

**TPS EASTERN AFRICA PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



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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 2021 which disclose the state of affairs of the Company and the Group.

## BUSINESS REVIEW

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

### The Group's performance

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

The table below highlights some of the key performance indicators:

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

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

## DIVIDEND

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

## DIRECTORS

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

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

\* French \*\* Tanzanian \*\*\* British



## AUDITOR

### DISCLOSURES TO AUDITOR

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

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

### TERMS OF APPOINTMENT OF AUDITOR

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

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

By order of the Board



SECRETARY

11/05/ 2022

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

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

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

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

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

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

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

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

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



The Group will continue to nurture its Human Resource Management practices; and actively adopts Environmental, Social, Economic and Governance practices through daily interactions of its business processes, imperative to achieving our medium to long-term business strategy. 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 Board and Management continues to recognise with gratitude, the vital support, confidence, loyalty and trust that Serena Hotels are receiving from its shareholders, staff, customers, various regulatory authorities and other stakeholders within the industry as well as other related ancillary sectors. We acknowledge their sacrifices during this exceptionally challenging period. Without their loyalty and self-sacrifice, our situation would have been more challenging. We at Serena look forward to their continued support during the year 2022 and beyond.

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

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

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



**Francis Okomo-Okello**  
Chairman



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

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

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

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

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

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

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

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



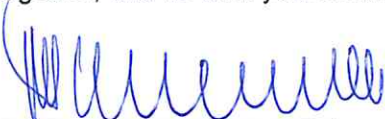
In this regard, we will further invest in our Group Productivity Improvement Strategy, through carefully targeted resource planning to deliver our Staff / Management training, development and welfare programs.

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

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

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

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



**Mahmud Jan Mohamed**  
Managing Director

### 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 contracts ranging up to four years, with varying notice periods subject to requisite employment law requirements.
- There are no share option arrangements or long term incentive scheme methods used in assessing the performance conditions.
- During the year 2021, there were no significant amendments to the terms and conditions of any entitlement of a director to share options or under a long term incentive scheme.
- Non-Executive Directors receive fees and sitting allowances as shown in the table on the next page.

### Significant changes to director's during the year

- There were no significant changes during the year.

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

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

**Information subject to audit**

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

For the year ended 31 December 2021	Salary	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

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



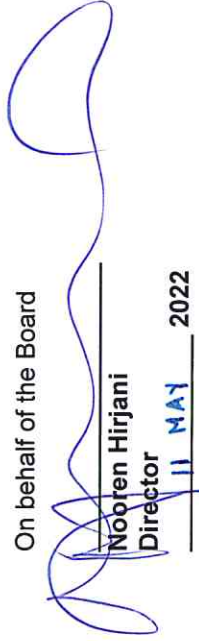
Information subject to audit (continued)

For the year ended 31 December 2020	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	11,686	-	-	-	-	345	3,757	15,788
N. Hirjani, Chief Financial Officer	21,150	-	-	-	-	442	122	21,714
A. Kassim-Lakha, Non-Executive Director	-	-	-	-	-	-	-	-
T. Mapunda (Mrs.) Non-Executive Director	-	-	-	-	-	-	-	-
M. Manji, Non-Executive Director	-	-	-	-	-	-	-	-
G. Ainache, Non-Executive Director	-	-	-	-	-	-	-	-
J-B Du Chalard, Non-Executive Director	-	-	-	-	-	-	-	-
	32,836	-	-	-	-	787	3,879	37,502

Pension related benefits

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

On behalf of the Board

  
Nooren Hirjani  
Director  
11 MAY 2022

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

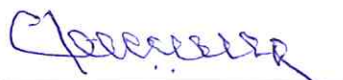
The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2015. They also accept responsibility for:

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

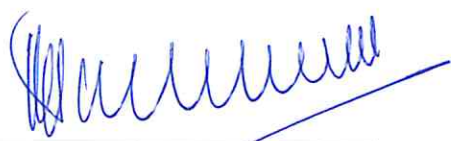
Having made an assessment of the Company's ability to continue as a going concern, the directors have disclosed in note 2(a) of these financial statements matters relating to the use of the going concern basis of preparation of the financial statements.

