; carefully managing and mitigating risks across the business; our continued financial discipline; and the concerted efforts of our teams who remained determined and committed throughout the year.

Various reports including that from our suppliers of business indicate that the recovery of Tourism and Travel is expected to continue throughout 2023, even as the sector faces up to emerging economic, health, climate change and geopolitical challenges. Whilst these risks inevitably weigh on the global tourism sector's recovery in the months ahead, to safeguard the anticipated 'margin squeeze', Management is pursuing its yield maximisation strategy with renewed product standards; whilst cost efficiency, supply logistics and cash management all remain a critical focus.

Given the evolving nature of the challenges stated above, the Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2022; notably whilst the Company concentrates on its strategy to enhance investments in product improvements and business recovery.

The Company and its subsidiaries contributed to the revenues of the Governments of Kenya, Tanzania, and Uganda in 2022. During the year, the Group contributed in aggregate the equivalent of: Shs. 2.2 billion (2021: Shs. 783 million) in direct and indirect taxes as well as Shs. 374 million (2021: Shs. 105 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 tourism industry constitutes an important pillar in the realization of East Africa's economic growth potential. As long-term investors, the Board and Management have reviewed the TPSEAP mid-term strategy and plans to continuously assess, adapt, and improve Serena's operating model just as we return to and hopefully surpass pre-pandemic business levels during 2023. The Group is progressing its product improvement strategy across the Serena portfolio. As the recovery gathers pace in 2023 and beyond, the Group will resume its expansion plans including actively pursuing management contracts in strategic locations to further complement Serena's established regional brand presence and portfolio in Africa.

The Group will continue to nurture its Human Resource Management (HRM) practices; and promote sound Corporate Social Responsibility (CSR) programs which complement our short to medium term strategic focus. 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 formulating the appropriate economic stimulus programs to stabilize the tourism sector in the short and medium-term.

The journey over the last 30 months has undoubtedly demonstrated that Serena Hotels cannot navigate its path to recovery alone. To this end, the Board and Management recognise with gratitude the vital support, confidence, loyalty, and trust that Serena Hotels has received, and continues to receive from its: shareholders, staff, customers, various regulatory authorities; other industry stakeholders as well as other related ancillary sectors. Without such loyalty and self-sacrifice, our situation would have been even more challenging. We look forward to this support continuing during 2023 and beyond.

I would also like to acknowledge, with appreciation, the invaluable support that I received from my colleagues on the Board in successfully steering the Group's business activities and strategies during the year 2022. To this end it would be appropriate to note that Mr. Jean-Benoit Du Chalard resigned as Director of TPSEAP with effect from 2nd December 2022. The TPSEAP Board wishes to thank Mr. Chalard for his valuable contribution to the Company whilst he served as a Board member and wishes him success in his future undertakings.

May I take this opportunity to welcome Mrs. Audrey Maignan as a new member of the TPSEAP Board effective 2nd December 2022. Mrs. Maignan holds a Masters in Management and Finance from ESCP Business School in Paris. She is currently the Regional Head of PROPARCO in East Africa.

Lastly, our remarkable Management and Staff deserve special recognition for enduring an extremely difficult 30 months. I would therefore like to especially thank them for their continued diligence, commitment, and dedication during these most challenging times.

Francis Okomo-Okello
Chairman

Fortunately, despite the turbulent start to the year 2022 given the Omicron Covid-19 variant outbreak, the second half of the year witnessed re-assuring 'green-shoots' of improvement in business enquiries across most of the Group's market segments.

As the Covid-19 pandemic evolved, there continued to be a series of unavoidable setbacks for the third consecutive year, as indicated in the Chairman's Statement. In response, TPS Eastern Africa PLC (TPSEAP/ the Company/ the Group) implemented several safeguards that enabled a positive performance to be delivered for the year 2022 when compared to the previous year.

During the year under review, the world experienced an uneven recovery from the pandemic due to the varied global distribution of vaccines and progressive ease of travel restrictions. The Group was therefore required to demonstrate continued agility on various fronts in response to the rapidly changing regional and international circumstances impacting our business recovery. Thus, the Group continued to implement its innovative, 'pandemic-strengthened' business model, taking a balanced risk management approach with prudent, yet flexible and decisive monitoring of the financial health of the Group. These actions have to date been delivered without compromising Serena's highest standards of safety, comfort, product, and service across all our operations.

Throughout this business recovery phase, we have recognised an evolution in our guests' expectations, particularly towards greater life enriching safari and eco-experiences, as well as blending of business and leisure travel. To this end, our refined and flexible strategy to anticipate, connect and respond to our customers' expectations is attracting an increasing number of repeat and new guests, a trend that we anticipate will result in further growth during 2023.

The vital support from our local and regional market segments patronizing our units for leisure and corporate travel, is much appreciated. The Group will continue to attract this important market segment for a diversified mix of core domestic and regional business, even as both our traditional and emerging international source markets open to travel to pre-pandemic levels hopefully by the end of 2023.

International leisure business levels that materialized in Serena Tanzania were buoyant from the second half of year 2022 and recovery from the foreign corporate segment and the increased interest in leisure bookings from July 2022 for the Serena Kenya Safari portfolio are indeed encouraging trends that we expect to continue in 2023.

Whilst the Ebola outbreak did impact business levels for Serena Uganda from mid-October 2022, the Company did nevertheless record improved bookings as compared to the previous year. Thankfully, it is notable that on 11th January 2023, Uganda declared the Ebola disease outbreak to have ceased.

Our Associate Companies, Tourism Promotion Services (Rwanda) Limited (which operates Kigali Serena and Lake Kivu Serena Hotels); and TPS (D) Limited, (which operates the Dar es salaam Serena Hotel), also delivered encouraging results in 2022.

During the period under review, the economic consequences of the Russia-Ukraine conflict materially impacted energy and commodity prices, adding to the existing inflationary pressures from supply chain disruptions caused by the Covid-19 pandemic. Management diligently and to the extent possible pursued its effort to contain costs in line with business recovery levels.

Uncertainty in the world economy continues to challenge the tourism and hospitality industry internationally and on various fronts as noted above. Nevertheless, Serena's broad and diversified portfolio of twenty-two properties in Eastern Africa remains well positioned to address these evolving market conditions and the current environment. With our solid brand reputation and extensive industry relations, it is gratifying to note that TPSEAP has recorded satisfactory performance during the year 2022. This performance has notably been achieved due to the combined efforts of our Shareholders, the Board of Directors, our employees, suppliers of business across source markets, healthcare workers, research scientists, and not least the Governments and Regulatory Authorities within the Eastern Africa region.

For the year 2022 TPSEAP recorded turnover of Shs. 6.9 billion (2021: Shs. 3.3 billion), and 'Profit before unrealised exchange loss, interest, depreciation, results of associates and taxation' of Shs. 1.8 billion (2021: Profit of Shs. 284.5 million), an improvement of 548.6%.

During the year 2023, the Group will continue to deliver engaging sales and marketing campaigns, implement its creative and pro-active sales and marketing strategy in response to the rapid changes in market dynamics and customer trends / preferences. This is imperative in our pursuit of retaining our valued existing clients, winning new business opportunities, building on new source markets potential, increasing our brand outreach; and so, drive repeat and incremental business.

The recent lifting of Covid-19 related travel restrictions in China is a further important and significant step for the recovery of the tourism sector worldwide. However, this will be shaped by the availability and cost of air travel, visa regulations and Covid-19 related restrictions in the destinations. Management has earnestly re-established its engagement with the Group's Chinese travel trade agents accordingly.

As we look ahead, and whilst concerns about the macroeconomic environment that covers economic, health, climate change and geopolitical challenges persist globally and could weigh on the recovery of global tourism in the months ahead, the Group will hopefully return to pre-pandemic performance levels during year 2023; certainly, to the extent that the current booking trends for the year 2023 materialize. The Board and Management therefore remain cautiously confident that the Company is well-positioned for credible growth beyond 2023.

The Company continues to believe that its employees constitute a key determinant for mutual long-term sustainable success, growth, and reputation of its brand values. Furthermore, in anticipation of evolving guest expectations, we will continue to enhance and sustain the trust and confidence of our guests; as well as Serena's quality service standards as synonymous with the Serena brand 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.

