TPS EASTERN AFRICA PLC

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

2020 Annual Report & Financial Statements

Content

Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Nooren Hirjani**	(Chief Financial Officer)
Ameer Kassim-Lakha	
Guedi Ainache*	
Mahmood Pyarali Manji	
Teddy Hollo Mapunda***(Mrs)	(Deceased 04.05.2021)
Jean-Benoit Du Chalard*	

BOARD AUDIT COMMITTEE

Ameer Kassim-Lakha	(Chairman)
Guedi Ainache*	
Mahmood Pyarali Manji	

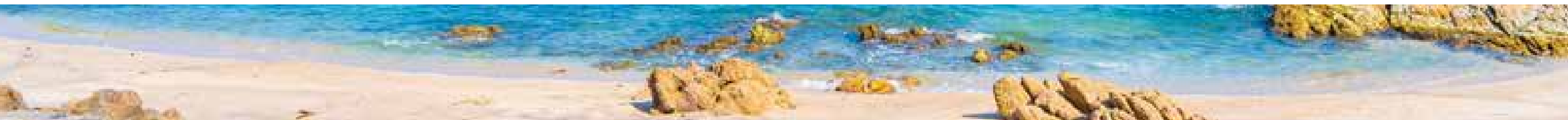
BOARD NOMINATION AND REMUNERATION COMMITTEE

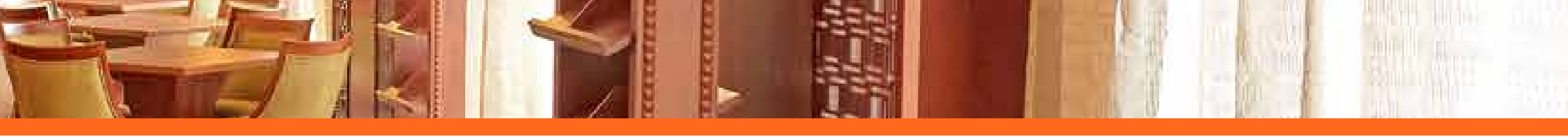
Guedi Ainache*	(Chairman)
Mahmood Pyarali Manji	
Teddy Hollo Mapunda***(Mrs)	(Deceased 04.05.2021)

*French **British ***Tanzanian

COMPANY SECRETARY

Dominic K. Ng'ang'a





Directors and Administration

PRINCIPAL OFFICERS

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

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

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

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

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

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

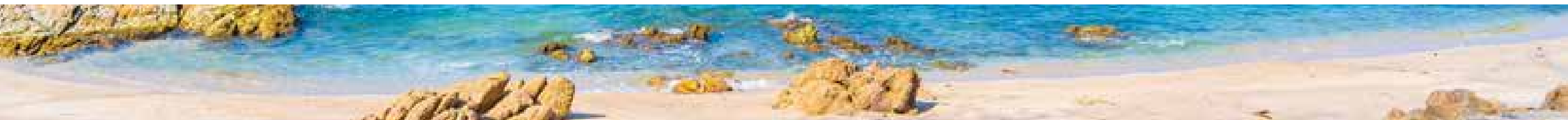
Wilfred Shirima	General Manager	- Zanzibar Serena Hotel

TPS (UGANDA) LIMITED [TPS (U)]

Daniel Kangu	General Manager	- Kampala Serena Hotel, Uganda

OTHER MANAGED PROPERTIES

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



Operating Subsidiaries and Properties

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

TOURISM PROMOTION SERVICES (ZANZIBAR) LIMITED
Zanzibar Serena Hotel

Operating Associated Companies and Properties

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

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

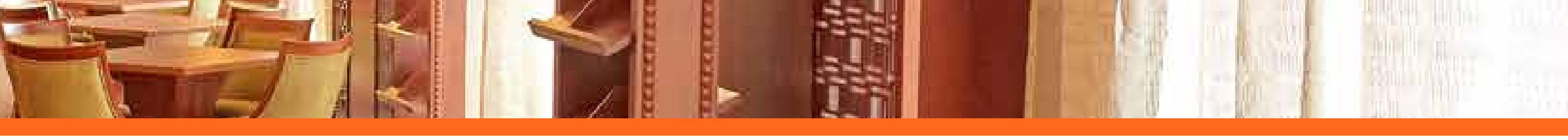
TOURISM PROMOTION SERVICES (TANZANIA) LIMITED
Kirawira Serena Camp
Lake Manyara Serena Safari Lodge
Serengeti Serena Safari Lodge
Ngorongoro Serena Safari Lodge
Arusha Serena Hotel
Mbuzi Mawe Serena Camp
Serena Mivumo River Lodge
Selous Serena Camp

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

TPS (UGANDA) LIMITED
Kampala Serena Hotel - Uganda

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

Game drive experience at Kilaguni Serena Safari Lodge at Tsavo National Park



Other Corporate Information

REGISTERED OFFICE

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

AUDITORS

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

PRINCIPAL BANKERS

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

REGISTRAR

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

Serena Hotels – Mission Statement

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

Notice of Annual General Meeting

Notice is hereby given that the Forty Ninth Annual General Meeting of the Company will be held via electronic communication, on Monday 28th June 2021, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Forty Eighth Annual General Meeting held on 30th June 2020.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2020, together with the Directors' and Auditors' Reports thereon.
3. To approve and note that Directors had not recommended payment of a dividend for the year 2020.
4. To elect Directors:
    (a) Mr. Guedi Ainache retires by rotation in accordance with Article No. 111,112 &113 of the Company's Articles of Association and being eligible, offers himself for re-election.
    (b) Mr. Francis Okomo-Okello, and Mr. Ameer Kassim-Lakha, retire by rotation in accordance with Articles No. 111, 112 & 113 of the Company's Articles of Association. Special notices have been received by the Company pursuant to section 287 of the Companies Act 2015 and subject to section 131 of the Act that if thought fit, the following resolutions be passed:

    "That Mr. Francis Okomo-Okello (a Director retiring by rotation) who is over 70 years, be and is hereby re-elected as a Director of the Company".

    "That Mr. Ameer Kassim-Lakha (a Director retiring by rotation) who is over 70 years, be and is hereby re-elected as a Director of the Company".
5. To note that there was no Non Executive Directors' remuneration paid in 2020.
6. To appoint PricewaterhouseCoopers LLP, the Company's Auditors, in accordance with Section 721 (2) of the Companies Act 2015. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.
7. To approve the Auditors' remuneration for 2020 and to authorise the Directors to fix the Auditors' remuneration for 2021.
8. To appoint the Audit Committee members which comprises Mr. Ameer Kassim-Lakha, Mr. Mahmood Manji and Mr. Guedi Ainache in accordance with section 769 (1) of the Companies Act 2015.
9. To transact any other ordinary Business of an Annual General Meeting.

SPECIAL BUSINESS

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

(i) Increase of Authorised Share Capital

"That the authorised share capital of the Company be and is hereby increased from Kenya Shillings Two Hundred Million (Kshs 200,000,000/=) divided into 200,000,000 ordinary shares of par value Kenya Shilling one (KShs. 1.00) each to Kenya Shillings Four Hundred Million (KShs 400,000,000/=) by the creation of additional Two Hundred million (200,000,000) new ordinary shares of Kenya Shilling one (KShs 1.00) each to rank *pari passu* in all respects with the existing ordinary shares of the Company".

(ii) Amendment of Articles of Association:

That the Company's Articles of Association be and are hereby altered by inserting the following as Article 67.

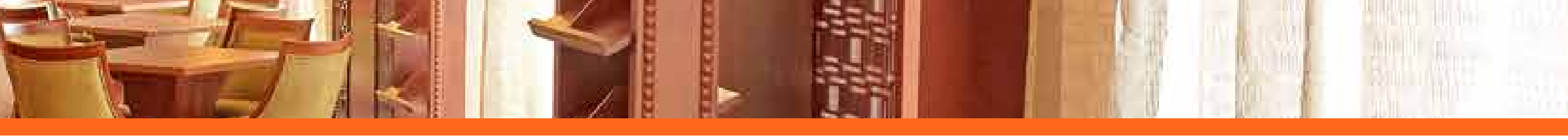
"Notwithstanding the provisions of Article 64, 65 and 66 the Directors may if they deem fit and upon notifying members hold a general meeting including its annual general meeting via radio, telephone, closed circuit television, video-conferencing or other electronic, digital or audio/visual communication, or a combination of any such means ("virtual meeting"). Though the members would not be physically present together in one place at the time of the virtual meeting, a resolution passed by members constituting a quorum at such a general meeting shall be deemed to have been passed at a general meeting held on the day and time which the virtual meeting was held".

(iii) That pursuant to passing the resolution 10(ii) above, the existing Articles 67 to 177 be and are hereby renumbered as Article 68 to 178 respectively.

By Order of the Board.

COMPANY SECRETARY

Dated at Nairobi this 25th May, 2021



Notice of Annual General Meeting (continued)

NOTE:

1. In view of the ongoing Corona Virus ("COVID-19") pandemic, the related Public Health Regulations, directives and health protocols communicated by the Government of Kenya precluding inter alia public gatherings, it is impractical, as contemplated under section 280 of the Companies Act 2015, for TPS Eastern Africa PLC ("TPSEAP") ("Company") to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.

2. On 29th April, 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, made under the provisions of Section 280 of the Companies Act, 2015 issued an order granting special dispensation to any Company listed on the Nairobi Securities Exchange to convene and conduct a virtual general meeting subject to receipt of a No Objection from the Capital Markets Authority ("CMA").

3. TPSEAP has convened and is conducting this virtual Annual General Meeting following receipt of a No Objection from the CMA.

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

5. Registration for the AGM commences on 7th June, 2021 at 9.00am and will close on Friday 26th June, 2020 at 12.00pm. Shareholders will not be able to register after Thursday 24th June, 2021 at 12.00pm.

6. In accordance with Section 283 (2) (c) of the Companies Act, 2015, the following documents may be viewed on the Company's website www.serenahotel.com (i) a copy of this notice and the proxy form, (ii) minutes of the last AGM held on 30th June, 2020, (iii) the Company's audited financial statements and annual report for the year 2020, (iv) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020, and (v) a copy of the No Objection issued by CMA.

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

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

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

   (c) Sending their written questions with a return postal address number or email address by registered post to the Company's address using P.O. Box 48690 0010 Nairobi. Shareholders must provide their full details (Full name, ID/Passport Number/CDSC Account Number when submitting their questions and/or clarifications.
   All questions and /or clarifications must reach the Company on or before Thursday 24th June, 2021 at 12.00pm.

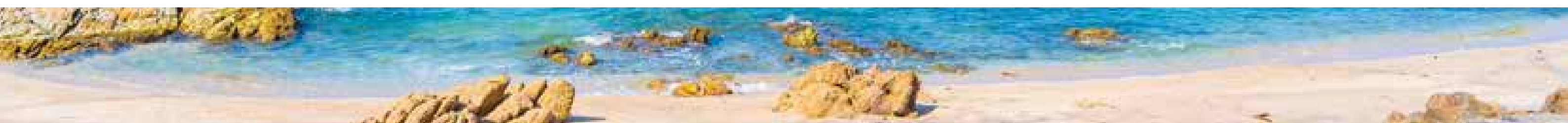
   Following the receipt of the questions and /or clarifications, the directors of the Company shall provide written responses to the questions received to the return postal address number or email address provided by the shareholder not later than 12 hours before the start of the AGM. A full list of all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

8. A Shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. The appointed proxy will need to have access to a mobile telephone. A proxy form is attached to this Notice and is available on the Company's website www.serenahotels.com. Physical copies of the proxy form are also available at Image Registrars Limited's offices on 5th floor ABSA Towers (formerly, Barclays Plaza), Loita Street, P.O Box 9287 00100 Nairobi. To be valid, a proxy form must be duly signed by the member. If the member is a body corporate, the proxy form shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. The completed proxy form should be emailed to info@image.co.ke or sent/ delivered to Image Registrars Limited, 5th floor ABSA Towers (formerly, Barclays Plaza), Loita Street, Nairobi so as to be received not later than Thursday, 24th June, 2021 at 11.00am. Any person appointed as a proxy should submit his/her mobile telephone number to the Company not later than Thursday, 24th June,2021 at 11.00am. Any rejected proxy registration will be communicated to the shareholder concerned not later than Sunday 27th June, 2021 to allow time to address any issues.

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

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

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



Notisi ya Mkutano Mkuu Wa Pamoja Wa Mwaka

Notisi inatolewa hapa kwamba mkutano wa 49 wa pamoja wa mwaka wa Kampuni utafanyika kupitia njia ya mawasilinao ya kielektroniki siku ya Jumatatu Juni 28, 2021 kuanzia saa tano asubuhi ili kuangazia maswala yafuatayo ya kibiashara:

SHUGHULI ZA KAWAIDA:

1. Kuthibitisha kumbukumbu za mkutano wa arobaini na nane wa mwaka uliofanyika Juni 30, 2020.
2. Kupokea, kuzingatia na endapo itaonekana kuwa sawa, kupitisha hesabu za pesa kwa kipindi cha Mwaka uliomalizika Desemba 31, 2020 pamoja na ripoti kutoka kwa wakurugenzi na wakaguzi wa pesa.
3. Kupitisha na kufahamu kwamba wakurugenzi hawakuwa wametoa pendekezo lolote la kutolewa kwa malipo yoyote ya mgawo wa faida wa mwaka 2020.
4. Kuwachagua wakurugenzi:
   (a) Bw. Guedi Ainache anastaafu kwa zamu kwa mujibu wa kipengele 111,112 na 113 cha sheria za kampuni na kwa kuwa hali inamruhusu, amejitokeza ili kuchaguliwa tena.
   (b) Bw. Francis Okomo-Okello, na Bw. Ameer Kassim-Lakha, wanastaafu kwa zamu kwa mujibu wa vipengele nambari. 111, 112 & 113 vya sheria za kampuni. Notisi maalumu zimepokelewa na kampuni kwa mujibu wa sehemu ya 287 ya sheria za makampuni za mwaka 2015 na kwa mujibu wa sehemu ya 131 ya sheria na endapo itakubalika, kupitisha azimio lifuatalo

   "Kwamba Bw. Francis Okomo-Okello (ambaye ni mkurugenzi anayestaafu kwa zamu) na ambaye umri wake umepita miaka 70 achaguliwe tena kama mkurugenzi wa kampuni.
   "Kwamba, Bw. Ameer Kassim-Lakha (ambaye ni mkurugenzi anayestaafu kwa zamu) na ambaye umri wake umepita miaka 70 achaguliwe tena kama mkurugenzi wa kampuni.
5. Kufahamu kwamba, hakuna marupurupu yoyote yaliyotolewa kwa wakurugenzi wasio na mamlaka makuu mwaka 2020.
6. Kuteua PricewaterhouseCoopers LLP, ambao ni wakaguzi wa pesa za kampuni kwa mujibu wa sehemu ya 721 (2) ya sheria za makampuni ya mwaka 2015. PricewaterhouseCoopers LLP wameonyesha nia ya kuendelea mbele na jukumu lao.
7. Kupitisha malipo ya wakaguzi wa pesa kwa kipindi cha mwaka 2020 na kuwapa uhuru wakurugenzi kuamua malipo yao ya mwaka 2021.
8. Kuteua kamati ya wanachama wa uhasibu ambao ni Bw. Ameer Kassim-Lakha, Bw. Mahmood Manji, na Bw. Guedi Ainache kwa mujibu wa sehemu ya 769 (1) ya sheria za makampuni ya mwaka 2015 .
9. Kutekeleza majukumu mengine ya shughuli za kawaida za kibiashara ya mkutano mkuu wa pamoja wa mwaka.

SHUGHULI MAALUM:

10. Kuangazia na endapo itakubalika kupitisha mazimio yafuatayo ambayo yatakuwa yametolewa kama mapendekezo ya kawaida.

(i) Kuongeza mtaji wa hisa ulioidhinishwa

"Kwamba, mtaji wa hisa ulioidhinishwa wa kampuni uongezwe kutoka shilingi milioni mia mbili (Kshs.200,000,000/=) kwa mgao wa faida wa 200,000,000 kwa kila hisa za kawaida za thamani ya shilingi moja (Kshs.1.00) kwa kila moja na kufikia shilingi milioni mia nne (Kshs.400,000,000) kwa kubuni hisa zaidi za kawaida milioni mia mbili (200,000,000) za thamani ya shilingi moja (Kshs.1.00) kwa kila moja ili kuwa sawa kwa hali zote na hisa za kawaida za kampuni zilizoko".

(ii) Kufanyia mabadiliko vifungu vya sheria.

Kwamba vifungu vya sheria za kampuni vifanyiwe mabadiliko kwa kuongeza kipengele kifuatacho kama sheria nambari 67.

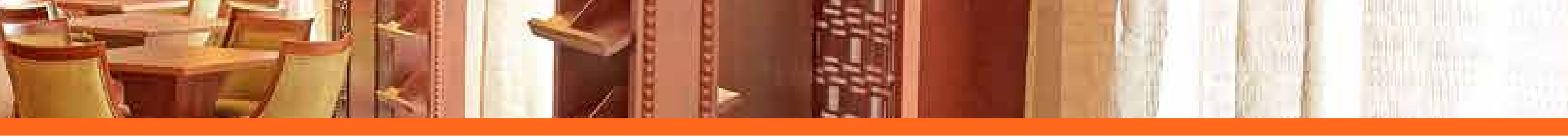
"Bila kuzingatia vipengele vya sheria namabari 64, 65 na 66, wakurugenzi wakiona inafaa na baada ya kuwajulisha wanachama, kufanya mkutano wa pamoja na ule wao wa pamoja wa mwaka kupitia mfumo wa redio, simu, televisheni, video au mfumo mwingine wowote wa kielektroniki, dijiteli au mawasiliano ya picha au mkusanyiko wa mbinu aina yoyote kama ule (mkutano wa mbali) . Ingawa wanachama hawataweza kukutana pamoja mahali pamoja wakati wa mkutano, azimio litakalopitishwa na wanachama kwa kuzingatia akida ya mkutano kama huo wa pamoja litachukuliwa kama lililopitishwa kupitia mkutano wa pamoja uliofanyika siku na wakati ambapo mkutano huo ulifanyika".

(iii) Kwamba, baada ya kupitisha azimio 10(ii) lililoko hapo juu, kifungu cha sasa nambari 67 hadi 177 kibatilishwe ili kuwa nambari 68 na 178 mtawaliwa.