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

Approved by the board of directors on 11 May 2022 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 2021 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2021 and the Company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2021 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty related to Going Concern*

We draw attention to Note 2 (a) to the financial statements which describes the continued impact of the Covid-19 pandemic on the Group's operations, and also discloses that the Group's current liabilities exceeded current assets by Shs 492 million at 31 December 2021 (2020: Shs 746 million). As stated in Note 2(a), these events or conditions, along with other matters set out in Note 2(a) indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

### Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill impairment assessment</b></p> <p>As described in Note 21, the Group carries out a goodwill impairment assessment annually to determine if any impairment exists.</p> <p>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.</p> <p>This is an areas of focus because the future cash flows are based on management's assessment of the future profitability of the cash generating units and involves significant estimation uncertainty and judgement.</p>	<p>We evaluated and challenged the composition of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business and the macro economic outlook. We assessed the projected cash flows against the approved strategic and business plan of the cash generating units.</p> <p>We assessed the reasonableness of management's assumptions in relation to the:</p> <ul style="list-style-type: none"><li>- Long term growth rates by comparing them to economic forecasts.</li><li>- Pre-tax discount rate by assessing the cost of capital for the company as well as considering country specific factors.</li><li>- EBITDA assumption by comparing them with historical revenue and expenditure performance and the approved financial budgets of the business.</li></ul> <p>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.</p> <p>We also assessed the adequacy of the disclosures in Note 21 of the financial statements.</p>

### 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.



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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

### *Responsibilities of 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.



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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Report on other matters prescribed by the Companies Act, 2015**

#### *Report of the directors*

In our opinion the information given in the directors' report on 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**

*11 May* 2022



## Consolidated statement of profit or loss

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

**Consolidated statement of comprehensive income**

	Notes	2021 Shs'000	2020 Shs'000
<b>Loss for the year</b>		(632,941)	(1,210,007)
<b>Other comprehensive income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences, net of tax		68,714	317,390
<b>Items that will not be subsequently reclassified to profit or loss</b>			
Revaluation on land and buildings	20	-	(67,577)
Deferred tax on revaluation	18	-	20,273
Total other comprehensive profit for the year		68,714	270,086
<b>Total comprehensive loss for the year</b>		(564,227)	(939,921)
<b>Attributable to:</b>			
Equity holders of the Company		(549,956)	(857,503)
Non-controlling interest		(14,271)	(82,418)
<b>Total comprehensive loss for the year</b>		(564,227)	(939,921)


**Company statement of profit or loss and other comprehensive income**

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

**Consolidated statement of financial position**

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

The financial statements on pages 15 to 83 were approved and authorised for issue by the board of directors on 11 May 2022 and signed on its behalf by:

  
**Francis Okomo Okello**  
Director

  
**Mahmud Jan Mohamed**  
Director



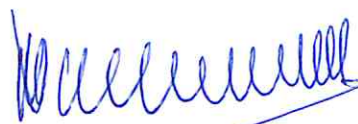
**Company statement of financial position**

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

The financial statements on pages 15 to 83 were approved for issue by the board of directors on 11 May 2022 and signed on its behalf by:



**Francis Okomo Okello**  
Director



**Mahmud Jan Mohamed**  
Director

**Consolidated statement of changes in equity**

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

**Consolidated statement of changes in equity (continued)**

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



**Company statement of changes in equity**

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

**Company statement of changes in equity (continued)**

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
<b>Year ended 31 December 2021</b>						
At start of year		182,174	4,392,668	822,321	-	5,397,163
<b>Comprehensive loss for the year</b>						
Loss for the year		-	-	(142,101)	-	(142,101)
<b>Total comprehensive loss for the year</b>						
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

**Consolidated statement of cash flows**

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

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

**Company statement of cash flows**

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





## Notes

### 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  
4<sup>th</sup> Ngong Avenue  
PO Box 48690  
00100 Nairobi  
Kenya

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

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

### 2 Summary of significant accounting policies

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

#### (a) Going concern

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

##### Impact assessment

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

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



## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (a) Going concern (continued)

##### Impact assessment (continued)

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

##### Impact on financial performance

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

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

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

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

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

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

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



## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (a) Going concern (continued)

##### Impact on projected cash flows and borrowings

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

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

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

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

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

#### **Kenya**

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

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

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

#### **Uganda**

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

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (a) Going concern (continued)

##### Impact on projected cash flows and borrowings (continued)

##### **Uganda (continued)**

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

##### **Tanzania**

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

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

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

##### Conclusion

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

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



## 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:

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

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

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

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

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

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

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

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



## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (b) Basis of preparation (continued)

##### Changes in accounting policy and disclosures (continued)

##### (i) New and amended standards adopted by the Group (continued)

The Phase 2 amendments provide the following reliefs:

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

This came into effect on 1 January 2021.