The Group actively adopts Environmental, Social, Economic and Governance practices through daily interactions of its business processes, necessary to achieve our medium to long-term business strategy. Integration of the United Nations Sustainable Development Goals has enabled the Group 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; conservation of biodiversity; respect for local traditions, 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 Covid -19 pandemic. We look forward to the materialization of the existing promotion efforts on various platforms 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 2022; 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. Indeed, we remain stronger together, and wish you continued safety and good health.

Mahmud Jan Mohamed
Managing Director

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 2022, 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 2022 together with the comparative figures for 2021. The aggregate Directors' emoluments are shown at Note 31 (iv).

For the year ended 31 December 2022	Salary	Fees	Bonus	Expense allowances	Loss of office/ Termination	Pension	Estimated value for non-cash benefits	Total
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
F. Okomo-Okello, Non-Executive Chairman	-	-	-	-	-	-	-	-
M. Jan Mohamed, Managing Director	18,711	-	-	-	-	148	2,524	21,383
N. Hirjani, Chief Financial Officer	33,368	-	-	-	-	1,277	122	34,767
A. Jiwa, Non-Executive Director	-	-	-	-	-	-	-	-
M. Manji, Non-Executive Director	-	-	-	-	-	-	-	-
G. Ainache, Non-Executive Director	-	-	-	-	-	-	-	-
J-B Du Chalard, Non-Executive Director	-	-	-	-	-	-	-	-
A. Maignan, Non-Executive Director	-	-	-	-	-	-	-	-
	52,079	-	-	-	-	1,425	2,646	56,150

*The non-executive directors waived their fees for 2022 and 2021 in support of the Group during the Covid-19 pandemic.

Information subject to audit (continued)

For the year ended 31 December 2021	Salary	Fees	Bonus	Expense allowances	Loss of office/ Termination	Pension	Estimated value for non-cash benefits	Total
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	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

On behalf of the Board

Nooren Hirjani
Director

26th April **2023**

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 such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having assessed the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The director's assessment is included in note 2(a).

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 26th April 2023 and signed on its behalf by:

Francis Okomo Okello **Director**	**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 15 to 83, which comprise the consolidated statement of financial position at 31 December 2022 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 2022, and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2022 and of their financial performance and their 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TPS EASTERN AFRICA PLC (CONTINUED)

Key audit matters (continued)

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 area 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 budgets 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TPS EASTERN AFRICA PLC (CONTINUED)

Other information (continued)

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 management's 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TPS EASTERN AFRICA PLC (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 pages 1 to 2 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 7 to 9 has been properly prepared in accordance with the Companies Act, 2015.

Bernice Kimacia

CPA Bernice Kimacia, Practicing Certificate Number 1457
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

26 April **2023**

Consolidated statement of profit or loss

	Notes	2022 Shs'000	2021 Restated Shs'000
Revenue from contracts with customers	5	6,944,306	3,287,798
Other income	6	397,056	155,760
Inventory expensed		(1,066,206)	(563,330)
Employee benefits expense	8	(1,769,529)	(1,265,219)
Other operating expenses	9	(2,497,824)	(1,293,459)
Impairment losses	26	(162,520)	(37,037)
Profit before depreciation, finance income / (costs), results of associates and income tax credit / (expense)	5	1,845,283	284,513
Depreciation on right of use asset	22	(40,102)	(44,531)
Depreciation on property and equipment	20	(574,158)	(586,611)
Finance costs	10	(586,651)	(325,002)
Share of loss of associates accounted for using the equity accounting method	24	33,513	(41,225)
Profit/ (Loss) before income tax	7	677,885	(712,856)
Income tax (expense)/credit	11	(298,190)	73,707
Profit/ (Loss) for the year		379,695	(639,149)
Attributable to:			
Equity holders of the Company		337,587	(624,878)
Non-controlling interest	30	42,108	(14,271)
		379,695	(639,149)
Earnings/(Loss) per share attributable to the equity holders of the Company			
- basic (Shs per share)	12	1.45	(3.43)
- diluted (Shs per share)	12	1.45	(3.43)

Consolidated statement of comprehensive income

	Notes	2022 Shs'000	2021 Restated Shs'000
Profit/ (Loss) for the year		379,695	(639,149)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences, net of tax		(82,525)	68,714
Items that will not be subsequently reclassified to profit or loss			
Actuarial losses	19	(17,711)	-
Deferred tax on actuarial losses		5,313	-
Total other comprehensive profit for the year		(94,923)	68,714
Total comprehensive income/(loss) for the year		284,772	(570,435)
Attributable to:			
Equity holders of the Company		242,664	(556,164)
Non-controlling interest		42,108	(14,271)
Total comprehensive income/(loss) for the year		284,772	(570,435)

The restatement of the statement of profit or loss and other comprehensive income has been explained under note 20(b).

Company statement of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2022 Shs'000	2021 Shs'000
Other operating expenses	9	(12,581)	(28,267)
Finance cost	10	(31,891)	(113,834)
Loss before income tax	7	(44,472)	(142,101)
Income tax expense	11	-	-
Total comprehensive loss for the year		(44,472)	(142,101)
Attributable to:			
Equity holders of the Company		(44,472)	(142,101)
Non-controlling interest		-	-
		(44,472)	(142,101)

Consolidated statement of financial position

	Notes	2022	2021 Restated	1 January 2021 Restated
Non-current assets		Shs'000	Shs'000	Shs'000
Land and buildings, property and equipment	20	12,696,055	12,942,513	13,308,475
Intangible assets	21	1,271,952	1,271,952	1,271,952
Right of use asset	22	387,431	318,271	345,293
Investment in associates	24	819,118	785,605	826,830
Deferred income tax asset	18	10,903	11,188	8,991
		15,185,459	15,329,529	15,761,541
Current assets				
Inventories	25	477,013	411,965	422,090
Receivables and prepayments	26	1,162,974	1,093,954	738,092
Current income tax		221,346	212,845	201,373
Cash and cash equivalents	27	660,846	310,805	122,711
		2,522,179	2,029,569	1,484,266
Total assets		17,707,638	17,359,098	17,245,807
Capital and reserves				
the Company's equity holders				
Share capital	14	282,651	182,174	182,174
Share premium	14	6,001,741	4,392,668	4,392,668
Revaluation reserve	15	2,282,094	2,314,606	2,332,251
Translation reserve		(912,059)	(829,534)	(898,248)
Retained earnings		1,206,461	848,760	1,456,000
		8,860,888	6,908,674	7,464,845
Non-controlling interest	30	781,327	739,219	753,490
Total equity		9,642,215	7,647,893	8,218,335
Non-current liabilities				
Borrowings	16	3,604,701	5,591,952	4,963,551
Deferred income tax liability	18	1,528,772	1,313,855	1,420,025
Lease liability	17	292,178	243,917	369,950
Retirement benefit obligations	19	94,227	39,767	44,158
Total non-current liabilities		5,519,878	7,189,491	6,797,684
Current liabilities				
Trade and other payables	28	1,713,203	1,884,648	1,420,403
Borrowings	16	727,195	602,540	766,048
Lease liability	17	105,147	30,517	43,337
Current income tax		-	4,009	-
Total current liabilities		2,545,545	2,521,714	2,229,788
Total equity and liabilities		17,707,638	17,359,098	17,245,807

The restatement of the statement of financial position has been explained under note 20(b).