Kwa Amri ya Halmashauri

KATIBU WA KAMPUNI

Imenukuliwa 25 Mei, 2021



Notisi ya Mkutano Mkuu Wa Pamoja Wa Mwaka (kuendelea)

MUHIMU:

1. Kutokana na janga la Korona (COVID-19) linaloendelea, masharti husika kuhusu afya ya umma, maamrisho na itifaki za kiafya zilizowekwa na Serikali ya kenya ikiwemo utangamo wa watu, ni vigumu kama ilivyoelezwa kupitia sehemu ya 280 ya sheria ya makampuni ya mwaka 2015 kwa TPS Eastern Africa PLC (TPSEAP) (Kampuni) kuandaa kikao cha pamoja cha mwaka (AGM) kwa njia iliyoelezwa kupitia vifungu vya sheria hiyo.

2. Mnamo Aprili 29, 2020, mahakama Kuu ya Kenya kupitia ombi la ufafanuzi wa kisheria nambari E680 la mwaka 2020 lililowasilishwa chini ya sehemu ya 280 ya sheria za makampuni ya mwaka 2015 ilitoa uamuzi kuruhusu kampuni yoyote iliyosajiliwa katika soko la hisa la Nairobi kuitisha na kutelekeza mkutano wa pamoja kwa njia ya kutotangamana pamoja endapo itakosa pingamizi lolote kutoka Halmashauri ya masoko ya hisa (CMA).

3. TPSEAL imeandaa na inatekeleza mkutano huu wa pamoja wa mwaka kwa njia ya kutotangamana pamoja baada CMA kukosa kutoa pingamizi lolote.

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

5. Usajili wa mkutano (AGM) utaanza Juni 7, 2021 kuanzia saa tatu asubuhi na kufungwa Ijumaa Juni 26 2020 saa sita adhuhuri. Wanahisa hawataweza kusajiliwa baada ya saa sita adhuhuri Alhamisi Juni 24 2021.

6. Kwa mujibu wa sehemu ya 283 (2) (c) ya sheria za makampuni ya mwaka 2015, sitakabadhi zifuatazo zinaweza kukaguliwa kupitia wavuti wa kampuni: www.serenahotel.com (i) nakala ya notisi hii na fomu ya wakala (ii) kumbukumbu za mkutano wa awali na ambao ulifanyika Juni 30, 2020 (iii) taarifa za matumizi ya pesa za kampuni zilizofanyiwa ukaguzi na ripoti ya mwaka kwa kipindi cha mwaka 2019 (iv) nakala ya uamuzi wa mahakama kuu kuhusu ombi la ufafanuzi nambari E680 la mwaka 2020 na (v) nakala ya idhini kutoka CMA.

7. Wanahisa wanaotaka kuuliza maswali au kupata ufafanuzi kuhusiana na mkutano wa pamoja wa mwaka (AGM) wanaweza kufanya hivyo kwa:
   a) Kutuma maswali yao waliyoyaandika kwa njia ya barua pepe kwa: agmquestions@serenahotels.com au
   b) Pale inapowezekana, kuwasilisha maswali yao waliyoaandika wakiambatanisha nambari za anwani zao za kupokea majibu au barua pepe kwa ofisi iliyosajiliwa ya kampuni katika jumba la Williamson House, orofa ya nne, barabara ya 4th Ngong Avenue, au kwa ofisi za Image Registrars zilizoko orofa ya 5, jumba la ABSA Towers (zamani, Barclays Plaza) barabara ya Loita Street, Nairobi; au
   c) Kwa kutuma maswali yao waliyoyaandika pamoja na anwani zao za kupokea majibu au barua pepe kupitia nambari za Posta zilizosajiliwa ambazo ni S.L.P 48690 0010 Nairobi.
   Wanahisa watoe maelezo yao kamili (jina kamili, nambari za Kitambulisho/ nambari ya hati ya usafiri/ nambari ya akaunti ya CDSC wakati wa kuwasilisha maswali yao au ufafanuzi.
   Maswali yoyote au ufafanuzi lazima yaifikie Kampuni kabla au ifikiapo Ijumaa Juni 24, 2021 saa sita adhuhuri.

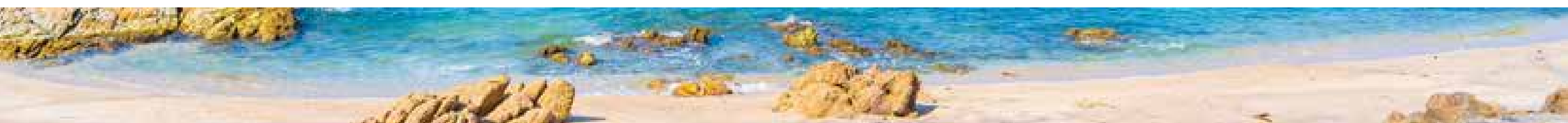
   Baada ya kupokea maswali au ufafanuzi, wakurugenzi wa kampuni watatoa majibu yaliyoandikwa kuhusiana na maswali yaliyopokelewa kupitia anwani au barua pepe iliyotolewa na mwanahisa saa 12 kabla ya kuanza kwa mkutano wa pamoja wa mwaka. Orodha kamili ya maswali yaliyopokelewa na majibu yaliyotolewa itachapishwa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

8. Mwanachama aliye na ruhusa kuhudhuria mkutano na kupiga kura ana uhuru kumteua wakala wake kumwakilisha na kupiga kura kwa niaba yake. Si lazima kwa wakala kama huyo kuwa mwanachama wa kampuni. Itabidi kwa wakala aliyeteuliwa kuwa na nambari ya simu ya mkononi. Fomu ya wakala imeambatanishwa na notisi hii na inaweza kupatikana kupitia wavuti wa kampuni www.serenahotels.com. Pia, nakala za fomu ya wakala zinapatikana kupitia ofisi za Image Registrars Limited's orofa ya jumba la 5 ABSA Towers (zamani, Barclays Plaza),barabara ya Loita Street, Slp 9287 00100 Nairobi. Ili kukubaliwa, fomu ya wakala iwe na sahihi kamilifu ya mwanachama. Endapo mwanachama ni shirika, fomu ya uwakala iwe imepigwa mhuri wa kawaida au imetiwa sahihi na afisa au kuidhinishwa na mwanasheria wa shirika kama hilo. Fomu ya wakala itumwe kupitia barua pepe kwa; info@image.co.ke au itumwe / ipokelewe kwa Image Registrars Limited, orofa ya 5 jumba la ABSA Towers (zamani, Barclays Plaza), barabara ya Loita Street, Nairobi na kupokelewa kabla ya Alhamisi, Juni 24 , 2021 kabla ya saa tano asubuhi. Mtu yeyote aliyeteuliwa kama wakala awasilishe nambari yake ya simu ya mkononi kwa kampuni kabla ya Ijumaa Alhamis Juni 24, 2021 saa tano asubuhi. Usajili wowote wa wakala uliokataliwa utajulishwa kwa mwanahisa mhusika kabla ya Jumapili Juni 27, 2021 ili kutoa nafasi ya kushughulikia swala lolote.

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

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

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



Chairman's Statement

MR. FRANCIS OKOMO-OKELLO
CHAIRMAN

On behalf of the Board of Directors of TPS Eastern Africa PLC (TPSEAP/the Company/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 2020.

Prior to the Coronavirus (COVID-19) pandemic, the year 2020 began with cautious optimism particularly from the foreign leisure market segment in relation to destination Kenya, and indeed across the wider East African region. The Company's diversified portfolio was also reassuringly planned to achieve growth in the corporate and conference segments following the recent refurbishments of our City Hotels in Nairobi and Kampala. Under normal circumstances, the refurbishments would have created further business opportunities to generate additional revenue during the year 2020.

Regrettably, as the pandemic took hold and intensified globally, the Company like all players in the hospitality sector, faced serious disruptions and the Company braced itself for an unexpectedly difficult year 2020. TPSEAP properties experienced material cancellations for various reasons including: flight cancellations from source markets, emerging global public health policies and concerns disrupting international travel, precautionary actions undertaken by the respective East African Government Authorities; and the mass lockdown of travel amongst international and regional corporate and leisure travellers.

Unfortunately, unlike past challenges faced by the industry including terrorist attacks and political upheavals, the risk of this magnitude was not foreseen and the impact was unknown, resulting in the year 2020 being devastating for the global hospitality industry.

Clearly, the operating environment throughout this pandemic period has required from both, the Board and Management an unwavering and diligent crisis management approach so that market, customer and employee centred decisions could be made and optimised to the extent possible. As a result of the immediate and material downturn in our business levels and government restrictions (which continue to evolve in 2021), tough decisions had to be made during the year 2020 resulting in temporary closure of the Serena properties from April to June 2020, and thereby, enforced reduction on operating costs (such as payroll cost reductions and review of supplier contracts) and keeping on hold non-essential investments in order to prudently manage cash flows.

Fortunately, announcements by the East African Governments on easing up of directives and the gradual re-opening of economies resulted in tactful re-opening of most Serena properties, albeit on a scaled down basis from July 2020. Bookings remain at short lead times, rates are well below normal levels as the only main segment currently available is the domestic market. Following a difficult end to the year 2020, global tourism suffered further setbacks at the start of year 2021 as countries tightened travel restrictions in response to the outbreaks of new Covid-19 virus strains. Unfortunately, the situation in terms of business is dire and we are a long way off from pre-pandemic levels.

On a positive note, reports indicate that, as testing capacity and technology improves and the vaccinated population increases in the East African countries and our source markets, the possibilities of re-opening the air space and removing quarantine measures are being considered by various authorities in all jurisdictions. Reports also indicate that with the revving up of the tourism engines as the travel industry prepares for a slow and steep climb in the third or fourth quarter of the year 2021, optimism is 'alive' in our source markets, which is quite encouraging. Barring any major challenges, our suppliers of business are reasonably confident that traveller demand will rise once the infection curve flattens with the ongoing vaccine roll-out. The corporate market is expected to pick-up earlier than the leisure market as various business sectors become more active.

During the year under review, TPS Eastern Africa PLC achieved a turnover of KShs. 2.0 billion (2019: KShs. 6.8 billion), and 'loss before depreciation, finance costs, results of associates and income tax expense' of KShs. 438 million, down 143% (2019: profit of KShs. 1 billion). Whilst necessary measures were taken to reduce fixed and operating costs as indicated earlier, it was not sufficient to cover lost revenues, thus negatively impacting cash flows. The Group through the vital support from its senior lenders managed to defer senior debt repayments whilst entering into additional credit facilities in order to support operations under the exceptionally difficult circumstances. Prudent mitigation plans are in place and under continuous scenario and liquidity test review. The Group thereby continues to effectively risk manage its business strategy and maintain its focus on leveraging its regional brand presence to optimize portfolio performance once markets bounce back.

Chairman's Statement (continued)

To this end, the Board of Directors do not recommend the payment of a dividend for the year 2020.

The Company and its subsidiaries contributed to the revenues of the governments of Kenya, Tanzania and Uganda in 2020. During the year, the Group contributed in aggregate the equivalent of KShs. 591 million (2019: KShs. 1.88 billion) in direct and indirect taxes; and KShs. 308 million (2019: KShs. 427 million) in royalties and rents to the revenues of counties and local authorities in the various jurisdictions in the Eastern Africa region.

As we navigate this unprecedented crisis, the Board and Management remain confident that the Company's strategy of emphasizing quality and timely refurbishments of our City Hotels in Nairobi, Kampala and Dar es Salaam since year 2017, clearly positions the brand for sustainable regional growth in the years ahead. Expansion of the Serena's regional footprint and brand through the opening of Goma Serena Hotel in the Democratic Republic of Congo under a Management Agreement took place in September 2020 and the product has been well received in the market.

Notwithstanding the pandemic, the Group will progress essential property maintenance across the Serena portfolio, whilst continuing to nurture its Human Resource Management (HRM) practices; and promote sound Corporate Social Responsibility (CSR) programs which complement our short to medium term strategic focus. At the same time, the Company continues to pursue new business opportunities aligned to its diversification strategy, including extending its marketing and sales outreach to non-traditional source markets. Additional details on the CSR programs and initiatives are incorporated in the Managing Director's Statement included at pages 17 to 18 of this Annual Report.

On behalf of the Board and Management, I wish to plead with the respective East African Governments to formulate effective and appropriate economic stimulus programs for short and medium-term deployment, so as to re-energise tourism and other related ancillary sectors and ameliorate the difficult and unprecedented setback even as the hospitality sector, locally, regionally and indeed globally, embraces and adjusts to the 'new normal'.

I would also like to recognise with gratitude, the vital support, confidence, loyalty and trust that Serena Hotels has continued to receive from our shareholders, staff, customers and other stakeholders within the industry who have had to take on various sacrifices during this challenging period. Without that loyalty and self-sacrifice, our situation would have been difficult indeed and we at Serena look forward to this continued support during the year 2021 and beyond.

I would also like to acknowledge, with appreciation, the invaluable support that I continue to receive from my colleagues on the Board which has helped to successfully steer the Group's business activities and strategies during the year 2020. To this end it would be appropriate to recognise Mrs. Teddy Hollo Mapunda who sadly died on 4th May 2021. Mrs. Mapunda was an extremely valuable member of the TPSEAP Board and served the Company with exemplary dedication following her appointment on the Board in 2014. Our prayers and thoughts are with her family and friends during this difficult period even as we continue to beseech the Almighty to rest her departed soul in eternal peace.

In conclusion, on behalf of the Board, I would like to thank the Company's Management and Staff for their continued diligence and dedication during the year 2020 and beyond.

FRANCIS OKOMO-OKELLO
CHAIRMAN

Rumoka restaurant at Goma Serena Hotel

Taarifa ya Mwenyekiti

BW FRANCIS OKOMO-OKELLO
MWENYEKITI

Kwa niaba ya Halmashauri ya Wakurugenzi wa TPS Eastern Africa PLC (TPSEA/ Kampuni/ kundi) , ni fahari, hadhi na fursa kuwaletea ripoti ya mwaka na taarifa za matumizi ya pesa ya kundi kwa kipindi cha mwaka uliomalizika Desemba 31, 2020.

Kabla ya kuingia kwa janga la Korona, (Covid- 19) mwaka 2020 taharuki ilianza kuingia hasa kwenye kitengo cha masoko ya utalii wa kigeni na hasa kituo cha Kenya na zaidi kanda nzima ya Afrika Mashariki. Upanuzi wa masoko ya kampuni pia ulikuwa umepangwa kikamilifu ili kuafikia ukuaji katika kitengo cha mashirika na mikutano kufuatia ukarabati wa hoteli zetu za miji ya Nairobi na Kampala. Kwa hali za kawaida, ukarabati huu ungezalisha nafasi zaidi za upatikanaji wa mapato ya ziada kipindi cha mwaka 2020.

Kwa masikitiko, huku janga likiendelea kuwepo na kuenea kote ulimwenguni, kama ilivyo kwenye waendeshaji biashara wengine katika sekta hii, kampuni ilikumbwa na usumbufu mkubwa na ilijiandaa kwa kipindi kigumu kisichotarajiwa mwaka 2020. Raslimali za TPSEAL zilishuhudia kufutiliwa mbali kwa safari kutokana na sababu mbali mbali zikiwemo: kusitishwa kwa safari za ndege katika chimbuko la masoko, kuingizwa kwa sera za afya ya umma ulimwenguni na kuathiri safari za kimataifa, tahadhari zilizochukuliwa na utawala wa serikali za mataifa ya Afrika Mashariki na kufungwa kwa wingi kwa safari miongoni mwa wasafiri wa mashirika ya kimataifa na watalii.

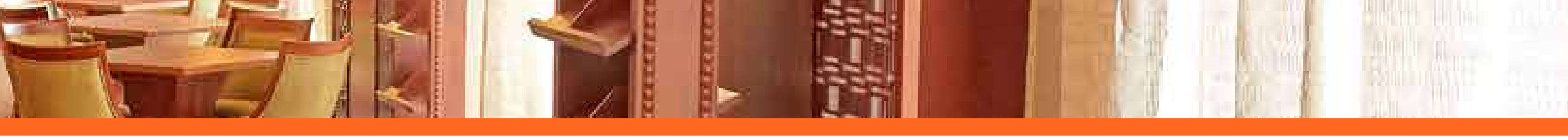
Kwa bahati mbaya, tofauti na changamoto za hapo awali zilizokabili biashara ikiwemo uvamizi wa magaidi na taharuki za kisiasa, upeo kama huu haukuwa umetarajiwa na athari zake hazikujulikana hivyo kupelekea mwaka 2020 kuwa na uharibifu katika sekta ya mahoteli ulimwenguni.

Kwa hakika, mazingira ya utekelezaji wakati wa kipindi cha janga yanatuhitaji sote katika halmashuri na usimamizi kuwa na mtazamo dhabiti wa kukabiliana na janga hili, kwamba, maamuzi yanayohusu wateja na wafanyakazi yatatekelzwa vyema na kuboreshwa kadri iwezekanavyo. Kutokana na kushuka haraka kwa viwango vya biashara yetu na wakati huo masharti yaliyowekwa na serikali (yanayozidi kuibuka mwaka 2021) maamuzi makali yalihitaji kufanywa mwaka 2020 na kupelekea kufungwa kwa muda kwa raslimali za Serena kuanzia mwezi Aprili hadi Juni mwaka 2020 hivyo kulazimisha kupunguzwa kwa gharama za utekelezaji (kama vile gharama za ulipaji mishahara na kandarasi za wauzaji wa bidhaa) na kusitisha uwekezaji usio wa lazima ili kulinda matumizi ya pesa.

Hata hivyo,taarifa za serikali za mataifa ya Afrika Mashariki kuondoa vikwazo na kufunguliwa pole pole kwa uchumi zilipelekea kurejelewa kwa raslimali nyingi za Serena ingawa kwa viwango vidogo tangu Julai 2020. Maombi ya vyumba yanaendelea kufanywa kwa muda mfupi , ada zingali katika viwango vya chini kwani kitengo ambacho kingali kinahudumu kinahusu soko la humu nchini. Kufuatia mwisho wa kipindi kigumu cha mwaka 2020, utalii wa kimataifa uliathirika zaidi hasa mwanzo wa mwaka 2021 huku mataifa yakizidi kukaza kamba masharti ya usafiri kufuatia kuzuka kwa wimbi jipya . Kwa bahati mbaya, hali kuhusiana na biashara ni ngumu na tuna safari ndefu kabla ya janga kudhibitiwa.