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

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

Number	Effective date	Executive summary
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	1 January 2023 (deferred from 1 January 2022)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

## 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	<p>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.</p> <p>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.</p>	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.

#### (o) 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 2021, certain key judgements and estimations were made regarding the above items, as they relate to the determination of expected credit losses on financial assets.

##### Fair value of property

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

##### Income taxes

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

##### Incremental borrowing rate on leases

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

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

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

- the determination of whether the Group has control over an entity, which requires the consideration of several factors, as set out in note 2(c); and



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

## 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 2021 (2020: nil).

##### (iii) Interest rate risk

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

##### (iv) Fair value risk

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

#### Credit risk

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

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

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

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

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

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

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 2021					
Gross trade debtors	161,276	109,332	74,502	265,602	610,711
Loss allowance	(368)	(2,208)	(15,823)	(90,337)	(108,737)
Net trade debtors	160,908	107,124	58,679	175,265	501,974
At 31st December 2020					
Gross trade debtors	2,308	119,990	33,258	124,660	280,217
Loss allowance	(248)	(1,488)	(10,662)	(60,871)	(73,268)
Net trade debtors	2,060	118,502	22,596	63,789	206,949

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

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



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

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

## 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.

<b>(a) Group</b>	<b>Less than 1 year Shs'000</b>	<b>Between 1 and 2 Shs'000</b>	<b>Between 2 and 5 years Shs'000</b>	<b>Over 5 years Shs'000</b>
<b>At 31 December 2021:</b>				
- 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
	<u>3,164,744</u>	<u>474,253</u>	<u>1,267,502</u>	<u>4,270,611</u>
<b>At 31 December 2020:</b>				
- borrowings and interest	1,047,526	590,041	1,270,285	3,783,751
- trade and other payables	1,420,403	-	-	-
- lease liability	49,566	49,566	148,698	224,857
	<u>2,517,495</u>	<u>639,607</u>	<u>1,418,983</u>	<u>4,008,608</u>
<b>(b) Company</b>	<b>Less than 1 year Shs'000</b>	<b>Between 1 and 2 years Shs'000</b>	<b>Between 2 and 5 years Shs'000</b>	<b>Over 5 years Shs'000</b>
<b>At 31 December 2021:</b>				
- borrowings and interest	-	-	1,832,634	-
- trade and other payables	55,303	-	-	-
	<u>55,303</u>	<u>-</u>	<u>1,832,634</u>	<u>-</u>
<b>At 31 December 2020:</b>				
- borrowings and interest	1,514	-	-	-
- trade and other payables	17,710	-	-	-
	<u>19,224</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 2021 the Group's strategy, which was unchanged from 2020, was to maintain a gearing ratio below 40%. The gearing ratios at 31 December 2021 and 2020 are as follows:

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

#### 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:

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

### 5 Segment information

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

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

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

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



## 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:

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

## Notes (continued)

### 5 Segment information (continued)

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

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

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

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



## 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:

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

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

### 6 Other income

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

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

### 7 Loss before tax

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

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

## Notes (continued)

### 8 Employee benefits expense

Salaries, wages and other staff costs	1,213,706	1,182,705
Retirement benefits costs:		
- Defined Benefit Scheme (Note 19)	1,912	1,311
- Defined Contribution Scheme	2,095	15,739
- National Social Security Funds	47,506	48,583
	<u>1,265,219</u>	<u>1,248,338</u>
Average number of employees	<u>2,339</u>	<u>2,449</u>