The financial statements on pages 15 to 83 were approved and authorised for issue by the board of directors on 26th April 2023 and signed on its behalf by:

Francis Okomo Okello
Director

Mahmud Jan Mohamed
Director

Company statement of financial position

	Notes	As at 31 December 2022 Shs'000	2021 Shs'000
Non-current assets			
Investment in subsidiaries	23	5,749,826	5,749,826
Investment in associates	24	840,330	840,330
		6,590,156	6,590,156
Current assets			
Receivables and prepayments	26	328,931	359,996
Cash and cash equivalents	27	-	188
		328,931	360,184
Total assets		6,919,087	6,950,340
Equity			
Share capital	14	282,651	182,174
Share premium	14	6,001,741	4,392,668
Retained earnings		633,173	679,520
Total equity		6,917,565	5,254,362
Non-current liabilities			
Borrowing	16	-	1,640,675
Current liabilities			
Trade and other payables	28	1,306	55,303
Bank overdraft	27	216	-
		1,522	55,303
Total equity and liabilities		6,919,087	6,950,340

The financial statements on pages 15 to 83 were approved for issue by the board of directors on 26th April 2023 and signed on its behalf by:

Francis Okomo Okello
Director

Mahmud Jan Mohamed
Director

Consolidated statement of changes in equity

Year ended 31 December 2021	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
At start of year - as previously reported		182,174	4,392,668	2,332,251	(898,248)	1,498,983	-	753,490	8,261,318
Prior year adjustment	20(b)	-	-	-	-	(42,983)	-	-	(42,983)
Restated 1 January 2021		182,174	4,392,668	2,332,251	(898,248)	1,456,000	-	753,490	8,218,335
Comprehensive (loss)/ income for the year									
Loss for the year – as restated	20(b)	-	-	-	-	(624,878)	-	(14,271)	(639,149)
Other comprehensive (loss)/ income:									
Currency translation differences		-	-	-	68,714	-	-	-	68,714
Revaluation during the year		-	-	-	-	-	-	-	-
Deferred tax on restatement		-	-	-	-	-	-	-	-
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	(607,233)	-	(14,271)	(570,435)
Transactions with owners									
		-	-	-	-	-	-	-	-
Dividends:									
- final for 2020 paid	13	-	-	-	-	(7)	-	-	(7)
- proposed for 2021	13	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
At end of year		182,174	4,392,668	2,314,606	(829,534)	848,760	-	739,219	7,647,893

Consolidated statement of changes in equity (continued)

	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 2022									
At start of year - as restated		182,174	4,392,668	2,314,606	(829,534)	848,760	-	739,219	7,647,893
Comprehensive (loss)/ income for the year									
Profit for the year		-	-	-	-	337,587	-	42,108	379,695
Other comprehensive (loss)/ income:									
Currency translation differences		-	-	-	(82,525)	-	-	-	(82,525)
Actuarial losses	19	-	-	(17,711)	-	-	-	-	(17,711)
Deferred tax on actuarial losses		-	-	5,313	-	-	-	-	5,313
Transfer of excess depreciation to retained earnings		-	-	(28,734)	-	28,734	-	-	-
Deferred income tax on transfer	18	-	-	8,620	-	(8,620)	-	-	-
Total other comprehensive (loss)/ income		-	-	(32,512)	(82,525)	20,114	-	-	(94,923)
Total comprehensive income /(loss) for the year		-	-	(32,512)	(82,525)	357,701	-	42,108	284,772
Transactions with owners									
		-	-	-	-	-	-	-	-
Issue of shares		100,477	1,609,073	-	-	-	-	-	-
Dividends:									
- final for 2021 paid	13	-	-	-	-	-	-	-	-
- proposed for 2022	13	-	-	-	-	-	-	-	-
		100,477	1,609,073	-	-	-	-	-	1,709,550
At end of year		282,651	6,001,741	2,282,094	(912,059)	1,206,461	-	781,327	9,642,215

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 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)	-	(700)
- proposed for 2021	13	-	-	-	-	-
		-	-	(700)	-	(700)
At end of year		182,174	4,392,668	679,520	-	5,254,362

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 2022						
At start of year		182,174	4,392,668	679,520	-	5,254,362
Comprehensive loss for the year						
Loss for the year		-	-	(44,472)	-	(44,472)
Total comprehensive loss for the year						
Transactions with owners						
Issue of shares		100,477	1,609,073	-	-	1,709,550
Dividends:						
- Prior year dividend paid	13	-	-	(1,875)	-	(1,875)
- proposed for 2022	13	-	-	-	-	-
		100,477	1,609,073	(1,875)	-	1,707,675
At end of year		282,651	6,001,741	633,173	-	6,917,565

Consolidated statement of cash flows

	Notes	Year ended 31 December 2022 Shs'000	2021 Restated Shs'000
Operating activities			
Cash generated from operations	29	1,684,679	207,044
Interest received	10	13,033	4,346
Interest paid		(237,030)	(43,130)
Income tax paid		(116,977)	(38,776)
Net cash generated from operating activities		1,343,705	129,484
Investing activities			
Purchase of property and equipment		(280,232)	(63,093)
Proceeds from disposal of property and equipment		2,674	35,466
Net cash utilised in investing activities		(277,558)	(27,627)
Financing activities			
Proceeds from long term borrowings		235,581	277,171
Payments of long term borrowings		(786,328)	-
Dividends paid to Asset recovery		(1,875)	(700)
Lease payments		(37,915)	(147,264)
Net cash (used in)/ generated from financing activities		(590,537)	129,207
Net increase / (decrease) in cash and cash equivalents		475,610	231,064
Movement in cash and cash equivalents			
At start of year		93,234	(133,596)
Increase during the year		475,610	231,064
Effect of currency translation differences		6,449	(4,234)
At end of year	27	575,293	93,234

Company statement of cash flows

	Notes	Year ended 31 December 2022 Shs'000	2021 Shs'000
Loss before income tax		(44,472)	(142,101)
Add back:			
Interest expense	10	(36,984)	36,984
Exchange loss	10	68,875	76,850
Adjustments for:			
Changes in working capital			
– receivables and prepayments		31,065	29,962
– payables and accrued expenses		(53,997)	37,593
Cash (used in)/ generated from operations		(35,513)	39,288
Interest capitalised		36,984	(36,984)
Net cash generated from operating activities		1,471	2,304
Financing activities			
Dividends paid to Company's shareholders		(1,875)	(700)
Net cash (used in)/ generated from financing activities		(1,875)	(700)
Net (decrease)/ increase in cash and cash equivalents		(404)	1,604
Movement in cash and cash equivalents			
At start of year		188	(1,416)
(Decrease)/ increase during the year		(404)	1,604
At end of year	27	(216)	188

Notes

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 Group's performance for year 2022 materially improved over prior year across all its financial and operating benchmarks, notably: -

- Revenue from contracts with customers of Shs 6.9 billion was up 111%. Total Group Revenue as at 31 December 2022 was Shs 7.3 billion compared to Shs 3.4 billion as at 31 December 2021 and Shs 7.1 billion as at 31 December 2019 being the year just prior to the COVID-19 outbreak,
- EBITDA of Shs 1.84 billion improved 549% on material recovery of demand and improved US dollar denominated earnings, despite headwind inflation and supply chain challenges. This resulted in year 2022 operating EBITDA margin of 26.5% (2021: 8.7%),
- Profit Before Tax of Shs 677 million, increased 195%,
- Net Cash Generated from Operations of Shs 1.37 billion improved 10.6 times,
- Cash & Cash Equivalents of Shs 575.3 million improved 517%,
- Net Current Liabilities of Shs 23.4 million (to 0.99 ratio from 0.80) reducing 23.9% and
- Gearing (Note 4) also materially reduced to a more sustainable level of 30% from 45%, for the year prior with total borrowings down 30% and total equity increasing 26% partly driven by loan conversion into shares in 2022. All debt facilities refinanced and duly executed during the pandemic, re-commenced respective post-pandemic terms during 2022, with relevant covenant waivers duly in place by 31 December 2022.

Consequently, the return of post-pandemic demand for travel, meetings, conferences and events across the Group's source markets, together with the prudent and decisive pandemic debt and operating model restructuring in place provide a solid foundation for the foreseeable period ahead.