Ripoti za kutia matumaini zinaonyesha kwamba, huku idadi ya upimaji na teknolojia zikiimarika na idadi ya watu waliopimwa ikiongezeka katika mataifa ya Afrika Mashariki na masoko yetu ya biashara, uwezekano wa kufungua tena uchukuzi wa anga na kuondoa vikwazo vya karantini zinazingatiwa na halmashauri mbali mbali za miliki tofauti. Pia, ripoti zinaashiria kwamba huku sekta ya usafiri ikijiandaa kwa mwendo wa chini na wa kasi kipindi cha tatu na cha nne mwaka 2021 ili kuthibiti COVID-19 na "kufufua injini za utalii", matumaini yangali "hai" kwenye masoko ya biashara hali inayotia moyo. Bila kujali changamoto zozote kubwa, wadau wetu wa biashara wana imani kwamba mahitaji ya usafiri yataimarika tena pindi idadi ya visa itakaposhuka chini kufuatia zoezi la utoaji chanjo linaloendelea. Soko la mashirika linatarajiwa kuinuka tena mapema kuliko ilivyotarajiwa dhidi ya lile la starehe wakati sekta mbali mbali za biashara zitakapokuwa na shughuli nyingi.

Wakati wa kipindi cha mwaka unaoangaziwa, TPSEAL Eastern Africa PLC ilisajili mapato ya jumla ya Kshs. bilioni 2.0 (2019 yalikuwa Kshs bilioni 6.8) na "hasara kabla ya tofauti ya ubadilishanaji pesa, riba, kushuka, matokeo ya washirika na ushuru" ya Kshs. milioni 438 chini kwa asilimia 143% (2019 : faida ya Kshs. bilioni 1) . huku hatua kadhaa zikichukuliwa kupunguza gharama zilizowekwa za utekelezaji kama ilivyoonyeshwa awali, haingeweza kukabiliana na mapato yaliyopotea hivyo kuathiri mtirirko wa pesa. Kupitia msaada maalum



Taarifa ya Mwenyekiti (kuendelea)

kutoka kwa wafadhili wake wakuu, kundi liliweza kuahirisha malipo ya madeni ya wakopsehaji wake wakuu huku likichukua mikopo zaidi kuliwezesha kusaidia shughuli zake chini ya hali ngumu. Mipango inayofaa imewekwa chini ya hali inavyoendelea na tathmini kuhusu mtaji. Kwa sababu hiyo, kundi linaendelea kuchukua tahadhari kulinda mkakati wake wa biashara na kudumisha mwelekeo wake kuzuia hatari na kuwekeza kwenye bidhaa zake za kanda kuimarisha matokeo yake mara tu masoko yatakarejelea hali yake.

Kufikia sasa, halmashauri ya wakurugenzi haitoi pendekezo la malipo yoyote ya mgawo wa faida mwaka 2020.

Kampuni na washirika wake tanzu zilichangia pakubwa mapato ya serikali za mataifa ya Kenya, Tanzania na Uganda mwaka 2020. Wakati wa kipindi hiki cha mwaka, kundi lilitoa malipo sawa na Kshs. milioni 591 (2019 zilikuwa Kshs.bilioni 1.88) kama ushuru wa moja kwa moja au usio wa moja kwa moja na Kshs milioni 308 (mwaka 2019 ulikuwa Kshs milioni 427) kama mapato kwa kaunti na serikali za mitaa, ridhaa na ada za ukodishaji maeneo mbali mbali ya utawala Afrika Mashariki.

Huku tunapombana na hatari hii isiyo ya kawaida, halmashauri na usimamiz zina imani kwamba, mkakati wa kampuni kusisitiza thamani na ukarabati kwa wakati unaofaa wa hoteli zetu miji ya Nairobi, Kampala na Dar es Salaam tangu mwaka 2017 unaweka bidhaa zetu mahali pema kwa ukuaji thabiti wa kanda miaka inayokuja. Upanuzi wa upeo wa Serena katika kanda na bidhaa kupitia ufunguzi wa Goma Serena Hotel huko Jamhuri ya Kidemokrasia ya Congo chini ya makubaliano ya usimamizi ulifanyika mwezi Septemba 2020. Hoteli hii imepokelewa vyema masokoni.

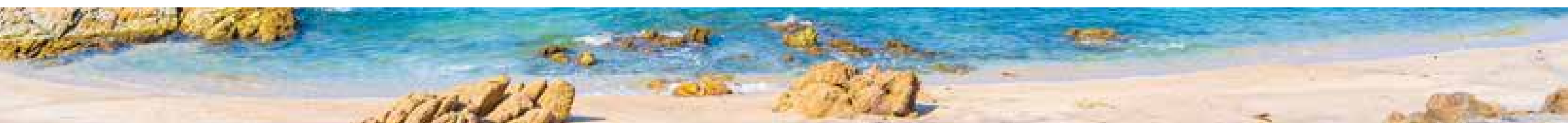
Bila kujali COVID-19, kundi limejiweka vyema kuendeleza mipango yake iliyowekwa kote katika maeneo ya biashara za Serena huku likizidi kulea na kuwekeza kwenye kitengo cha usimamizi wa mswala ya wafanyakazi (HRM) na kudumisha mipango yake ya maslahi ya jamii (CSR) ambayo inazidi kuongezea nguvu mkakati wetu wa muda mfupi na wa kadri. Wakati huo, kampuni inaendelea kutafuta mbinu mpya za kibiashara kufungamana na sera zake za upanuzi na mkakati. Hali hii itapanua nafasi za uvumishaji na mauzo kwa vituo vya masoko yasiyo ya kawaida. Maelezo zaidi kuhusu usimamizi wa wafanyakazi (HRM) na shughuli za mipango ya maslahi ya jamii (CSR) na mikakati zimeambatanishwa kupitia kurasa 19 hadi 21 za taarifa ya meneja mkurugenzi.

Licha ya athari za janga hili, hoteli za Serena zilipokea tuzo kadhaa na hadhi za kitaifa na kimataifa kama ilivyojumuishwa kupitia ukurasa wa xx wa ripoti hii ya Mwaka.

Maombi na fikra zetu ziwaendee wale ambao wameathriwa na janga hili lisilotarajiwa la COVID-19. Pia, tungependa kutoa shukrani zetu za dhati kwa wahudumu wa afya, watafiti wanasayansi, jamii za humu, serikali za Afrika Mashariki, Afrika kwa jumla na ulimwengu mzima kwa kujitolea kwao kupambana na janga hili. Tumejaribu kutekeleza wajibu wetu tunavyoweza wakati wa kipindi hiki kwa kutoa mchango kwa wahudumu kadhaa na pia vyakula kwenye mipango mbali mbali ya kupambana na janga.

Kwa niaba ya Halmashauri ya bodi na wakurugenzi, ningependa kusihi Serikali husika za Afrika Mashariki kubuni mipango madhubuti na mipana ya kuchochea ukuaji wa uchumi itakayotumika kwa kipindi cha kadri na kirefu kufufua utalii na sekta nyinginezo husika na kufifisha visiki vigumu na visivyotarajiwa wakati huu ambapo sekta ya hoteli na utalii kote katika ukanda huu na

Bambara restaurant at Goma Serena Hotel



hata ulimwenguni inapokumbatia na kujirekebisha kulingana na mabadiliko haya mapya.

Pia, ningependa kutambua kwa dhati mchango maalum, imani na uaminifu ambao hoteli za Serena zinaendelea kupokea kutoka kwa wanahisa wetu, wafanyakazi na washika dau wengine kwenye biashara ambao wamejitoa mhanga wakati wa kipindi hiki chenye changamoto. Sisi katika Serena tunatumai kuendelea kupata mchango huu kipindi cha mwaka 2021.

Pia ningependa kutambua mchango maalum kutoka kwa Bi. Teddy Mapunda, Mkurugenzi aliyefariki dunia tarehe 04.05.2021. Mafikira na maombi yetu imeangaziwa kwa familia yake wakati huu wa maombolezi.

Kwa kuhitimisha, kwa niaba ya halmashauri, ningependa kutoa shukrani zangu kwa usimamizi wa kampuni na wafanyakazi kwa kujitolea kwao mwaka 2020 na hata siku za usoni. Pia, ningependa kutambua kwa dhati mchango ambao ninaendelea kupokea kutoka kwa wanahalmashauri wenzangu ambao umesadia kikamilifu uendeshaji wa shughuli za biashara na mikakati kipindi cha mwaka 2020.

FRANCIS OKOMO-OKELLO
MWENYEKITI

Rumoka restaurant at Goma Serena Hotel

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Prior to the COVID-19 pandemic, the year 2020 commenced with cautious optimism and was forecast to be a healthy year for the Group particularly from the foreign leisure, corporate and indeed conference market segments following the recent refurbishments of our City Hotels in Nairobi and Kampala.

The last few years have certainly provided a stern test for companies operating in East Africa's tourism industry but not to the magnitude that COVID-19 pandemic has done. Unlike past incidents which perhaps sometimes only impacted a single country, this devastating pandemic has remorselessly impacted Serena Hotels throughout our East African operations during the year 2020 and beyond. The Group's properties in East Africa were temporarily closed at the end of March 2020 in compliance with the respective East African governments' directives and protocols aimed at containing the spread of the novel virus.

As the East African governments began to ease directives and gradually re-open their respective economies, Management was well positioned to re-open Serena properties in a strategic, yet tactical manner, on a scaled down operating basis from July 2020 onwards. As our properties re-opened, we had to swiftly adapt to a new operating landscape complemented by efficient use of technology to meet our guests' expectations in the context of the 'new normal'.

Bookings have been at very short lead times and rates are well below market norms as supply of rooms available exceeds demand and competitor properties that are open are offering extremely low rates. Our sales and marketing campaigns will continue to target the domestic and regional business, as international travel gradually starts to pick up. As worldwide attention focuses on demystifying the COVID-19 virus and positively forecasting the future of travel, the Group will continue to embark on creative sales and marketing initiatives across our evolving channels of trade, with increased emphasis being placed on growing our digital marketing strategy. In this way, we will pursue new and exciting business opportunities, enlist new source markets, increase our brand outreach and thus, drive repeat and incremental business.

Unfortunately, the major challenge at the moment is not being able to predict the immediate, short and mid-term business outlook as the situation keeps evolving (e.g. our experiencing of the second and third waves of the pandemic, as well as the new Covid-19 variants in our source markets) resulting in changes in restrictions being announced with shorter notice and/or without notice by governments within East Africa and the source markets as well as by airlines. The uncertainty makes forecasting exceptionally difficult.

As a consequence, during the year under review, TPS Eastern Africa PLC achieved a turnover of KShs. 2.0 billion (2019: KShs. 6.8 billion), and 'loss before depreciation, finance costs, results of associates and income tax expense' of KShs. 438 million compared to a profit of KShs. 1 billion, for the same period last year. Naturally, the Board and Management have been following the evolution of the pandemic situation very closely, including its growing impact on our business and operating models across our East African portfolio. In anticipation of significantly curtailed business levels during the year 2020, Management introduced 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. As long-term investors and given our commitment to destination East Africa, we continue to believe that execution of these initiatives will enable us to carefully mitigate risk, optimize portfolio performance over time, and passionately grow our market share once again in the future's 'new normal'.

While operating in a fast-changing industry that continues to be severely impacted by Covid-19 has been quite challenging, we are confident that Serena Hotels will re-emerge and bounce back, as soon as business returns to a 'new normal'. To this end, our team is leveraging on the resultant downtime to continuously review, reassess and remodel our business and operating models to further enrich changing ways of meeting customers' personalized needs and expectations post-pandemic.

On a positive note, we believe that in view of the global vaccine

roll-out, easier testing, acceptance that we need to 'learn to live with the virus' for the survival of the various companies and other economic actors along the value chain and the pent up demand in regional and international travel we should, barring any other major challenges, expect a turnaround in our performance, perhaps from the third or fourth quarter of the year 2021.

Serena Hotels have a long tradition of maintaining high standards of hygiene, safety and comfort in our guest rooms, public spaces and back of house operations as we fully understand that the health, safety and comfort of our guests, staff and partners remains of utmost importance. This principle and practice continues to guide us in this period of the worldwide COVID-19 pandemic. We have added to our already rigorous hygiene and safety protocols, the appropriate recommendations and compliance measures as prescribed by the Ministries of Health across the East African region and the World Health Organization to minimise the attendant health-related risks.

To this end, we would like to extend our sincere appreciation to PROPARCO, a French Development Institution and a long-term partner with a common vision, that has supported us through a grant to enable Serena Hotels invest in the appropriate COVID-19 related monitoring and sanitary equipment and staff training at all our properties in Africa. Onsite staff training has been conducted by Polucon, an internationally accredited training and audit institution.

Holistically, achieving the above has been key to the protection of our reputation and enhancement of the trust and confidence as well as reassurance of our guests, staff and suppliers of business that high standards of environmental, health and safety measures are in place at all the Serena properties. We have received positive feedback from clients, suppliers of business and Government agencies for the effort. Management believe that these measures will help support the recovery of our hotels across the Eastern Africa region.

Our prayers and thoughts go out to those who have been affected by this unprecedented COVID-19 pandemic. We would also like to extend our heartfelt gratitude and admiration to the healthcare workers, research scientists, local communities, governments of Eastern Africa as well as the rest of Africa and indeed the global community, for working on the front line to contain this pandemic. We have tried to play our modest part during these exceptional times, to the extent possible, by providing meals to some of the frontline staff and food donations towards various pandemic response programs.

Serena Hotels' Corporate Social Responsibility (CSR) and sustainable business practices continue to complement eco-tourism, environmental conservation, re-afforestation, education, public health; and essentially community development right across Eastern Africa region.

I wish to recognize and thank the respective Governments of East Africa for their efforts as they work tirelessly to address and respond to the pandemic. However, to ensure that the regional tourism industry gradually repositions and strengthens destination East Africa, I would like to appeal to governments within the East Africa Region for improved coordination on travel and health protocols amongst the countries. This will be essential to ensure a safe re-start of tourism and restore market confidence amongst citizens, travellers and investors.

May I, on behalf of the Staff and Management, express our sincere appreciation to the Board of Directors for their guidance, diligence, invaluable support, and encouragement during the year 2020. Unfortunately, one of our Directors Mrs. Teddy Hollo Mapunda died on 4th May 2021. The late Mrs. Teddy Mapunda's generosity with her time and valuable advise as TPSEAP Board member will be sadly missed.

Reflecting on the year 2020, I wish to recognise with gratitude, the vital support, sacrifices, confidence, loyalty and trust that Serena Hotels have continued to receive from its shareholders, staff, customers, various regulatory authorities and other stakeholders within the industry and other related ancillary sectors during this exceptionally challenging period. We are stronger together, and we wish you continued safety and good health.

MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Taarifa Kutoka kwa Meneja Mkurugenzi

MR. MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Kabla ya kuingia kwa janga la COVID-19, mwaka 2020 ulianza kwa matumaini na ulitarajiwa kuwa na matokeo mema kwa kundi hasa katika kitengo cha soko la watalii wa mataifa ya kigeni, mashirika na hasa mikutano kufuatia ukarabati wa hivi majuzi wa hoteli zetu za miji ya Nairobi na Kampala.

Miaka michache iliyopita imetoa changamoto kali kwa kampuni zinazotekeleza shughuli zake za biashara ya utalii Afrika Mashariki lakini changamoto hizi haishindi uzito ambao umeletwa na janga la COVID-19. Tofauti na matukio ya hapo awali ambayo kwa wakati mwingine yaliathiri taifa moja, janga hili la kutisha limeathiri hoteli za Serena eneo lote la Afrika Mashariki kipindi cha mwaka 2020 na zaidi. Raslimali za kundi Afrika Mashariki zilifungwa kwa muda mwisho wa mwezi Machi 2020 ili kuafikiana na masharti na itifaki zilizowekwa kwa minajili ya kuthibiti kuenea kwa virusi hivi.

Huku serikali za Afrika Mashariki zikianza kulegeza masharti yaliyowekwa na kufungua pole pole chumi zake, usimamizj ulijjiweka vyema kufungua raslimali za Serena kwa njia na mbinu inayofaa kwa kupunguza shughuli zake kuanzia Julai 2020 na zaidi. Huku raslimali zetu zikifungua tena, ilibidi tujihami kuafikiana na mazingira mapya ambayo yalihitaji matumizi ya teknolojia ili kutimiza matarajio ya wateja wetu kuhusiana na matukio mapya.

Utumaji wa maombi ya vyumba umekuwa ukitolewa muda mfupi na bei kupunguzwa kama ilivyo kawaida. Hii ni kwa sababu soko lililoko sasa ni la watalii wa humu nchini na washindani wanatoza bei ya chini sana. Kampeni zetu za mauzo na uvumishaji zitaendelea kulenga masoko ya nyumbani na biashara za kanda na usafiri wa kimataifa ukuianza kuimarika pole pole. Huku mtazamo wa dunia ukiegemea kukabiliana na virusi vya COVID-19 na kutabiri hali ya usoni ya usafiri, kundi litaendelea kuangazia mikakati ya mauzo na uvumishaji kote katika maeneo yanaoibuka kibiashara na kuongeza juhudi za kukuza mkakati wa uvumishaji kupitia mfumo wa kidijiteli. Kwa njia hiyo, tutaandama nafasi mpya za kibiashara, kusajili masoko mapya, kupanua upeo wa bidhaa zetu hivyo kuhamasisha marudio na ongozeko la biashara.

Kwa bahati mbaya, changamoto iliyoko wakati huu haiwezi haiwezi kutoa taswira ya sasa, ya muda mfupi na wa kadri kuhusu mtazamo wa biashara kwani hali hii inaendelea kubadilika (k.m athari ya wimbi la pili na la tatu la janga pamoja na hali mpya ya COVID-19 kwenye masoko yetu ya biashara) na kusababisha kutolewa kwa makataa inayotolewa kwa kipindi kifupi au bila notisi kutoka kwa serikali za mataifa ya Afrika Mashariki na pia masoko ya biashara na hata wachukuzi wa safari za ndege. Hali hii isiyoeleweka inafanya utabiri kuwa mgumu.

Kuhusiana na matokeo ya mwaka unaoangaziwa, TPS Eastern Africa PLC ilipata mapato ya jumla ya Kshs bilioni 2.0 (2019 yalikuwa Kshs. bilioni 6.8) na "hasara kabla ya tofauti za kiwango cha ubadilishanaji fedha, riba, kufumuka kwa bei, matokeo ya watanzu na ushuru" ya Kshs. Milioni 438 ikilinganishwa na faida ya Kshs. bilioni 1 kipindi sawa na mwaka uliopita. Kama kawaida, Halmashauri na usimamizi wamekuwa wakifuatilia matukio ya hali ya janga kwa karibu sana ikiwemo athari zake zinazoongezeka kuhusiana na biashara yetu na mifumo ya utekelezaji kote katika kanda ya Afrika Mashariki. Kwa kujihami kutokana na kushuka kwa viwango vya biashara wakati wa kipindi cha mwaka 2020, usimamizi ulizindua mipango ya dharura ya kukabiliana na hatari na kupunguza athari za utekelezaji na za kifedha za biashara zetu na kuhakikisha pesa zinasimamiwa kwa uangalivu mkubwa na kuhifadhiwa kote katika kundi. Kama wawekezaji wa muda mrefu na kwa kuzingatia uwajibikaji wetu Afrika Mashariki, tunaendelea kuamini kuwa uzinduzi wa mikakati hii utatuwezesha kudhibiti hatari , kuhamasisha matokeo kwa muda na kupanua upeo wa soko letu kwa mara nyingine kwa "katika hali mpya ya kawaida"

Huku tukitekeleza shughuli katika biashara inayobadilika haraka ambayo imekuwa ikiathiriwa na janga la Covid-19, tuna imani kwamba hoteli za Serena zitarudi na kurejelea hali yake wakati biashara zitarudi katika "hali mpya". Kufikia sasa, timu yetu inatumia vyema kipindi hiki kufanya tathmini ya kila mara, kupiga msasa na kubadili sura ya biashara zake na mbinu za utekelezaji ili kujihami na mabadliko na kuafikiana na matarajio ya wateja baada ya janga.