### 9 Other operating expenses

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

### 10 Finance income and costs

<b>Group</b>		
Finance income:		
Fixed and call deposits	4,346	11,497
	<u>4,346</u>	<u>11,497</u>
Finance income	<u>4,346</u>	<u>11,497</u>
Finance costs:		
Interest expense on borrowings	(296,802)	(225,485)
Net foreign currency exchange loss on borrowings	(41,719)	(312,972)
Interest on lease liability	9,173	(59,177)
	<u>(329,348)</u>	<u>(597,634)</u>
Finance costs	<u>(329,348)</u>	<u>(597,634)</u>
Net finance costs	<u>(325,002)</u>	<u>(586,137)</u>
<b>Company</b>		
Interest expense on borrowings	36,984	-
Net foreign currency exchange loss on borrowings	76,850	-
	<u>113,834</u>	<u>-</u>
Finance costs	<u>113,834</u>	<u>-</u>



## Notes (continued)

### 11 Income tax expense

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

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

	Group 2021 Shs'000	2020 Shs'000
Loss before income tax	(703,987)	(1,658,909)
Tax calculated at domestic rates applicable to profits in the respective countries at 30% (2020: 25-30%)	(211,196)	(446,063)
Tax effect of:		
Income not subject to tax	(69,508)	-
Expenses not deductible for tax purposes	201,442	38,928
Effect of change in tax rate	-	(51,610)
Under provision of deferred income tax in prior year	8,216	9,843
Income tax credit	(71,046)	(448,902)

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

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

### 12 Earnings per share

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

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

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

## 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 2021 were 182,174,108 shares (2020: 182,174,108 shares). No dividend for the year ended 31 December 2021 is to be proposed at the forthcoming Annual General Meeting (2020: Nil)

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

### 14 Share capital

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

Total authorised number of ordinary shares is 400,000,000 (2020:200,000,000) shares with a par value of Shs 1.00 per share. As at 31 December 2021 182,174,108 (2020: 182,174,108) shares are issued and are fully paid.

### 15 Revaluation reserve

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

### 16 Borrowings

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

#### Reconciliation of liabilities arising from financing activities

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



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

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 2021, the Group was in breach of certain loan covenants on loans from Absa Bank of Kenya and Absa Bank of Tanzania. The lenders issued waivers by 31 December 2021 in relation to the breaches. Subsequent to the year-end, the parties are in advanced discussions to reschedule repayments of ABSA Bank Kenya PLC and ABSA Bank Tanzania Limited loans in 2022, due to the ongoing impact of Covid-19 on the business as disclosed in Note 2a.
- (ii) AKFED loans have no fixed maturity, however they are not payable within 12 months of the reporting date. During the year, AKFED loans amounting to \$14.5 million were novated from the subsidiary, Tourism Promotion Services (Kenya) Limited, to the Company and the resulting inter-company debt being converted to equity within the subsidiary (Note 23).
- (iii) As at 31 December 2021, the Group was in breach of certain PROPARCO loan covenants. The lender issued waivers by 31 December 2021 in relation to the breaches. Subsequent to the year end, the parties are in advanced discussions to refinance and extend the PROPARCO loans in Kenya and Uganda as disclosed in Note 2a.

Borrowings in respective currencies were as follows:

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

### 17 Lease liability

Opening balance	413,287	437,586
Addition	17,868	10,963
Release from IFRS 16*	-	(11,794)
Interest charge	(9,173)	59,176
Lease payments during the year	(147,264)	(82,868)
Translation difference	(284)	224
	<b>274,434</b>	<b>413,287</b>

The lease liability is classified as follows:

Non-current lease liability	243,917	369,950
Current lease liability	30,517	43,337
	<b>274,434</b>	<b>413,287</b>

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



## Notes (continued)

### 18 Deferred income tax

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

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

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
<b>Deferred tax liabilities</b>				
Property, plant & equipment - on historical cost	107,256	(162)	-	107,094
	<u>107,256</u>	<u>(162)</u>	<u>-</u>	<u>107,094</u>
<b>Deferred tax assets</b>				
Other temporary differences	(116,247)	(2,278)	243	(118,282)
	<u>(116,247)</u>	<u>(2,278)</u>	<u>243</u>	<u>(118,282)</u>
<b>Net deferred tax asset</b>	<u>(8,991)</u>	<u>(2,440)</u>	<u>243</u>	<u>(11,188)</u>