In looking further ahead, the business and industry outlook for the going concern period remains positive with international travel widely expected to sustain the upward trajectory beyond 2023.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Going concern (continued)

Impact assessment (continued)

Furthermore, the expected gradual recovery of Asian source markets most notably India followed by China, presents the industry and Group with further incremental upside potential from mid-2023 onwards. Regional opportunities for resurgence in leisure travel and increasing cross border corporate activity also bode well for the Group in the period under review. Notwithstanding this continuing positive outlook, the Directors remain cautiously confident and steadfast in the Group's evolving pandemic strategy to keep delivering on the key and effective operating and financing actions undertaken to date; whilst executing those post-pandemic transition plans underway since H2 2022, for sustainable growth in the medium term. The Board of Directors are cognisant of new and emerging macroeconomic and geopolitical headwinds and have therefore formulated robust risk-management plans with management for year 2023, as duly supported by the Group's on target plans for: current and projected performance reviews, cash flow forecasts including liquidity assessments, capital investment plans duly sensitised to operating capability, supply chain delivery consistent with Serena's brand standards, debt refinancing already executed; and importantly, continued positive engagement with the Group's majority shareholder. Furthermore, critical credit facilities are in place across all operating units in East Africa, not least Kenya, Uganda and Tanzania for the foreseeable period. These actions will enable the Group to preserve essential cash flow as bookings demand fully recovers and perhaps even surpass pre-pandemic levels by the end of year 2023.

As at 31 December 2022 and 31 March 2023, the Group's overdraft facility was not utilised at all in Kenya and Uganda; and marginally so in Tanzania just prior to the traditional peak season bookings. Consequently, sufficiently material unutilised credit facilities remain available across the Group's operations for the going concern period, with all scheduled debt repayments for 2023 well planned. Further, the Group's performance for Q1 2023 ended 31 March, remains broadly in line with management's overall plans.

To this end, the Directors believe that the Group will have adequate financial resources to continue in operation for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a far more stable and sound financial position than during the pandemic; and that the Group has access to sufficient borrowing facilities, should such be required to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group, nor any material non-compliance with statutory or regulatory requirements; or any pending changes to legislation which may materially affect Group operations. The Group has adequate financing facilities and proactively monitors its covenants throughout the going concern period as it navigates the new normal operating environment under Serena's renewed business model across East Africa.

If for any reason, the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realise assets at their recognised values, in particular property and equipment; and to extinguish borrowings and other liabilities in the normal course of business, at the amounts stated in these financial statements.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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:

Number	Executive summary	Effective date
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.	1 January 2022

None of these standards had a significant impact on the Company's financial statements.

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

Number	Executive summary	Effective date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. ** Since approving these amendments, the IASB has issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.	1 January 2023 (deferred from 1 January 2022) **
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Basis of preparation

Changes in accounting policy and disclosures (continued)

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

Number	Executive summary	Effective date
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

Number	Executive summary	Effective date
Definition of Accounting Estimates – Amendments to IAS 8	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.	1 January 2023

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.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Consolidation (continued)

(i) Subsidiaries (continued)

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Consolidation (continued)

(iv) Associates (continued)

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.

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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.

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

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

(iii) Group companies (continued)

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.

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(g) Land and buildings, property and equipment (continued)

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.

Notes (continued)

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Financial instruments (continued)

(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.

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Financial assets (continued)

(vi) Presentation (continued)

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.

Notes (continued)

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(k) Leases continued

(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.

(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.

(k) 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.

(l) 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.

(m) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) 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.

(0) 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.

(p) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) 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:

Notes (continued)

3 Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions (continued)

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.

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 2022, 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 land and buildings, property and equipment

The determination of the carrying value and the related depreciation of land and buildings, property and equipment 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

Notes (continued)

3 Critical accounting estimates and judgements (continued)

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

- 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.

(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 2022, 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 185,029,727 higher or lower (2021: 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.

Notes (continued)

4 Financial risk management (continued)

Market risk (continued)

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2022 (2021: 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 2022 is reasonably possible. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. At 31 December 2022, an increase/decrease of 1% on interest rate would have resulted in an increase/decrease in consolidated post tax profit/loss of Shs 3,639,498 (2021: increase / decrease of Shs 4,943,326 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 2022 (2021: 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.

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

Notes (continued)

4 Financial risk management (continued)

Credit risk (continued)

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 2022					
Gross trade debtors	192,520	130,512	88,935	317,056	729,023
Loss allowance	(160)	(962)	(6,896)	(39,370)	(47,388)
Net trade debtors	192,360	129,550	82,039	277,686	681,635
At 31st December 2021					
Gross trade debtors	161,276	109,332	74,502	265,602	610,712
Loss allowance	(368)	(2,209)	(15,823)	(90,337)	(108,737)
Net trade debtors	160,908	107,123	58,679	175,265	501,975

A further analysis of debtors by category and their related loss allowance is as follows:

	Group		
	Gross Carrying amount	Expected Credit Loss	Net Carrying amount
At 31st December 2022	Shs'000	Shs'000	Shs'000
Corporate debtors	339,345	(22,058)	317,287
Government	215,839	(14,030)	201,809
Tour operators	162,162	(10,541)	151,621
Other debtors	11,677	(759)	10,918
Total Trade Receivables	729,023	(47,388)	681,635
At 31st December 2021			
Corporate debtors	284,274	(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	610,712	(108,737)	501,975

Notes (continued)

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:

Trade receivables	Group		Company	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Trade receivables (Note 26)	729,023	610,712	-	-
Loss allowance (Note 26)	(47,388)	(108,737)	-	-
Carrying amount	681,635	501,975	-	-
Other receivables				
Advances to related parties	658,439	629,671	412,625	435,862
Loss allowance	(274,172)	(130,928)	(87,869)	(80,041)
Other receivables	11,859	30,675	4,175	4,175
	396,126	529,418	328,931	359,996
Cash at bank	660,846	310,805	-	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.

Notes (continued)

4 Financial risk management (continued)

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	Between 1 and 2	Between 2 and 5 years	Over 5 years
	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2022:				
- borrowings and interest	1,079,647	681,673	2,305,715	945,349
- trade and other payables	1,713,202	-	-	-
- lease liability	105,147	105,147	187,031	-
	2,897,996	786,820	2,492,746	945,349
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

(b) Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2022:				
- borrowings and interest	216	-	-	-
- trade and other payables	1,306	-	-	-
	55,303	-	-	-
At 31 December 2021:				
- borrowings and interest	-	-	1,832,634	-
- trade and other payables	55,303	-	-	-
	55,303	-	1,832,634	-

Further disclosures in relation to borrowings are shown at Note 16.

Notes (continued)

4 Financial risk management (continued)

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 2022 the Group's strategy, which was unchanged from 2021, was to maintain a gearing ratio below 40%.The gearing ratios at 31 December 2022 and 2021 are as follows:

	2022 Shs'000	2021 Shs'000
Total borrowings (Note 16)	4,331,896	6,194,492
Add: Lease liabilities (Note 17)	397,325	274,434
Less: Cash and bank balances (Note 27)	(660,846)	(310,805)
Net debt	4,068,375	6,158,121
Total equity	9,642,215	7,647,893
Total capital	13,710,590	13,806,014
Gearing ratio	30%	45%

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.

Notes (continued)

4 Financial risk management (continued)

Fair value estimation (continued)

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	
Group	**2022**	**2021**	**2022**	**2021**
	Shs 000	**Shs 000**	**Shs 000**	**Shs 000**
Financial assets				
Receivables	1,077,760	1,031,395	1,077,760	1,031,395
Cash and cash equivalents	660,846	310,805	660,846	310,805
	1,738,606	1,342,200	1,738,606	1,342,200
Financial liabilities				
Borrowings	4,331,896	6,194,492	5,011,935	7,056,489
Trade and other payables	1,713,203	1,884,648	1,713,203	1,884,648
Lease liability	397,325	274,433	397,325	282,225
	6,442,424	8,353,573	7,122,463	9,223,362
Company				
Financial assets				
Receivables	328,931	359,996	328,931	359,996
Cash and cash equivalents	-	188	-	188
	328,931	360,184	328,931	360,184
Financial liabilities				
Borrowings	-	1,640,675	-	1,832,634
Trade and other payables	1,306	55,303	1,306	55,303
	1,306	1,695,978	1,306	1,887,937

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. Finance costs and income 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.