Jambo la kutia moyo ni kwamba, tunaamini kuwa kufuatia zoezi la utoaji chanjo ulimwenguni , upimaji kwa njia rahisi, kukubali kwamba "tujifunze kuishi na virui" ili kudumisha uwepo wa kampuni mbali mbali kwenye mtandao wa kuzalisha thamani na kuinua mahitaji ya usafiri wa kanda na kimataifa, na kuzuia vikwazo vingine vikubwa, tunafaa kutarajia mabadiliko ya matokeo yetu pengine kuanzia kipindi cha miezi minne ya mwisho mwaka 2021.

Hoteli za Serena zina utamaduni wa muda mrefu wa kuhifadhi viwango vya juu vya usafi, usalama na faraja kwenye vyumba vya wageni, maeneo ya umma na shughuli za nyuma kwani tunatambua kwamba afya, usalama na faraja kwa wateja wetu , wafanyakazi na washirika zinasalia kuwa muhimu sana. Imani hii na utamaduni zinaendelea kutuongoza kipindi hiki cha janga la kimataifa la COVID-19. Tumeongeza kwenye itifaki zetu za usafi na usalama mapendekezo muhimu yaliyotolewa na hatua zilizopendekezwa na wizara ya afya kanda ya Afrika Mashariki na shirika la afya ulimwenguni ili kupunguza athari zinazohusiana na afya.

Kufikia sasa, tungependa kutoa shukrani zetu za dhati kwa taasisi ya maendeleo kutoka Ufaransa kwa jina Proparco ambayo pia ni mshirika wa muda mrefu aliye na maono sawa ambaye ametusaidia kupitia ufadhili kuziwezesha hoteli za Serena kuwekeza kwenye vifaa vya usafi na mafunzo kwa wafanyakazi katika raslimali zetu zote barani Afrika. Mafunzo kupitia mtandao yametolewa na Polucon ambayo ni kituo cha kimataifa cha utoaji mafunzo kilichotambuliwa na pia taasisi ya uhasibu.

Kwa jumla, kuafikia yaliyotajwa hapo juu imekuwa muhimu kulinda sifa zetu, kuhifadhi/ kuimarisha uaminifu na imani na pia kutoa hakikisho kwa wateja wetu, wafanyakazi na wadau wa biashara kwamba viwango vya juu vya mazingira, afya na hatua za usalama zimedumishwa katika raslimali zote za Serena. Tumepokea maoni ya kutia moyo kutoka kwa wateja, wadau wa biashara na mawakala wa serikali kutokana na juhudi hizi. Usimamizi unaamini kwamba hatua hizi zitasaidia kuinua tena hoteli zetu kote katika kanda ya Afrika Mashariki.

Mawazo yetu na maombi yawaendee wote walioathiriwa na janga hili lisilotarajiwa. Shukrani zetu za dhati na pongezi ziwaendee wahudumu wote wa afya, wanasayansi watafiti, jamii za kimataifa, serikali za Afrika Mashariki, Afrika kwa jumla na hasa jamii ya kimataifa kwa ujasiri na kuwa kwenye msitari wa mbele wakati huu wa janga la COVID-19.

Wajibu wa hoteli za Serena kwenye maslahi ya jamii (CSR) na udumishaji wa taratibu zinazofaa za biashara unaendelea kuchangia utalii wa mimea na wanyama, uhifadhi wa mazingira, upandaji miti , mafunzo, afya ya umma na maendeleo muhimu ya jamii katika eneo lote la Afrika Mashariki.

Ninegependa kutambua na kuzishukuru serikali za Afrika Mashariki kwa juhudi zao wanapofanya kazi kwa bidii kukabiliana na janga hili. Hata hivo, ili kuhakikisha kwamba biashara ya utalii wa kanda inarejelea hali yake na kukifanya kituo cha Afrika Mashariki kuimarika, ningependa kutoa wito kwa serikali za kanda hii kuimarisha ushirikiano wa masharti ya usafiri na afya miongoni mwa mataifa yetu. Hii itakuwa muhimu kuhakikisha kurejelewa salama kwa utalii na kurejesha imani ya soko miongoni mwa wananchi, watalii na wawekezaji.

Nairobi Serena Hotel "new look"

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

Kwa niaba ya wafanyakazi na usimamizi, ningependa kutambua na kushukuru wakurugenzi kwa uongozi wao mwema na busara katika mwaka 2020. Kwa bahati Mbaya, mmoja wa Wakurugenzi Bi. Teddy Mapunda alifariki dunia tarehe 04.05.2021. Bi. Mapunda atakumbukwa kwa kujitolea na ukarimu wake alipohudumu.

Kwa kuangazia mwaka 2020, ningependa kutambua kwa dhati mchango muhimu, imani na umaninfu ambao Serena imekuwa ikiendelea kupokea kutoka kwa wanahisa, wafanyakazi, wateja, halmashauri mbali mbali za utawala na wadau wengine kwenye sekta hii na nyingine husika kutokana na kujitolea kwao wakati huu wa kipindi hiki chenye changamoto. Tuna nguvu tukiwa pamoja na tunakutakia usalama na afya njema.

MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Lake Victoria Serena Resort, Uganda

Board of Directors

1

MR. FRANCIS OKOMO-OKELLO – Chairman 1

Mr. Okello (aged 71 yrs) is a qualified lawyer. He holds an LLB degree from the University of Dar-es-Salaam. He is an Albert Parvin Fellow of Princeton University, Woodrow Wilson School of Public and International Affairs (USA) and a Fellow of The Kenya Institute of Bankers (FKIB). He is an independent Non-Executive Director of Absa Group Limited (formerly Barclays Africa Group Limited), Absa Bank Limited (South Africa) and the immediate former Chairman of Absa Bank Kenya PLC (formerly Barclays Bank of Kenya PLC). He is also a Director of the Nation Media Group Limited, among other Companies. He is a member of the Advisory Board of Strathmore Business School, Strathmore University – Nairobi and also is a member of the Advisory Committee of the Aga Khan University, Faculty of Arts and Sciences – East Africa. He is currently an Executive Director at Industrial Promotion Services Group (East Africa).

2

MR. MAHMUD JAN MOHAMED – Managing Director 2

Mr. Jan Mohamed (aged 68 yrs) has vast experience in the hotel industry in Europe, USA, Africa and Asia. He is the Chief Executive, TPS Group of Companies in Eastern Africa. He is the founder Chairman of the Kenya Tourism Federation, Trustee of the East African Wildlife Society, Director of British America Tobacco Kenya, TPS Central Asia, Mountain Lodges Limited and a member of the East Africa Association advisory council. He is an associate member of the Hotel Catering Institutional Management Association (UK) and a member of the Cornell Hotel Society (USA).

3

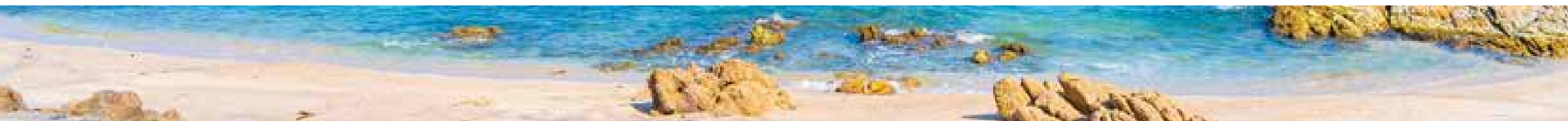
MR. NOOREN HIRJANI - Chief Financial Officer 3

Mr. Hirjani (Aged 54 yrs) is an Associate of the Institute of Chartered Accountants in England & Wales and holds a BA (Honors) degree from Manchester University. He is a senior finance executive with over 20 years' relevant experience from the United Kingdom, United Arab Emirates, Bahrain, Qatar and East Africa markets. Previously, Mr. Hirjani served in senior positions at Marston's PLC, Carlsberg UK, Merlin Entertainments PLC, Lagan Group, Dubai Holdings, Gulf Finance House; and Qatar Foundation. He is a member of ICPAK.

4

MR. AMEER KASSIM-LAKHA - Non-executive Director 4

Mr. Kassim-Lakha (aged 87 yrs) is a life member of the Institute of Chartered Accountants in England and Wales; a Fellow of the Institute of Certified Public Accountants of Kenya; an Associate Member of the Chartered Institute of Arbitrators (Rtd) and OPM (Harvard). He is a past Chairman of the Institute of Certified Public Accountants of Kenya and The Association of Professional Societies in East Africa. In 2016 he received ICPAK Award of selfless service to the Institute and the Accounting profession He is a past Vice-Chairman of the Professional Centre. He is a co-sponsor of the Kenya College of Accountancy now KCA University. He is a past Chairman of Industrial Promotion Services (Kenya) Limited and Aga Khan Hospitals Mombasa and Kisumu.



Board of Directors (continued)

5

MR. MAHMOOD PYARALI MANJI - Non-executive Director 5

Mr Manji (aged 67 yrs) is a Fellow of the Institute of Chartered Accountants in England and Wales and the Kenyan Institute of Bankers. He is the Chairman of Towertech Africa Limited and the Regional Chairman of the Aga Khan Education Services in Kenya and Uganda. He is the former Chairman of The Diamond Trust Banks in East Africa and a Director of the Capital Markets Authority in Kenya. In December 2012, Mr Manji was awarded the Order of the Grand Warrior of Kenya (OGW) by His Excellency the President of the Republic of Kenya, in recognition of distinguished services rendered to the nation.

6

MR. GUEDI AINACHE - Non-executive Director 6

Mr. Guédi Aïnaché (aged 45 yrs) holds a Masters Degree in Audit and Risk Management from the University of Angers, France and he is also a graduate of Economic Science, from the University of Le Mans, France. Currently he is the Corporate Finance Director at MMD Investments Limited. He has previously worked with PTA Bank as Head of Syndication, based in Nairobi, PROPARCO in Nairobi as Regional Head for East Africa and in Paris as Senior Investment Officer within the Corporate Division handling various large corporate financing transactions across various regions in Africa, Latin America & Asia and as an Associate Director with Crédit Agricole Corporate and Investment Bank in France.

7

MR. JEAN-BENOIT DU CHALARD – Non-Executive Director 7

Mr. Du Chalard (aged 41 yrs) is an MBA graduate from ESSEC Business School in Paris. He is currently the Regional Head of PROPARCO in East Africa. Previously, he served as a Financial Engineer in charge of municipal debt management then as a Project Finance Analyst on infrastructure at DEXIA Credit Local, a French-Belgian Bank. He joined the AFD Group in 2009 as an Investment Officer in charge of monitoring and supervising transactions in Asia. He also served in Bangladesh under the AFD Group as a Country Representative in charge of opening the Country's office and providing financial support to Bangladesh Government for the provision of water and sanitation services, power, transport and urban development.

8

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

Mr. Ng'ang'a (aged 46 yrs) holds a Bachelor of Commerce (Accounting) Degree from KCA University. He is a CPA finalist and a Certified Public Secretary CPS (K). He is also a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).

Corporate Governance Statement

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

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

BOARD OF DIRECTORS

The Board consisted of eight substantive directors as at 31 December, 2020. The Chairman is a Non-Executive director. A majority of the directors are Non-Executive and independent, a manifestation that the interests of the minority shareholders are taken into consideration. There are two executive directors, i.e. the Managing Director and Chief Financial officer. Re-election and appointment of directors is subject to the provisions of the Company's Articles of Association and CMA Guidelines. The directors have a wide breadth and depth of business and professional skills and experience, and each contributes independently and collectively to the Board's deliberations. The directors meet at least four (4) times a year in accordance with the Board's Charter. In addition, the Board holds special meetings to deliberate on issues of strategic importance, or as required by statute, or in compliance with the requirements of regulatory authorities.

The Board held four (4) scheduled Board meetings in 2020 attended by directors as indicated below:

	NAME OF DIRECTOR	NO. OF BOARD MEETINGS ATTENDED
1	Francis Okomo-Okello	4
2	Mahmud Jan Mohamed	4
3	Teddy Mapunda (Mrs)	1
4	Ameer Kassim-Lakha	3
5	Guedi Ainache	3
6	Mahmood Manji	4
7	Nooren Hirjani	4
8	Jean-Benoit Du Chalard	3

Notes:

1. Four (4) Board meetings were held in 2020 (2019 : 5).
2. Due to the Covid-19 pandemic, all Board meetings were virtually held via electronic communication.

Management provides the directors with adequate notice of Board meetings and timely information so that the directors are duly informed and able to contribute constructively at Board meetings. This also enables the directors to maintain effective oversight and control over strategic, financial, operational, and compliance matters. The separation of the Board's Non-Executive, independent Chairman's role from that of the Group's management obviates the possibility of conflict between the respective roles of the Chairman and those of the executive Managing Director. This segregation strengthens the Board's independence and further ensures in-built checks and balances. Consequently, the Board continued to maximize shareholders' value whilst maintaining the long-term sustainability of the TPS Group through active leadership particularly during this most challenging pandemic year 2020.

The Company's shareholders re-elected Messrs Francis Okomo-Okello, Ameer Kassim-Lakha, and Mrs. Teddy Mapunda, as directors of TPSEAP Board at the last Annual General Meeting, held on 30th June, 2020.

On 4th May, 2021, sadly, Mrs. Teddy Mapunda died and this regrettably reduced the number of substantive directors of the Company to seven (7).

Corporate Governance Statement (continued)

BOARD OF DIRECTORS' OVERSIGHT ROLE

As noted above, the Board provides direction on policy and oversight in respect of the Group's internal controls, strategy, finance, operations, budgets and compliance matters in order to ensure sustainable returns to the shareholders. The Board, in collaboration with Management, carries out periodic reviews comparing actual performance with set targets and takes corrective measures where necessary, to ensure that the Company's business performance is optimized. As at the date of this report i.e 31.12.2020, the Company had no known trends that would have material effect on the financial position and operations of the Company in the future. However as noted elsewhere in the Report, the outbreak of Covid-19 pandemic has and continues to fundamentally change the financial position and operations of the Company now and as we assess the future.

BOARD COMMITTEES

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

BOARD AUDIT COMMITTEE

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

The Board authorized the Committee to seek direct feedback from the Company's employees and independent professionals, whenever necessary, regarding important information or advice on matters pertaining to its work. The Board reviewed the membership of the Committee during the year under review in accordance with the CMA Guidelines as well as the Committee's own ToR. The Committee held three (3) scheduled meetings during the year under review. External auditors and the Management Team also attended the Committee's meetings as required to deal with and /or respond to specific matters under review. The Committee also meets with the external auditors independently of the Management Team in assessing key audit and risk management matters.

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

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

BOARD NOMINATION AND REMUNERATION COMMITTEE

The Committee's membership comprised: Mr. Guedi Ainache (Chairman), Mr. Mahmood Manji, and Mrs. Teddy Mapunda. The Board mandated the Committee to consult independent experts, where necessary, to evaluate the Company's organizational structure and staff establishments and recommend to the Board appropriate Human Resources policies, senior employee's remuneration scales and general talent capacity enhancement. The Committee held one (1) scheduled meeting during 2020.

The Board mandates the Committee to propose nominees for appointment to the Board as may be required from time to time, and to assess the effectiveness of the Board, Committees of the Board, as well as individual directors and make necessary recommendations to the Board to enhance the overall effectiveness of the Board's governance. This is effectively undertaken in liaison with an external consultant.

The Committee liaises with an external Consultant to ensure that a Board evaluation exercise is undertaken every two years to independently assess the performance of the Board and its Committees, the Board Chairman, the Managing Director, individual directors and the Company Secretary. Any areas of improvement recommended as consequence of the evaluation are carefully addressed with a view to improving the Board's overall effectiveness and performance. The last Board evaluation exercise was undertaken in 2019 and thus the next similar is planned for 2021.

Corporate Governance Statement (continued)

INTERNAL CONTROLS

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

COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

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

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

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

DIRECTORS' EMOLUMENTS AND LOANS

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

DIRECTORS' INTEREST

There were no material contracts involving directors' interests during the year ended 31st December 2020 nor indeed in the previous financial year (2019). However, some directors remain longstanding minority shareholders of the Company as at 31st December, 2020 (and 2019) as shown below:

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

CONFLICT OF INTEREST

In line with the established corporate governance best practice within the Company, the Directors were required to disclose any areas of conflict(s) of interest during the year 2020. The Directors are also required to refrain from contributing to discussions and voting on matters in which they have, or could have any such conflict. In addition, the directors are required, on an ongoing basis, to notify the Company Secretary of and declare in advance, any potential conflicts of interest whether from other directorships, shareholdings, associations, and/or conflicts arising from any specific transactions. The Company Secretary maintains and updates a register of such interests as part of the Company's corporate records.

OTHER DISCLOSURES

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

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

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

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

The Company has complied with most of the provisions under the new code of corporate governance save for a few areas which include for example; governance audit, and legal & compliance audits which are slated for implementation in 2021.

OTHER CORPORATE INFORMATION

The Company and its subsidiaries in Kenya, Uganda, Tanzania, Zanzibar and South Africa had a total of 2,692 employees. TPSEAP is a holding Company and did not own any land and buildings during the year under review.