## Notes (continued)

### 18 Deferred income tax (continued)

Deferred income tax liabilities	1.1.2021	Charge/(credit) to profit or loss	Charged/(credit) to OCI	31.12.2021
	Shs'000	Shs'000	Shs'000	Shs'000
Property, plant & equipment				
- on historical cost	1,503,131	(38,957)	-	1,464,173
- on revaluation surpluses	1,144,163	(38,281)	-	1,105,883
Other temporary differences	274,037	41,853	-	315,890
	<u>2,921,331</u>	<u>(35,385)</u>	<u>-</u>	<u>2,885,946</u>
<b>Deferred tax assets</b>				
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)
	<u>(1,482,885)</u>	<u>(59,895)</u>	<u>(8,229)</u>	<u>(1,551,009)</u>
<b>Net deferred tax liability</b>	<u>1,438,446</u>	<u>(95,280)</u>	<u>(8,229)</u>	<u>1,334,937</u>

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



## Notes (continued)

### 18 Deferred income tax (continued)

Deferred income tax asset	1.1.2020 Shs'000	Charge/ (credit) to P/L Shs'000	Charge/ (credit) to equity Shs'000	31.12.2020 Shs'000
<b>Deferred tax liabilities</b>				
Property, plant & equipment				
- on historical cost	107,191	65	-	107,256
	107,191	65	-	107,256
<b>Deferred tax assets</b>				
Other temporary differences	(109,890)	(6,349)	(8)	(116,247)
	(109,890)	(6,349)	(8)	(116,247)
Net deferred tax asset	(2,699)	(6,284)	(8)	(8,991)
<b>Deferred income tax liabilities</b>				
	1.1.2020 Shs'000	Charge/ (credit) to P/L Shs'000	Charge/ (credit) to equity Shs'000	31.12.2020 Shs'000
<b>Deferred tax liabilities</b>				
Property, plant & equipment				
- on historical cost	1,530,465	(27,334)	-	1,503,131
- on revaluation surpluses	1,162,393	(4,310)	(13,920)	1,144,163
Other temporary differences	382,537	(108,502)	-	274,037
	3,075,396	(140,146)	(13,920)	2,921,331
<b>Deferred tax assets</b>				
Provisions	(41,178)	(17,794)	-	(58,972)
Tax losses carried forward	(1,011,018)	(329,945)	-	(1,340,963)
Exchange rate variance	(180,437)	12,641	84,846	(82,950)
	(1,232,633)	(335,098)	84,846	(1,482,885)
Net deferred tax liability	1,842,763	(475,244)	70,926	1,438,446

## 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	
	2021	2020
	Shs'000	Shs'000
At start of year	44,158	41,983
Additional provision (Note 8)	1,912	1,311
Unutilised amounts	-	864
Benefits paid / transferred to pension scheme	(6,303)	-
	<hr/>	<hr/>
At end of year	39,767	44,158
	<hr/>	<hr/>

The scheme was last valued by an independent actuary as at 31 December 2021. The significant actuarial assumptions were as follows:

- discount rate	15.0%	15.0%
- future salary increases	7.0%	7.0%

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

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

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

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

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



**Notes (continued)**

**20 Property and equipment – Group**

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

**Notes (continued)**

**20 Property and equipment – Group (continued)**

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



## 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	16%	10%	22%	21%

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

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

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

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

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

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

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

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

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

## Notes (continued)

### 21 Intangible assets – Goodwill

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

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

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

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

#### 2021

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

#### 2020

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

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



## Notes (continued)

### 21 Intangible assets – Goodwill (continued)

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

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

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

#### Tourism Promotion Services (Kenya) Limited goodwill

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

#### *Significant estimate: Impact of possible changes in key assumptions*

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

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

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

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

## Notes (continued)

### 21 Intangible assets – Goodwill (continued)

#### TPS (Uganda) Limited goodwill

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

#### *Significant estimate: Impact of possible changes in key assumptions*

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

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

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

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

#### Tourism Promotion Services (Tanzania) Limited goodwill

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

#### *Significant estimate: Impact of possible changes in key assumptions*

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

The 1% change in forecast 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 219 million.