Notes (continued)

5 Segment information (continued)

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:

	2022 Shs' 000	2021 Shs' 000
Room revenue	3,392,428	1,339,763
Food	2,454,672	1,332,406
Beverage	452,258	238,872
Others	644,948	376,757
	6,944,306	3,287,798
Timing of revenue recognition		
- Over time		
Room revenue	3,392,428	1,339,763
- At a point in time		
Food	2,454,672	1,332,406
Beverage	452,258	238,872
Others	644,948	376,757
	3,551,878	1,948,035

Notes (continued)

5 Segment information (continued)

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2022 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	3,469,274	1,961,679	1,513,353	327,256	7,271,562
Less intersegmental sales	-	-	-	(327,256)	(327,256)
Net revenue from third parties	3,469,274	1,961,679	1,513,353	-	6,944,306
EBITDA	1,039,915	360,512	378,534	66,322	1,845,283
Depreciation	(332,709)	(105,954)	(134,801)	(694)	(574,158)
Depreciation on right of use asset	(29,021)	(7,393)	-	(3,688)	(40,102)
Income tax credit/(expense)	(71,744)	(94,274)	(97,729)	(34,443)	(298,190)
Share of loss from Associate	-	-	-	33,513	33,513
Investment in associate	-	-	-	819,118	819,118
Additions to non-current assets	213,408	35,397	30,693	738	280,236
Total assets	9,634,667	3,325,797	3,384,418	1,362,756	17,707,638
Total liabilities	(5,394,373)	(2,159,648)	(1,241,335)	729,933	(8,065,423)
Goodwill	324,643	681,016	266,293	-	1,271,952

The segment information for the year ended 31 December 2021 is restated as follows:

	Kenya hotels and lodges Shs '000	Tanzania lodges Shs '000	Uganda hotel Shs '000	All other segments Shs '000	Total Restated Shs '000
Revenue	1,865,608	672,546	749,644	223,015	3,510,813
Less intersegmental 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	(323,838)	(107,618)	(153,704)	(1,451)	(586,611)
Depreciation on right of use asset	(36,284)	(7,984)	-	(263)	(44,531)
Income tax credit/(expense)	(19,231)	91,774	15,844	(14,680)	73,707
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	9,523,963	3,025,903	3,264,380	1,544,852	17,359,098
Total liabilities	(5,423,413)	(2,017,607)	(1,275,384)	(994,801)	(9,711,205)
Goodwill	324,643	681,016	266,293	-	1,271,952

Notes (continued)

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:

	2022 Shs' 000	2021 Shs' 000
EBITDA	1,845,283	284,513
Depreciation	(574,158)	(586,611)
Depreciation on right of use asset	(40,102)	(44,531)
Finance costs – net	(586,651)	(325,002)
Share of loss of associates accounted for using the equity method	33,513	(41,225)
Profit/(Loss) before income tax	677,885	(712,856)

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	
	2022 Shs'000	2021 Shs'000
Net foreign exchange gain	88,528	36,842
Ancillary income	75,715	48,970
Management fees	79,055	46,470
Other operating income	153,758	23,478
	397,056	155,760

7 Loss before tax

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

	Group	
	2022 Shs'000	2021 Shs'000
Employee benefit expense (Note 8)	1,769,529	1,265,219
Advertising and promotion expenses (Note 9)	246,677	185,763
Repairs and maintenance of property and equipment (Note 9)	356,843	242,386
Receivables – provision for impairment losses (Note 26)	162,520	37,037
Auditors' remuneration (Company: 2022: Shs 3,236,632 (2021: Shs 2,620,131))	17,870	16,160
Loss on disposal of property, plant and equipment	(933)	(12,355)

Notes (continued)

8 Employee benefits expense

	Group 2022 Shs'000	Group 2021 Shs'000
Salaries, wages and other staff costs	1,644,659	1,213,706
Retirement benefits costs:		
- Defined Benefit Scheme (Note 19)	36,289	1,912
- Defined Contribution Scheme	8,005	2,095
- National Social Security Funds	80,576	47,506
	1,769,529	1,265,219
Average number of employees	2,270	2,339

9 Other operating expenses

Group

Advertising and promotions	430,637	185,763
Heat, light, power and water	642,474	389,996
Insurance premiums	157,770	135,361
Operating supplies	240,837	103,301
Variable lease	192,259	103,028
Security	59,244	46,144
Repairs and maintenance	356,843	242,386
Auditor's remuneration	17,870	16,160
Bank charges	34,571	23,450
Other expenses	365,319	47,870
	2,497,824	1,293,459

Company

Annual General Meeting expenses	122	1,364
Registry expenses	4,732	3,602
Audit fees	3,188	2,620
Trade publications	4,351	1,591
Other expenses	188	19,090
	12,581	28,267

10 Finance income and costs

Group

Finance income:		
Fixed and call deposits	13,033	4,346
Finance costs:		
Interest expense on borrowings	(237,031)	(296,802)
Net foreign currency exchange loss on borrowings	(312,148)	(41,719)
Interest on lease liability	(50,505)	9,173
Finance costs	(599,684)	(329,348)
Net finance costs	(586,651)	(325,002)

Company

Interest expense on borrowings	(36,984)	36,984
Net foreign currency exchange loss on borrowings	68,875	76,850
Finance costs	31,891	113,834

Notes (continued)

11 Income tax expense

	Group 2022 Shs'000	2021 Shs'000
Current income tax	100,462	26,674
Deferred income tax (Note 17)	197,728	(100,381)
Income tax expense/ (credit)	298,190	(73,707)

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:

	Group 2022 Shs'000	Restated 2021 Shs'000
Profit/ (Loss) before income tax	677,885	(703,987)
Restatement impact	-	8,869
Restated profit/ (loss) before tax	677,885	(712,856)
Tax calculated at domestic rates applicable to profits in the respective countries at 30% (2021: 30%)	203,366	(213,857)
Tax effect of:		
Income not subject to tax	(10,054)	(69,508)
Expenses not deductible for tax purposes	140,202	201,442
Under/(over) provision of deferred income tax in prior year	(35,324)	8,216
Income tax expense/ (credit)	298,190	(73,707)

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

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.

	2022	2021 Restated
Profit/(Loss) attributable to equity holders of the Company (Shs 000s)	337,587	(624,871)
Weighted average number of ordinary shares in issue (thousands)	232,413	182,174
Basic earnings per share (Shs)	1.45	(3.43)
Diluted earnings per share (Shs)	1.45	(3.43)

There were no potentially dilutive shares outstanding at 31 December 2022.

Notes (continued)

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 2022 were 282,651,108 shares (2021: 182,174,108 shares) after the AKFED loan conversion. No dividend for the year ended 31 December 2022 is to be proposed at the forthcoming Annual General Meeting (2021: 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 2022	182,174	182,174	4,392,668
Issue of shares	100,477	100,477	1,609,073
Balance at 31 December 2022	282,651	282,651	6,001,741

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

	Group		Company	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
The borrowings are made up as follows:				
Non-current				
Term loans	3,604,701	5,591,952	-	1,640,675
Current				
Bank overdraft	85,553	217,571	(216)	-
Term loans	641,642	384,969	-	-
	727,195	602,540	(216)	-
Total borrowings	4,331,896	6,194,492	(216)	1,640,675

Reconciliation of liabilities arising from financing activities

	Group		Company	
Year ended 31 December	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
At start of year	6,194,492	5,729,598	1,640,675	1,416
Interest expense	237,030	296,802	-	-
Bank overdraft	85,553	217,571	(216)	(1,416)
Foreign exchange loss	312,148	41,719	68,875	-
Issue of shares	-	-	-	1,640,675
Debt converted to equity	(1,709,550)	-	(1,709,550)	-
Cash flows:				
Interest paid	(237,030)	(296,802)	-	-
Proceeds from borrowings	235,581	248,734	-	-
Repayments of borrowings	(786,328)	(43,130)	-	-
At end of year	4,331,896	6,194,492	(216)	1,640,675

Notes (continued)