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

Goma Serena Hotel

Corporate Governance Statement (continued)

SHAREHOLDERS' PROFILE AS AT 31 DECEMBER 2020

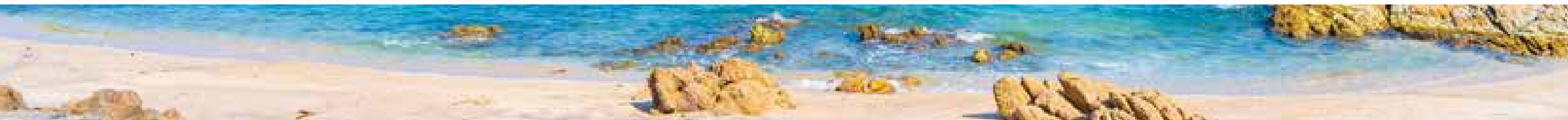
	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Aga Khan Fund for Economic Development,S.A	82,048,626	45.04
2	Pyrus Investments Limited	12,470,400	6.85
3	Standard Chartered Nominee Account 9292-GCS	10,892,900	5.98
4	Craysell Investments Limited	8,009,832	4.40
5	Industrial Promotion Services (Kenya) Limited	7,697,088	4.23
6	The Jubilee Insurance Company of Kenya Limited	7,435,800	4.08
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	34,575,578	18.97
		182,174,108	100.00

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2020

	NO. OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Less than 500 shares	3,326	446,865	0.25
500 - 5000 shares	4,683	6,283,632	3.45
5001 - 10,000 shares	189	1,373,243	0.75
10,001 - 100,000 shares	205	5,838,460	3.21
100,001 - 1,000,000 shares	35	11,307,022	6.20
Over 1,000,000 shares	15	156,924,886	86.14
	8,453	182,174,108	100.00

SHAREHOLDER CATEGORIES

	NO.OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Foreign Investors	156	122,466,657	67.23
Local Institutions	451	44,518,586	24.44
Local Individuals	7,846	15,188,865	8.33
	8,453	182,174,108	100.00



Corporate Social Responsibility in East Africa

Despite the adverse effects of the pandemic the Company's daily interactions, business processes and developments continue to be guided by an environmental policy focusing on actions related to climate change, water and energy conservation, air emissions, reducing and recycling waste to the extent possible, species conservation, restoration of natural habitats and respect for local tradition, culture and heritage.

Programs and initiatives remain fully aligned to achieving the Sustainable Development Goals (SDGs) set out by the United Nations Development Programme (UNDP) and our efforts are aimed to inspire our various stakeholders to take a wider consideration encompassing a long-term view when making business decisions.

ENVIRONMENTAL INITIATIVES AND IMPACT:

- Our operations in Kenya, Tanzania, Uganda and Rwanda cumulatively recorded carbon emissions [under Scope 1 (direct emissions) and Scope 2 (indirect emissions) as defined under the Greenhouse Gas Protocol] of 10,798 tCO$_2$e (metric tonnes of carbon dioxide equivalent) in year 2020 (2019: 19,347 tCO$_2$e). The 44% drop in carbon emissions in year 2020 relative to 2019 is largely due to reduced business levels being a pandemic year.
- Our reforestation commitment has been in place since year 1991. Approximately 6.7 million trees have been planted in East Africa by our guests, staff and the local community school children. Each Serena property has its own seedling nursery and our efforts have been focused on reforestation while in the recent past, on agroforestry which includes the planting of fruit and herb trees. Whilst contributing towards reducing our carbon footprint, it is hoped that this will enhance food security.
- Renewable Energy: Currently, Kilaguni Serena (since July 2017), Amboseli Serena (since July 2018) and Mara Serena (since December 2019) are fully solar powered (off-grid solar system); Lake Elmenteita Serena and Sweetwaters Serena are on a grid-tied solar system and 4 other Serena properties have solar water heating systems. From July 2017 until 31 December 2020, our efforts on clean renewable energy has resulted in elimination of 2,919 tCO$_2$e; and to put this into perspective, to extract this amount of carbon dioxide from the environment naturally, 88,455 trees would be required over 10 years.
- Water conservation is achieved through efficient laundry and kitchen washing process formulations and waste water recycling. Treated effluent water is re-used for irrigation and the excess effluent is let back into the environment.
- Our sea turtle conservation program plays a vital role within the ocean eco-system that directly/indirectly positively contributes towards the climate change agenda. Over the last 28 years, 61,931 turtle hatchlings have been released into the Indian ocean.
- At our butterfly conservation sanctuary, we breed 65 species and over the last 17 years we have released 398,995 butterflies into the coastal environment.
- Research indicates that plastic pollution is a 'climate issue', an 'ocean issue', and a 'human health issue' as micro plastics enter our food chain. Serena Hotels has made conscious efforts to reduce 'Single Use Plastic' since year 2016 through initiatives such as: transitioning to a large format of guest amenities that replaces the traditional single-use miniature bottled shampoo, shower gel and lotion resulting in 230,000 bottles eliminated per annum; elimination of plastic straws; and transitioning to the use of glass mineral water bottles from single-use plastic mineral water bottles.
- Clean-ups on the beach, national parks and conservancies takes place on a regular basis and ongoing waste management and recycling programs are in place to the extent possible.

COMMUNITY SUPPORT AND DEVELOPMENT:

- We have played our modest part during these exceptional times, to the extent possible, by providing meals to some of the community frontline workers and food donations towards various pandemic response programs.
- Our procurement strategy is to provide priority to local sourcing. We encourage and promote local community-based suppliers including companies that support small scale producers and dis-advantaged groups. Our suppliers are informed of the quality and cleanliness expected of them and if a gap is identified, training is offered to the local entrepreneurs. Suppliers are encouraged to reduce packaging or package in recyclable/biodegradable material.
- Serena Clinics are in place at each property and accessible to guests, staff and the local community who receive free medical and wellness consultation.
- Artefacts and handicrafts from various local community groups are sold in our gift shops.
- We enhance guest experience by exposing them to the diverse range of local cultures and ethnic groups through art, dance, song, musical and theatrical displays whilst economically empowering the local people.
- Serena Hotels has, in the last decade, worked with 28 schools that includes 12,700 children around our properties in East Africa in various ways. This is through the "Adopt a School" program that includes the setting up of 41 libraries; Eco-Clubs that involves planting of trees, environmental clean-up, education on renewable energy and recycling of waste water; human-wildlife conflict; health outreach programs; infrastructure and learning aids.

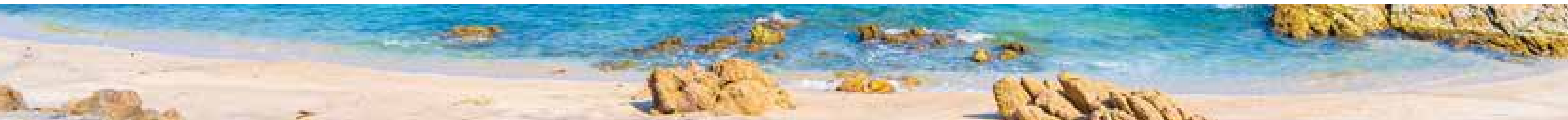
Corporate Social Responsibility (continued)

LOCAL ECONOMIC IMPACT: YEAR 2013 TO 2020 (8 YEARS)

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

Using the Development Impact Assessment system, the Total Local Economic Activity Generated in East Africa by Serena Hotels presence in Kenya, Tanzania, Zanzibar, Uganda and Rwanda over an eight-year period (2013 to 2020) is equivalent to approximately USD 2,012 Million as tabulated below. It is important to recognise that due to the impact of the Covid-19 pandemic on our business, the Total Economic Impact for the year 2020 compared to year 2019 reduced by approximately 74%.

	ECONOMIC IMPACT IN EAST AFRICA (8 Years)					
	Direct	Indirect	Induced	Spillover	TOTAL	Basis Used
Per Annum						
Jobs Created – average per annum	3,719	9,285	2,713	676	**16,392**	Headcount expressed in Full Time Equivalent (FTE) per annum.
Number of People Supported within the Households as a result of the Jobs Created – average per annum	16,582	42,776	12,474	3,118	**74,949**	Headcount multiplied by the Country's average number of people per household.
8 Years (2013 to 2020)						
TOTAL ECONOMIC IMPACT - Contribution to Gross Domestic Product in East Africa - $ Million **(Note 1)**	949	994	55	14	**2,012**	Direct, indirect, induced, spillover revenues and tax collection deriving from Serena Hotels operations.
Note 1: The ECONOMIC IMPACT in the line above has been derived from the below and covers 20 Serena properties:						
Value Creation by Guests - $ Million	165	469	-	-	**634**	Value creation at Serena Hotels and non-hotel expenditure during their visit.
Payroll & Related - $ Million	175	182	55	14	**426**	Amounts paid to Serena Direct employees and all along the value chain.
Local Procurement (food, beverage, utilities, repairs & maintenance and other operating costs)- $ Million	378	-	-	-	**378**	Consumption of non-imported goods and services by Serena Hotels operations.
Direct & Indirect Taxes (includes park/ conservancy fees, visas) - $ Million	184	343	-	-	**527**	Taxes collected from Serena Hotels and indirect tax through Serena Hotels supply chain.
Capital Expenditure (renovations, expansions, improvements) - $ Million	47	-	-	-	**47**	Capital investments by Serena Hotels for renovations, expansions or improvements.



Corporate Social Responsibility (continued)

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

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

Solar Plant at Amboseli Serena Safari Lodge

National and International Awards and Accolades

Despite the adverse effects of the pandemic, Serena Hotels were proud recipients of a number of national and international awards and accolades during year 2020, details of which are below:

CINET Global Best Practices Awards 2020: Amboseli Serena Safari Lodge won the CSR Award because of its sustainable and efficient Solar power plant in applying eco-friendly laundry practices and for its outstanding focus on supporting the community.

Gold Eco-Rated Properties by Eco-Tourism Kenya: Serena Beach Resort & Spa, Mombasa; Mara Serena Safari Lodge; Kilaguni Serena Safari Lodge; Amboseli Serena Safari Lodge; Lake Elmenteita Serena Camp; Sweetwaters Serena Camp and Serena Mountain Lodge.

Game drive experience at Lake Duluti Serena

Directors' Report

The directors submit their report together with the audited financial statements of TPS Eastern Africa PLC (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2020 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 1,658,909,000 (2019: profit of Shs 321,950,000) was 615% below 2019. This was primarily due to a 70% decrease in revenue supported by lower 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:

	2020 Shs 000	2019 Shs 000
Revenue	2,034,160	6,823,159
EBITDA	(437,785)	1,017,126
*EBITDA (%)	(22%)	15%
(Loss) / Profit before income tax	(1,658,909)	321,950
(Loss) / Profit before tax (%)	(82%)	5%
Earnings per share (Shs.)	(6.32)	0.81
Net assets	8,261,318	9,201,239

*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 1,150,491,000 (2019: profit of Shs 148,109,000) has been deducted from retained earnings. The directors do not recommend a final dividend for the year (2019: 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)
Ameer Kassim-Lakha	
Guedi Ainache*	
Teddy Hollo Mapunda (Mrs)**	(Deceased 04.05.2021)
Mahmood Pyarali Manji	
Jean-Benoit Du Chalard*	

*French **Tanzanian ***British

Auditor

Disclosures to auditor

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

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

(b) Each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Terms of appointment of auditor

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

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

By order of the Board

DOMINIC NG'ANG'A
COMPANY SECRETARY
25th May, 2021

Directors' Remuneration Report

Information not subject to audit

The Group and Company's remuneration policy and strategy for executive and non-executive Directors are set by the Board Nomination and Remuneration Committee. This Report has been prepared in accordance with the relevant provisions of both the CMA Code of Corporate Governance guidelines on Director's remuneration and the 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 a range of 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 2020, 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.

Significant changes to director's during the year

- Details on directors who served during the year and to the date of this report are disclosed under page 33.

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 via their mobile phones which had been duly registered before the AGM.
- A resolution to approve the director's remuneration 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 2020 together with the comparative figures for 2019. The aggregate Directors' emoluments are shown on page 95.

For the year ended 31 December 2020	Salary Shs 000	Fees Shs 000	Bonus Shs 000	Expense allow-ances Shs 000	Loss of office/ Termina-tion Shs 000	Pension Shs 000	Esti-mated value for non-cash benefits Shs 000	Total Shs 000
F. Okomo-Okello, Non-Executive Chairman	-	-	-	-	-	-	-	-
M. 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

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

Directors' Remuneration Report (continued)

Information subject to audit (continued)

For the year ended 31 December 2019	Salary Shs 000	Fees Shs 000	Bonus Shs 000	Expense allow-ances Shs 000	Loss of office/ Termina-tion Shs 000	Pension Shs 000	Esti-mated value for non-cash benefits Shs 000	Total Shs 000
F. Okomo-Okello, Non-Executive Chairman	-	210	-	-	-	-	-	210
M. Janmohamed, Managing Director	41,971	-	-	-	-	2,056	122	44,149
N. Hirjani, Chief Financial Officer	33,447	-	-	-	-	1,503	-	34,950
A. Kassim-Lakha, Non-Executive Director	-	217	-	-	-	-	-	217
J-L. Vinciguerra, Non-Executive Director	-	42	-	-	-	-	-	42
T. Mapunda (Mrs.) Non-Executive Director	-	168	-	-	-	-	-	168
M. Manji, Non-Executive Director	-	231	-	-	-	-	-	231
G. Ainache, Non-Executive Director	-	217	-	-	-	-	-	217
J-B Du Chalard, Non-Executive Director	-	170	-	-	-	-	-	170
	75,418	1,255	-	-	-	3,559	122	80,354

Pension related benefits

	2020 Shs'000	2019 Shs'000
M. Jan Mohamed, Managing Director	345	2,056
N. Hirjani, Chief Financial Officer	442	1,503
	787	3,559

On behalf of the Board

Mr. Nooren Hirjani
Director
25th May, 2021

Statement of Directors' Responsibilities

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

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

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

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

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

Approved by the board of directors on 25 May 2021 and signed on its behalf by:

Mr. Francis Okomo-Okello
DIRECTOR

Mr. Mahmud Jan Mohamed
DIRECTOR

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

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of TPS Eastern Africa PLC (the Company) and its subsidiaries (together, the Group) set out on pages 41 to 97, which comprise the consolidated statement of financial position at 31 December 2020 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 2020 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 of TPS Eastern Africa PLC give a true and fair view of the financial position of the Group and the Company at 31 December 2020 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 Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the 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 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 746 million at 31 December 2020. 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment As described in Note 20, the Group carries out a goodwill impairment assessment annually to determine if any impairment exists. The impairment assessment involves significant judgement and assumptions: EBITDA, long-term growth rates, discount rates and future cash flows. The future cash flows are based on management's assessment of the future profitability of the business and involve significant estimation uncertainty and judgement.	We evaluated and challenged the composition of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business and the macro economic outlook. We assessed the projected cash flows against the approved strategic and business plan of the cash generating units. We assessed the reasonableness of management's assumptions in relation to the: - Long term growth rates by comparing them to economic forecasts. - Pre-tax discount rate by assessing the cost of capital for the company as well as considering country specific factors. - EBITDA assumption by comparing them with historical revenue and expenditure performance and the approved financial budgets of the business. We challenged management on the sensitivity of the assumptions used. We determined that the calculations were most sensitive to assumptions for gross margin and the pre-tax discount rates. We have reviewed the adequacy of the disclosures in Note 20 of the financial statements.
Revaluations of Land and buildings (properties) During the year, the Group revalued its land and buildings (properties) as disclosed in Note 19. The revaluations were carried out by external professional valuers using the earnings approach. The earnings approach used to value property involve significant judgements and assumptions: EBITDA, long-term growth rates, discount rates and future cash flows.	We assessed the competence, qualification and independence of the experts. We obtained the future cash flow forecasts and the underlying assumptions given to the expert by management and checked the accuracy of the inputs. We also assessed the reasonableness of the growth rates, profit margins and discount rates applied. We challenged management on the sensitivity of the assumptions used. We determined that the calculations were most sensitive to assumptions for gross margin and the pre-tax discount rates. We have reviewed the adequacy of the disclosures in Note 19 of the financial statements.

Other information

The other information comprises the Directors' report, Chairman's statement, Managing Director's statement, Directors' Remuneration report, Statement of directors' responsibilities and Principal shareholders and share distribution report which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

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

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

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

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

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

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the directors' report on page 33 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 34 to 35 has been properly prepared in accordance with the Companies Act, 2015.

Bernice Kimacia

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

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi
25th May, 2021

Consolidated Statement of Profit or Loss

	Notes	2020 Shs'000	2019 Shs'000
Revenue from contracts with customers	5	2,034,160	6,823,159
Other income		222,460	279,946
Inventory expensed		(363,245)	(1,118,985)
Employee benefits expense	7	(1,248,338)	(2,239,982)
Other operating expenses	8	(1,041,549)	(2,626,691)
Impairment losses	25	(41,273)	(100,321)
(Loss)/profit before depreciation, finance income / (costs), results of associates and income tax credit / (expense)	5	(435,785)	1,017,126
Depreciation on right of use asset	21	(43,919)	(40,906)
Depreciation on property and equipment	19	(496,064)	(447,422)
Finance costs	9	(586,137)	(177,835)
Share of loss of associates accounted for using the equity method	23	(95,004)	(29,013)
(Loss) / Profit before income tax	6	(1,658,909)	321,950
Income tax credit / (expense)	10	448,902	(140,203)
(Loss) / Profit for the year		(1,210,007)	181,747
Attributable to:			
Equity holders of the Company		(1,150,491)	148,109
Non-controlling interest	29	(59,516)	33,638
		(1,210,007)	181,747
Earnings per share attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	11	(6.32)	0.81

Consolidated Statement of Comprehensive Income

	Notes	2020 Shs'000	2019 Shs'000
Profit for the year		(1,210,007)	181,747
Other comprehensive income Items that may be subsequently reclassified to profit or loss			
Currency translation differences		317,390	(54,321)
Revaluation on land and buildings	19	(67,577)	-
Deferred tax on revaluation	17	20,273	-
Total other comprehensive profit / (loss) for the year		270,086	(54,321)
Total comprehensive (loss) / profit for the year		(939,921)	127,426
Attributable to:			
Equity holders of the Company		(857,503)	93,788
Non-controlling interest		(82,418)	33,638
Total comprehensive (deficit) / income for the year		(939,921)	127,426

Company Statement of Profit or Loss and Other Comprehensive Income

		Year ended 31 December	
	Notes	2020 Shs'000	2019 Shs'000
Dividend income		-	85,904
Other operating expenses	8	(10,407)	(127,101)
Loss before income tax	6	(10,407)	(41,197)
Income tax expense	10	-	-
Total comprehensive loss for the year		(10,407)	(41,197)
Attributable to:			
Equity holders of the Company		(10,407)	(41,197)
Non-controlling interest		-	-
Total comprehensive loss for the year		(10,407)	(41,197)