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

#### Tourism Promotion Services (Zanzibar) Limited goodwill

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



## Notes (continued)

### 21 Intangible assets – Goodwill (continued)

#### Tourism Promotion Services (Zanzibar) Limited goodwill (continued)

##### *Significant estimate: Impact of possible changes in key assumptions*

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

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

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

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

### 22 Right of use asset

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

	Group	
	2021	2020
	Shs'000	Shs'000
Opening balance	345,293	421,560
Release from IFRS 16	-	(43,143)
Addition	17,768	10,963
Depreciation	(44,531)	(43,919)
Translation difference	(259)	(168)
	<hr/>	<hr/>
	318,271	345,293
	<hr/>	<hr/>

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

### 23 Investment in subsidiaries (at cost)

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

**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

Country of incorporation	Kenya	Tanzania	Tanzania	Tanzania	South Africa	Kenya	Uganda
% interest held 2020 and 2021	100.0%	100.0%	100.0%	100.0%	100.0%	75.0%	65.19%

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

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



## 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:

2021	% 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	2,383,693	612,648	2,996,342	669,102	434,914	1,104,016	749,644	(40,997)
<b>2020</b>									
TPS (Uganda) Limited	65	2,514,843	555,393	3,070,236	773,231	367,593	1,140,824	526,202	(170,974)

#### Cash flows

Cash flows from operating activities  
Cash flows from investing activities  
Cash flows from financing activities

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

## Notes (continued)

### 24 Investment in associates

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of the year	826,830	921,834
Share of associate results before tax	(48,830)	(95,399)
Share of tax	7,605	395
Net share of results after tax	(41,225)	(95,004)
At end of year	785,605	826,830
	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start and end of year	840,330	840,330

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

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

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



## 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	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Profit/(loss)	Other comprehensive income
	held	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>2021</b>								
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)
<b>2020</b>								
TPS (Rwanda) Limited	20.15	239,856	1,061,124	333,780	249,301	376,775	(249,113)	-
TPS (D) Limited	25.10	135,036	3,751,182	780,274	570,824	428,432	(178,517)	-
Mountain Lodges Limited*	29.90	5,195	101,272	165,502	42,464	11,092	(35,021)	-
		380,087	4,913,578	1,279,556	862,589	816,299	(462,651)	-

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

## Notes (continued)

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

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

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

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

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

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

### 27 Cash and cash equivalents

Cash at bank and in hand	310,805	122,711	188	-
	<u>310,805</u>	<u>122,711</u>	<u>188</u>	<u>-</u>

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

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

### 28 Payables and accrued expenses

Trade payables	801,220	638,385	-	-
Trade payables – related companies (Note 31)	8,277	5,861	-	-
Advances from related companies (Note 31)	32,089	56,587	-	-
Accrued expenses and other payables	1,043,062	719,570	55,303	17,710
	<u>1,884,648</u>	<u>1,420,403</u>	<u>55,303</u>	<u>17,710</u>

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

## Notes (continued)

### 29 Cash flow

#### 29(a) Cash generated from operations

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

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

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

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

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

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

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

## Notes (continued)

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

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

### 30 Non-controlling interest

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

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



## 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	
	2021	2020
	Shs'000	Shs'000
<b>i) Sale of goods and services to:</b>		
Mountain Lodges Limited	-	26,572
Diamond Trust Bank Kenya Limited	-	5,370
The Jubilee Insurance Company of Kenya Limited	-	392
Tourism Promotion Services (Rwanda) Limited	22,231	20,528
Hoteis Polana, S.A.	18,598	27,554
Nation Media Group	-	453
Industrial Promotion Services (Kenya) Limited	-	18
The Jubilee Insurance Company of Uganda Limited	-	1,992
Diamond Trust Bank of Uganda Limited	-	110
Tanruss Investment Limited	50,384	28,435
African Broadcasting (Uganda) Limited	-	17,623
Monitor Publication Limited	-	215
Frigoken Limited	-	230
Serena Tourism Promotion Services, S.A.	-	48,561
Pearl Development Group Limited	7,547	3,889
Ihusi SARL	39,195	3,434
	<hr/>	<hr/>
	137,955	185,378
	<hr/>	<hr/>
<b>ii) Purchase of goods and services from:</b>		
Farmer's Choice Limited	48,043	61,639
Diamond Trust Bank Tanzania Limited	1,180	1,180
Nation Media Group	173	822
The Jubilee Insurance Company Tanzania Limited	3,908	3,657
The Jubilee Insurance Company of Uganda Limited	-	34,641
Monitor Publication Limited	-	298
	<hr/>	<hr/>
	53,304	102,237
	<hr/>	<hr/>
<b>iii) Key management compensation</b>		
Salaries and other short term employment benefits	95,718	93,666
	<hr/>	<hr/>