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						**2022**	**2021**
Financial institution	**Currency**	**Facility limit**	**Interest %**	**Effective date**	**Maturity date**	**Shs'000**	**Shs'000**
Tanzania							
ABSA Bank Tanzania Limited- Overdraft	US$	1,700,000	4.25%	21/09/2022	20/09/2023	85,337	188,475
ABSA Bank Tanzania Limited - Term loan	US$	4,000,000	4.71%	17/05/2015	(Note i) 01/06/2023	-	28,270
ABSA Bank Tanzania Limited - Term loan	US$	1,500,000	4.50%	25/08/2019	(Note i) 25/03/2023	80,971	89,521
AKFED	US$	3,550,000	0.00%	30/04/2021	(Note ii) 31/12/2025	685,622	581,790
AKFED	US$	740,000	0.00%	30/04/2021	(Note ii) 31/12/2025	89,878	83,678
Kenya							
Bank overdraft - ABSA Bank Kenya PLC	Shs	300,000,000	10.87%	26/01/2022	25/01/2023	216	-
Bank overdraft - Equity Kenya Ltd	Shs	100,000,000	11.00%	9/09/2022	8/09/2023	-	-
PROPARCO - Term loan	US$	20,000,000	4.27%	24/08/2015	(Note iii) 15/06/2027	2,309,142	2,493,514
ABSA Bank Kenya PLC - Term loans	Shs	970,000,000	10.25%	13/02/2015	(Note i) 29/12/2026	524,238	603,353
AKFED	US$	14,500,000	0.00%	30/07/2017	(Note ii) 31/12/2025	154,313	1,640,675
Uganda							
Bank overdraft – Equity Bank Uganda Limited	US$	1,500,000	5.50%	3/12/2022	02/12/2023	-	29,096
PROPARCO - Term loan	US$	8,000,000	6.60%	15/06/2017	(Note iii) 15/06/2023	402,179	456,120
Total borrowings						**4,331,896**	**6,194,492**

Fair values of the borrowings are disclosed at Note 4.

Notes (continued)

16 Borrowings (continued)

Notes to the above table of borrowings:

(i) As at 31 December 2022, the Group met all covenants with Absa Bank and PROPARCO.

(ii) AKFED loans have no fixed maturity, however they are not payable within 12 months of the reporting date. During 2021, 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) During the year, AKFED loans amounting to $14.5 million were converted to equity within the company (Note 14).

Borrowings in respective currencies were as follows:

	Group	
Currency	**2022 Shs'000**	**2021 Shs'000**
US Dollars	3,807,443	5,591,139
Kenya Shillings	524,453	603,353
Total borrowings	4,331,896	6,194,492

17 Lease liabilities

Opening balance	274,434	413,287
Addition	109,853	17,868
Interest charge/ (credit)	50,505	(9,173)
Lease payments during the year	(37,915)	(147,264)
Translation difference	448	(284)
	397,325	274,434

The lease liability is classified as follows:

Non-current lease liability	292,178	243,917
Current lease liability	105,147	30,517
	397,325	274,434

Notes (continued)

18 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%). The movement on the deferred income tax account is as follows:

	Group 2022 Shs'000	Group Restated 2021 Shs'000
Deferred income tax asset		
At start of year	(11,188)	(8,991)
Charge to profit or loss (Note 11)	329	(2,440)
Charge to OCI	(44)	243
At end of year	(10,903)	(11,188)
Deferred income tax liability		
At start of year	1,313,855	1,420,025
Charge to profit or loss (Note 11)	197,399	(97,941)
Charge to OCI	17,518	(8,229)
At end of year	1,528,772	1,313,855

Deferred income tax asset	1.1.2022 Shs'000	Charge/ (credit) to P/L Shs'000	Charge to OCI Shs'000	31.12.2022 Shs'000
Deferred tax liabilities				
Property, plant & equipment				
- on historical cost	107,094	46	-	107,140
	107,094	46	-	107,140
Deferred tax assets				
Other temporary differences	(118,282)	283	(44)	(118,043)
	(118,282)	283	(44)	(118,043)
Net deferred tax asset	(11,188)	329	(44)	(10,903)

Notes (continued)

18 Deferred income tax (continued)

Deferred income tax liabilities	**1.1.2022 Restated Shs'000**	**Charge/(credit) to profit or loss Shs'000**	**Charged/(credit) to OCI Shs'000**	**31.12.2022 Shs'000**
Property, plant & equipment				
- on historical cost	1,443,091	(12,140)	21,082	1,452,033
- on revaluation surpluses	1,105,883	(22,817)	-	1,083,066
Other temporary differences	315,890	(98,949)	-	216,941
		-		
	2,864,864	(133,906)	21,082	2,752,040
Deferred tax assets				
Provisions	(74,907)	37,836	-	(37,071)
Tax losses carried forward	(1,473,285)	293,469	-	(1,179,816)
Exchange rate variance	(2,817)	-	(3,564)	(6,381)
	(1,551,009)	331,305	(3,564)	(1,223,268)
Net deferred tax liability	1,313,855	197,399	17,518	1,528,772

Notes (continued)

18 Deferred income tax (continued)

Deferred income tax asset

	1.1.2021 Shs'000	Charge/ (credit) to P/L Shs'000	Charge to OCI Shs'000	31.12.2021 Shs'000
Deferred tax liabilities				
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)

Deferred income tax liabilities	1.1.2021 Restated Shs'000	Charge/(credit) to profit or loss Shs'000	Charged/(credit) to OCI Shs'000	31.12.2021 Shs'000
Property, plant & equipment				
- on historical cost	1,484,709	(41,618)	-	1,443,091
- on revaluation surpluses	1,144,164	(38,281)	-	1,105,883
Other temporary differences	274,037	41,853	-	315,890
	2,902,910	(38,046)	-	2,864,864
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	1,420,025	(97,941)	(8,229)	1,313,855

Notes (continued)

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	
	2022	**2021**
	Shs'000	**Shs'000**
At start of year	39,767	44,158
Additional provision (Note 8)	36,289	1,912
Actuarial losses	17,711	-
Benefits paid / (transferred) to pension scheme	460	(6,303)
At end of year	94,227	39,767

The scheme was last valued by an independent actuary as at 31 December 2022. The significant actuarial assumptions were as follows:

- discount rate	11.0%
- future salary increases	6.0%
- withdrawal rate	4.0%
- retirement age	60 years

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is not significant for 2022 (2021: 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.

Notes (continued)

20 Property and equipment – Group

At 1 January 2021	Land & buildings Shs'000	Furniture, Fittings & equipment Shs'000	Vehicles Shs'000	Operating equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At cost /valuation	16,458,158	4,451,215	357,562	287,246	110,023	21,664,204
Transfer of restated assets (Note 20b)	-	119,382	-	(119,382)	-	-
Restated cost/ valuation	16,458,158	4,570,597	357,562	167,864	110,023	21,664,204
Accumulated depreciation	(3,641,304)	(2,980,015)	(325,708)	-	-	(6,947,027)
Depreciation on restatement (Note 20b)	-	(61,404)	-	-	-	(61,404)
Restated 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	1,412,533	4,541	167,864	51,899	13,369,879
Restatement of depreciation	-	(61,404)	-	-	-	(61,404)
Restated net book amount	11,733,042	1,351,129	4,541	167,864	51,899	13,308,475
Year ended 31 December 2021						
Opening net book amount	11,733,042	1,351,129	4,541	167,864	51,899	13,308,475
Additions	30,606	19,779	316	8,247	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)	(312,208)	(34)	-	-	(586,611)
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 - as restated	11,601,323	1,115,942	4,810	176,111	44,327	12,942,513
At 31 December 2021						
At cost	16,360,690	4,617,632	355,186	176,111	101,551	21,611,170
Accumulated depreciation	(3,914,042)	(3,400,765)	(323,065)	-	-	(7,637,872)
Translation differences	(845,325)	(100,925)	(27,311)	-	(57,224)	(1,030,785)
Net book amount	11,601,323	1,115,942	4,810	176,111	44,327	12,942,513

Notes (continued)