Consolidated Statement of Financial Position

	Notes	2020 Shs'000	2019 Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	13	182,174	182,174
Share premium	13	4,392,668	4,392,668
Revaluation reserve	14	2,332,251	2,389,133
Translation reserve		(898,248)	(1,215,638)
Retained earnings		1,498,983	2,616,994
		7,507,828	8,365,331
Non-controlling interest	29	753,490	835,908
Total equity		8,261,318	9,201,239
Non-current liabilities			
Borrowings	15	4,963,551	3,587,202
Deferred income tax liability	17	1,438,446	1,842,764
Lease liability	16	369,950	425,495
Retirement benefit obligations	18	44,158	41,983
Total non-current liabilities		6,816,105	5,897,444
Total equity and non-current liabilities		15,077,423	15,098,683
Non-current assets			
Property and equipment	19	13,369,879	13,448,262
Intangible assets	20	1,271,952	1,271,952
Right of use asset	21	345,293	421,560
Investment in associates	23	826,830	921,834
Deferred income tax asset	17	8,991	2,699
		15,822,945	16,066,307
Current assets			
Inventories	24	422,090	459,983
Receivables and prepayments	25	738,092	1,139,680
Current income tax		201,372	172,920
Cash and cash equivalents	26	122,711	147,569
		1,484,265	1,920,152
Current liabilities			
Trade and other payables	27	1,420,403	1,926,286
Borrowings	15	509,740	647,520
Lease liability	16	43,337	12,091
Bank overdraft	26	256,307	300,304
Current income tax		-	1,575
		2,229,787	2,887,776
Net current liabilities		(745,522)	(967,624)
Net assets		15,077,423	15,098,683

The financial statements on pages 41 to 97 were approved and authorised for issue by the board of directors on 25 May 2021 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mahmud Jan Mohamed
DIRECTOR

Company Statement of Financial Position

	Notes	2020 Shs'000	2019 Shs'000
		Year ended 31 December	
Equity			
Share capital	13	182,174	182,174
Share premium	13	4,392,668	4,392,668
Retained earnings		822,321	832,728
Total equity		5,397,163	5,407,570
Non-current assets			
Investment in subsidiaries	22	4,186,002	4,186,002
Investment in associates	23	840,330	840,330
		5,026,332	5,026,332
Current assets			
Receivables and prepayments	25	389,957	397,935
Cash and cash equivalents	26	-	-
		389,957	397,935
Current liabilities			
Trade and other payables	27	17,710	16,308
Bank overdraft	26	1,416	389
		19,126	16,697
Net current assets		370,831	381,238
		5,397,163	5,407,570

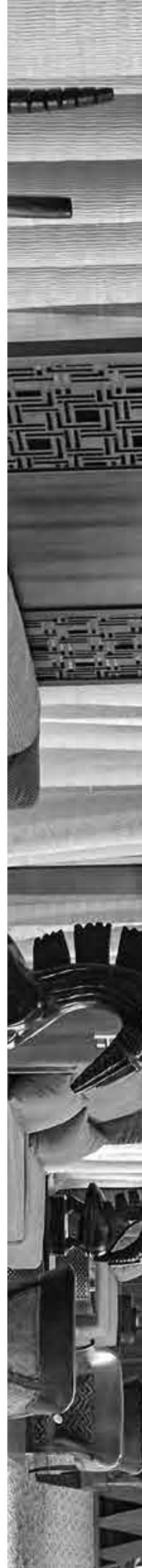
The financial statements on pages 41 to 97 were approved for issue by the board of directors on 25 May 2021 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mahmud Jan Mohamed
DIRECTOR

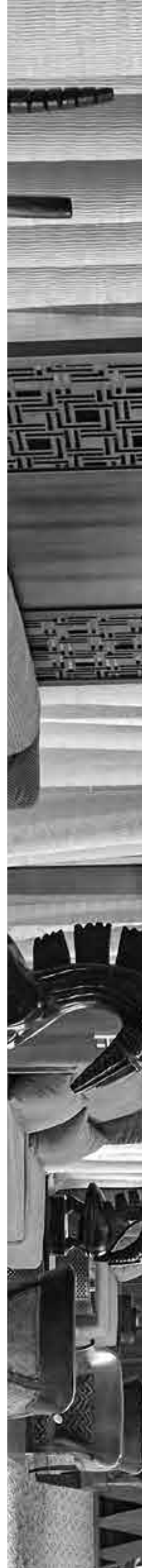
Consolidated Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Reval-uation reserves Shs'000	Trans-lation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 2019									
At start of year		182,174	4,392,668	2,423,447	(1,161,317)	2,434,571	63,761	802,270	9,137,574
Comprehensive income for the year									
Profit for the year		-	-	-	-	148,109	-	33,638	181,747
Other comprehensive income:									
Currency translation differences		-	-	-	(54,321)	-	-	-	(54,321)
Transfer of excess depreciation to retained earnings		-	-	(49,020)	-	49,020	-	-	-
Deferred income tax on transfer	17	-	-	14,706	-	(14,706)	-	-	-
Total other comprehensive income		-	-	(34,314)	(54,321)	34,314	-	-	(54,321)
Total comprehensive income for the year		-	-	(34,314)	(54,321)	182,423	-	33,638	127,426
Transactions with owners									
Dividends:									
- final for 2018 paid	12	-	-	-	-	-	(63,761)	-	(63,761)
- proposed for 2019	12	-	-	-	-	-	-	-	-
		-	-	-	-	-	(63,761)	-	(63,761)
At end of year		182,174	4,392,668	2,389,133	(1,215,638)	2,616,994	-	835,908	9,201,239



Consolidated Statement of Changes in Equity (continued)

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 2020									
At start of year		182,174	4,392,668	2,389,133	(1,215,638)	2,616,994	-	835,908	9,201,239
Comprehensive (loss) / income for the year									
Loss for the year		-	-	-	-	(1,150,491)	-	(59,516)	(1,210,007)
Other comprehensive income:									
Currency translation differences		-	-	-	317,390	-	-	-	317,390
Revaluation during the year		-	-	(34,860)	-	-	-	(32,717)	(67,577)
Deferred tax on revaluation		-	-	10,458	-	-	-	9,815	20,273
Transfer of excess depreciation to retained earnings		-	-	(46,400)	-	46,400	-	-	-
Deferred income tax on transfer	17	-	-	13,920	-	(13,920)	-	-	-
Total other comprehensive (loss) / income		-	-	(56,882)	317,390	32,480	-	(22,902)	270,086
Total comprehensive (loss) / profit for the year		-	-	(56,882)	317,390	(1,118,011)	-	(82,418)	(939,921)
Transactions with owners									
Dividends:									
- final for 2019 paid	12	-	-	-	-	-	-	-	-
- proposed for 2020	12	-	-	-	-	-	-	-	-
At end of year		182,174	4,392,668	2,332,251	(898,248)	1,498,983	-	753,490	8,261,318



Company Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2019						
At start of year		182,174	4,392,668	873,925	63,761	5,512,528
Comprehensive loss for the year						
Loss for the year		-	-	(41,197)	-	(41,197)
Total comprehensive loss for the year		-	-	(41,197)	-	(41,197)
Transactions with owners						
Dividends:						
- final for 2018 paid	12	-	-	-	(63,761)	(63,761)
- proposed for 2019	12	-	-	-	-	-
		-	-	-	-	(63,761)
At end of year		182,174	4,392,668	832,728	-	5,407,570

Company Statement of Changes in Equity (continued)

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2020						
At start of year		182,174	4,392,668	832,728	-	5,407,570
Comprehensive loss for the year						
Loss for the year		-	-	(10,407)	-	(10,407)
Total comprehensive loss for the year		-	-	(10,407)	-	(10,407)
Transactions with owners						
Dividends:						
- final for 2019 paid	12	-	-	-	-	-
- proposed for 2020	12	-	-	-	-	-
		-	-	-	-	-
At end of year		182,174	4,392,668	822,321	-	5,397,163

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2020 Shs'000	2019 Shs'000
Operating activities			
Cash (used in) / generated from operations	28	(748,564)	1,348,615
Interest received	9	11,497	3,445
Income tax paid		(62,651)	(192,922)
Net cash (used in) / generated from operating activities		(799,718)	1,159,138
Investing activities			
Purchase of property and equipment	19	(146,248)	(660,154)
Proceeds from disposal of property and equipment		-	1,337
Net cash utilised in investing activities		(146,248)	(658,817)
Financing activities			
Proceeds from long term borrowings	15	841,293	182,529
Payments of long term borrowings	15	(40,764)	(561,919)
Dividends paid to Company's shareholders	12	-	(63,761)
Lease payments	16	(82,868)	(86,795)
Net cash generated from / (utilised) in financing activities		717,661	(529,949)
Net decrease in cash and cash equivalents		(228,305)	(29,628)
Movement in cash and cash equivalents			
At start of year		(152,735)	(180,563)
Decrease		(228,305)	(29,628)
Effect of currency translation differences		247,444	57,456
At end of year	26	(133,596)	(152,735)

Company Statement of Cash Flows

	Notes	Year ended 31 December 2020 Shs'000	2019 Shs'000
Loss before income tax		(10,407)	(41,197)
Add back			
Impairment of investment in subsidiary	22	-	45,795
Adjustments for:			
Changes in working capital			
- receivables and prepayments		7,978	46,173
- payables and accrued expenses		1,402	12,245
Net cash (utilised in) / generated from operating activities		(1,027)	63,016
Financing activities			
Dividends paid to Company's shareholders	12	-	(63,761)
Net cash utilised in financing activities		-	(63,761)
Net decrease in cash and cash equivalents		(1,027)	(745)
Movement in cash and cash equivalents			
At start of year		(389)	356
Decrease		(1,027)	(745)
At end of year	26	(1,416)	(389)

Notes to Financial Statements

1. General information

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

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

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

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

2. Summary of significant accounting policies

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

(a) Going concern

The directors have considered the following matters relating to the use of the going concern basis in preparation of the financial statements:

Since 31 December 2020, the spread of the novel strain of coronavirus ("COVID-19") has severely impacted many economies globally, and perhaps most markedly the tourism, travel and hospitality sector. On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic and understandably recommended strict containment and mitigation measures worldwide. Across East Africa, businesses have therefore been forced to cease or limit operations, for a long and indefinite period of time.

Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services, have caused great disruption to the Group's operations across East Africa, resulting in an unprecedented economic slowdown in business volume and yield. Indeed, the broader East African hospitality and leisure sector has experienced great market volatility and a material weakening in performance. Meanwhile, the Group has taken necessary advantage of the limited positive tangible monetary and fiscal support from Governments and Central Banks, across its countries of operation; to the extent practical and effective in stabilising these desperate circumstances.

Notwithstanding the above, on 27 March 2020 the Group announced a temporary closure of its operations until 15 June 2020 due to COVID-19. Thereafter a gradual planned phased re-opening of properties took place as pandemic restrictions were lifted in all East Africa jurisdictions where the Group operates. Management is continuously evaluating its operating scenarios whilst sustaining measures undertaken to preserve its cash flow in the short term; and continuously reassess the Group's strategic options and priorities for the medium to longer term.

Impact assessment

The prolonged duration and impact of the pandemic, as well as the limited direct effectiveness of Government and Central Bank support, remains evolving. It is therefore not possible to reliably estimate the duration and severity of the consequences of the pandemic, as well as its impact on the financial position and results for future periods. Nevertheless, management remain committed to continuously evaluating the potential impact of COVID-19 on the business based on the following possible scenarios and key assumptions:

2. Summary of significant accounting policies (continued)

(a) Going concern (continued)

Impact assessment (continued)

- Best case scenario – Assuming the global pandemic will have been contained by Q3 2021 following the accelerated and to date successful vaccination programmes underway, leading to a slowdown in the spread of the virus and thus gradual return of traveller confidence from Q3 2021.
    - Outbreak in Kenya and worldwide is contained by the end of 2021
    - Curfew remains in place until the end of Q4 2021
    - Normalcy starts to return from Q3 2021, with progressive return of business thereafter
    - From H2 2021 initial demand is expected from local, national and regional corporate markets with planned delivery of targeted and phased room inventory, food & beverage and Maisha wellness offerings.
    - Increasing return of demand for Safari high season from July 2021 gaining momentum from international source markets from Q3 2021.
    - Economic activity returns to January 2020 levels from Q4 2021 as international pent up demand crysalises across destiation East Africa
- Worst case scenario – Assuming the pandemic will extend to the end of 2021:
    - Widespread outbreak in Kenya, wider East Africa and resurgence internationally
    - Prolonged lockdown until end of 2021
    - Normalcy to return from late 2021 at the earliest
    - Progressive return of business by H1 2022
    - Economic activity returns to January 2020 levels, during H1 2022
    - TPS properties remain open during 2021 with risk-mitigating skeleton operations
    - Low demand for Safari business due to ongoing lack of international tourists

Impact on financial performance

The Group's revenue has been curtailed due to the various measures taken by the East African Governments to curb the spread of COVID 19, such as grounding of airlines and closure of hotels and restaurants.

Management expect to mitigate the impact of reduced revenues through the following measures, all of which remain under continuous review:

- All key supplier terms and conditions have been renegotiated either for retrospective or extended credit. Third party contracts, e.g. for outsourced security services, I.T., solar power, insurance and marketing have been revised in line with skeleton operations and in readiness for increased efficiencies on return to demand under scenario based forecasts.
- Following discussions with employees and unions across its operations, management continues to implement payroll cost reductions from: cancellation of pay awards, cessation of casual labour, consented paid and unpaid leave, up to 50% sacrifice in remuneration of management and junior positions throughout 2020 and into 2021 until a return of demand.

Impact on projected cash flows and borrowings

At 31 December 2020 the Group's current liabilities exceed its current assets by Shs 746 million (2019: Shs 968 billion). The Group had net debt amounting to Shs 5.6 billion at 31 December 2020 (2019: Shs 4.4 billion), primarily undertaken to fund expansion and refurbishment of its properties, as well as from the impact of COVID -19.

2. Summary of significant accounting policies (continued)

(a) Going concern (continued)

Impact on projected cash flows and borrowings (continued)

Management once again embarked on debt re-financing discussions with its primary lenders as planned, from October 2020, following the first round of such reviews immediately after COVID-19 struck in Q1 2020. These further discussions followed renewed indications that market forces under COVID-19 would extend the already adverse impact on Serena's international leisure bookings, for rest of year 2020 and beyond. Consequently, discussions to seek suspension of: 2021 loan principal and interest obligations, as well as extend credit terms; and secure waivers for breach of H1 2021 financial covenants, were all undertaken. At the date of this report, the Directors have successfully completed refinancing with all senior lenders across East Africa, as well as the majority shareholder; with only Absa Bank's outcome remaining at an advanced decision stage for Kenya and substantially Tanzania operations. The Directors are optimistic of securing Absa Bank's necessary approvals shortly.

To the date of this report, the Group is in advanced negotiations to, or has secured, the following support from key stakeholders:

Kenya

- Maintain its existing overdraft facility of US$ 2.8M from ABSA Bank Kenya PLC (ABSA (K)), currently expiring in June 2021, for a further 12 months to June 2022. At the date of this report, this extension proposal is at final decision review stage with Absa Bank.
- Extend current deferral of ABSA (K) loan of US$ 4.9M from June to December 2021 resulting in repayment cash flow savings of USD $1.25M plus requisite interest.
- Agreement with PROPARCO to defer its loan repayments (US $2.67M) for 12 months from June 2021 to June 2022; and related variable interest. Following amicable discussions between the parties, these modifications were agreed and formalised on 7th May 2021.
- Majority shareholder advances of US$7.5M received in 2020 under COVID-19, in addition to prior years advances totalling US$ 7.0M; and all of which are agreed to be novated to the Parent Company in 2021. At the date of this report final execution agreements for this lending support are underway between the parties. Furthermore, the majority shareholder confirmed unconditional right to defer settlement of these advances totalling USD $12.5M, for at least 12 months after the reporting date.
- Waiver of AKFED interest for the year ended 31 December 2020.

Tanzania

- US$ 1.0M increased overdraft facility secured from ABSA Bank Tanzania Limited in April 2020; and a further credit facility increase of US$ 0.5M currently under final review at the date of this report. This will increase the total facility of the Tanzanian subsidiary to US$ 2.2M.

Based on the above re-financing and debt restructuring, management believe that the Group will have adequate finances in place to meet its financial commitments for the foreseeable future. Management continue to assess critical cash flow reviews across all its operations throughout 2021, particularly given the ongoing uncertain outlook; and therefore to constantly assess the Group's financing risk and mitigation measures given the unprecedented impact of the pandemic on the tourism, travel and hospitality industry.

Conclusion

The Directors are of the view that at best, market demand will show turnaround from Q4 2021 once international travel restrictions are gradually lifted; and successfully accelerated vaccination programmes in place. Thereafter, the Group will be well placed to capitalise on the difficult yet prudent cost curtailment, re-adjustment; and re-financing decisions implemented in 2020, and continued into 2021. This, coupled with the opportunity to renew the Serena brand in the new normal marketplace post COVID-19, is planned to enable the Group to bounce back and get back on track from H2 2022.

Notwithstanding the above, the Directors remain guarded of the inherent regional and international market uncertainty as to the duration and ongoing impact of COVID-19, 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.

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 standards and amendments have been applied by the Group for the first time for the financial period beginning 1 January 2020:

Number	Effective Date	Executive summary
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	Annual periods beginning on or after 1 January 2020 (Published October 2018)	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*

(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	Annual periods beginning on or after 1 January 2022 (Published January 2020)	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).
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

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	Effective date	Executive summary
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

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 entity 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.

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.

2. Summary of significant accounting policies (continued)

(c) Consolidation (continued)

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

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

(iii) Disposal of subsidiaries

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

(iv) Associates

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

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

2. Summary of significant accounting policies (continued)

(c) Consolidation (continued)

(v) Joint arrangements

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

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

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

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

(vi) Separate financial statements

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

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

(d) Functional currency and translation of foreign currencies

(i) Functional and Presentation currency

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

Notes to Financial Statements (continued)

2. Summary of significant accounting policies (continued)

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

(iii) Group companies

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

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

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

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

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

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

(e) Segment reporting

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

(f) Revenue recognition

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

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

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

The Group policy is to allocate the total transaction price to the performance obligations in the product offer / contract by reference to their relative stand-alone selling prices, e.g. for Food & Beverage at standard cost price grossed up for industry margins. Where such a stand-alone selling price is not directly observable, e.g. Bird Walks, Archery etc., the Group undertakes reasoned standard estimates based on cost plus a margin.

Interest income is recognised using the effective interest method.

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

2. Summary of significant accounting policies (continued)

(g) Land and buildings, property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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

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

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

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

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

(h) Intangible assets

Goodwill

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

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

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

2. Summary of significant accounting policies (continued)

(i) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use- are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

(j) Financial instruments

(i) Initial recognition

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

(ii) Classification

The Group classifies its financial instruments into the following categories:

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

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

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

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

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

Financial instruments held during the year were classified as follows:

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

(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.

2. Summary of significant accounting policies (continued)

(j) Financial instruments (continued)

(v) Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset).