## Notes (continued)

### 31 Related party transactions (continued)

#### iv) Directors' remuneration

	Group 2021 Shs'000	2020 Shs'000
Fees for services as a non-executive director	-	-
Emoluments to executive directors (included in key management compensation above)	31,811	37,502
	<hr/>	<hr/>
Total remuneration of directors of the Company and Group	31,811	37,502
	<hr/>	<hr/>

#### 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 2021 Shs'000	2020 Shs'000
<b>Trade receivables from related parties</b>		
Aga Khan Education Services (Uganda)	24	24
Aga Khan Foundation	309	147
Aga Khan University Hospital (Kenya & Uganda)	1,626	189
Diamond Trust Bank Kenya Limited	-	360
Industrial Promotion Services (Kenya) Limited	3	102
Nation Media Group	441	-
	<hr/>	<hr/>
	2,403	822
	<hr/>	<hr/>
<b>Other receivables from related parties</b>		
Hoteis Polana, S.A.	190,963	171,791
Mountain Lodges Limited	96,933	96,934
Pearl Development Group Limited	28,788	19,721
Tanruss Investment Limited	284,513	232,682
Tourism Promotion Services (Rwanda) Limited	1,671	6,276
TPS (Cayman) Limited	2,309	2,090
TPS (D) Limited	942	643
Ihusi SARL	23,552	4,052
	<hr/>	<hr/>
	629,671	533,546
	<hr/>	<hr/>
Trade and other receivables from related parties	632,074	534,368
	<hr/>	<hr/>
Less: Loss allowance of related party debts	(130,928)	(129,359)
	<hr/>	<hr/>
Net trade and other receivables from related parties	501,146	405,009
	<hr/>	<hr/>

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

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

#### Other payables to related parties

Hoteis Polana, S.A.	9,705	9,788
Ihusi SARL	1,253	395
Pearl Development Group Limited	5,766	5,859
Tanruss Investment Limited	13,936	14,065
Tourism Promotion Services (Rwanda) Limited	1,429	26,480
	<hr/>	<hr/>
	32,089	56,587
	<hr/>	<hr/>
	40,366	62,448
	<hr/>	<hr/>



## 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) (TPS U). The table below summarises the corporate guarantees as at 31 December 2021:

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

#### vii) Loans from related party

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

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

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

### 32 Contingent liabilities

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

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

### 33 Capital commitments

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

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

### Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2021 are as follows:

Name of shareholder	Number of Shares	% Shareholding
1 Aga Khan Fund for Economic Development	82,048,626	45.04%
2 Pyrus Investments Limited	12,470,400	6.85%
3 Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO)	10,892,900	5.98%
4 Craysell Investments Limited	8,898,132	4.88%
5 The Jubilee Insurance Company of Kenya Limited	7,722,106	4.24%
6 Industrial Promotion Services (Kenya) Limited	7,697,088	4.23%
7 Aga Khan University Foundation	6,851,000	3.76%
8 PDM (Holdings) Limited	6,607,440	3.63%
9 Executive Healthcare Solutions Limited	3,294,700	1.80%
10 Kanchanben Ramniklal Khimji Shah	2,290,744	1.26%
11 Others	33,400,972	18.33%
	<b>182,174,108</b>	<b>100.00%</b>

### Distribution of shareholders

	Number of shareholders	Number of shares	% shareholding
Less than 500 Shares	3,326	447,425	0.25%
500 - 5000 shares	4,612	6,176,434	3.39%
5001 - 10,000 shares	179	1,295,151	0.70%
10,001 - 100,000	201	5,547,465	3.05%
100,001 - 1,000,000	32	10,352,741	5.68%
Over 1,000,000	15	158,354,892	86.93%
<b>Total</b>	<b>8,365</b>	<b>182,174,108</b>	<b>100.00%</b>