20 Property and equipment – Group (continued)

	Land & buildings Shs'000	Furniture, Fittings & equipment Shs'000	Vehicles Shs'000	Operating equipment	Capital work in progress Shs'000	Total Shs'000
At 1 January 2022						
At cost /valuation	16,360,690	4,617,632	355,186	176,111	101,551	21,611,170
Accumulated depreciation	(3,914,042)	(3,400,765)	(323,065)	-	-	(7,637,872)
Translation differences	(845,325)	(100,925)	(27,311)	-	(57,224)	(1,030,785)
Net book amount as restated	11,601,323	1,115,942	4,810	176,111	44,327	12,942,513
Year ended 31 December 2022						
Opening net book amount	11,601,323	1,115,942	4,810	176,111	44,327	12,942,513
Additions	46,094	145,453	5,835	7,081	75,769	280,232
Disposals	393	(110,036)	(1,819)	(6,585)	-	(118,047)
Transfers	1,662	22,402	-	-	(24,064)	-
Reclassification	95,161	(144,766)	(4,622)	(35,291)	1	(89,517)
Depreciation charge	(279,372)	(292,884)	(1,902)	-	-	(574,158)
Depreciation on disposal	(17)	107,873	6,584	-	-	114,440
Revaluation	-	-	-	(1,048)	-	(1,048)
Translation differences	65,342	43,076	32,964	-	258	141,640
Closing net book amount	11,530,586	887,060	41,850	140,268	96,291	12,696,055
At 31 December 2022						
At cost	16,504,000	4,530,685	354,580	140,268	153,257	21,682,790
Accumulated depreciation	(4,193,431)	(3,585,776)	(318,383)	-	-	(8,097,590)
Translation differences	(779,983)	(57,849)	5,653	-	(56,966)	(889,145)
Net book amount	11,530,586	887,060	41,850	140,268	96,291	12,696,055

Notes (continued)

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	24%	25%	30%	18%

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 2022, 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 2022, 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 2022, 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 2022, 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	
	2022	2021
	Shs'000	Shs'000
Cost	11,241,618	11,098,303
Accumulated depreciation	(2,869,581)	(2,590,191)
Net book amount	8,372,037	8,508,112

Notes (continued)

20(b) Restatement of depreciation

The comparative figures in the financial statements have been restated to correct an understatement of accumulated depreciation arising from incorrect classification of certain items of furniture and fittings. The impact of this restatement is as follows;

Statement of Financial Position (extract)

Statement of Financial Position (extract)	31 December 2020 Shs'000	Increase/ (Decrease) Shs'000	31 December 2020 (Restated) Shs'000	31 December 2021 Shs'000	Increase/ (Decrease) Shs'000	31 December 2021 (Restated) Shs'000
Property and equipment	13,369,879	(61,404)	13,308,475	13,012,786	(70,273)	12,942,513
Deferred Income Tax Liability	(1,438,446)	18,421	(1,420,025)	(1,334,937)	21,082	(1,313,855)
Net Assets	11,931,433	(42,983)	11,888,450	11,677,849	(49,191)	11,628,658
Retained Earnings	1,498,982	(42,983)	1,455,999	897,951	(49,191)	848,760
Total Equity	8,261,318	(42,983)	8,218,335	7,697,086	(49,191)	7,647,895

Notes (continued)

20(b) Restatement of depreciation (continued)

Statement of profit or loss and other comprehensive income extract

	2021 Shs'000	Year ended 31 December Profit Increase Decrease Shs'000	2021 Restated Shs'000
Depreciation on land, buildings, property and equipment	(577,742)	(8,869)	(586,611)
Loss before income tax	(703,987)	(8,869)	(712,856)
Income tax credit	71,046	2,661	73,707
Loss for the year	(632,941)	(6,208)	(639,149)
Total comprehensive loss for the year	(564,227)	(6,208)	(570,435)
Earnings per share	3.40	0.03	3.43

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	Zanzibar	Uganda Shs'000	Total Shs'000
At start and	324,643	576,345	104,671	266,293	1,271,952
At end of year	324,643	576,345	104,671	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.

Notes (continued)

21 Intangible assets – Goodwill

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

2022

	Tanzania	Zanzibar	Uganda	Kenya
Budgeted average EBITDA margin (%)	24%	25%	30%	18%
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%

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%

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.

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.

Notes (continued)

21 Intangible assets – Goodwill (continued)

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 2022 by Shs 8.2 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 82 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 1.05 billion.

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 1.3 billion.

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 2022 by Shs 3.2 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 2022 with all other assumptions in the table above unchanged, the head room would have increased/ decreased by Shs 32 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 561 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 701 million.

Notes (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 2022 by Shs 3 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 2017 with all other assumptions in the table above unchanged, the head room would have increased/ decreased by Shs 30 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 396 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 496 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 2022 by Shs 412 million.

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher/ lower than the management estimates at 31 December 2022 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 80 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 101 million.

Notes (continued)

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	
	2022	**2021**
	Shs'000	**Shs'000**
Opening balance	318,271	345,293
Addition	109,833	17,768
Depreciation	(40,102)	(44,531)
Translation difference	(571)	(259)
	387,431	318,271

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:

Notes (continued)

23 Investment in subsidiaries (at cost) (continued)

	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 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
At 1 January 2022 and 31 December 2022	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 2021 and 2022	100.0%	100.0%	100.0%	100.0%	100.0%	75.0%	65.19%	

In 2021, 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.

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.

Notes (continued)

23 Investment in subsidiaries (at cost) (continued)

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:

2022	% interest held	Non-current assets Shs'000	Current assets	Total assets	Non-current liabilities Shs'000	Current liabilities	Total liabilities	Revenues Shs'000	Profit / (Loss) Shs'000
TPS (Uganda) Limited	65	2,292,640	781,256	3,073,896	587,895	488,364	1,076,259	1,513,353	120,964
2021									
TPS (Uganda) Limited	65	2,383,693	612,648	2,996,341	669,102	434,914	1,104,016	749,644	(40,997)

Cash flows	2022 Shs'000	2021 Shs'000
Cash flows from operating activities	285,314	133,639
Cash flows from investing activities	(30,232)	(9,343)
Cash flows from financing activities	(80,104)	-
Net increase / (decrease) in cash and cash equivalents	174,978	124,296

Notes (continued)

24 Investment in associates

	Group 2022 Shs'000	Group 2021 Shs'000
At start of the year	785,605	826,830
Share of associate results before tax	37,346	(48,830)
Share of tax	(3,833)	7,605
Net share of results after tax	33,513	(41,225)
At end of year	819,118	785,605

	Company 2022 Shs'000	Company 2021 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.

Notes (continued)

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
2022								
TPS (Rwanda) Limited	20.15	409,265	1,030,686	295,011	312,343	1,483,476	230,353	-
TPS (D) Limited	25.10	158,489	3,900,752	775,073	506,877	1,110,089	(51,406)	-
Mountain Lodges Limited*	29.90	5,195	101,272	165,502	42,464	-	-	-
		572,949	5,032,710	1,235,586	861,684	2,593,565	178,947	-
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)

*Mountain Lodges Limited has not traded since 2021 due to Covid-19.

Notes (continued)

25 Inventories

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Food, beverage and consumables	280,071	209,406	-	-
Other stock	196,942	202,559	-	-
	477,013	411,965	-	-

Inventory is stated at cost. The cost of inventories recognised as an expense and included in 'inventory expensed' amounted to Shs 563,330,000 (2021: Shs 363,245,000).