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

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

(vi) Presentation

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

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

(vii) De-recognition

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

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

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

(viii) Offsetting

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

(k) Leases

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

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

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

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

2. Summary of significant accounting policies (continued)

(j) Leases (continued)

(i) Initial recognition

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

(ii) Lease liabilities

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

(iii) Right of use asset

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

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

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

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

(iv) Variable lease payments

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

2. Summary of significant accounting policies (continued)

(j) Leases (continued)

(v) Extension and termination options

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

(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.

(n) Employee benefits

(i) Retirement benefit obligations

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

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

(ii) Leave

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

(iii) Termination benefits

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

(0) Borrowings

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

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

2. Summary of significant accounting policies (continued)

(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.

(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:

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 20.

3. Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions (continued)

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. Judgement is required in making this determination. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Critical estimates are made by management in assessment of impairment for non-financial assets. Significant estimates relate to the determination of the projected cash flows and the discount rate.

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 2020, 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 19.

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.

Lease term and discount rates determination on adoption of IFRS 16

Critical estimates are made by management in determining lease terms in lease contracts. Specifically, in determining which leases will be extended and renewed on expiry of the non-cancellable lease term. Estimates are also made on the discount rate.

(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 classification of financial assets and leases.
- whether financial and non-financial assets are impaired.
- the recoverability of deferred tax assets.

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

(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 2020, if the Kenya Shilling had weakened/strengthened by 5% against the US Dollar with all other variables held constant, consolidated post tax loss for the year would have been Shs 258,944,000 higher or lower (2019: post tax profit for the year would have been Shs 188,238,000 higher or lower), mainly as a result of US dollar receivables, payables, bank balances and borrowings.

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2020 (2019: nil).

(iii) Interest rate risk

The Group has borrowings at variable rates. The Group does not hedge itself against interest rate risk. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. At 31 December 2020, an increase/decrease of 1% on interest rate would have resulted in an increase/decrease in consolidated post tax loss of Shs 5,489,525 (2019: increase / decrease of Shs 3,357,338 in post-tax profits).

(iv) Fair value risk

The Group does not have any significant assets subject to fair value risk as at 31 December 2020 (2019: Nil).

4. Financial risk management (continued)

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.

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

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Trade receivables	280,216	754,538	-	-
Expected credit losses	(73,268)	(64,398)	-	-
Carrying amount	206,948	690,140	-	-

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

	Group		Company	
Other receivables	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Advances to related parties	533,546	454,422	448,792	456,770
Loss allowance	(129,359)	(96,956)	(63,004)	(63,004)
Other receivables	84,070	18,638	4,169	4,169
	488,257	376,104	389,957	397,935
Cash at bank	122,711	147,569	-	-

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

4. Financial risk management (continued)

Liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

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 undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(a) Group	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2020:				
- borrowings and interest	1,047,526	590,041	1,270,285	3,783,751
- trade and other payables	1,420,403	-	-	1,420,403
- lease liability	49,566	49,566	148,698	224,857
	2,517,495	639,607	1,418,983	5,429,011
At 31 December 2019:				
- borrowings and interest	1,194,757	534,024	985,855	2,483,555
- trade and other payables	1,926,285	-	-	-
- lease liability	13,803	13,803	41,409	430,532
	3,134,845	547,827	1,027,264	2,914,087

(b) Company	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2020:				
- borrowings and interest	1,416	-	-	-
- trade and other payables	17,710	-	-	-
	19,126	-	-	-
At 31 December 2019:				
- borrowings and interest	399			
- trade and other payables	16,308	-	-	-
- trade and other payables	16,707	-	-	-

See further disclosures in relation to borrowings under Note 15

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 2020 the Group's strategy, which was unchanged from 2019, was to maintain a gearing ratio below 40%.The gearing ratios at 31 December 2020 and 2019 are as follows:

	2020 Shs'000	2019 Shs'000
Total borrowings (Note 15)	5,729,598	4,535,026
Less: cash and bank balances (Note 26)	(122,711)	(147,569)
Net debt	5,606,887	4,387,457
Total equity	8,261,318	9,201,239
Total capital	13,868,205	13,588,696
Gearing ratio	40%	32%

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 19 represent the fair value estimation in these financial statements. Their fair valuation is determined using level 3 data.

4. Financial risk management (continued)

Fair value estimation (continued)

Financial instruments not measured at fair value

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

	Carrying Value		Fair Value	
	2020 Shs 000	2019 Shs 000	2020 Shs 000	2019 Shs 000
Financial assets				
Receivables and prepayments	738,092	1,139,680	738,092	1,139,680
Cash and cash equivalents	122,711	147,569	122,711	147,569
	860,803	1,287,249	860,803	1,287,249
Financial liabilities				
Borrowings	5,729,598	4,535,026	5,729,598	4,535,026
Trade and other payables	1,420,403	1,926,286	1,420,403	1,926,286
Lease liability	413,287	437,586	413,287	437,586
	7,563,288	6,898,898	7,563,288	6,898,898
Company				
Financial assets				
Receivables and prepayments	389,957	397,935	389,957	397,935
Cash and cash equivalents	-	-	-	-
	389,957	397,935	389,957	397,935
Financial liabilities				
Borrowings	1,416	389	1,416	389
Trade and other payables	17,710	16,308	17,710	16,308
	19,126	16,697	19,126	16,697

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.

The Managing Director considers the business from both a geographic and product perspective. Geographically, management considers the performance in Kenya, Uganda and Tanzania as the key operating segments. Zanzibar is included within the Tanzania segment as it has similar economic characteristics and is managed jointly.

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

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

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

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

Entity wide information

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

	2020 Shs'000	2019 Shs'000
Room revenue	861,623	3,290,912
Food	788,802	2,406,526
Beverage	138,230	441,731
Others	245,505	683,990
	2,034,160	6,823,159
Timing of revenue recognition - Over time Room revenue	861,623	3,290,912
- At a point in time		
Food	788,802	2,406,526
Beverage	138,230	441,731
Others	245,505	683,990
	1,172,537	3,532,247

5. Segment information (continued)

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

The segment information for the year ended 31 December 2019 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	3,171,345	2,042,914	1,608,900	370,697	7,193,856
Less inter segmental sales	-	-	-	(370,697)	(370,697)
Net revenue from third parties	3,171,345	2,042,914	1,608,900	-	6,823,159
EBITDA	61,572	467,652	271,315	216,587	1,017,126
Depreciation and amortisation	(202,523)	(114,759)	(128,269)	(1,871)	(447,421)
Income tax credit/(expense)	19,778	(100,104)	(47,513)	(12,364)	(140,203)
Share of loss from associate	-	-	-	(29,013)	(29,013)
Investment in associate	-	-	-	921,834	921,834
Additions to non-current assets	578,938	38,724	42,053	439	660,154
Total assets	10,190,228	3,096,030	3,161,734	1,538,468	17,986,459
Total liabilities	(6,538,594)	(1,821,634)	(1,200,479)	775,487	(8,785,220)
Goodwill	324,643	681,016	266,293	-	1,271,952

5. Segment information (continued)

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

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

	2020 Shs'000	2019 Shs'000
EBITDA	(437,785)	1,017,126
Depreciation and amortisation	(496,064)	(447,422)
Depreciation on right of use asset	(43,919)	(40,906)
Finance costs – net	(586,137)	(177,835)
Share of loss of associates accounted for using the equity method	(95,004)	(29,013)
Profit before tax	(1,658,909)	321,950

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

6. Loss before tax

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

	Group	
	2020 Shs'000	2019 Shs'000
Employee benefit expense (Note 7)	1,248,338	2,239,982
Heat, light, power and water (Note 8)	176,235	564,278
Advertising and promotion expenses (Note 8)	107,199	350,922
Repairs and maintenance of property and equipment (Note 8)	200,823	417,511
Net finance costs (Note 9)	586,137	177,835
Receivables – provision for impairment losses (Note 25)	41,252	100,321
Auditors' remuneration (Company: 2020: Shs 2,620,131 (2019: Shs 3,082,507))	14,696	18,211
Loss on disposal of property, plant and equipment	19,482	5,267

7. Employee benefits expense

	2020 Shs'000	2019 Shs'000
Salaries, wages and other staff costs	1,182,705	2,100,252
Retirement benefits costs:		
- Defined benefit scheme (Note 18)	1,311	38
- Defined contribution scheme	15,739	53,037
- National Social Security Funds	48,583	86,655
	1,248,338	2,239,982
Average number of employees	2,449	2,772

8. Other operating expenses

Group

	2020 Shs'000	2019 Shs'000
Advertising and promotions	192,056	350,922
Heat, light, power and water	279,950	564,278
Insurance premiums	136,957	160,627
Operating supplies	35,949	222,598
Royalties and fees	60,563	492,611
Rent	79,971	200,622
Security	48,724	77,788
Repairs and maintenance	200,823	417,511
Other expenses	6,556	139,734
	1,041,549	2,626,691

Company

	2020 Shs'000	2019 Shs'000
Annual General Meeting expenses	447	3,889
Registry expenses	4,401	2,900
Directors expenses	313	2,343
Audit fees	2,620	3,083
Trade publications	762	3,258
Impairment of investment in subsidiary (TPS Mangapwani Limited)	-	45,795
Impairment of other receivables	-	63,004
Other expenses	1,864	2,829
	10,407	127,101

9. Finance income and costs

Interest income:	2020 Shs'000	2019 Shs'000
- Fixed and call deposits	11,497	3,445
Net foreign currency exchange gain on borrowings	-	32,142
Finance income	11,497	35,587
Finance costs:		
Interest expense on borrowings	(225,485)	(151,410)
Net foreign currency exchange loss on borrowings	(312,972)	-
Interest on lease liability	(59,177)	(62,012)
Finance costs	(597,634)	(213,422)
Net finance costs	(586,137)	(177,835)

10. Income tax expense

	2020 Shs'000	2019 Shs'000
Current income tax	32,626	168,108
Deferred income tax (Note 17)	(481,528)	(27,905)
Income tax (credit) / expense	(448,902)	140,203

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	
	2020 Shs'000	2019 Shs'000
Profit before income tax	(1,658,909)	321,950
Tax calculated at domestic rates applicable to profits in the respective countries at 25%-30% (2019: 30%)	(446,063)	96,585
Tax effect of:		
Income not subject to tax	-	(11,931)
Expenses not deductible for tax purposes	38,928	54,900
Effect of change in tax rate	(51,610)	-
Over provision of deferred income tax in prior year	9,843	649
Income tax expense	(448,902)	140,203

The Company's income relates to dividend income which is not subject to corporate income tax.

11. 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.

	2020	2019
(Loss) / profit attributable to equity holders of the Company (Shs 000s)	(1,150,491)	148,109
Weighted average number of ordinary shares in issue (thousands)	182,174	182,174
Basic earnings per share (Shs)	(6.32)	0.81

There were no potentially dilutive shares outstanding at 31 December 2020 or 31 December 2019. Diluted earnings per share are therefore the same as basic earnings per share.

12. 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 2020 were 182,174,108 shares (2019: 182,174,108 shares). No dividend for the year ended 31 December 2020 is to be proposed at the forthcoming Annual General Meeting (2019: 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.

13. Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 2019, 31 December 2019 and 31 December 2020	182,174	182,174	4,392,668

Total authorised number of ordinary shares is 200,000,000 shares with a par value of Shs 1.00 per share. 182,174,108 (2018: 182,174,108) shares are issued and are fully paid.

14. Revaluation reserve

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

15. Borrowings

	Group		Company	
The borrowings are made up as follows:	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Non-current				
Term loans	4,963,551	3,587,202	-	-
Current				
Bank overdraft	256,307	300,304	1,416	389
Term loans	509,740	647,520	-	-
	766,047	947,824	1,416	389
Total borrowings	5,729,598	4,535,026	1,416	389

Reconciliation of liabilities arising from financing activities

Year ended 31 December	2020 Shs'000	2019 Shs'000
At start of year	4,234,722	4,340,311
Interest expense	225,485	151,410
Interest capitalised	-	142,274
Foreign exchange loss / (gain)	212,555	(19,883)
Cash flows:		
Proceeds from borrowings	841,293	182,529
Repayments of borrowings	(40,764)	(561,919)
At end of year exclusive of bank overdrafts	5,473,291	4,234,722

15. 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.

Financial Institution Tanzania	Currency	Facility	Interest %	Effective	Maturity Date	2020 Shs'000	2019 Shs'000
ABSA Bank Tanzania Limited- Overdraft	US$	1,700,000	6.85%	21/09/2020	21/09/2021	175,995	48,763
ABSA Bank Tanzania Limited - Term loan	US$	4,000,000	6.85%	17/05/2015	(Note i) 01/06/20201	27,285	50,676
ABSA Bank Tanzania Limited - Term loan	US$	1,500,000	7.10%	25/08/2019	(Note ii) 25/03/2021	86,401	92,905
AKFED	US$	3,550,000	2.34%	30/04/2020	(Note ii) 31/12/2025	387,441	339,524
AKFED	US$	740,000	2.34%	30/04/2020	(Note ii) 31/12/2025	80,736	74,999
Kenya							
Bank overdraft - ABSA Bank Kenya PLC	KShs	300,000	12.95%	26/01/2020	25/01/2021	1,415	150,631
Bank overdraft - Stanbic Bank Kenya Ltd	KShs	100,000	12.95%	9/08/2020	8/08/2021	-	100,000
PROPARCO - Long term loan	US$	20,000,000	5.76%	24/08/2015	(Note iii) 15/06/2027	2,310,717	2,033,046
ABSA Bank Kenya PLC - Term loans	KShs	970,000	12.87%	13/02/2015	(Note i) 29/12/2022	549,311	519,643
AKFED	US$	14,500,000	2.34%	30/07/2017	(Note ii) 31/12/2025	1,584,215	713,149
Uganda							
Bank overdraft	US$	1,000,000	4.00%	3/12/2020	02/12/2021	78,896	-
PROPARCO - Long Term loan	US$	8,000,000	5.20%	15/06/2017	(Note iii) 15/06/2023	447,186	411,690
Total borrowings						5,729,598	4,535,026

Fair values of the borrowings are disclosed in Note 4.

15. Borrowings (continued)

Notes to the above table of borrowings:

(i) As at 31 December 2020, 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 2020 in relation to the breaches. Further, subsequent to the year-end, the parties are in advanced discussions to increase credit lines and reschedule repayments of ABSA Bank Kenya PLC and ABSA Bank Tanzania Limited loans in 2021, due to the impact of COVID -19 on the business.

(ii) AKFED loans have no fixed maturity, however they are not payable within 12 months of the balance sheet date. Furthermore, as at 30 April 2021, the majority shareholder confirmed an unconditional right to defer settlement of these advances totalling USD $12.5 million, for at least 12 months after the reporting date.

(iii) As at 31 December 2020, the Group was in breach of certain PROPARCO loan covenants. The lender issued waivers by 31 December 2020 in relation to the breaches. Subsequent to the year end, agreement was secured with PROPARCO to defer its loan repayments (US $2.67 million) for 12 months (June 2021 to June 2022); including related interest. These agreed modifications were formalised by the parties on 7th May 2021.

Borrowings in respective currencies were as follows:

	Group	
Currency	**2020 Shs'000**	**2019 Shs'000**
US Dollars	5,178,872	3,764,752
Kenya Shillings	550,726	770,274
Total borrowings	5,729,598	4,535,026

16. Lease liability

Opening balance	437,586	462,419
Addition	10,963	-
Release from IFRS 16*	(11,794)	-
Interest charge	59,177	62,012
Lease payments during the year	(82,868)	(86,795)
Translation difference	223	(50)
	413,287	437,586
The lease liability is classified as follows:		
Non-current lease liability	369,950	425,495
Current lease liability	43,337	12,091
	413,287	437,586

*The release from IFRS 16 relates to the lease with JAJA Limited which converted to a variable lease in 2020 and hence not applicable for IFRS 16.

17. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%). The movement on the deferred income tax account is as follows:

	Group	
Deferred income tax asset	**2020 Shs'000**	**2019 Shs'000**
At start of year	(2,699)	(1,113)
Charge to profit or loss (Note 10)	(6,284)	26
Charge to OCI	(8)	(1,612)
At end of year	(8,991)	(2,699)
Deferred income tax liability		
At start of year	1,842,764	1,886,339
Charge to profit or loss (Note 10)	(475,244)	(27,931)
Charge to OCI	70,926	(15,644)
At end of year	1,438,446	1,842,764

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

17. Deferred income tax (continued)

Deferred income tax liabilities	1.1.2020 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/ (credit) to OCI Shs'000	31.12.2020 Shs'000
Property, plant & equipment				
- on historical cost	1,530,465	(27,334)	-	1,503,131
- on revaluation surpluses	1,162,393	(4,310)	(13,920)	1,144,164
Other temporary differences	382,537	(108,502)	-	274,037
	3,075,396	(140,146)	(13,920)	2,921,331
Deferred tax assets				
Provisions	(41,178)	(17,794)	-	(58,972)
Tax losses carried forward	(1,011,018)	(329,945)	-	(1,340,963)
Exchange rate variance	(180,437)	12,641	84,846	(82,950)
	(1,232,633)	(335,098)	84,846	(1,482,885)
Net deferred tax liability	1,842,764	(475,244)	70,926	1,438,446

Deferred income tax of Shs 125,578,000 is anticipated to be utilised in the next 12 months in relation to tax losses.

Deferred income tax asset

Deferred tax liabilities	1.1.2019 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/ (credit) to OCI Shs'000	31.12.2019 Shs'000
Property, plant & equipment				
- on historical cost	213,380	(106,189)	-	107,191
	213,380	(106,189)	-	107,191
Deferred tax assets				
Other temporary differences	(214,493)	106,215	(1,612)	(109,890)
	(214,493)	106,215	(1,612)	(109,890)
Net deferred tax asset	(1,113)	26	(1,612)	(2,699)

17. Deferred income tax (continued)

Deferred income tax liabilities	1.1.2019 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/ (credit) to equity Shs'000	31.12.2019 Shs'000
Property, plant & equipment				
- on historical cost	1,280,908	249,557	-	1,530,465
- on revaluation surpluses	1,180,066	(8,412)	(9,260)	1,162,393
Other temporary differences	370,305	12,232	-	382,537
	2,831,279	253,377	(9,260)	3,075,396
Deferred tax assets				
Provisions	(10,004)	(31,174)	-	(41,178)
Tax losses carried forward	(760,883)	(250,134)	-	(1,011,018)
Exchange rate variance	(174,053)	-	(6,384)	(180,437)
	(944,940)	(281,308)	(6,384)	(1,232,633)
Net deferred tax liability	1,886,339	(27,931)	(15,644)	1,842,764

18. 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.