26 Receivables and prepayments

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Trade receivables – third parties	721,945	608,309	-	-
Less: Loss allowance	(47,388)	(108,737)	-	-
Trade receivables – other related companies (Note 31)	7,078	2,403	-	-
Net trade receivables	681,635	501,975	-	-
Prepayments	85,213	62,560	-	-
Advances to related companies (Note 31)	658,439	629,671	412,625	435,862
Less: Loss allowance of related party debts	(274,172)	(130,928)	(87,869)	(80,041)
Other receivables	11,859	30,676	4,175	4,175
	1,162,974	1,093,954	328,931	359,996

Movements on the Loss allowance on trade and other receivables are as follows:

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
At start of year	239,664	202,627	80,041	63,004
Loss allowance in the year	162,520	37,037	7,828	17,037
Receivables written off during the year	(80,624)	-	-	-
At end of year	321,560	239,664	87,869	80,041

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

Notes (continued)

26 Receivables and prepayments (continued)

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

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
US Dollar	282,643	186,415	-	-
Euro	1,222	1,222	-	-
Sterling Pound	256	256	-	-
Kenya Shillings	236,434	400,443	328,931	359,996
Tanzania Shillings	337,923	285,670	-	-
Uganda Shillings	304,496	219,948	-	-
	1,162,974	1,093,954	328,931	359,996

27 Cash and cash equivalents

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Cash at bank and in hand	660,846	310,805	-	188

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

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Cash and bank balances as above	660,846	310,805	-	188
Bank overdrafts (Note 16)	(85,553)	(217,571)	(216)	-
	575,293	93,234	(216)	188

28 Payables and accrued expenses

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Trade payables	719,553	801,220	-	-
Trade payables – related companies (Note 31)	8,311	8,277	-	-
Advances from related companies (Note 31)	17,255	32,089	-	-
Accrued expenses and other payables	968,084	1,043,062	1,306	55,303
	1,713,203	1,884,648	1,306	55,303

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

Notes (continued)

29 Cash generated from operations

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

	Group 2022 Shs'000	2021 Restated Shs'000
Profit/ (loss) before income tax	677,885	(712,856)
Adjustments for:		
Interest expense (Note 10)	237,030	296,802
Interest income (Note 10)	(13,033)	(4,346)
Interest on lease liability (Note 10)	50,505	(9,173)
Depreciation (Note 20)	574,158	586,611
Depreciation on right of use asset (Note 22)	40,102	44,531
Loss on sale of property, plant and equipment	933	62,088
Property write-off (Note 20)	89,517	-
Unrealised foreign exchange loss	312,148	-
Share of (loss)/ profit from associates (Note 24)	(33,513)	41,225
Changes in working capital		
- receivables and prepayments	(69,020)	(289,112)
- inventories	(65,048)	23,662
- payables and accrued expenses	(171,445)	173,447
- retirement benefit obligation	54,460	(5,835)
Cash generated from operations	1,684,679	207,044

30 Non-controlling interest

	2022 Shs '000	2021 Shs '000
At start of the year	739,219	753,490
Share of loss for the year	42,108	(14,271)
At end of year	781,327	739,219

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%).

Notes (continued)

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:	**2022**	**2021**
	Shs'000	**Shs'000**
Diamond Trust Bank Kenya Limited	3,629	-
The Jubilee Insurance Company of Kenya Limited	1,468	-
Tourism Promotion Services (Rwanda) Limited	34,666	22,231
Hoteis Polana, S.A.	28,198	18,598
Industrial Promotion Services (Kenya) Limited	59	-
Tanruss Investment Limited	84,780	50,384
African Broadcasting (Uganda) Limited	24,350	-
Monitor Publication Limited	2,113	-
Pearl Development Group Limited	-	7,547
Goma Serena Hotel	37,526	39,195
	216,789	137,955

ii) Purchase of goods and services from:

	2022	2021
Farmer's Choice Limited	75,749	48,043
Diamond Trust Bank Tanzania Limited	1,266	1,180
Nation Media Group	434	173
The Jubilee Insurance Company Tanzania Limited	4,178	3,908
Monitor Publication Limited	274	-
	130,135	53,304

iii) Key management compensation

	2022	2021
Salaries and other short term employment benefits	167,544	95,718

Notes (continued)

31 Related party transactions (continued)

iv) Directors' remuneration

	Group	
	2022	**2021**
	Shs'000	**Shs'000**
Fees for services as a non-executive director	-	-
Emoluments to executive directors (included in key management compensation above)	56,150	31,811
Total remuneration of directors of the Company and Group	56,150	31,811

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.

	Group	
	2022	**2021**
Trade receivables from related parties	**Shs'000**	**Shs'000**
Aga Khan Education Services (Uganda)	120	24
The Jubilee Insurance Company Limited	1,321	
Aga Khan Foundation	1,130	309
Aga Khan University Hospital (Kenya & Uganda)	2,986	1,626
Diamond Trust Bank Kenya Limited	205	-
Industrial Promotion Services (Kenya) Limited	628	3
Nation Media Group	688	441
	7,078	2,403
Other receivables from related parties		
Hoteis Polana, S.A.	142,444	190,963
Mountain Lodges Limited	98,866	96,933
Pearl Development Group Limited	17,219	28,788
Tanruss Investment Limited	385,852	284,513
Tourism Promotion Services (Rwanda) Limited	6,356	1,671
TPS (Cayman) Limited	2,547	2,309
TPS (D) Limited	941	942
Goma Serena Hotel	4,214	23,552
	658,439	629,671
Trade and other receivables from related parties	665,517	632,074
Less: Loss allowance of related party debts	(282,197)	(130,928)
Net trade and other receivables from related parties	383,320	501,146

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.

Notes (continued)

31 Related party transactions (continued)

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

	Company	
Other receivables from related parties	**2022 Shs'000**	**2021 Shs'000**
Tourism Promotion Services (Kenya) Limited	335,612	358,849
Tourism Promotion Services (Tanzania) Limited	57,446	57,446
Tanruss Investment Limited	19,567	19,567
Other receivables from related parties	412,625	435,862
Less: Loss allowance of related party debts	(87,869)	(80,041)
Net other receivables from related parties	324,756	355,821

	Group	
	2022 Shs'000	**2021 Shs'000**
Trade payables to related parties		
Farmer's Choice Limited	8,296	8,171
Nation Media Group	15	46
Diamond Trust Bank Kenya Limited	-	4
The Jubilee Insurance Company Limited	-	56
	8,311	8,277
Other payables to related parties		
Hoteis Polana, S.A.	868	9,705
Goma Serena Hotel	3,076	1,253
Pearl Development Group Limited	3,919	5,766
Tanruss Investment Limited	3,930	13,936
Tourism Promotion Services (Rwanda) Limited	4,923	1,429
TPS (D) Limited	539	-
	17,255	32,089
	25,566	40,366

Notes (continued)

31 Related party transactions (continued)

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) Limited (TPS U). The table below summarises the corporate guarantees as at 31 December 2022:

Company	Facility	Initial Recognition Shs '000	Carrying Value Shs '000
TPS K	ABSA Loan	970,000	524,238
TPS K	ABSA OD	300,000	300,000
TPS K	EQUITY OD	100,000	100,000
TPS K	PROPARCO	2,493,514	2,309,142
TIL	ABSA Loan	169,725	55,910
TIL	ABSA OD	90,520	90,520
TPS U	PROPARCO	997,406	402,179

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 2,711,321,000 (2021; Shs 2,949,634,000) as disclosed at Note 16.

(ii) Aga Khan Fund for Economic Development, SA (AKFED) of Shs 929,813,000 (2021; Shs 2,306,143,000) 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.

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Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2022 are as follows:

	Name of shareholder	Number of Shares	% Shareholding
1	Aga Khan Fund for Economic Development	182,525,097	64.58%
2	Pyrus Investments Limited	12,509,300	4.43%
3	Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO)	10,892,900	3.85%
4	Craysell Investments Limited	11,204,432	3.96%
5	The Jubilee Insurance Company of Kenya Limited	7,722,106	2.73%
6	Industrial Promotion Services (Kenya) Limited	7,697,088	2.72%
7	Aga Khan University Foundation	6,851,000	2.42%
8	PDM (Holdings) Limited	6,607,440	2.34%
9	Executive Healthcare Solutions Limited	3,294,700	1.17%
10	Jamal Farzeen Zaherali Moledina Nureen	2,408,349	0.85%
11	Others	30,938,167	10.95%
		282,650,579	**100.00%**

Distribution of shareholders

	Number of shareholders	Number of shares	% shareholding
Less than 500 Shares	3,330	443,951	0.16%
500 - 5000 shares	4,542	6,094,526	2.16%
5001 - 10,000 shares	169	1,218,671	0.43%
10,001 - 100,000	196	5,425,806	1.92%
100,001 - 1,000,000	30	10,273,357	3.63%
Over 1,000,000	14	259,194,268	91.70%
Total	**8,281**	**282,650,579**	**100.00%**