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	
	2020 Shs'000	2019 Shs'000
At start of year	41,983	22,081
Additional provision	4,361	23,684
Unused amounts reversed	-	(1,319)
Benefits paid / transferred to pension scheme	(2,186)	(2,463)
At end of year	44,158	41,983

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

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

18. Retirement benefit obligations (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is not significant for 2020 and 2019.

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 slight 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.

19. Property and equipment - Group

At 1 January 2019	Land & buildings Shs'000	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At cost	15,682,013	4,348,128	357,562	616,113	21,003,816
Accumulated depreciation	(3,087,879)	(2,704,145)	(317,151)	-	(6,109,175)
Translation differences	(1,404,323)	(148,618)	(27,500)	(57,206)	(1,637,647)
Net book amount as reported	11,189,811	1,495,365	12,911	558,907	13,256,994
Year ended 31 December 2019					
Opening net book amount	11,189,811	1,495,365	12,911	558,907	13,256,994
Additions	7,443	105,372	-	547,339	660,154
Disposals	-	(632)	-	(6,455)	(7,087)
Transfers	758,946	279,300	-	(1,038,246)	-
Depreciation charge	(262,718)	(179,943)	(4,604)	-	(447,265)
Depreciation on disposal	-	327	-	-	327
Translation differences	(51,512)	35,695	7	948	(14,862)
Closing net book amount	11,641,970	1,735,484	8,314	62,493	13,448,261
At 31 December 2019					
At cost	16,448,402	4,732,168	357,562	118,751	21,656,883
Accumulated depreciation	(3,350,597)	(2,883,761)	(321,755)	-	(6,556,113)
Translation differences	(1,455,835)	(112,923)	(27,493)	(56,258)	(1,652,509)
Net book amount	11,641,970	1,735,484	8,314	62,493	13,448,261

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

19. Property and equipment - Group (continued)

At 1 January 2020	Land & buildings Shs'000	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At cost	16,448,402	4,732,168	357,562	118,752	21,656,884
Accumulated depreciation	(3,358,721)	(2,883,761)	(321,755)	-	(6,564,237)
Translation differences	(1,447,711)	(112,923)	(27,493)	(56,259)	(1,644,386)
Net book amount as reported	11,641,970	1,735,484	8,314	62,493	13,448,261
Year ended 31 December 2020					
Opening net book amount	11,641,970	1,735,484	8,314	62,493	13,448,261
Additions	6,762	67,175	-	72,311	146,248
Disposals	24,904	(94,284)	-	(1,971)	(71,351)
Transfers	45,667	33,402	-	(79,069)	-
Depreciation charge	(282,583)	(209,527)	(3,953)	-	(496,063)
Depreciation on disposal	-	51,869	-	-	51,869
Revaluation	(67,577)	-	-	-	(67,577)
Translation differences	363,899	(3,722)	180	(1,865)	358,492
Closing net book amount	11,733,042	1,580,397	4,541	51,899	13,369,879
At 31 December 2020					
At cost	16,458,158	4,738,461	357,562	110,023	21,664,204
Accumulated depreciation	(3,641,304)	(3,041,419)	(325,708)	-	(7,008,431)
Translation differences	(1,083,812)	(116,645)	(27,313)	(58,124)	(1,285,894)
Net book amount	11,733,042	1,580,397	4,541	51,899	13,369,879

Nil borrowing costs relating to the Proparco loan have been capitalised in the year (2019: Shs 142,274,487).

19. 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 revalued on 31 December 2020 by independent professional valuer C.P. Robertson-Dunn while 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%
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 2020, 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 2020, 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 2020, 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 2020, 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.

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	
	2020 Shs'000	2019 Shs'000
Cost	11,195,772	11,118,439
Accumulated depreciation	(2,317,453)	(2,405,118)
Net book amount	8,878,319	8,713,321

20. Intangible assets - Goodwill

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

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

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

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

2020	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%
2019				
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.

20. 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) Budgeted average gross margin	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 CGUs to exceed its recoverable amount.

21. Right of use asset

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

	Group	
	2020 Shs'000	2019 Shs'000
Opening balance	421,560	462,419
Adoption of IFRS 16*	(43,143)	-
Addition	10,963	-
Depreciation	(43,919)	(40,906)
Translation difference	(168)	47
	345,293	421,560

*The release from IFRS 16 relates to the lease with JAJA Limited which converted to a variable lease in 2020 hence not applicable for IFRS 16.

22. Investment in subsidiaries (at cost)

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

	TPS(K) Shs'000	TPS(T) Shs'000	TPS(Z) Shs'000	TPS(Mgp) Shs'000	TPS(SA) Shs'000	TPS(M) Shs'000	TPS(U) Shs'000	Total Shs'000
At 1 January 2019, 31 December 2019 and 31 December 2020	828,621	1,487,783	437,423	-	1	-	1,432,174	4,186,002
Country of Incorporation	Kenya	Tanzania	Tanzania	Tanzania	South Africa	Kenya	Uganda	
% interest held – 2019 and 2020	100.00%	100.00%	100.00%	100.00%	100.00%	75.00%	65.19%	

There were no movements in investments in the year.

Other indirect subsidiaries include JAJA Limited, which owns Lake Elementaita Serena Camp, and TPS (OP) Limited which owns Sweetwaters Tented Camp and Ol Pejeta House, 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 other than for the investment in TPS Mangapwani and JAJA Limited which have been impaired to the extent that the investment is not recoverable.

Subsidiaries with significant non-controlling interest

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

	% interest held	Non-current assets Shs'000	Current assets Shs'000	Total assets Shs'000	Non-current liabilities Shs'000	Current liabilities Shs'000	Total liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000
2020									
TPS (Uganda) Limited	65	2,514,843	555,393	3,070,236	773,231	367,593	1,140,824	526,202	(170,974)
2019									
TPS (Uganda) Limited	65	2,699,890	654,995	3,354,885	682,875	508,056	1,190,930	1,608,900	96,633

Cash Flow

	2020 Shs'000	2019 Shs'000
Cash flows from operating activities	(112,947)	285,440
Cash flows from investing activities	(15,933)	(41,926)
Cash flows from financing activities	-	(223,860)
Net decrease in cash and cash equivalents	(128,880)	19,654

Notes to Financial Statements (continued)

23. Investment in associates

	Group	
	2020 Shs'000	2019 Shs'000
At start of the year	921,834	950,847
Share of associate results before tax	(95,399)	(6,177)
Share of tax	395	(22,836)
Net share of results after tax	(95,004)	(29,013)
At end of year	826,830	921,834

	Company	
	2020 Shs'000	2019 Shs'000
At start and end of year	840,330	840,330

The Company holds 25.1% interest in TPS (D) Limited, a Kenyan domiciled entity which was established as the holding company to acquire the Movenpick Hotel (now 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, PDM Holdings Limited, PROPARCO; and NORFUND.

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

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

	% interest held	Current Assets Shs'000	Non-current Assets Shs'000	Current Liabilities Shs'000	Non-current Liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000
2020							
Mountain Lodges Limited	29.90	5,195	101,272	165,502	42,464	11,092	(35,021)
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)
		380,087	4,913,578	1,279,556	862,589	816,299	(462,651)
2019							
Mountain Lodges Limited	29.90	19,547	118,942	149,394	55,250	74,006	(24,136)
TPS (Rwanda) Limited	20.15	310,971	1,117,463	279,459	203,798	1,136,051	(139,865)
TPS (D) Limited	25.10	174,196	3,560,094	675,043	568,291	1,081,697	(3,308)
		504,714	4,796,499	1,103,896	827,339	2,291,754	(167,309)

24. Inventory

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Food, beverage and consumables	215,990	253,830	-	-
Other stock	206,100	206,153	-	-
	422,090	459,983	-	-

Inventory is stated at cost. The cost of inventories recognised as an expense and included in 'inventory expensed' amounted to Shs 363,245,000 (2019: Shs 1,118,985,000).

25. Receivables and prepayments

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Trade receivables – third parties	279,394	749,355	-	-
Less: provision for impairment of receivables	(73,268)	(64,398)	-	-
Trade receivables – other related companies (Note 30)	822	5,183	-	-
Net trade receivables	206,948	690,140	-	-
Prepayments	42,887	73,436	-	-
Advances to related companies (Note 30)	533,546	454,422	448,792	456,770
Provision for impairment of related party debts	(129,359)	(96,956)	(63,004)	(63,004)
Other receivables	84,070	18,638	4,169	4,169
	738,092	1,139,680	389,957	397,935

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

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
At start of year	161,354	61,033	(63,004)	-
Provision in the year	41,898	117,418	-	(63,004)
Receivables written off during the year	(625)	(16,824)	-	-
Unused amounts reversed	-	(273)	-	-
At end of year	202,627	161,354	(63,004)	(63,004)

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

Notes to Financial Statements (continued)

25. Receivables and prepayments (continued)

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

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
US Dollar	169,228	337,170	-	-
Euro	1,242	1,242	-	-
Sterling Pound	785	785	-	-
Kenya Shillings	186,389	400,215	389,957	397,935
Tanzania Shillings	226,553	209,678	-	-
Uganda Shillings	153,895	190,590	-	-
	738,092	1,139,680	389,957	397,935

26. Cash and cash equivalents

Cash at bank and in hand	122,711	147,569	-	-

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

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Cash and bank balances as above	122,711	147,569	-	-
Bank overdrafts (Note 15)	(256,307)	(300,304)	(1,416)	(389)
	(133,596)	(152,735)	(1,416)	(389)

27. Payables and accrued expenses

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Trade payables	638,385	780,420	-	-
Trade payables – related companies (Note 30)	5,861	5,293	-	-
Advances from related companies (Note 30)	56,587	139,628	-	-
Accrued expenses and other payables	719,569	1,000,945	17,710	16,308
	1,420,402	1,926,286	17,710	16,308

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

28. Cash generated from operations

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

	Group	
	2020 Shs'000	2019 Shs'000
(Loss) / profit before income tax	(1,658,909)	321,950
Adjustments for:		
Interest expense (Note 9)	225,485	151,410
Interest income (Note 9)	(11,497)	(3,445)
Interest on lease liability (Note 9)	59,176	62,012
Release of lease liability (Note 16)	(11,794)	-
Depreciation (Note 19)	496,064	447,422
Depreciation on right of use asset (Note 21)	43,919	40,906
Release of right of use asset (Note 21)	43,143	-
Loss on sale of property, plant and equipment	19,482	5,267
Property and equipment write offs (Note 19)	-	8,124
Impairment of goodwill (Note 20)	-	2,202
Share of loss from associates (Note 23)	95,004	29,013
Unrealised foreign exchange loss / (gains)	15,590	32,142
Changes in working capital		
- receivables and prepayments	401,588	128,041
- inventories	37,893	15,325
- payables and accrued expenses	(505,883)	120,486
- provisions for liabilities and charges	2,175	19,902
Cash (used in) / generated from operations	(748,564)	1,348,615

29. Non-controlling interest

	Group	
	2020 Shs'000	2019 Shs'000
At start of the year	835,908	802,270
Share of (loss) / profit for the year	(59,516)	33,638
Revaluation loss on land and buildings	(32,717)	-
Deferred tax on revaluation of land and buildings	9,815	-
At end of year	753,490	835,908

TPS (Uganda) Limited's 34.81% shareholding is held by Proparco, DEG, NSSF Uganda and the Aga Khan Fund for Economic Development, SA.

30. Related party transactions

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

The following transactions were carried out with related parties:

	Group	
i) Sale of goods and services to:	2020 Shs'000	2019 Shs'000
Mountain Lodges Limited	26,572	91,994
Diamond Trust Bank Kenya Limited	5,370	3,083
The Jubilee Insurance Company of Kenya Limited	392	3,767
Tourism Promotion Services (Rwanda) Limited	20,528	38,801
Hoteis Polana, S.A.	27,554	27,756
Nation Media Group	453	5,384
Industrial Promotion Services (Kenya) Limited	18	328
The Jubilee Insurance Company of Uganda Limited	1,992	2,574
Diamond Trust Bank of Uganda Limited	110	3,295
Tanruss Investment Limited	28,435	85,304
African Broadcasting (Uganda) Limited	17,623	30,335
Monitor Publication Limited	215	2,572
Frigoken Limited	230	320
Serena Tourism Promotion Services S.A.	48,561	-
	178,053	295,513
ii) Purchase of goods and services from:		
Farmer's Choice Limited	61,639	104,417
The Aga Khan Hospital (Tanzania) Limited	-	59
Diamond Trust Bank Tanzania Limited	1,180	1,118
Serena Tourism Promotion Services, S.A.	-	211,526
Nation Media Group	822	798
The Jubilee Insurance Company (Tanzania) Limited	3,657	3,613
The Jubilee Insurance Company of Uganda Limited	34,641	36,990
Monitor Publication Limited	298	1,205
	102,237	359,726
iii) Key management compensation		
Salaries and other short term employment benefits	93,666	172,143

30. Related party transactions (continued)

iv) Directors' remuneration	Group 2020 Shs'000	Group 2019 Shs'000
Fees for services as a non-executive director	-	1,255
Emoluments to executive directors (included in key management compensation above)	37,502	79,099
Total remuneration of directors of the Company and Group	37,502	80,354

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

Trade receivables from related parties	2020 Shs'000	2019 Shs'000
Aga Khan Education Services (Uganda)	24	24
Aga Khan Foundation	147	575
Aga Khan University Hospital (Kenya & Uganda)	189	2,800
Diamond Trust Bank Kenya Limited	360	138
Industrial Promotion Services (Kenya) Limited	102	125
Nation Media Group	-	1,365
The Jubilee Insurance Company Limited	-	156
	822	5,183
Other receivables from related parties		
Hoteis Polana, S.A.	171,791	142,197
Mountain Lodges Limited	96,934	92,569
Pearl Development Group Limited	19,721	16,748
Tanruss Investment Limited	232,682	187,627
Tourism Promotion Services (Rwanda) Limited	6,276	13,402
TPS (Cayman) Limited	2,090	1,879
Ihusi SARL	4,052	-
	533,546	454,422
	534,368	459,605

Notes to Financial Statements (continued)

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

	Company	
Other receivables from related parties	**2020 Shs'000**	**2019 Shs'000**
Tourism Promotion Services (Kenya) Limited	371,779	379,657
Tourism Promotion Services (Tanzania) Limited	57,446	57,445
Tanruss Investment Limited	19,567	19,668
	448,792	456,770

	Group	
Trade payables to related parties	**2020 Shs'000**	**2019 Shs'000**
Farmer's Choice Limited	5,861	5,293
Other payables to related parties		
Hoteis Polana, S.A.	9,788	8,412
Ihusi SARL	395	282
Pearl Development Group Limited	5,859	5,339
Serena Tourism Promotion Services, S.A.	-	71,249
Tanruss Investment Limited	14,065	11,514
Tourism Promotion Services (Rwanda) Limited	26,480	42,832
	56,587	139,628
	62,448	144,921

vi) Guarantees

TPS Eastern Africa PLC has provided corporate guarantees to the lenders of Tanruss Investment Limited, the owner of Dar es Salaam Serena Hotel, for an amount of Shs 651,300,000 (2019: 651,300,000) which was obtained to settle loans to the previous owners and to fund capital expenditure.

The Company has also provided corporate guarantees for Shs 3,286,000,000, Shs 65,000,000, Shs 413,200,000 and Shs 826,400,000 to lenders of Tourism Promotion Services (Kenya) Limited, TPS (OP) Limited, Tourism Promotion Services (Tanzania) Limited and TPS (Uganda) respectively.

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 2,757,903,000 (2019; Shs 2,444,736,000) as disclosed in Note 15.

(ii) Aga Khan Fund for Economic Development, SA (AKFED) of Shs 2,052,392,000 (2019; Shs 1,127,672,000) as disclosed in Note 15.

31. Contingent liabilities

Tourism Promotion Services (Kenya) Limited is a defendant 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 the 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.

32. Capital commitments

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

	Group	
	2020 Shs'000	2019 Shs'000
Property, plant and equipment	21,572	111,540

Notes

Proxy

TPS EASTERN AFRICA PLC

I/We ____

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

of ______________________________ and failing him, ______________________________

of ______________________________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday 28th June 2021 at 11.00 a.m. and at any adjournment thereof.

No. of shares held: ______________________________ Account number: ______________________________

Signed this ______________________________ day of ______________________________ 2021

Signature: ______________________________

Signature: ______________________________

NOTES:

1. If you so wish you may appoint the Chairman of the meeting as your proxy.
2. To be valid, this Form of Proxy MUST be returned to the Company's Share Registrars, Image Registrars, 5th floor, ABSA Towers, Loita Street, P. O. Box 9287-00100, GPO, Nairobi, Kenya, not later than 24th June, 2021 at 11.00 a.m.
3. A person appointed as a proxy need not be a member of the Company.
4. In the case of a member being a limited liability Company/ Corporation, this Form of Proxy MUST be completed under its seal or under the hand of an officer or attorney duly authorized in writing.
5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated.

Fomu ya Uwakilishi

Mimi/ sisi ____

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

Kutoka ______________________________ na akikosa kufika ______________________________

Kutoka ______________________________ kama wakala wangu/wetu kupiga kura kwangu/kwetu na kwa niaba yangu/ sisi wakati wa mkutano wa pamoja wa mwaka wa kampuni utakaofanyika Juni 28 2021 kuanzia saa tano au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ______________________________ nambari ya akaunti

Imetiwa sahihi ______________________________ Tarehe ______________________________ 2021

Sahihi ______________________________

Sahihi ______________________________

MUHIMU

1) Kwa hiari yako unaweza kumteua Mwenyekiti wa Mkutano kuwa wakala wako
2) Ili kuwa halali, fomu hii ya uwakilishi LAZIMA irudishwe kwa msajili wa hisa za kampuni, Image Registrars, orofa ya tano Jumba la ABSA Towers, barabara ya Loita Street SLP 9287-00100, GPO, Nairobi, Kenya kabla ya Juni 24 2021 saa tano asubuhi.
3) Si lazima kwa mtu aliyeteuliwa kama wakala kuwa mwanachama wa kampuni
4) Endapo mwanachama atakuwa kampuni/shirika, fomu hii ya uwakilishi LAZIMA ijazwe na kupigwa mhuri wake rasmi na afisa au kutiwa sahihi na wakili aliyeruhusiwa kwa njia ya kuandika.
5) Endapo umiliki utakuwa wa pamoja, sahihi ya mmoja wao itatosha lakini majina ya wamiliki wote yaonyeshwe.

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

FOLD 1 / KUNJA 1

Please afix
Stamp
here

Bandika
Stampu Hapa

IMAGE REGISTRARS

5th Floor (Orofa ya Tano), ABSA Towers,
Loita Street (Barabara ya Loita)
P.O. Box (S.L.P.) 9287-00100 GPO
Nairobi, Kenya

FOLD 2 / KUNJA 2


SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS