TPS EASTERN AFRICA PLC

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

Annual Report
& Financial Statements 2019

Content

Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Nooren Hirjani**	(Chief Financial Officer)
Ameer Kassim-Lakha	
Jean-Louis Vinciguerra*	(Resigned 12.08.19)
Guedi Ainache*	
Ashish Sharma*	(Alternate to Jean-Louis Vinciguerra) (Resigned 12.08.19)
Mahmood Pyarali Manji	
Teddy Hollo Mapunda***(Mrs)	
Jean-Benoit Du Chalard*	

BOARD AUDIT COMMITTEE

Ameer Kassim-Lakha	(Chairman)
Jean-Louis Vinciguerra*	(Resigned 12.08.19)
Guedi Ainache*	
Mahmood Pyarali Manji	

BOARD NOMINATION AND REMUNERATION COMMITTEE

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

*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)]

Daniel Kangu	General Manager	- Nairobi Serena Hotel
Tuva Mwahunga	Ag. General Manager	- Serena Beach Resort and Spa, Mombasa
Kathurima Mburugu	Manager	- Amboseli Serena Safari Lodge
Alphaxad Chege	Manager	- Mara Serena Safari Lodge
Felix Ogembo	Manager	- Sweetwaters Serena Camp
Amos Odoyo	Manager	- Serena Mountain Lodge
Henrietta Mwangola (Mrs)	Manager	- Kilaguni Serena Safari Lodge
Elizabeth Njeri (Ms)	Manager	- Lake Elmenteita Serena Camp

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

Ibrahim Ongori	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)]

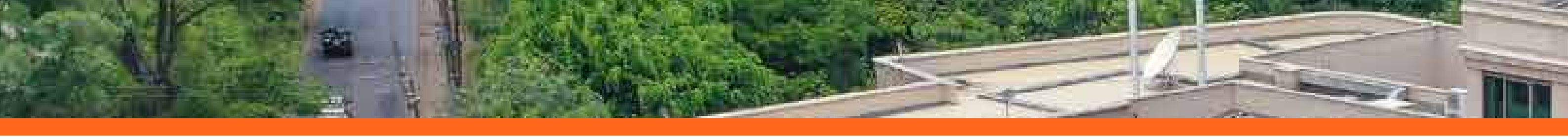
Wilfred Shirima	General Manager	- Zanzibar Serena Hotel

TPS (UGANDA) LIMITED [TPS (U)]

Anthony Chege	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
Duncan Lewa	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

OTHER PROPERTIES MANAGED BY SERENA

Lake Victoria Serena Resort - Uganda
Polana Serena Hotel - Mozambique

Operating Associated Companies and Properties

MOUNTAIN LODGES LIMITED (30%)

Serena Mountain Lodge

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 Eighth Annual General Meeting of the Company will be held via electronic communication, on Tuesday, 30th June, 2020, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Forty Seventh Annual General Meeting held on 25th June 2019.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2019, 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 2019.
4. To elect Directors:

   (a) Mrs. Teddy Mapunda retires by rotation in accordance with Article No. 111,112 &113 of the Company's Articles of Association and being eligible, offers herself 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 of age, 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 of age, be and is hereby re-elected as a Director of the Company".

5. To approve the Director's remuneration for 2019.
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 2019 and to authorise the Directors to fix the Auditors' remuneration for 2020.
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.

By Order of the Board.

Dominic K. Ng'ang'a
COMPANY SECRETARY

Dated at Nairobi this 26 May, 2020

NOTE:

1. In view of the ongoing Coronavirus ("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.

Notice of Annual General Meeting (continued)

4. Shareholders wishing to participate in the AGM should register by dialing ***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 3.00pm, Monday to Friday. Any shareholder outside Kenya wishing to register should dial the helpline number for assistance.

5. Registration for the AGM will commence from 9.00am on 9th June,2020 and will close at 12.00pm on Friday 26th June, 2020. Shareholders will not be able to register after 12.00pm on 26th June, 2020.

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 25th June, 2019, (iii) the Company's audited financial statements for the year ended 31 December, 2019, (iv) a copy of the High Court Order issued 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:

   (a) send their written questions by email to *agmquestions@serenahotels.com* **or**

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

   (c) send their written questions with a return postal address or email address by registered post to the Company's address at 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 clarification must reach the Company no later than 12.00pm, Friday, 26th June, 2020.

   Following receipt of the questions and clarifications, the directors of the Company will provide written responses and return the same to the return postal address or email address provided by the Shareholder, no later than 12 hours before 11.00 a.m. on 30th June, 2020. A full list of all questions received and the answers thereto will be published on the Company's website no later than 12 hours before 11.00 a.m. on 30th June, 2020.

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 also available on the Company's website *www.serenahotels.com*. Physical copies of the Proxy Form are also available from Image Registrars Limited, 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 provided 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 11.00am on Friday, 26th June, 2020. Any person appointed as a Proxy should submit his/her mobile telephone number to the Company no later than 11.00am on Friday, 26th June, 2020 at 11.00am. Any rejected Proxy registration will be communicated to the shareholder concerned no later than Monday 29th June, 2020 in order to allow sufficient 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 as a reminder of the AGM. A second (SMS/USSD) prompt shall be sent one hour prior to the AGM, being a final reminder together with a link to download livestream.

10. Duly registered shareholders and proxies may follow the proceedings of the AGM using the customized private live stream platform and may then 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 Kuhusu Mkutano Mkuu Wa Pamoja Wa Mwaka

Notisi inatolewa hapa kwamba, Mkutano wa Arobaini na Nane (48) wa Pamoja wa Mwaka wa Kampuni utafanyika kupitia njia ya kototangamana (elektroniki) mnamo jumanne tarehe Juni 30, 2020 kuanzia saa tano asubuhi ili kuangazia maswala yafuatayo ya kibiashara:

SHUGHULI ZA KAWAIDA

1. Kuthibitisha kumbukumbu za mkutano wa arobaini na saba uliofanyika Juni 25, 2019.
2. Kupokea, kuzingatia na endapo itakubalika, kupitisha taarifa za hesabu za kipindi cha mwaka uliomalizika Desemba 31, 2019 pamoja na Taarifa kutoka kwa wakurugenzi na wakaguzi wa pesa.
3. Kupitisha na kufahamu kwamba Wakuruzenzi hawajapendekeza malipo ya mgao wa faida katika mwaka 2019.
4. Kuchagua wakurugenzi:

   (a) Bi. Teddy Mapunda anastaafu kwa zamu kwa mujibu wa vipengele, 111,112 &113 vya sheria za kampuni na kwa kuwa anastahili anajitokeza 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 maalum zimepokelewa na kampuni kwa mujibu wa sehemu ya 287 ya sheria za makampuni ya mwaka 2015 na kwa mujibu wa sehemu ya 131 ya sheria na endapo itaonekana kuwa sawa, kupitisha maazimio yafuatayo.

   "Kwamba Bw. Francis Okomo-Okello (Mkurugenzi anayestaafu kwa zamu) na ambaye umri wake umepita miaka 70 achaguliwe tena kama mkurugenzi wa kampuni."

   "Kwamba, Bw. Mr. Ameer Kassim-Lakha (Mkurugenzi anayestaafu kwa zamu) na ambaye umri wake umepita miaka 70 achaguliwe tena kama mkurugenzi wa kampuni."

5. Kupitisha marupurupu ya wakurugenzi kwa kipindi cha mwaka 2019.
6. Kuteua PricewaterhouseCoopers LLP kama wakaguzi wa pesa za kampuni kwa mjibu wa sehemu ya 721 (2) ya sheria za makampuni ya mwaka 2015. PricewaterhouseCoopers LLP wameonyesha nia ya kuendelea mbele na jukumu hili.
7. Kupitisha marupurupu ya wakaguzi wa pesa ya mwaka 2019 na kuwapa uhuru wakurugenzi kuamua kiwango cha marupurupu kwa kipindi cha mwaka 2020.
8. Kuteua wanachama kwenye kamati ya wakaguzi wa pesa ambayo inahusisha 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 shughuli nyinginezo za kibiashara za mkutano mkuu wa pamoja wa mwaka.

Kwa Amri ya Halmashauri

Dominic K. Ng'ang'a
KATIBU WA KAMPUNI

Imenukuliwa Mei 26 May, 2020

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 utangamano wa watu, ni vingumu 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. TPSEAP imeandaa na inatekeleza mkutano huu wa pamoja wa mwaka kwa njia ya kutotangamana pamoja baada ya CMA kukosa kutoa pingamizi lolote.

Notisi Kuhusu Mkutano Mkuu Wa Pamoja Wa Mwaka (kuendelea)

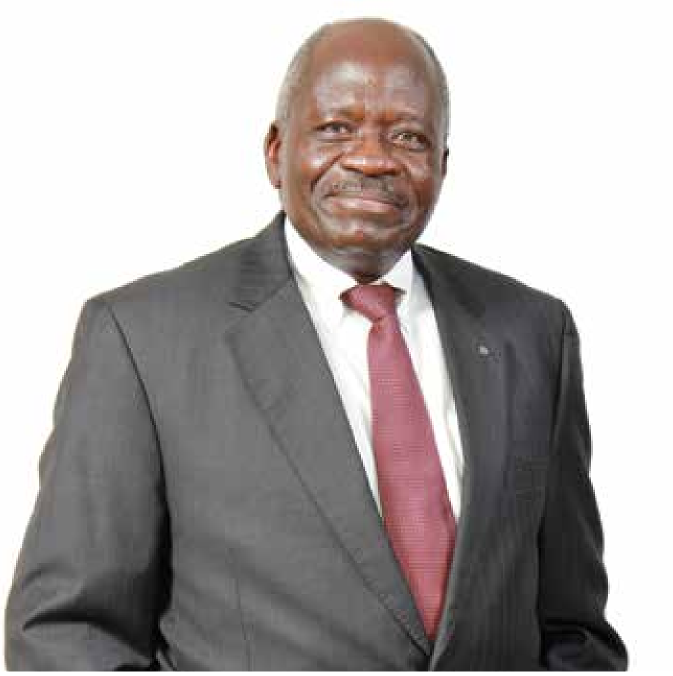
4. Wanahisa ambao wangetaka kushiriki mkutano huu wa pamoja wa mwaka (AGM) wanafaa wajisajili kwa kupiga nambari *483*806# kupitia laini za simu za Safaricom, Airtel au Telkom na kufuata maagizo na taratibu za usajili. Wanahisa hawatatozwa matozo yoyote kwa kupiga simu ya huduma (+254) 709 170 000 kuanzia saa tatu asubuhi hadi saa tisa 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 9, 2020 kuanzia saa tatu asubuhi na kufungwa Ijumaa Juni 26 2020 saa sita adhuhuri. Wanahisa hawataweza kusajiliwa baada ya Ijumaa tarehe 26 2020 baada ya saa sita adhuhuri.
6. Kwa mujibu wa sehemu ya 283 (2) (c) ya sheria za makampuni ya mwaka 2015, sitakabadhi zifuatazo zinaweza kukaguliwa kupitia wavuti wa kampuni website www.serenahotel.com (i) nakala ya notisi hii na fomu ya wakala (ii) kumbukumbu za mkutano wa awali na ambao ulifanyika Juni 25, 2019 (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, 00100 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 26, 2020 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 5 jumba la ABSATowers (zamani, Barclays Plaza),barabara ya Loita Street, S.L.P 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 Ijumaa, Juni 26 , 2020 kabla ya saa tano asubuhi. Mtu yeyote aliyeteuliwa kama wakala awasilishe nambari yake ya simu ya mkononi kwa kampuni kabla ya Ijumaa Juni 26, 2020 saa tano asubuhi. Usajili wowote wa wakala uliokataliwa utajulishwa kwa mwanahisa mhusika kabla ya Jumatatu Juni 29, 2020 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 wa saa 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 2019.

During the year 2019, market sentiment continued to indicate a consistent return of confidence from the foreign leisure market to Kenya; and indeed, across the wider East Africa region. The Company's diversified portfolio in East Africa recorded growth in the corporate, conference and domestic leisure segments, particularly from the second half of 2019.

Significant positive feedback from our suppliers of business in the traditional and new international source markets was most encouraging, with increased interest in selling destination East Africa during the year under review. Consequently, the portfolio performance during 2019 was optimized to the extent possible for Serena Kenya, Serena Tanzania and Serena Uganda.

The final redevelopment phase of Nairobi Serena Hotel (NSH), primarily encompassing the remaining half of the bedroom inventory, was successfully completed on 15 December 2019. The hotel delivered incremental revenue for the full year through the new bedrooms, ballroom, meeting rooms, Herbs & Spices restaurant, a new 7th floor executive lounge; and, of course, the rejuvenated public areas that were part of the first phase redevelopment completed in August 2018. This strategic development will enable conference and banqueting sales to reach new market potential in the years ahead, as the enhanced room mix and versatility provides a broader and diverse range of events, meetings and conference capability. Moreover, we were delighted to host once again, our leisure market suppliers of business (Serena safari circuit business) as they returned with international guests so soon after completion of the redevelopment.

Expansion of the Serena brand through the opening of Goma Serena Hotel in the Democratic Republic of Congo (under a Management Agreement) is planned to take place during the second half of year 2020.

During the year under review, TPS Eastern Africa PLC achieved a turnover of KShs. 6.8 billion (2018: KShs. 6.6 billion), and 'Profit before depreciation, finance costs / (income), results of associates and income tax expense' of KShs. 1 billion, up 28% (2018: KShs. 795 million). During the year 2019, the Group continued to effectively manage its business, including diligent control of operating costs in increasingly challenging markets. Disappointingly, new lease accounting rules for Right of Use Assets (IFRS16), increased depreciation from the NSH redevelopment; and an adverse share of Associated party results, rather dampened higher underlying operating profits; culminating in 2% growth in Profit After Tax of KShs. 182 million (2018: KShs. 179 million). Taking all factors into account, the Company's performance for the year 2019 is satisfactory.

It is noteworthy that the total Management fees received by TPSEAP for 2019 from Tourism Promotion Services (Rwanda) Limited, Tanruss Investment Limited (TIL) and Hoteis Polana S.A. was equivalent to KShs. 134 million (2018: KShs. 152 million).

The Company and its subsidiaries contributed significantly to the revenues of the governments of Kenya, Tanzania and Uganda in 2019. During the year, the Group contributed in aggregate the equivalent of: KShs. 1.88 billion (2018: KShs. 1.56 billion) in direct and indirect taxes; and KShs. 427 million (2018: KShs. 438 million) in royalties and rents to the revenues of counties and local authorities in the various East Africa jurisdictions.

As the Coronavirus (COVID-19) pandemic continues to intensify globally, Serena Hotels along with all other hospitality organisations are facing serious disruptions; and so, the Group is bracing itself for a most difficult year 2020. TPSEAP properties have experienced material cancellations for various reasons including: flight cancellations from source market destinations, emerging global policies disrupting international travel, local actions undertaken by the respective East African Government Authorities; and / or the general lockdown of travel setting amongst international corporate and leisure travellers. Whilst we are hopeful that the situation recovers soonest and business returns to a 'new normal', prudent mitigation plans for all Serena Hotels' properties are in place; and under continuous scenario review for the rest of the year. The Group thereby continues to effectively risk manage its business strategy and maintain its focus to mitigate risks and capitalise on its regional brand presence to optimize portfolio performance once markets bounce back.

Chairman's Statement (continued)

Consequently, the Board of Directors do not recommend the payment of a dividend for year 2019.

Notwithstanding COVID-19, the Group remains well positioned to progress its planned property maintenance programme across the Serena portfolio, whilst continuing to nurture and invest in its well-established 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 HRM practices and CSR programs and initiatives are incorporated in the Managing Director's Statement included at pages 17 to 18 of this Annual Report.

During the year under review, Serena Hotels were proud recipients of a number of national and international awards and accolades as included on page 32 of this Annual Report; further reinforcing the Group's leading position in the tourism sector.

The Board and Management express their appreciation to the governments within the East Africa Region for facilitating continuous resource allocation, so critical to improve the business environment for destination East Africa during year 2019. Similarly, I would like to acknowledge with gratitude the continued catalytic support rendered by various regulatory authorities, as well as other important stakeholders during 2019 which has sustained growth of the industry across the region.

Clearly the operating environment following COVID-19 requires the Board and Management's unwavering care and diligent crisis management so that market, customer and employee centred decisions are optimised. On behalf of the Board and Management, I wish to plead to the respective East African Governments to formulate effective and extensive 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, both regionally and indeed globally, embraces and adjusts to the 'new normal'.

Finally, I would also like to recognise with gratitude, the vital support, confidence, loyalty and trust that Serena has continued to receive from our shareholders, customers and other stakeholders within the industry.

To conclude, on behalf of the Board, I would like to thank the Company's Management and Staff for their diligence and dedication during 2019. I would also like to acknowledge, with appreciation, the invaluable support that I continue to receive from my colleagues on the Board and which has helped steer the Group's business activities and strategies successfully throughout 2019.

FRANCIS OKOMO-OKELLO
CHAIRMAN

New 7th Floor Executive Lounge at Nairobi Serena Hotel

Taarifa ya Mwenyekiti

BW FRANCIS OKOMO-OKELLO
MWENYEKITI

Kwa niaba ya Halmashauri ya wakurugenzi wa TPS Eastern Africa PLC (TPSEAL/ kampuni/ kundi) ni fahari, heshima na fursa kuwatolea ripoti ya Mwaka na taarifa za matumizi ya pesa za kampuni kwa kipindi cha Mwaka uliomalizika Desemba 31, 2019.

Wakati wa kipindi cha Mwaka wa 2019, kitengo cha soko kiliendelea kudhihirisha ishara ya kurejelea hali yake ya kawaida katika masoko ya kimataifa nchini Kenya na hasa ukanda mzima wa eneo la Afrika Mashariki. Biashara za kampuni katika eneo la Afrika Mashariki zilisajili ukuaji kwenye vitengo vya biashara za mashirika, watalii wa humu nchini, mikutano na watalii wa humu nchini na hasa kipindi cha pili cha Mwaka wa 2019.

Majibu ya kuridhisha kutoka kwa wadau wa biashara kwenye masoko ya kawaida na vituo vipya vya masoko yalikuwa ya kutia moyo huku kukiwa na ongezeko la nia ya kutelembelea soko la Afrika Mashariki wakati wa kipindi cha mwaka unaoangaziwa. Kwa sababu hiyo, motisha ya kuongeza matokeo ya mwaka 2019 iliafikiwa kwa hali iliyowezekana katika Serena Kenya, Serena Tanzania na Serena Uganda.

Awamu ya mwisho ya kusanifu upya hoteli ya Nairobi Serena (NSH) mbayo hasa ilihusisha nusu ya sehemu ya vyumba vya kulala ilikamilika vyema mnamo Desemba 15, 2019. Hoteli ilizalisha ongezeko la mapato wakati wa kipindi chote cha mwaka kupitia vyumba vipya vya kulala, ukumbi wa starehe na sanaa, kumbi za mikutano, chumba cha dawa za kiasili na viungo, sebule ya kisasa katika ghorofa ya saba na maeneo ya umma yaliyoboreshwa ambayo yalikuwa kwenye awamu ya kwanza ya maendeleo mapya yaliyokamilika Agosti 2018.Mkakati huu wa maendeleo utapelekea mauzo ya mikutano na karamu kufikia masoko mapya miaka ijayo kwani uwepo wa mikusanyiko ya vyumba vilivyoimarishwa na vyenye nguvu hupelekea uwepo wa mikusanyiko ya matukio, mikutano na uwezo wa utangamano. Zaidi ya hayo, kwa mara nyingine tuna furaha ya kuwa wenyeji wa wadau wetu wa masoko ya starehe (Serena Safari Cirucuit business) kwani walirudi na wageni wa kimataifa baada ya kukamilika tu kwa ujanibishaji.

Upanuzi wa sera za Serena kupitia kufunguliwa kwa hoteli ya Goma Serena Hotel katika nchi ya Democratic Republic - Congo (chini ya mkataba wa usimamizi) unatarajiwa kufanyika Mwaka 2020.

Wakati wa kipindi cha mwaka unaoangaziwa, TPS Eastern Africa PLC ilipata mapato ya juma ya kshs bilioni 6.8 (2018 yalikuwa kshs. bilioni 6.6) na faida kabla ya kushuka kwa thamani, gharama za kifedha / (Mapato), matokeo ya washirika na mapato ya kodi ya mapato ya kshs.bilioni 1 ambayo yalikuwa ya juu kwa asilimia 28% (2018 yalikuwa kshs Milioni 795). Wakati wa kipindi cha mwaka 2019, kundi liliendelea kusimamia kikamilifu mkakati wa biashara zake ikiwemo Udhibiti mkamilifu wa gharama za usimamizi kwenye ushindani katika changamoto za masoko zinazozidi kuongezeka. Kwa bahati mbaya, kanuni mpya za uhasibu zinazohusu Haki ya Matumizi ya Milki (IFRS16), kuzidi kupungua kwa thamani katika ustawishaji mpya wa NSH; na mgao mbovu wa matokeo ya kundi shirika, kadhalika vilififisha faida ya juu inayotokana na uendeshaji wa biashara; hali iliyoishia kwa faida iliyokaribia kudumaa na ukuwaji wa asilimia 2% kwenye faida baada ya ushuru ya Kshs. Milioni 182 (2018: Kshs. Milioni 179). Kwa kuzingatia hali zote, matokeo ya Kampuni katika mwaka wa 2019 ni ya kuridhisha.

Ni vyema kufahamu kwamba, jumla ya ada za usimamizi zilizopokelewa na TPSEAP kwa mwaka 2019 kutoka Tourism Promotion Services (Rwanda) Limited, Tanruss Investment Limited (TIL) na Hotels Polana S.A ilikuwa sawa na Kshs. Milioni.134 (2018 zilikuwa sawia na Kshs. Milioni 152).

Kampuni na washirika wake tanzu zilichangia pakubwa mapato ya serikali za mataifa ya Kenya, Tanzania na Uganda mwaka 2019. Wakati wa kipindi hiki cha mwaka, kundi lilitoa malipo sawa na Kshs. bilioni 1.88 (2018 zilikuwa Kshs. bilioni 1.56) kama ushuru wa moja kwa moja au usio wa moja kwa moja na Kshs milioni 427 (mwaka 2018 ulikuwa Kshs milioni 438) kama mapato kwa kaunti na serikali za mitaa, ridhaa na ada za ukodishaji maeneo mbali mbali ya utawala Afrika Mashariki.

Huku janga la virusi vya Korona (COVID-19) likizidi kutanda ulimwenguni, Hoteli za Serena sawia na wadau wengine kwenye biashara ya hoteli zinakabiliwa na msukosuko mkubwa na kwa sababu hiyo inajiandaa kwa kipindi kigumu Mwaka 2020. Raslimali

Taarifa ya Mwenyekiti (kuendelea)

za TPSEAP zimeshuhudiwa kufutiliwa kwa biashara kutokana na sababu mbali mbali ikiwemo kufutiliwa kwa safari za ndege kutoka masoko ya watalii, kuibuka kwa sera za kimataifa zinazoathiri safari za kimataifa, hatua zilizochukuliwa na Halmashauri za serikali katika mataifa husika Afrika Mashariki au kuwekwa vikwazo vya jumla miongoni mwa mashirika ya kimataifa na watalii. Huku tukiwa na matumaini kwamba hali hii itaimarika haraka iwezekanavyo huku biashara zikirejelea hali yake ya kawaida, mipango ya kupunguza athari kwenye raslimali za hoteli za Serena imewekwa na kuendelea kufanyiwa tathmini kwa kipindi cha Mwaka kilichosalia. Kwa sababu hiyo, kundi linazidi kulinda mkakati wa kukabiliana na biashara zake na kuendeleza mtazamo wake ili kupunguza athari na kutumia nafasi ya uwepo wake katika kupanua matokeo yake mara tu masoko yatakaporejelea hali yake ya kawaida.

Kwa sababu hiyo, Halmashauri ya Wakurugenzi haitoi pendekezo la malipo ya mgawo wa faida Mwaka 2019.

Bila kujali COVID-19, kundi limejiweka vyema kuendeleza mipango yake iliyowekwa kote katika maeneo ya biashara za Serena huku ikizidi kulea na kuwekeza kwenye kitengo cha Usimamizi wa mswala ya wafanyakazi (HRM) na kudumisha mipango yake ya maslahi ya jamii (CSR) yote ambayo yanazidi kuongezea nguvu mkakati wetu wa muda mfupi na wa kadri. Wakati huo, kampuni inaendelea kutafuta mbinu mpya za biashara kufungamana na sera zake za upanuzi na mikakati. Hali hii itapanua nafasi ya 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.

Wakati wa kipindi cha mwaka unaoangaziwa, hoteli za Serena zilipokea tuzo kadhaa na hadhi za kitaifa na kimataifa kama zinavyonukuliwa katika ukarasa 32 wa ripoti hii ya mwaka na hivyo kuimarisha nafasi ya uongozi wa kundi katika sekta ya utalii.

Halmashauri na usimamizi zinatoa shukrani zao za dhati kwa serikali za mataifa ya kanda ya Afrika Mashariki kwa kuendelea kutenga rasilimali ili kuimarisha mazingira ya kibiashara eneo hili Mwaka 2019. Pia, ningependa kutambua kwa dhati mchango tuliopokea kutoka halmashauri mbali mbali za usimamizi pamoja na wadau wengine muhimu Mwaka 2019 na ambao umedumisha ukuaji wa biashara katika kanda.

Hakika, mazingira ya utendakazi kufuatia janga la COVID-19 yanahitaji halmashauri na usimamizi kuchukua tahadhri za juu ili hatua za usimamizi zitakazochukuliwa dhidi ya soko, wateja wafanyakazi zimeimarishwa. Kwa niaba ya halmashauri na usimamizi, ningependa kutoa ombi kwa serikali husika za Afrika Mashariki kubuni mpango imara na pana wa muda mfupi na wa kadri ili kuipa nguvu mpya utalii na sekta nyingine saidizi na kuboresha pingamizi sizizotarajiwa hata kama sekta ya hoteli katika kanda na ulimwengu mzima zinapoafikiana na kujinasibisha na hali mpya.

Ni dhahiri kuwa mazingira ya kibiashara kutokana na COVID-19 yanahitaji mazingatio thabiti na usimamizi wa busara wa Bodi na Wakurugenzi ili maamuzi kuhusu soko, wateja na wafanyakazi yafanyike kwa ufaafu wa juu. Kwa niaba 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, ili kufufua utalii na sekta nyinginezo husika na kufifisha visiki vigumu na visivyotarajiwa

Newly refurbished guest room at Nairobi Serena Hotel

Taarifa ya Mwenyekiti (kuendelea)

wakati huu ambapo sekta ya Mahoteli na Utalii, kote katika ukanda huu na hata ulimwenguni, inapokumbatia na kujirekebisha kulingana na mabadiliko haya mapya.

Mwisho, ningependa kutambua kwa dhati mchango maalum, ujasiri na uaminifu ambao Serena inaendelea kupokea kutoka kwa wanahisa, wateja na wadau katika sekta hii.

Nikimalizia, kwa niaba ya halmshauri, ningependa kushukuru usimamizi wa Kampuni na wafanyakazi kwa kujitolea kwao mwaka 2019. Pia, ningependa kutambua kwa dhati mchango usio na kifani ambao ninaendelea kupokea kutoka kwa wenzangu kwenye halmashauri ambao umesaidia kuendeleza shughuli za biashara za kundi na kufanikisha mikakati yake mwaka 2019.

FRANCIS OKOMO-OKELLO
MWENYEKITI

Suite at Nairobi Serena Hotel

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
MANAGING DIRECTOR

The last few years have certainly provided a stern test for companies operating East Africa's tourism industry. Although our business continues to be challenged with rapidly changing market dynamics, we are pleased to report the Group's steady growth trajectory during year 2019, further demonstrating Serena's 'Built to Last' capability through implementation of its successful business model; and the spirit and service motto of its employees 'living up to the promise'. Indeed, vital support from local resident, corporate and conference market segments, complemented by the performance from the foreign leisure market in 2019, all bode well for the future.

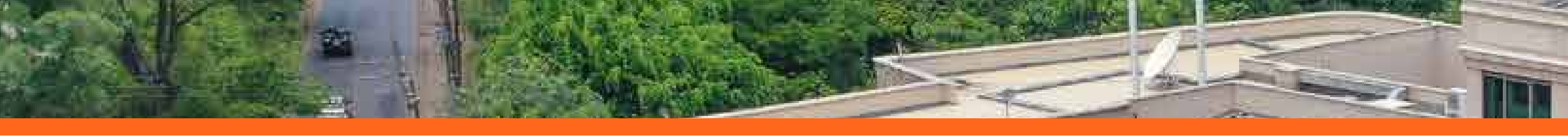
Despite new market entrants providing increased competition, all Serena City hotels performed well and hosted high profile guests and events throughout the year. The Board and Management thus remain confident that the Company's strategy of emphasizing quality and timely refurbishments of our City Hotels in Nairobi, Kampala and Dar es Salaam since year 2017, clearly positions the brand for sustainable regional growth in the years ahead.

During the year under review, TPS Eastern Africa PLC achieved a turnover of KShs. 6.8 billion (2018: KShs. 6.6 billion), and 'Profit before depreciation, finance costs / (income), results of associates and income tax expense' of KShs. 1 billion, up by 28% (2018: KShs. 795 million). Profit After Tax was at KShs. 182 million, up by 2% (2018: KShs. 179 million). Notwithstanding the dynamic business landscape, the 2019 financial performance continued to endorse our strategic vision, and so was therefore both purposeful and reassuring.

Serena Hotels in partnership with Mettle Solar OFGEN transformed a third property, Mara Serena Safari Lodge in Kenya, to a fully solar powered property. The inauguration of the Mara Serena solar power plant took place on 20 December 2019 further demonstrating Serena Hotels commitment to 'Full Scale Solar Pioneers' in the East African hospitality sector. Kilaguni Serena, Amboseli Serena; and now Mara Serena, all built in the 1970's (within National Parks/Game Reserves) are not only 'one-of-a-kind' getaways, but now a leading-edge exemplification of how clean, renewable energy independence can be achieved with carefully planned, sustainable investment, in 'state of the art' off-grid Solar PV systems regardless of challenging safari locations. As demand from eco-travel continues to escalate worldwide, Serena's intent to embrace best practice sustainable models, delivers to the heart of ecological travel experiences and expectations of tomorrow's guest. Lake Elmenteita Serena Camp and Sweetwaters Serena Camp were transformed to a grid-tied hybrid solar system in early 2018. As we plan ahead, this eco-model theme will continually support our properties in delivering to the hearts and minds of our discerning guests.

The Group's CSR programs remain fully aligned to achieving the Sustainable Development Goals (SDGs) set out by the United Nations Development Programme (UNDP). Serena Hotels sustainable business practices continue to complement eco-tourism, environmental conservation, re-afforestation, education, public health; and essentially community development, right across Eastern Africa.

Unfortunately, never in Serena Hotels 40-year history has an event of such breadth and scale impacted the global hospitality industry to the extent to which the novel strain of Coronavirus pandemic (COVID-19) has done. Unlike past incidents, sometimes only impacting one country, this devastating virus has remorselessly impacted Serena Hotels throughout our East African operations. New bookings are at a standstill and have gradually been so since late January 2020 – post Chinese New Year when COVID-19 took hold beyond China. Naturally the Board and Management have been following the COVID-19 situation very closely, including its growing impact on our business and operating models across our East African portfolio. Management have therefore introduced effective contingency plans to mitigate risks; and to minimize the operational and financial impact on our business, while ensuring that cash is preserved across the Group. This is in expectation of significantly curtailed business levels during 2020; and in compliance with the respective governmental directives and protocols regarding the management of the pandemic.



The Managing Director's Report (continued)

Operating in a fast-changing industry that has been and continues to be severely impacted by COVID-19, Serena Hotels will bounce back whether sooner or later, as soon as business returns to a 'new normal'. By this time, our team will have leveraged the downtime to continuously review, reassess and reinvent our business and operating models, to personalize and enrich changing ways of meeting customer needs post COVID-19; and thereby to continue to surpass the expectations of our guests in the 'new normal'. Serena continues to believe that its employees constitute a key determinant for mutual long-term sustainable success, growth and reputation of our brand values. In anticipation of changing guest expectations, we shall continue to sustain and enhance the trust and confidence of our customers as well as the quality of service so synonymous with Serena being the destination of choice for our guests. In this regard, we will further invest in our Group Productivity Improvement Strategy, through carefully targeted resource planning to deliver our Staff / Management training, development and welfare programs.

As worldwide attention focuses on demystifying and foreseeing 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 on growing our digital strategy platform. 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.

As long-term investors and our commitment to destination East Africa, we believe that execution of these initiatives, lies in our ability to carefully mitigate risk, optimise portfolio performance over time, and passionately grow our market share in the future's 'new normal'. Management is thus confident of harnessing Serena's Brand values as we refine our business and operating models to anticipate, connect and respond to our customers' expectations, well beyond these troubled times.

Our sincere thoughts and prayers go out to those who have been affected by this unprecedented COVID-19 event, and our heartfelt gratitude and admiration is extended to the healthcare workers, scientists, local communities, governments of East Africa, the rest of Africa and indeed internationally, for working on the front line to contain this pandemic. To the extent possible, the Company has provided meals to some of the frontline staff and food donations towards various COVID -19 response programs.

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. Given the unprecedented scale and nature of this crisis, high levels of collaborative thinking and sophisticated problem solving will be required to design and target effective fiscal and business stimulus packages. Tourism's transformative power resides in its ability to spur economic growth by creating and sustaining jobs. As these stimulus packages are put together, I would like to appeal to governments within the East Africa Region to enter into mutually beneficial engagements with tourism industry players, through public / private partnerships; and constant policy dialogue. This will allow us to be an effective 'co-pilot' once the regional and international source market countries re-open their borders, market confidence returns amongst citizens, travellers and investors; and as the regional tourism industry gradually repositions and strengthens destination East Africa.

May I, on behalf of the Staff and Management, express our gratitude and sincere appreciation to the Board of Directors for their guidance, diligence, invaluable support, and encouragement during the year 2019. I also wish to express my gratitude to all our staff, customers, shareholders, various regulatory authorities and other stakeholders for their continuous support, understanding, trust and confidence in Serena Hotels.

MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Taarifa Kutoka kwa Meneja Mkurugenzi

MR. MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Miaka michache iliyopita imekuwa yenye mtihani kwa kampuni zinazoendesha biashara ya utalii Afrika Mashariki. Ingawa biashara yetu inaendelea kukabiliana na mabadiliko ya haraka kwenye masoko, tuna furaha kuripoti ukuaji wa kasi wa mkondo wa kundi mwaka 2019 na kuthibitisha zaidi kuwa Serena '' imeundwa kudumu'' kupitia uzinduzi wa muundo wake na ari ya wafanyakazi wake kwa utoaji huduma. Hakika, mchango kutoka soko la humu nchini, vitengo vya kimashirika, mikutano na kuchochewa na matokeo kutoka masoko ya starehe za kimataifa katika Mwaka 2019 ni mwelekeo mwema kwa siku za usoni.

Licha ya kuingia kwa masoko mapya na kuongezeka kwa ushindani, mahoteli yote ya Serena maeneo ya mijini yalipata matokeo mema na yalipata wageni mashuhuri na matukio mema mwaka 2019. Halmashauri na usimamizi wana imani kwamba mkakati wa mtazamo na ukarabati kwa wakati unaofaa wa hoteli zetu za kifahari katika miji ya Nairobi, Kampala na Dar es Salaam tangu Mwaka 2017 yanaziweka kwenye nafasi ya ukuaji thabiti miaka iliyo usoni.

Wakati wa kipindi cha mwaka unaoangaziwa, TPS Eastern Africa PLC ilipata mapato ya jumla ya Kshs. Bilioni 6.8 (2018 zilikuwa Kshs. Bilioni 6.6) na faida kabla ya kushuka kwa thamani ya gharama za kifedha /(Mapato), matokeo ya washirika na mapato ya ushuru ya Kshs bilioni 1 na kupanda kwa asilimia 28% (2018 zilikuwa Kshs. Milioni 795). Faida baada ya ushuru ilikuwa Kshs. Milioni 182 na kupanda kwa asilimia 2% (2018 ilikuwa Kshs. Milioni 179). Bila kuzingatia mabadiliko ya mazingira ya biashara, matokeo ya kifedha ya Mwaka 2019 yaliendelea kuthibitisha mikakati ya mtazamo wetu na hivyo yalikuwa ya kufaa na pia yenye uhakika.

Hoteli za Serena zikishirikiana na Mettle Sola OFGEN zilifanyia mabadiliko raslimali ya tatu ya Mara Safari Lodge Kenya na kuwa raslimali inayotumia nguvu za kawi kikamilifu. Uzinduzi wa kituo cha uzalishaji kawi katika hoteli ya Mara Serena ulifanyika mwezi Desemba 20, 2019 na kuendelea kudhihirisha uwajibikaji wa hoteli za Serena kama ''waasisi kamili wa nguvu ya kawi'' kwenye sekta ya biashara za mahoteli Afrika Mashariki. Hoteli za Kilaguni Serena, Amboseli Serena na sasa Mara Serena zote zilizojengwa miaka ya 1970 (ndani ya mbuga za kitaifa na / hifadhi za pori) sio za kipekee tu lakini dhihirisho la viongozi kuonyesha jinsi kawi safi iliyotumika tena inaweza kupatikana kupitia mpangilio mzuri wa uwekezaji thabiti kwenye mfumo wa kisasa wa mtambo wa kawi licha ya changamoto za maeneo zilizoko. Huku mahitaji ya safari zisizoathiri mazingira zikiendelea kuongezeka kote ulimwenguni, dhamira ya Serena kuzingatia mbinu zinazofaa za kudumu, inapelekea kuongezeka kwa matarajio ya safari za kiikolojia kwa mteja wa kesho. Kambi ya Lake Elmenteita Serena na ile ya Sweetwaters Serena zilibadilishwa zikawa kwenye mfumo wa sola na pia ule ambao unaounganishwa na mfumo wa umeme (hybrid) mapema mwaka wa 2018. Huku tunapopanga kuhusu mustakabali wetu, mpango huu wa kimazingira almaarufu *eco-model* utaendelea kupiga jeki vipaumbele vyetu katika kufanikisha matamanio ya mioyo na fikra za wateja wetu.

Mipango ya kundi kwa maslahi ya kijamii (CSR) inaendelea kushirikishwa kikamilifu ili kuafikia malengo thabiti ya maendeleo (SDGs) yaliyobuniwa na mpango wa maendeleo wa umoja wa mataifa (UNDP). Udumishaji wa utekelezaji biashara unatoa majibu kwa mahitaji ya utalii wa viumbe hai na mimea, uhifadhi wa mazingira, elimu, afya ya umma na maendeleo muhimu ya jamii kote Afrika Mashariki.

Kwa bahati mbaya, hapajawahi kutokea katika historia ya miaka 40 ya Hoteli za Serena tukio lenye athari ya kiwango na upeo kwa sekta ya mahoteli na utalii duniani kiasi cha janga hili la Korona (COVID-19). Tofauti na matukio ya awali, ambayo aghalabu huathiri nchi moja moja, virusi hivi hatari vimeathiri biashara za Hoteli za Serena kote Afrika Mashariki bila huruma. Maagizo mapya ya nafasi za mahoteli yamedumaa na yamekuwa hivyo tangu mwisho wa Januari 2020 – punde baada ya Mwaka Mpya wa China pale COVID-19 ilipovuka mipaka ya China. Kama inavyofaa, Bodi na Usimamizi wamekuwa wakifuatilia kwa karibu hali ya COVID-19, ikiwemo athari ibuka kwa biashara yetu na mielekeo ya uendeshaji biashara kote Afrika Mashariki. Hivyo basi, usimamizi huu umebuni mipango madhubuti ya dharura ya kukabiliana na hatari hii; na kupunguza athari za kibiashara na kifedha kwa biashara hii huku ukihakikisha fedha zimehifadhiwa kote katika Shirika zima. Kwa matarajio ya viwango vya biashara vilivyovurugika Mwaka 2020 na kwa kuzingatia maelekezo na itifaki za serikali kuhusiana na ukabilianaji na janga hili, Usimamizi umetekeleza mikakati muhimu yenye dhamira ya kuyatunza maslahi ya wafanyakazi wetu, wategemezi wao na hadhi yao ya maisha, kwa uwezo wetu wote wakati huu mgumu.

Huku zikihudumu katika sekta hii inayobadilika kwa kasi ambayo inaendelea kuathiriwa vibaya na COVID-19, Hoteli za Serena zitafufuka iwe hivi karibuni au baadaye, punde biashara itakaporejelea 'kawaida mpya'. Kufikia wakati huo, kikosi chetu kitakuwa kimetumia vyema mtikisiko huu kuendelea kuchanganua, kutathmini na kuvumbua biashara yetu na mbinu za uendeshaji, kubinafsisha na kutosheleza mahitaji ya mteja yatakayokuwa yamebadilika baada ya COVID-19 na hivyo basi kuwafurahisha wageni wetu katika ukawaida huo mpya. Serena inaendelea kuamini kuwa wafanyakazi wake ni miongoni mwa viambajengo muhimu kwa mafanikio ya wote kwa kipindi kirefu, pamoja na ukuaji na hadhi ya thamani ya biashara yetu. Katika matazamio ya matarajio yanayobadilika ya wageni, tutaendelea kujizatiti ili kudhihirisha uaminifu, ujasiri na ubora wa huduma kuendana na hadhi ya Serena ili pawe mahali chaguo la kwanza kwa wateja. Kwa mintaarafu hiyo, tutazidi kuwekeza katika Mkakati wetu wa Kuimarisha Uzalishaji katika Shirika letu, kupitia kwa mipango makinifu ya matumizi ya rasilmali lengwa kwa madhumuni ya kufaulisha mipango ya mafunzo kwa wafanyakazi/wakurugenzi wetu, ustawishaji na maslahi.

Huku dunia nzima ikielekeza uzingativu wake katika kubainisha na kutazamia mustakabali mwema wa usafiri, Shirika hili litaendelea kumakinikia mauzo bunifu na hatua za uvumishaji wa kimauzo katika njia za biashara zinazozidi kubadilika, msisitizo zaidi ukiwa kwa ukuaji wa mkakati wetu wa kidijitali. Kuhusu hili, tutaandama nafasi mpya na pendelevu za kibiashara, kunyakua masoko mapya, kuongeza msambao na muonekano wa biashara yetu na hivyo kufanikisha biashara sawia na ustawi.

Kama wawekezaji wabobevu na kujitolea kwetu katika biashara ya Afrika Mashariki, tunaamini kuwa utekelezaji wa hatua hizi, umo katika uwezo wetu wa kukabiliana na hatari hizi kimakinifu, kuimarisha matokeo ya sekta kwa muda, na kukuza mgao wetu wa soko kwa uchangamfu katika ukawaida mpya wa siku zijazo. Kwa hivyo, usimamizi huu una matumaini ya kutumia vyema thamani ya Biashara ya Serena huku tukiboresha biashara yetu na mbinu za uendeshaji wetu yenye matarajio pamoja na kutambua na kutimiza matamanio zaidi ya wateja wetu nyakati hizi ngumu.

Risala zetu na maombi ni kwa wale ambao wameathirika kutokana na virusi ambavyo havikutarajiwa vya COVID-19. Pongezi zetu za dhati ni kwa wahudumu wa afya, wanasayansi, jamii za humu nchini, serikali za mataifa ya Afrika Mashariki, Afrika kwa jumla na ulimwengu mzima kwa kujitolea msitari wa mbele kukabiliana na janga hili. Hali inaporuhusu, Kampuni pia imejitolea kupatia wahudumi wa afya ambao wako kwenye mstari wa mbele kupambana na virusi vya COVID 19 chakula na usaidizi mwingineo.

Ningependa kutambua na kushukuru Serikali za Afrika Mashariki kwa juhudi zao huku zikiendelea kujibidiisha kukabiliana na

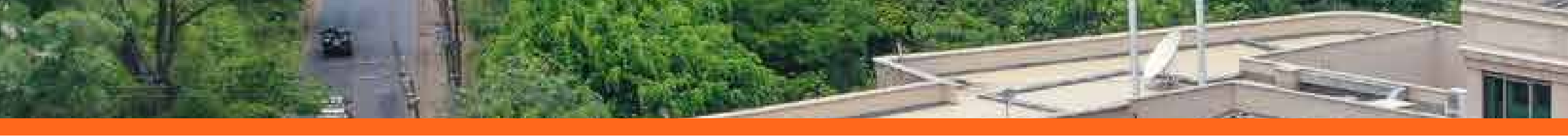
Nairobi Serena Hotel "new look"

kupambana na janga hili. Kutokana na ukubwa usiotarajiwa na hali ya janga hili, viwango vikuu vya mawazo ya pamoja na usuluhishaji wa matatizo utahitajika katika kubuni na kuelekeza mipango madhubuti ya kifedha yenye dhamira ya kuinua uchumi na biashara. Nguvu za uimarishaji sekta ya utalii zimo katika uwezo wa kuchochea ukuaji wa uchumi kwa kuunda na kudumisha kazi/ajira. Huku mipango hii ya kuchochea uchumi inapobuniwa, ningependa kusihi serikali za ukanda wa Afrika Mashariki kuafikiana na wadau katika sekta ya utalii, ili kuanzisha ushirikiano wenye manufaa kwa wote, kupitia kwa mpango wa ushirikiano wa mashirika ya umma/sekta ya kibinafsi; pamoja na kuandaa majadiliano ya kila mara kuhusu sera. Hii itatuwezesha kuwa 'marubani-washirika' bora punde nchi za kigeni zinazotupa wateja zitakapofungua mipaka yazo, imani itakaporudi miongoni mwa wananchi, wasafiri na wawekezaji kurudi; mbali na pale sekta ya utalii katika ukanda huu itakaporejea pazuri japo aste aste na kuimarisha maeneo ya utalii Afrika Mashariki.

Kwa niaba ya wafanyakazi na usimamizi kutoa shukrani zetu kwa Halmashauri ya wakurugenzi kwa mwongozo wao, msaada usio na kifani na himizo mwaka 2019. Pia, ningependa kutoa shukrani kwa wafayakazi wetu wote, wateja, wenyehisa, halmashauri mbalimbali za uongozi na wadau wengine kwa kuendelea kutuunga mkono, kuelewa, uaminifu na imani kwa hoteli za Serena.

MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Rhino at Ol Pejeta Conservancy



Board of Directors

1

MR. FRANCIS OKOMO-OKELLO – Chairman 1

Mr. Okello (aged 70 yrs) is a qualified lawyer. He holds an LLB degree from the University of Dar-es-Salaam. He is an Albert Parvin Fellow of the 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) 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 the 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 the Executive Director in charge of Legal and Corporate Affairs at the Industrial Promotion Services Group.

2

MR. MAHMUD JAN MOHAMED – Managing Director 2

Mr. Jan Mohamed (aged 67 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 53 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 and Qatar 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.

4

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

Mr. Kassim-Lakha (aged 86 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.

5

MR. MAHMOOD PYARALI MANJI - Non-executive Director 5

Mr Manji (aged 66 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.

Board of Directors (continued)

MR. GUEDI AINACHE - Non-executive Director 6

Mr. Guédi Aïnaché (aged 44 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.

6

MRS. TEDDY HOLLO MAPUNDA – Non-Executive Director 7

Mrs. Mapunda (aged 45 yrs) is a graduate of Strategic Business Management from SIPU (Swedish Institute of Public Administration) in Sweden. She is also a graduate of Leadership and Management, from GIMPA University in Accra, Ghana. Holds a Postgraduate in Public Private Partnership and Diploma in Corporate Social Responsibility CSR – Copenhagen Denmark. Currently, she is the founder of Montage Limited a multi-dimensional consultancy and creative agency based in Dar-es-Salaam Tanzania. She is also a Board member of British American Tobacco (Kenya), Why Africa Now of USA and WAMA Foundation.

7

MR. JEAN-BENOIT DU CHALARD – Non-Executive Director 8

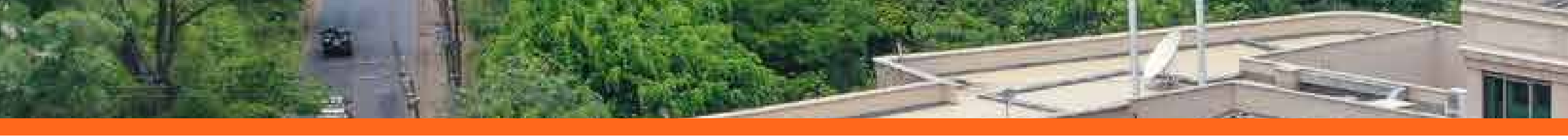
Mr. Du Chalard (aged 40 yrs) is an MBA graduate from ESSEC Business School in Paris. He is currently the Regional Head of PROPARCO in East Africa. Previously, he served as a Financial Engineer in charge of municipal debt management then as a Project Finance Analyst on infrastructure at DEXIA Credit Local, 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 9

Mr. Ng'ang'a (aged 45 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).

9



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, 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 commitments to all stakeholders.

The Company has complied with 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 robust as a key pillar in enhancing the Group's financial performance and sustainability.

THE BOARD OF DIRECTORS

The Board consisted of eight substantive directors as at 31 December, 2019. 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 are subject to the provisions of the Company's Articles of Association and CMA Guidelines. The directors have a wide range 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 five (5) scheduled Board meetings in 2019 attended by directors as indicated below:

	NAME OF DIRECTOR	NO. OF BOARD MEETINGS ATTENDED
1	Francis Okomo-Okello	5
2	Mahmud Jan Mohamed	5
3	Teddy Mapunda (Mrs)	4
4	Ameer Kassim-Lakha	5
5	Guedi Ainache	4
6	Ashish Sharma	3
7	Mahmood Manji	4
8	Nooren Hirjani	5
9	Jean-Louis Vinciguerra	0
10	Jean-Benoit Du Chalard	4

Notes:

1. Five (5) Board meetings were held in 2019.
2. Mr. Jean-Louis Vinciguerra was represented by his alternate Mr. Ashish Sharma in four (3) of the Board meetings held during the year.
3. Mr. Jean-Louis Vinciguerra resigned on 12.08.2019 and Mr. Ashish Sharma ceased to be Mr. Vinciguerra's alternate as at that date.

Management provides the directors with adequate notice for 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 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 during the year.

Corporate Governance Statement (continued)

The Company's shareholders re-elected Messrs Jean-Benoit Du Chalard, Ameer Kassim-Lakha, and Jean-Louis Vinciguerra, as directors of TPSEAP Board at the last Annual General Meeting, held on 25th June, 2019.

On account of ill health and age considerations, Mr. Jean-Louis Vinciguerra resigned as a director of the Company with effect from 12th August, 2019. Mr. Vinciguerra had served the TPSEAP Board as a director for thirteen (13) years. Following the resignation of Mr. Vinciguerra, the alternate directorship of Mr. Ashish Sharma consequently stood vacated.

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 31.12.2019, 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 Chairman's and the Managing Director's Report as a post-balance sheet occurrence, the outbreak of COVID-19 pandemic has fundamentally changed the financial position and operations of the Company going into 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 is sound, effectively administered and reviewed as necessary. During the year under review, the Committee evaluated significant audit findings identified by both internal and external auditors, and progressed implementation of necessary remedial, and continuous improvement measures.

The Board authorized the Committee to seek direct feedback from the Company's employees and independent professionals, whenever necessary, regarding important information or advice on matters pertaining to its work. The Board reviewed the membership of the Committee during the year under review in accordance with the CMA Guidelines as well as the Committee's own ToR. The Committee held 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 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 East 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 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 capacity enhancement. The Committee held two (2) scheduled meetings during 2019.

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. This is 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 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 performance. Please refer to page 29 for the TPSEAP Board Evaluation results carried out in 2019. The next performance evaluation exercise is scheduled for 2021.

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 of the Group and adopted for continuous improvement as necessary. The Company invested in an audit software application – 'TeamMate Audit Management System' which helps in leveraging the existing audit expertise, 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 distributing on email 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

The aggregate emoluments paid to Non-Executive directors during the 2019 financial year amounted to KShs 1.255 Million (refer to Note 30) to the Financial Statements). 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.

The Company pays non-executive directors a modest allowance in the form of directors' fees and sitting allowances.

DIRECTORS' INTEREST

There were no material contracts involving directors' interests during the year ended 31st December 2019 nor indeed in the previous financial year (2018). However, some directors remain longstanding minority shareholders of the Company 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

Corporate Governance Statement (continued)

CONFLICT OF INTEREST

In terms of 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 2019. 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 Procurement Policy which ensures best practice corporate governance practices in procurement risk management, and supply chain operations.

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

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 2020.

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, 4thNgong Avenue, Nairobi, Kenya.

Wildebeest migration at Mara National Reserve

	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	7,723,132	4.24
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	3,014,600	1.65
10	Kanchanben Ramniklal Khimji Shah	2,290,744	1.26
11	Others	35,142,378	19.28
		182,174,108	100.00

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2019

	NO. OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Less than 500 shares	3,308	444,587	0.24
500 - 5000 shares	4,742	6,382,672	3.51
5001 - 10,000 shares	187	1,353,969	0.74
10,001 - 100,000 shares	225	6,185,061	3.40
100,001 - 1,000,000 shares	37	11,449,733	6.28
Over 1,000,000 shares	15	156,358,086	85.83
	8,514	182,174,108	100.00

SHAREHOLDER CATEGORIES

	NO.OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Foreign Investors	153	122,271,850	67.12
Local Institutions	455	44,300,730	24.32
Local Individuals	7.906	15,601,528	8.56
	8,514	182,174,108	100.00

TPSEAP Board Evaluation Executive Summary

INTRODUCTION

TPS Eastern Africa PLC conducted an independent Board Evaluation performance review for the year 2019, a process facilitated by professionals from the Institute of Directors (Kenya).

The Institute of Directors (Kenya) (IOD(K) champions director professionalism through training, board evaluation and setting standards for board room practise and corporate governance best practices. Good Corporate governance practices and sound professional ethics are essential to the well-functioning of financial markets, which helps in protecting the interests of the investing public.

SCOPE AND APPROACH

The Board evaluation exercise was conducted through written questionnaires and through one on one structured interviews. It was aimed at evaluating the performance and effectiveness of:

- The Board as a whole, based on a written assessment by the individual directors separately and confidential one on one interviews with all the directors individually.
- The Chairperson of the Board, through peer assessment by all other directors.
- The Chief Executive Officer, through assessment by the other directors.
- The Company Secretary, through assessment by the directors.
- The Individual directors based on peer assessment by fellow directors as well as a self-assessment.

In carrying out the assessment, the Directors were requested and encouraged to be objective, honest and sincere as they thoughtfully considered the effectiveness and performance of the Board as a whole, the individual directors, the key officers, the Board Committees and the adequacy of the Board Governance processes in the period under review, with the different dynamics in the industry.

In assessing the performance and effectiveness of the Board, their colleagues and themselves in each area indicated in the questionnaire, Directors used a rating scale of 1 to 5, with 1 representing Strongly Disagree and 5 representing Strongly Agree. The quantitative feedback tool allowed a brief comment to support their rating. In addition, qualitative feedback tool was used to facilitate the confidential interviews with all the Directors.

SUMMARY RESULTS

Best practice suggest that a Board should examine in detail areas where the mean score is below or equivalent of a 75% score. The 2019 Board Evaluation exercise posted good ratings on the performance and effectiveness of the Collective Board, the Chairman, the Chief Executive Officer, Company Secretary and Individual Directors.

Quantitative scores are summarized below:

- The performance of the overall Board was Good with a mean score of 4.13 (82.63%)
- The Chairperson was rated with an Excellent score of 4.52 (90.49%)
- The Managing Director was rated with a Very Good mean score of 4.18 (83.64%)
- The Company Secretary was rated with a Very Good mean score of 4.18 (83.64%)
- The Peer Assessment produced a Very Good mean score of 4.36 (87.19%)
- The Individual Assessments had a mean score of 4.52 (90.49%)
- Board Committees also received a Good score of 4.17 (83.41%) across the four (4) elements that were evaluated i.e. Goals or Purpose of the Committee, Support for the Committee, Meetings and Membership.

In addition to the qualitative and quantitative evaluation, a review of the governance tools put in place showed that there is clarity in understanding of the respective roles, function and responsibilities of the Board.

The Board has continued to keep itself informed about various governance matters by receiving updates from Management and the Company Secretary.

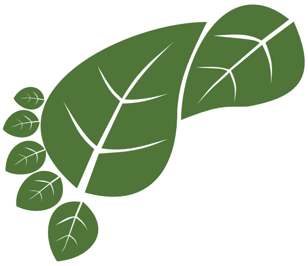
In addition, there is evidence that the Board has put in place the necessary instruments to ensure good Corporate Governance. These include a Board Charter, Clear Terms of Reference for all Committees and an Enterprise Risk Management Policy.

Prepared by,

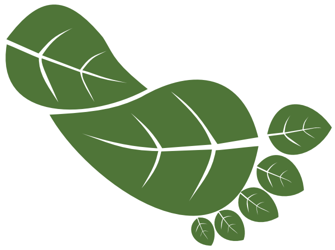
MESHACK JORAM
CHIEF EXECUTIVE OFFICER
INSTITUTE OF DIRECTORS (KENYA)

Serena Hotels Corporate Social Responsibility Footprint in East Africa

The company have over four decades strived to bring best practices in social, cultural, environmental and economic development to some of the most deprived, remotest and yet alluring but most fragile areas. It has contributed towards economic growth, development of tourism and a range of ancillary services, development of local human resources, as well as conservation of cultural and natural heritage, while reducing the ecological foot print of its properties to the minimum possible.



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 Footprint:

- Reafforestation Program: 6.7 million trees planted over the last 18 years that has resulted in approximately 2.6 million tons of carbon dioxide removed from the environment.
- 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 hybrid solar system and 4 other Serena properties have a solar water heating system.
- Reduction of Carbon Emissions per occupied bed as a result of being fully solar powered:
- Kilaguni Serena: 69% reduction (2019 vs 2016)
- Amboseli Serena:70% reduction (2019 vs 2017)
- Water Conservation achieved through efficient washing and process formulations; and bio-digesters that treats effluent water to allow it to be re-used for irrigation and return to the environment.
- Released 61,530 turtle hatchlings into the indian ocean over the last 26 years. In the process turned fishermen from being poachers to protectors of turtle eggs.
- Released 398,995 butterflies into the environment over the last 16 years.
- Replaced 'Single Use Plastic' guest ammenity bottles with refillable dispensers: 230,000 bottles eliminated from the landfill per annum.
- Ongoing recycling programs are in place.

Social Footprint:

- Direct Jobs: 3,789 per annum.
- Indirect & Induced Jobs: 13,787 per annum.
- Number of persons supported within households as a result of jobs created: 80,352 per annum.
- Thrives through local sourcing: 2,099 local companies in our supply chain per annum.
- Serena Clinics: 21 available to guests, staff and the local community.
- Free medical and wellness consultation: 21,805 local community beneficiaries per annum.
- Safe drinking water for the local community: approx. 23,000 community and 30,000 livestock beneficiaries per annum.
- Monthly Market and Artisians Days: 1,410 vendors set up at the Serena properties.
- 28 children libraries with 12,700 beneficiaries per annum.
- Internships & Training: 1,436 beneficiaries.

Economic Footprint: Year 2013 to 2019 (7 Years)

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

Using the Development Impact Assessment system, the Total Local Economic Activity Generated in East Africa by Serena Hotels presence in Kenya, Tanzania, Zanzibar, Uganda and Rwanda over a seven-year period (2013 to 2019) is equivalent to approximately USD 1,958 Million as tabulated below:

Corporate Social Responsibility (continued)

	ECONOMIC IMPACT IN EAST AFRICA (7 Years)					
	Direct	Indirect	Induced	Spillover	TOTAL	Basis Used
TOTAL ECONOMIC IMPACT - Contribution to Gross Domestic Product in East Africa - $ Million (Note 1)	916	976	53	13	1,958	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	170	466	-	-	636	Value creation at Serena Hotels and non-hotel expenditure during their visit.
Payroll & Related - $ Million	163	177	53	13	406	Amounts paid to Serena Direct employees and all along the value chain.
Local Procurement (food, beverage, utilities, repairs & maintenance and other operating costs)- $ Million	360	-	-	-	360	Consumption of non-imported goods and services by Serena Hotels operations.
Direct & Indirect Taxes (includes park/ conservancy fees, visas) - $ Million	178	333	-	-	511	Taxes collected from Serena Hotels and indirect tax through Serena Hotels supply chain.
Capital Expenditure (renovations, expansions, improvements) - $ Million	45	-	-	-	45	Capital investments by Serena Hotels for renovations, expansions or improvements.

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

- Direct Impacts: This is the 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: This is 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 respending 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.

An Economic, Environmental and Social Impact of Serena Hotels video that was funded by Proparco can be viewed using the You Tube link:

- Video with English Subtitles: https://youtu.be/xU1ZliWHZWs
- Video with French Subtitles: https://youtu.be/S9FSB44a0Dw

National and International Awards and Accolades

During the year 2019, Serena Hotels are proud to have won a number of national and international awards and accolades details of which are below:

World Travel Awards 2019:

- Rwanda's Leading Hotel 2019: Kigali Serena Hotel
- Uganda's Leading Hotel 2019: Kampala Serena Hotel
- Uganda's Leading Hotel Suite 2019: Presidential Suite at Lake Victoria Serena Golf Resort & Spa

CNN Travel: Listed under the "7 Luxurious Hotels Loved by Royalty" – Kampala Serena Hotel

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.

Eco-Warrior Kenya Awards 2019:

- Lake Elmenteita Serena Camp won the "Social Impact" Award
- Amboseli Serena Safari Lodge took the 1st Runner-up position of the "Social Impact" Award

Skål International Sustainable Tourism Awards 2019: Serena Beach Resort & Spa was ranked 4th out of 11 in the category of "Marine & Coastal" category for its "Endangered Turtle Conservation" project.

Mombasa Business Awards 2019: Serena Beach Resort & Spa won the Award for the Best Service in Tourism & Hospitality.

Conde Nast:

- Ngorongoro Serena Safari Lodge: ranked 86th under the "Top 100 Hotels in the World" category.
- Serena Mountain Lodge: recognized as "The Real-Life Locations That Inspired the New Lion King Movie".

Jumia Travel Customer's Choice Award 2019: Serena Beach Resort & Spa was awarded "Excellence in Customer Service".

First TANAPA Tourism Awards:

- Serengeti Serena Safari Lodge - 1st position Best Lodge
- Kirawira Serena Camp - 2nd position Best Permanent Tented Camp
- Mbuzi Mawe Serena Camp - 3rd position Best Permanent Tented Camp

Opening Ceremony of the Zanzibar Tourism Show: Zanzibar Serena Hotel was recognized as the first 5-star hotel in Stone town and for its commitment to service excellence, cultural & heritage preservation that made Stone Town to be recognized as UNESCO World Heritage site. This special mention and certificate of appreciation was received for outstanding contribution to Tourism in Zanzibar.

Zanzibar Tourism Awards 2019: Zanzibar Serena Hotel was awarded the runners up position under the Ministers Choice Award (Minster for Information, Tourism and Heritage) for the Best Stone Town Hotel in Zanzibar.

UN Women, Ministry of Gender, Labour and Social Development and Girls Florish: Awarded Kampala Serena Hotel with a recognition award for their contribution towards "Empowering of the Girl Child".

Giraffes crossing the Mara river

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 2019 which disclose the state of affairs of the Company and the Group.

Business review

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

The Group's performance

The Group's profit before income tax for the year of Shs 321,950,000 (2018: Shs 243,449,000) was 32% above 2018. This was primarily from a 3% increase in revenue as further supported by lower operating, financing and impairment costs over 2018. The ongoing extension and redevelopment of Nairobi Serena Hotel continued to impinge on our performance potential, with the project being completed in Q4 2019, later than originally planned.

The EBITDA growth of 28% over 2018 was respectable given challenging market conditions; even though profit after tax increased only 2% on 2018

The table below highlights some of the key performance indicators:

	2019 Shs 000	2018 Shs 000
Revenue	6,823,159	6,593,441
EBITDA	1,017,155	795,111
*EBITDA (%)	15%	12%
Profit before income tax	321,950	243,449
Profit before tax (%)	5%	4%
Earnings per share (Shs.)	0.81	0.69
Net assets	9,201,239	9,137,574

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

Dividend

The profit for the year attributable to equity shareholders of the Company of Shs 148,109,000 (2018: Shs 125,710,000) has been added to retained earnings. The directors do not recommend a final dividend for the year (2018: Shs 0.35 amounting to Shs 63,760,938).

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	
Jean-Louis Vinciguerra*	(Resigned 12.08.19)
Ashish Sharma*	(Alternate to Jean-Louis Vinciguerra) (Resigned 12.08.19)
Guedi Ainache*	
Teddy Hollo Mapunda (Mrs)**	
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 Kenyan 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
26th May, 2020

Directors' Remuneration Report

Information not subject to audit

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

- The Group's and Company's overall policy and strategy for remuneration of Directors aims to fairly and objectively reward performance in the medium and longer term interests of shareholders. The remuneration structure is designed to recognise the requisite skills, expertise and experience of Directors given market competitive forces and demand.
- Executive Directors remuneration primarily comprises fixed elements including: salary and benefits. Benefits are largely fixed in nature comprising housing, travel, and pension. There is no variable element such as performance based incentive or bonus scheme.
- Terms of service for the directors include fixed term contacts ranging up to four years, with 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 2019, there were no significant amendments to the terms and conditions of any entitlement of a director to share options or under a long term incentive scheme.
- Non-Executive Directors receive fees and sitting allowances as below.

Significant changes to director's during the year

- There were no significant changes during the year.

Statement of voting on the Director's remuneration report at the previous annual general meeting

- In respect of a resolution to approve the director's remuneration, shareholders voted unanimously by a show of hands having received written notice of their right to vote before the AGM.
- A resolution to approve the director's remuneration 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 2019 together with the comparative figures for 2018. The aggregate Directors' emoluments are shown on page 97.

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

Directors' Remuneration Report (continued)

Information subject to audit (continued)

For the year ended 31 December 2018	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	-	182	-	-	-	-	-	182
M. Janmohamed, Managing Director	41,969	-	-	-	-	2,056	3,885	47,910
N. Hirjani, Chief Financial Officer	28,324	-	-	-	-	1,320	82	29,726
A. Kassim-Lakha, Non-Executive Director	-	189	-	-	-	-	-	189
D. Braud, Non-Executive Director	-	110	-	-	-	-	-	110
J-L. Vinciguerra, Non-Executive Director	-	84	-	-	-	-	-	84
T. Mapunda (Mrs.) Non-Executive Director	-	154	-	-	-	-	-	154
M. Manji, Non-Executive Director	-	203	-	-	-	-	-	203
G. Ainache, Non-Executive Director	-	217	-	-	-	-	-	217
J-B Du Chalard, Non-Executive Director	-	20	-	-	-	-	-	20
	70,293	1,159	-	-	-	3,376	3,967	78,795

Pension related benefits

	2019 Shs'000	2018 Shs'000
M. Jan Mohamed, Managing Director	2,056	2,056
N. Hirjani, Chief Financial Officer	1,503	1,320
	3,559	3,376

On behalf of the Board

Mr. Nooren Hirjani
Director
26th May, 2020

Statement of Directors' Responsibilities

The Kenyan 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 Kenyan 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 Kenyan 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 use of 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 26 May 2020 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 40 to 99, which comprise the consolidated statement of financial position at 31 December 2019 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 2019 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 2019 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 Kenyan 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 968 million at 31 December 2019. 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.

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.

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

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T: +254 (20)285 5000 F: +254 (20)285 5001 [*www.pwc.com/ke*](www.pwc.com/ke)

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

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td> 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. </td>
<td> 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. </td></tr>
</table>

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 we do not and will not express any form of assurance conclusion thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan 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.

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

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

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.

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 Kenyan 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 Kenyan Companies Act, 2015.

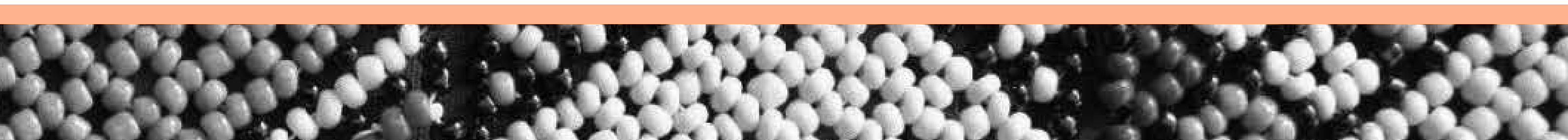
PricewaterhouseCoopers LLP

Certified Public Accountants
26th May, 2020
Nairobi

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

Consolidated Statement of Profit or Loss

	Notes	2019 Shs'000	2018 Shs'000
Revenue from contracts with customers	5	6,823,159	6,593,441
Other income		279,946	355,437
Inventory expensed		(1,118,985)	(1,123,363)
Employee benefits expense	7	(2,239,982)	(2,216,755)
Other operating expenses	8	(2,626,691)	(2,790,441)
Impairment losses	25	(100,321)	(23,208)
Profit before depreciation, finance income / (costs), results of associates and income tax expense	5	1,017,126	795,111
Depreciation on right of use asset	21	(40,906)	-
Depreciation on land, buildings, property and equipment	19	(447,422)	(408,248)
Interest on lease liability	9	(62,012)	-
Finance income	9	3,445	7,101
Finance costs	9	(119,268)	(126,517)
Share of loss of associates accounted for using the equity method	23	(29,013)	(23,998)
Profit before income tax	6	321,950	243,449
Income tax expense	10	(140,203)	(64,444)
Profit for the year		181,747	179,005
Attributable to:			
Equity holders of the Company		148,109	125,710
Non-controlling interest	29	33,638	53,295
		181,747	179,005
Earnings per share attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	11	0.81	0.69

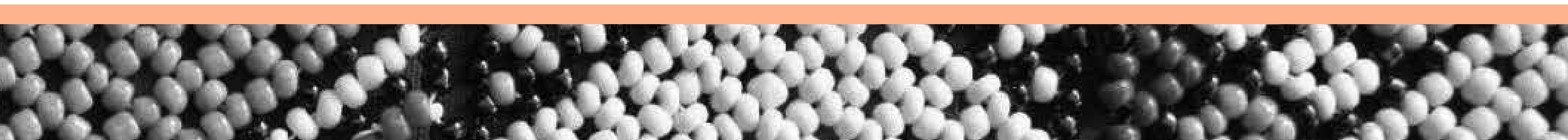


Consolidated Statement of Comprehensive Income

	Notes	2019 Shs'000	2018 Shs'000
Profit for the year		181,747	179,005
Other comprehensive income Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(54,321)	(142,287)
Total other comprehensive loss for the year		(54,321)	(142,287)
Total comprehensive income for the year		127,426	36,718
Attributable to:			
Equity holders of the Company		93,788	(16,577)
Non-controlling interest		33,638	53,295
Total comprehensive income for the year		127,426	36,718

Company Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2019 Shs'000	2018 Shs'000
Dividend income		85,904	85,190
Other operating expenses	8	(127,101)	(19,353)
(Loss)/profit before income tax	6	(41,197)	65,837
Income tax expense	10	-	-
Total comprehensive (loss)/ income for the year		(41,197)	65,837
Attributable to:			
Equity holders of the Company		(41,197)	65,837
Non-controlling interest		-	-
Total comprehensive income for the year		(41,197)	65,837



Consolidated Statement of Financial Position

	Notes	2019 Shs'000	2018 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	2,389,133	2,423,447
Translation reserve		(1,215,638)	(1,161,317)
Retained earnings		2,616,994	2,434,571
Proposed dividends	12	-	63,761
		8,365,331	8,335,304
Non-controlling interest	29	835,908	802,270
Total equity		9,201,239	9,137,574
Non-current liabilities			
Borrowings	15	3,587,202	1,677,058
Deferred income tax liability	17	1,842,764	1,886,339
Lease liability	16	425,495	-
Retirement benefit obligations	18	41,983	22,081
Total non-current liabilities		5,897,444	3,585,478
Total equity and non-current liabilities		15,098,683	12,723,052
Non-current assets			
Land and buildings	19 (a)	11,641,970	11,189,812
Property and equipment	19 (b)	1,806,292	2,067,183
Intangible assets	20	1,271,952	1,274,154
Right of use asset	21	421,560	-
Investment in associates	23	921,834	950,847
Deferred income tax asset	17	2,699	1,113
		16,066,307	15,483,109
Current assets			
Inventories	24	459,983	475,308
Receivables and prepayments	25	1,139,680	1,267,721
Current income tax		172,920	160,240
Cash and cash equivalents	26	147,569	211,745
		1,920,152	2,115,014
Current liabilities			
Trade and other payables	27	1,926,286	1,805,800
Borrowings	15	647,520	2,663,253
Lease liability	16	12,091	-
Bank overdraft	26	300,304	392,308
Current income tax		1,575	13,710
		2,887,776	4,875,071
Net current assets		(967,624)	(2,760,057)
		15,098,683	12,723,052

The financial statements on pages 40 to 99 were approved and authorised for issue by the board of directors on 26 May 2020 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mahmud Jan Mohamed
DIRECTOR

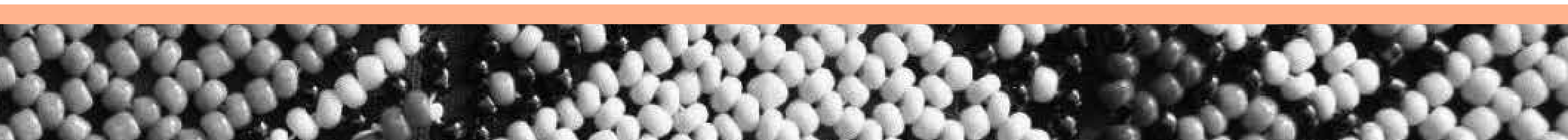
Company Statement of Financial Position

	Notes	Year ended 31 December 2019 Shs'000	2018 Shs'000
Equity			
Share capital	13	182,174	182,174
Share premium	13	4,392,668	4,392,668
Retained earnings		832,728	873,925
Proposed dividends	12	-	63,761
Total equity		5,407,570	5,512,528
Non-current assets			
Investment in subsidiaries	22	4,186,002	4,231,797
Investment in associates	23	840,330	840,330
		5,026,332	5,072,127
Current assets			
Receivables and prepayments	25	397,935	444,108
Cash and cash equivalents	26	-	356
		397,935	444,464
Current liabilities			
Trade and other payables	27	16,308	4,063
Bank overdraft	26	389	-
		16,697	-
Net current assets		381,238	440,401
		5,407,570	5,512,528

The financial statements on pages 40 to 99 were approved for issue by the board of directors on 26 May 2020 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mahmud Jan Mohamed
DIRECTOR



Consolidated Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 2018									
At start of year		182,174	4,392,668	2,480,830	(1,019,030)	2,315,239	63,761	748,975	9,164,617
Comprehensive income for the year									
Profit for the year		-	-	-	-	125,710	-	53,295	179,005
Other comprehensive income:									
Currency translation differences		-	-	-	(142,287)	-	-	-	(142,287)
Transfer of excess depreciation to retained earnings		-	-	(81,976)	-	81,976	-	-	-
Deferred income tax on transfer	17	-	-	24,593	-	(24,593)	-	-	-
Total other comprehensive income		-	-	(57,383)	(142,287)	57,383	-	-	(142,287)
Total comprehensive income for the year		-	-	(57,383)	(142,287)	183,093	-	53,295	36,718
Transactions with owners									
Dividends:									
- final for 2017 paid	12	-	-	-	-	-	(63,761)	-	(63,761)
- proposed for 2018	12	-	-	-	-	(63,761)	63,761	-	-
		-	-	-	-	(63,761)	-	-	(63,761)
At end of year		182,174	4,392,668	2,423,447	(1,161,317)	2,434,571	63,761	802,270	9,137,574

Consolidated Statement of Changes in Equity (continued)

	Notes	Share capital Shs'000	Share premium Shs'000	Reval-uation reserves Shs'000	Trans-lation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 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

Company Statement of Changes in Equity

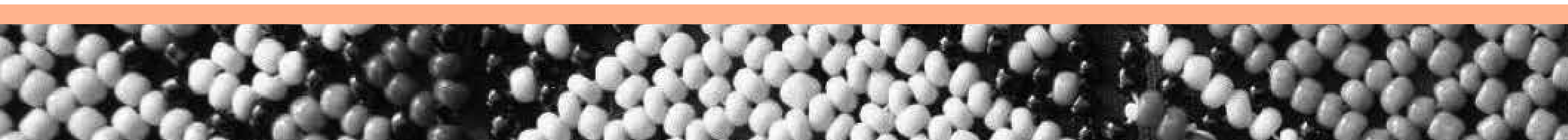
	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2018						
At start of year		182,174	4,392,668	871,849	63,761	5,510,452
Comprehensive income for the year						
Profit for the year		-	-	65,837	-	65,837
Total comprehensive income for the year						
Transactions with owners						
Dividends:						
- final for 2017 paid	12	-	-	-	(63,761)	(63,761)
- proposed for 2018	12	-	-	(63,761)	63,761	-
		-	-	(63,761)	-	(63,761)
At end of year		182,174	4,392,668	873,925	63,761	5,512,528

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 2019						
At start of year		182,174	4,392,668	873,925	63,761	5,512,528
Comprehensive income for the year						
Loss for the year		-	-	(41,197)	-	(41,197)
Total comprehensive income 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

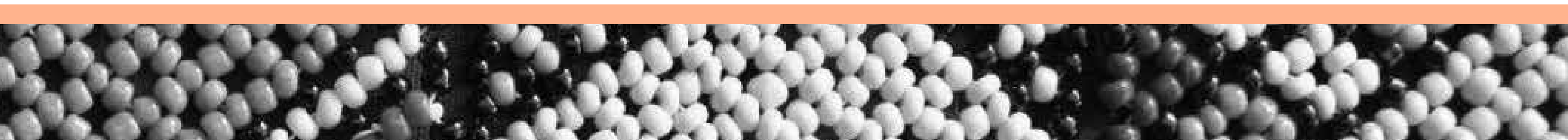
Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2019 Shs'000	2018 Shs'000
Operating activities			
Cash generated from operations	28	1,348,615	820,356
Interest received	9	3,445	7,101
Lease payments	16	(86,795)	-
Income tax paid		(192,922)	(188,184)
Net cash generated from operating activities		1,072,343	639,273
Investing activities			
Purchase of land and buildings	19(a)	(7,443)	(897,161)
Purchase of properties and equipment	19(b)	(652,711)	(390,345)
Proceeds from disposal of property and equipment		1,337	4,413
Net cash used in investing activities		(658,817)	(1,283,093)
Financing activities			
Proceeds from long term borrowings	15	182,529	341,745
Payments of long term borrowings	15	(561,919)	(421,697)
Dividends paid to Company's shareholders	12	(63,761)	(63,761)
Net cash utilised in financing activities		(443,151)	(143,713)
Net decrease in cash and cash equivalents		(29,625)	(787,533)
Movement in cash and cash equivalents			
At start of year		(180,563)	611,779
Decrease		(29,625)	(787,533)
Effect of currency translation differences		57,453	(4,809)
At end of year	26	(152,735)	(180,563)



Company Statement of Cash Flows

	Notes	2019 Shs'000	2018 Shs'000
		Year ended 31 December	
Profit before income tax		(41,197)	65,837
Add back			
Impairment of investment in subsidiary	22	45,795	-
Adjustments for:			
Changes in working capital			
- receivables and prepayments		46,173	(12,127)
- payables and accrued expenses		12,245	(146)
Net cash generated from operating activities		63,016	53,564
Financing activities			
Dividends paid to Company's shareholders	12	(63,761)	(63,761)
Net cash utilised in financing activities		(63,761)	(63,761)
Net decrease in cash and cash equivalents		(745)	(10,197)
Movement in cash and cash equivalents			
At start of year		356	10,553
Decrease		(745)	(10,197)
At end of year	26	(389)	356



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 Kenyan 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 of preparation of the financial statements:

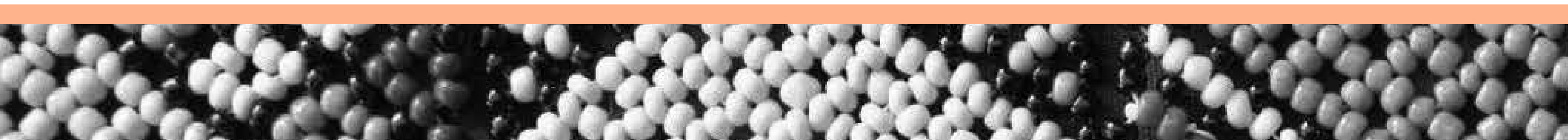
Since 31 December 2019, the spread of the novel strain of coronavirus ("COVID-19") has severely impacted many economies globally, and not least the tourism, travel and hospitality sector. On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic and recommended strict containment and mitigation measures worldwide. Across East Africa, businesses have been forced to cease or limit operations for long or indefinite periods of time.

Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services, have triggered significant disruptions to our operations throughout East Africa, resulting in an unprecedented economic slowdown. Indeed, the East African hospitality and leisure sector has experienced great volatility and a significant weakening. Meanwhile, management await positive tangible actions from Governments and Central Banks with effective monetary and fiscal interventions to stabilise these desperate economic conditions.

Notwithstanding the above, on 27 March 2020 the Group announced that it would temporarily close operations until 15 June 2020 due to COVID-19. Plans for re-opening in H2 2020 are now earnestly under preparation. Management is continuously evaluating operating scenarios and identifying measures that allow cash preservation in the short term; they are also reassessing the Group's strategic options and priorities for the medium to longer term.

Impact assessment

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of Government and Central Bank responses, remains unclear. 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 have evaluated 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)

- Best case scenario – Assuming the pandemic will have been contained in next few months to enable a soft re-opening from July 2020.
  - o Outbreak in Kenya and worldwide is contained by the end of June 2020
  - o Curfew remains in place until the end of May 2020
  - o Normalcy starts to return from June 2020, with progressive return of business by January 2021
  - o Economic activity returns to January 2020 levels, by January 2021
  - o Soft re-opening from July 2020 with initial demand from local, national and regional corporate market. Targeted and phased room inventory, food & beverage and Maisha wellness offerings made available.
  - o Some demand for Safari high season of July to September 2020
- Worst case scenario – Assuming the pandemic will extend to Q4 2020:
  - o Widespread outbreak in Kenya, wider East Africa and resurgence internationally
  - o Prolonged lockdown until end of September 2020
  - o Normalcy to return from October 2020
  - o Progressive return of business by April 2021
  - o Economic activity returns to January 2020 levels, by May 2021
  - o TPS Hotels re-open in October 2020 with skeleton operations
  - o Low demand for Safari business in the off-peak season of October to December 2020

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 considers that the worst-case scenario would result in a year on year decrease in revenue of KShs. 2.8 billion (or 41%) for the year ended 31 December 2020.

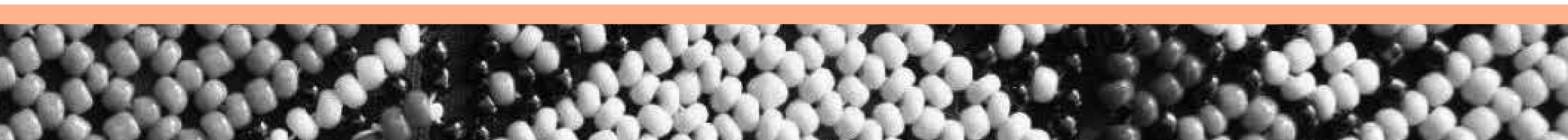
Management expect to mitigate the impact of reduced revenues through the following measures, all of which are subject to ongoing review:

- All key supplier terms and conditions have been renegotiated either for retrospective or extended credit, even retrospective discounts for Q1 2020. Third party contracts, e.g. for outsourced security services, solar power, insurance and marketing have been revised in line with skeleton operations and in readiness for increased efficiencies on soft re-opening.
- Following discussions with employees and unions across its operations, management has planned payroll cost reductions from: cancellation of 2020 pay awards, cessation of casual labour, consented paid and unpaid leave, at least 40% sacrifice in remuneration of management and junior positions commencing April 2020.

Impact on projected cash flows and borrowings

At 31 December 2019 the Group's current liabilities exceed its current assets by Shs 968 million (2018: Shs 2.8 billion). The Group had borrowings amounting to Shs 4.5 billion at 31 December 2019, primarily taken out to fund expansion and refurbishment of hotels and lodges.

Management have embarked on re-financing the Group's debt with primary lenders since mid-February 2020, immediately following indications of market forces adversely impacting Serena's international leisure bookings. Consequently, discussions to seek suspension of 2020 loan principal and interest obligations, as well as waivers for breach of 2020 financial covenants, are well advanced with respective lenders.



2. Summary of significant accounting policies (continued)

(a) Going concern (continued)

To the date of this report, the Group has secured the following support from key stakeholders:

Kenya

- US$ 1.5M increased overdraft facility from ABSA Bank Kenya PLC (ABSA (K)), commencing April 2020, this will take the total overdraft held to US$ 4M.
- Progressive and positive discussions with senior lenders since February 2020, to suspend 2020 loan repayments (PROPARCO & ABSA (K): totalling US$3.67M) and interest costs (Proparco: US$1.2M). Discussions are progressing well, and all parties expect to formalise these modifications by H1 2020.
- Majority shareholder advances of US$3.3M received to the date of this report; and a further US$2.7M currently under review for approval by H1 2020.

Tanzania

- US$ 0.6M increased overdraft facility from ABSA Bank Tanzania Limited, commencing April 2020 with a further US$ 0.25M under final review. This will take the total facility to US$ 1.5M.

Based on the progress of the re-financing and debt restructuring negotiations, management believe that the Group will have adequate finances to meet its financial commitments for the foreseeable future. Management expect to conduct further reviews in Q4 2020 in order to agree on a restructuring of the loan agreement terms, in recognition of the longer-term implications of COVID-19 on the travel and hospitality industry.

Conclusion

The Directors are of the view that once the market returns to a 'new normal', the Group will be well placed to capitalise on the difficult yet prudent cost curtailment, re-adjustment; and re-financing decisions actioned. This, coupled with the opportunity to renew the Serena brand in the new normal marketplace post COVID-19, should enable the Group to bounce back and get back on track in the medium term.

However, the directors acknowledge that uncertainty remains over the duration and impact of COVID-19 on the Group's business and, as a consequence of this, the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. If for any reason, the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values, in particular property, plant & equipment and goodwill, and to extinguish borrowings and other liabilities in the normal course of business at the amounts stated in these financial statements.

(b) Basis of preparation

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

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

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting year commencing 1 January 2019:

- IFRS 16: Leases

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

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

Adoption of IFRS 16: Leases

The Group has adopted IFRS 16 leases retrospectively from 1 January 2019 but has not restated comparatives for the reporting period ended December 2018, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The observable incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 13%.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the Group recognises an amortization expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognises an operating lease expense for these leases as was the case in IAS 17 Lease accounting.

The Group's leasing activities and significant accounting policies

Majority of the Group's leases are property leases which include office space, parks, land occupied by hotels and various camps.

Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. However, leases in similar categories have almost similar and homogeneous contract terms albeit with varying lease periods and lease amounts. Rental contracts are typically made for fixed periods varying between one to 45 years with a pre-determined rent expense escalation clause with renewal periods as per contract terms.

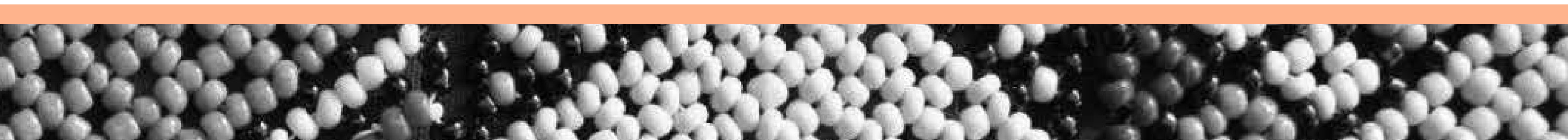
As a lessee, the Group previously classified leases as operating, or finance leases based on assessment of whether the lease transferred substantially all the risks and rewards of ownership to the Group.

Payments made under operating leases (net of any incentives received from the lessor) were charged to statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

At any reporting date, prepaid operating lease rentals were categorised under receivables and prepayments and current and noncurrent assets determined on the basis of the duration of lease period paid for in advance in the statement of financial position. After the adoption of IFRS 16, Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Cash generated from operations increased as lease costs are no longer included in this category. Interest paid increased, as it includes the interest portion of the lease liability payments and the capital portion of lease liability repayments which is included in cash used in financing activities. Lessor accounting remains like previous accounting under IAS 17.



Notes to Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

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

Adoption of IFRS 16-Leases (continued)

The Group's leasing activities and significant accounting policies (continued)

Transition to IFRS 16: Changes in accounting policy

The lease liability is the present value of the remaining lease payments, discounted using the lease's incremental borrowing rate at the date of the initial application. The Right-of-use asset measurement is by retrospective calculation, using a discount rate based on the Group's incremental borrowing rate at the date of initial application.

Assets and liabilities arising from a lease are initially measured on a present value basis. 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;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

It is re-measured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with short-term leases and 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.

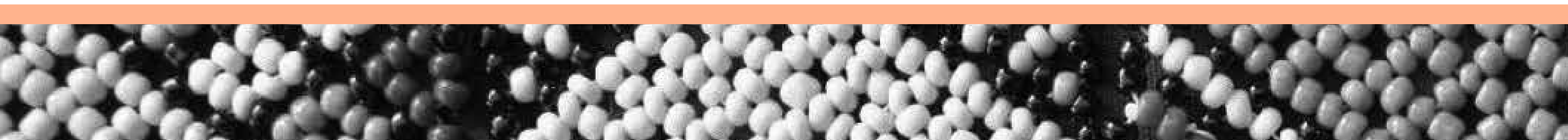
As a general policy guideline, lease payments are discounted using the Group's incremental borrowing rate which is determined from time to time based on the prevailing macro-economic and regulatory guidelines.

The Group has elected to use the incremental rate of borrowing that reflects what it would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The initial incremental cost of borrowing for Shs denominated leases is 13% guided by the Central Bank of Kenya Rate (CBR) + 400 basis points which was the ceiling lending rate for banks and lending institutions in Kenya as stipulated by Central Bank of Kenya at the time of adoption of IFRS 16. The rates used for Uganda and Tanzania are 20.14% and 21.30% respectively, being representative of the respective countries incremental borrowing rates.

The right-of-use assets are initially measured at cost comprising the following:

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

The right-of-use assets are subsequently measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.



2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

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

Adoption of IFRS 16-Leases (continued)

Transition to IFRS 16: Changes in accounting policy (continued)

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group reassessed whether a contract is or contains a lease at the date of initial application and applied Interpretation 4 Determining whether an Arrangement contains a lease.

Renewal and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group applies judgement in assessing whether it is reasonably likely that options will be exercised.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Lease and non- lease component

Several lease contracts include both lease and non-lease components. The Group allocates the consideration in the contract to each lease and non-lease component based on their contractual terms.

The Group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

Impact on transition

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities.

When measuring lease liabilities for operating leases, the Group discounted the future lease payments using its incremental borrowing rate of 13%.

A reconciliation of the operating lease commitments disclosed as at 31 December 2018 discounted using the incremental borrowing rate at 1 January 2019 to the lease liability recognised on 1 January 2019 is disclosed in Note 16 and Note 21.

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable 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.

(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 remeasured 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.

2. Summary of significant accounting policies (continued)

(c) Consolidation (continued)

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

(v) Joint arrangements

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

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

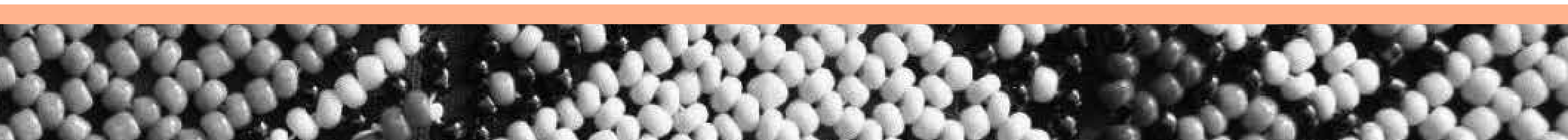
When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations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

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

(vi) Separate financial statements

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

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



Notes to Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(d) Functional currency and translation of foreign currencies

(i) Functional and Presentation currency

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

(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.

2. Summary of significant accounting policies (continued)

(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.

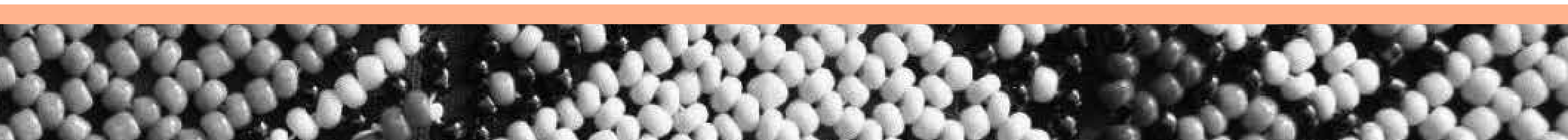
Dividends are recognised as income in the period the right to receive payment is established.

(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.



2. Summary of significant accounting policies (continued)

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

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	Residual values
Leasehold land and buildings	Over the period of the lease	35%
Computers	3 - 4 years	-
Motor vehicles	4 years	-
Furniture and fittings	10 years	25%
Lift installations	10 years	25%
Laundry equipment	10 years	25%

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.

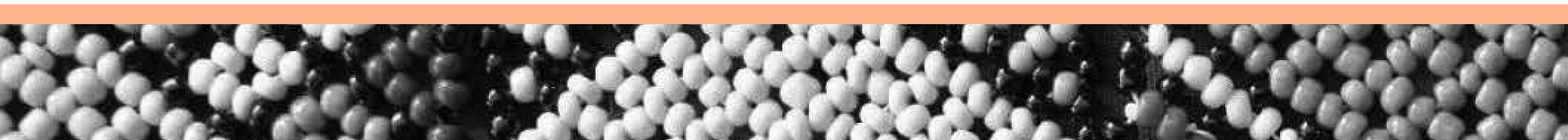
For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within 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.

(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.



2. Summary of significant accounting policies (continued)

(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:

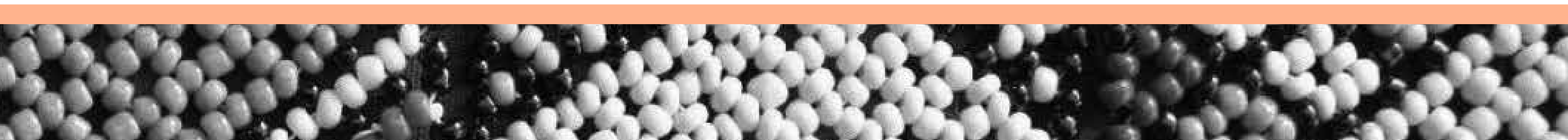
- Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
- Trade receivables are measured at their transaction price.
- All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction 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.

Until the financial year 2018, all the leases in the Group were classified as operating leases. From 1 January 2019, 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.

(i) Initial recognition

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

Notes to Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(k) Leases (continued)

(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 company 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 company, 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 company 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.

(ii) Right of use asset

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

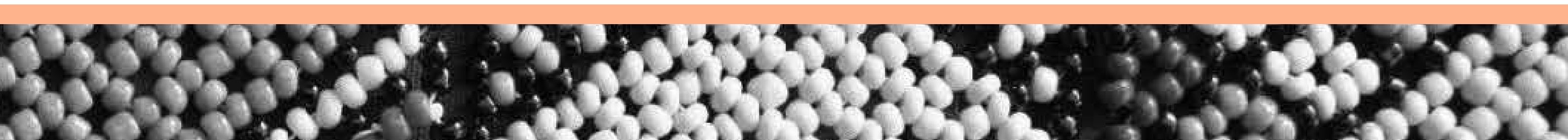
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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, it has chosen not to 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.

(iii) Variable lease payments

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



2. Summary of significant accounting policies (continued)

(k) Leases (continued)

(iv) Extension and termination options

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

(l) Inventories

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

(m) Share capital

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

(n) Cash and cash equivalents

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

(o) Employee benefits

(i) Retirement benefit obligations

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

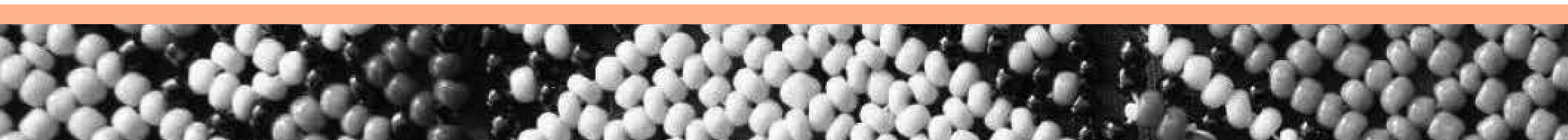
The Group operates a defined contribution benefit scheme for all its permanent employees after their first year of employment. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Group and the employees. The Group and all its permanent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

(ii) Termination benefits

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

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



2. Summary of significant accounting policies (continued)

(q) Dividend distribution

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

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

Impairment losses on financial assets

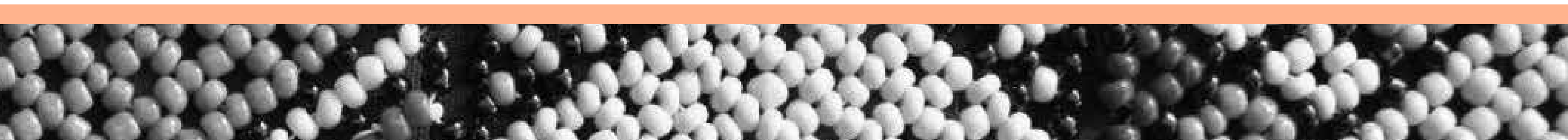
The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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;
- Choosing appropriate models and assumptions for the measurement of ECL; and

Significant debtors, mainly relating to related party balance are assessed for impairment on an individual basis.

As at 31 December 2019, certain key judgements and estimations were made regarding the above items, as they relate to the determination of expected credit losses on financial assets.



3. Critical accounting estimates and judgements (continued)

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.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, assets' residual values and related depreciation charges for its property, plant and equipment. This estimate is based on projected product lifecycles for its assets. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Right of use asset and lease liability

In determining the applicable discount rate on present value of the lease liabilities, the directors' assumptions are based on the risk free rate together with inflation rate, country risk and market premium.

(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 2019, if the Kenya Shilling had weakened/strengthened by 1% against the US Dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 8,536,997 (2018: profit for the year of Shs 11,870,092) higher/lower, mainly as a result of US dollar receivables, payables, bank balances and borrowings.

4. Financial risk management (continued)

Market risk (continued)

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2019 (2018: 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 2019, an increase/decrease of 1% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 3,357,338 (2018: profit of Shs 4,460,084).

(iv) Fair value risk

The Group does not have any significant assets subject to fair value risk as at 31 December 2019 (2018: Nil).

Credit risk

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

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

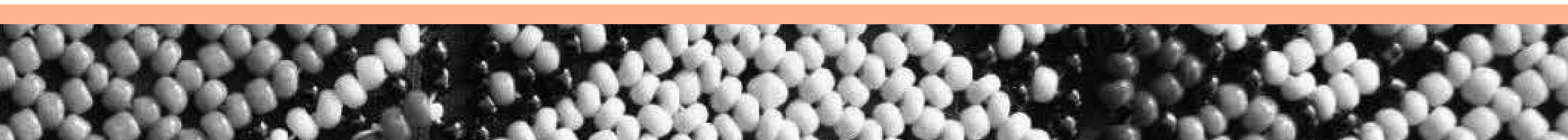
For banks and financial institutions, only reputable well established financial institutions are accepted. The amounts that represent the Group's maximum exposure to credit risk is equal to the carrying amount of financial assets in the statement of financial position.

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

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

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

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



Notes to Financial Statements (continued)

4. Financial risk management (continued)

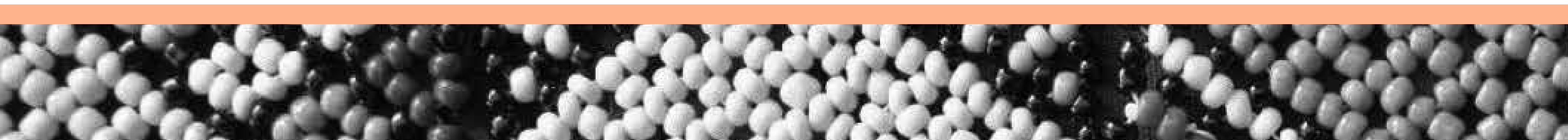
Credit risk (continued)

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

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Trade receivables	754,538	826,684	-	-
Expected credit losses	(64,398)	(61,033)	-	-
Carrying amount	690,140	765,651	-	-

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	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Advances to related parties	454,422	386,303	456,770	444,108
Loss allowance	(96,956)	-	(63,004)	-
Other receivables	18,638	43,926	4,169	-
	376,104	430,229	397,935	444,108
Cash at bank	147,569	211,745	-	356



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. A major portion of the Company's funds are held in cash and cash equivalents which are readily available to meet expected operational expenses, including the servicing of financial obligations.

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 2019:				
- borrowings and interest	1,194,757	534,024	985,855	2,483,555
- trade and other payables	1,926,285	-	-	-
- lease liability	12,091	421,560	-	-
	3,133,133	955,584	985,855	2,483,555
At 31 December 2018:				
- borrowings and interest	3,478,542	627,404	967,997	519,281
- trade and other payables	1,805,800	-	-	-
	5,284,342	627,404	967,997	519,281

(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 2019:				
- borrowings and interest	399	-	-	-
- trade and other payables	16,308	-	-	-
	16,707	-	-	-
At 31 December 2018:				
- trade and other payables	4,063	-	-	-

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 2019 the Group's strategy, which was unchanged from 2018, was to maintain a gearing ratio below 40%.The gearing ratios at 31 December 2019 and 2018 are as follows:

	2019 Shs'000	2018 Shs'000
Total borrowings (Note 15)	4,535,026	4,732,619
Less: cash and bank balances (Note 26)	(147,569)	(211,745)
Net debt	4,387,457	4,520,874
Total equity	9,201,239	9,137,574
Total capital	13,588,696	13,658,448
Gearing ratio	32%	33%

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.

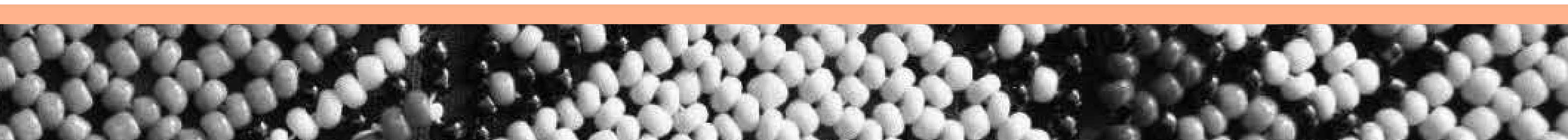
4. Financial risk management (continued)

Fair value estimation (continued)

Financial instruments not measured at fair value

The following table summarizes 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	
	2019 Shs 000	2018 Shs 000	2019 Shs 000	2018 Shs 000
Financial assets				
Receivables and prepayments	1,139,680	1,267,721	1,139,680	1,267,721
Cash and cash equivalents	147,569	211,745	147,569	211,745
	1,287,249	1,479,466	1,287,249	1,479,466
Financial liabilities				
Borrowings	4,535,026	4,732,619	4,535,026	4,732,619
Trade and other payables	1,926,286	1,805,800	1,926,286	1,805,800
Lease liability	437,586	-	437,586	-
	6,898,898	6,538,419	6,898,898	6,538,419
Company				
Financial assets				
Receivables and prepayments	397,935	444,108	397,935	444,108
Cash and cash equivalents	-	356	-	356
	397,935	444,464	397,935	444,464
Financial liabilities				
Borrowings	389	-	389	-
Trade and other payables	16,308	4,063	16,308	4,063
	16,697	4,063	16,308	4,063



Notes to Financial Statements (continued)

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 (M) Limited and are eliminated on consolidation.

Entity wide information

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

	2019 Shs'000	2018 Shs'000
Room revenue	3,290,912	3,177,657
Food	2,406,526	2,330,527
Beverage	441,731	428,546
Others	683,990	656,711
	6,823,159	6,593,441
Timing of revenue recognition - Over time Room revenue	3,290,912	3,177,657
- At a point in time		
Food	2,406,526	2,330,527
Beverage	441,731	428,546
Others	683,990	656,711
	3,532,247	3,415,784

5. Segment information (continued)

The segment information provided to the Managing Director for the reportable segments 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

The segment information for the year ended 31 December 2018 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	2,847,663	2,135,000	1,610,779	337,702	6,931,144
Less inter segmental sales	-	-	-	(337,702)	(337,702)
Net revenue from third parties	2,847,663	2,135,000	1,610,779	-	6,593,441
EBITDA	52,404	468,900	298,639	1,695	795,111
Depreciation and amortisation	(186,160)	(117,121)	(102,009)	(2,958)	(408,248)
Income tax credit/(expense)	117,380	(104,371)	(66,765)	(10,687)	(64,444)
Share of loss from associate	-	-	-	(23,998)	(23,998)
Investment in associate	-	-	-	950,847	950,847
Additions to non-current assets	976,558	61,622	247,752	1,574	1,287,506
Total assets	9,618,510	3,045,069	3,268,684	1,665,860	17,598,123
Total liabilities	(5,139,411)	(1,957,488)	(1,327,184)	(36,466)	(8,460,549)
Goodwill	324,643	683,218	266,293	-	1,274,154

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:

	2019 Shs'000	2018 Shs'000
EBITDA	1,017,126	795,111
Depreciation and amortisation	(447,422)	(408,248)
Depreciation on right of use asset	(40,906)	-
Interest on lease liability	(62,012)	-
Finance costs – net	(115,823)	(119,416)
Share of loss of associates accounted for using the equity method	(29,013)	(23,998)
Profit before tax	321,950	243,449

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

6. Profit before tax

The following items have been (credited) / charged in arriving at profit before income tax:

	Group	
	2019 Shs'000	2018 Shs'000
Employee benefit expense (Note 7)	2,239,982	2,216,755
Heat, light, power and water (Note 8)	564,278	593,115
Advertising and promotion expenses (Note 8)	350,922	501,252
Repairs and maintenance of property and equipment (Note 8)	417,511	388,731
Net finance costs (Note 9)	115,823	119,416
Receivables – provision for impairment losses (Note 25)	100,321	23,208
Auditors' remuneration (Company: 2019: Shs 3,082,507 (2018: Shs 2,949,767))	18,211	18,362
Profit on disposal of property, plant and equipment	(1,297)	(2,149)

7. Employee benefits expense

	2019 Shs'000	2018 Shs'000
Salaries, wages and other staff costs	2,100,252	2,082,203
Retirement benefits costs:		
- Defined benefit scheme (Note 18)	38	1,291
- Defined contribution scheme	53,037	48,142
- National Social Security Funds	86,655	85,119
	2,239,982	2,216,755
Average number of employees	2,772	2,759

8. Other operating expenses

Group		
Advertising and promotions	350,922	501,252
Heat, light, power and water	564,278	593,115
Insurance premiums	160,627	151,896
Operating supplies	222,598	196,574
Royalties and fees	492,611	523,475
Rent	200,622	220,331
Security	77,788	76,068
Repairs and maintenance	417,511	388,731
Other expenses	139,734	138,999
	2,626,691	2,790,441
Company		
Annual General Meeting expenses	3,889	7,038
Registry expenses	2,900	3,812
Directors expenses	2,343	3,221
Audit fees	3,083	2,950
Trade publications	3,258	983
Impairment of investment in subsidiary (TPS Mangapwani Limited)	45,795	-
Impairment of other receivables	63,004	-
Other expenses	2,829	1,349
	127,101	19,353

9. Finance income and costs

Interest income:	2019 Shs'000	2018 Shs'000
- Fixed and call deposits	3,445	6,425
- Staff loans	-	676
Net foreign currency exchange gain on borrowings	32,142	-
Finance income	35,587	7,101
Interest expense:		
Interest expense on borrowings	(151,410)	(126,066)
Net foreign currency exchange loss on borrowings	-	(451)
Interest on lease liability	(62,012)	-
Finance costs	(213,422)	(126,517)
Net finance costs	(177,835)	(119,416)

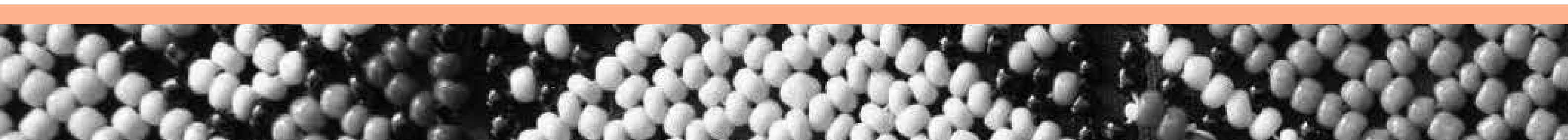
10. Income tax expense

	2019 Shs'000	2018 Shs'000
Current income tax	168,108	181,741
Deferred income tax (Note 17)	(27,905)	(117,297)
Income tax expense	140,203	64,444

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	
	2019 Shs'000	2018 Shs'000
Profit before income tax	321,950	243,449
Tax calculated at domestic rates applicable to profits in the respective countries at 30% (2018 : 30%)	96,585	73,035
Tax effect of:		
Income not subject to tax	(11,931)	15,157
Expenses not deductible for tax purposes	54,900	21,492
Over/ (under) provision of deferred income tax in prior year	649	(45,240)
Income tax expense	140,203	64,444

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



Notes to Financial Statements (continued)

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

	2019	2018
Profit attributable to equity holders of the Company (Shs 000s)	168,317	125,710
Weighted average number of ordinary shares in issue (thousands)	182,174	182,174
Basic earnings per share (Shs)	0.81	0.69

There were no potentially dilutive shares outstanding at 31 December 2019 or 31 December 2018. 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 2019 were 182,174,108 shares (2018: 182,174,108 shares). No dividend for the year ended 31 December 2019 is to be proposed at the forthcoming annual general meeting. (2018: Shs 0.35 per share amounting to Shs 63,760,938)

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

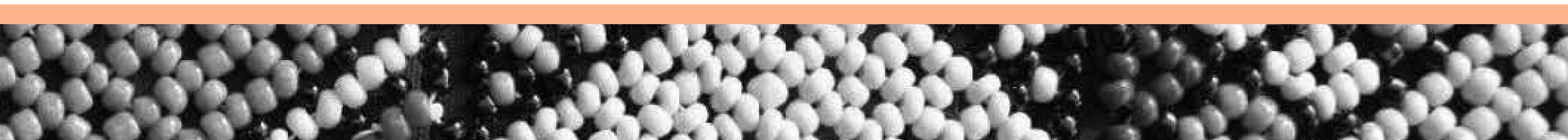
13. Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	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.



Notes to Financial Statements (continued)

15. Borrowings

The borrowings are made up as follows:	Group 2019 Shs'000	Group 2018 Shs'000	Company 2019 Shs'000	Company 2018 Shs'000
Non-current				
Term loans	3,587,202	1,677,058	-	-
Current				
Bank overdraft	300,304	392,308	389	-
Term loans	647,520	2,663,253	-	-
	947,824	3,055,561	389	-
Total borrowings	4,535,026	4,732,619	389	-

Reconciliation of liabilities arising from financing activities

Year ended 31 December	2019 Shs'000	2018 Shs'000
At start of year	4,340,311	4,414,475
Interest expense	151,410	126,066
Interest capitalised	142,274	127,977
Foreign exchange loss	(19,883)	(248,255)
Cash flows:		
Proceeds from borrowings	182,529	341,745
Repayments of borrowings	(561,919)	(421,697)
At end of year exclusive of bank overdrafts	4,234,722	4,340,311

Notes to Financial Statements (continued)

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	2019 Shs'000	2018 Shs'000
ABSA Tanzania - Overdraft	US$	700,000	6.85%	21/09/2019	21/09/2020	48,763	49,354
ABSA Tanzania - Term loan	US$	4,000,000	6.85%	17/05/2015	(Note iv) 01/06/2020	50,676	152,829
ABSA Tanzania - Term loan	US$	1,500,000	7.10%	25/08/2018	(Note iv) 25/03/2021	92,905	85,245
Bank M Tanzania Ltd - Term loan	US$	2,750,000	6.25%	22/04/2014	29/10/2019	-	51,519
Bank M Tanzania - Overdraft facility	US$	200,000	6.75%	01/04/2016	(Note i)	-	11,118
AKFED	US$	3,350,000	0.00%	30/04/2016	(Note ii)	339,524	229,244
AKFED	US$	740,000	0.00%	30/04/2016	(Note ii)	74,999	63,101
DTB Tanzania Ltd - Overdraft facility	US$	100,000	12.50%	31/12/2019	29/12/2020	-	2,014
Kenya							
Bank overdraft - ABSA Bank Kenya PLC	KShs	150,000	12.95%	26/01/2019	25/01/2020	150,631	156,493
Bank overdraft - Stanbic Bank Kenya Ltd	KShs	100,000	12.95%	9/08/2019	8/08/2020	100,000	100,000
PROPARCO - Long Term loan	US$	20,000,000	5.76%	24/08/2015	(Note iii) 15/06/2027	2,033,046	2,038,000
ABSA Bank Kenya PLC - Term loans	KShs	970,000	12.87%	13/02/2015	29/12/2022 (Note iv)	519,643	554,287
AKFED	US$	7,000,000	0.00%	30/07/2017	(Note ii)	713,149	611,396
Stanbic Bank Kenya Ltd - Term loan	KShs	65,000	14.00%	30/05/2015	30/04/2019	-	6,704
Uganda							
Bank overdraft	US$	1,000,000	4.00%	3/12/2019	02/12/2020	-	73,329
PROPARCO - Long Term loan	US$	8,000,000	5.20%	15/06/2017	15/06/2023	411,690	547,986
Total borrowings						4,535,026	4,732,619

Fair values of the borrowings are disclosed in Note 4.

15. Borrowings (continued)

Notes

(i) Taken over by ABSA Tanzania in 2019.

(ii) AKFED loans have no fixed maturity, however they are not payable within 12 months of the balance sheet date.

(iii) As at 31 December 2019, the Group was in breach of certain PROPARCO loan covenants. The breach arose due to the delayed completion of Nairobi Serena Hotel extension and refurbishment project. The project was completed in Q4, 2019. The lenders issued waivers by 31 December 2019 in relation to the breaches. Subsequent to the year end, the parties are progressing discussions to reschedule the repayments of the PROPARCO loan in 2020 due to the impact of Covid-19 on the business.

(iv) As at 31 December 2019, 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 2019 in relation to the breaches. Further, subsequent to year-end, the parties are progressing discussions to increase credit lines and reschedule repayments of ABSA Bank Kenya PLC and ABSA Bank Tanzania Limited loans in 2020, due to the impact of Covid-19 on the business.

Borrowings in respective currencies were as follows:

	Group	
Currency	**2019 Shs'000**	**2018 Shs'000**
US Dollars	3,764,752	3,301,725
Kenya Shillings	770,275	1,428,880
Tanzania Shillings	-	2,014
Total borrowings	4,535,027	4,732,619

16. Lease liability

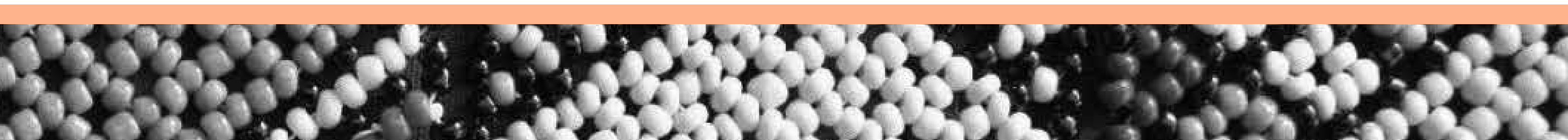
	Group	
	2019 Shs'000	**2018 Shs'000**
Opening balance	-	-
Adoption of IFRS 16	462,419	-
Interest charge	62,012	-
Lease payments during the year	(86,795)	-
Translation difference	(50)	-
	437,586	-
The lease liability is classified as follows:		-
Non-current lease liability	425,495	-
Current lease liability	12,091	-
	437,586	-

17. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2018: 30%). The movement on the deferred income tax account is as follows:

Deferred income tax asset	2019 Shs'000	2018 Shs'000
At start of year	(1,113)	(831)
Charge to profit or loss (Note 10)	26	(58)
Charge to equity	(1,612)	(224)
At end of year	(2,699)	(1,113)
Deferred income tax liability		
At start of year	1,886,339	2,028,010
Charge to profit or loss (Note 10)	(27,931)	(117,239)
Charge to equity	(15,644)	(24,432)
At end of year	1,842,764	1,886,339

Deferred income tax asset Deferred 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	213,380	(106,189)	-	107,191
- on revaluation surpluses	365,698	-	6,344	372,042
	579,078	(106,189)	6,344	479,233
Deferred tax assets				
Tax losses carried forward	(341,204)	(2,245)	-	(343,449)
Other temporary differences	(238,987)	108,460	(7,956)	(138,483)
	(580,191)	106,215	(7,956)	(481,932)
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

The President of Kenya assented to the Tax Amendment Bill, 2020 on 25 April 2020. Part of the amendments included a reduction in corporate tax for companies from 30% to 25%. We have assessed the impact of this on the Kenyan entities deferred tax numbers and note this to be immaterial. The financial statements have therefore not been updated to take this into account.

Deferred income tax of Shs 27,428,000 is anticipated to be utilised in the next 12 months in relation to tax losses.

Deferred income tax asset Deferred tax liabilities	1.1.2018 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/ (credit) to equity Shs'000	31.12.2018 Shs'000
Property, plant & equipment				
- on historical cost	215,802	(2,422)	-	213,380
- on revaluation surpluses	363,080	-	2,618	365,698
	578,882	(2,422)	2,618	579,078
Deferred tax assets				
Tax losses carried forward	(338,527)	(2,677)	-	(341,204)
Other temporary differences	(241,186)	5,041	(2,842)	(238,987)
	(579,713)	2,364	(2,842)	(580,191)
Net deferred tax asset	(831)	(58)	(224)	(1,113)

17. Deferred income tax (continued)

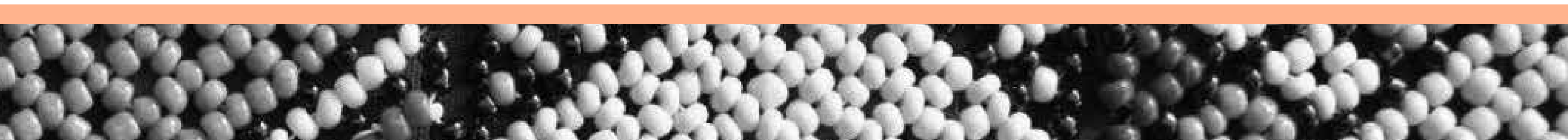
Deferred income tax liabilities	1.1.2018 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/ (credit) to equity Shs'000	31.12.2018 Shs'000
Property, plant & equipment				
- on historical cost	647,339	633,569	-	1,280,908
- on revaluation surpluses	1,199,020	(18,136)	(818)	1,180,066
Other temporary differences	370,588	(283)	-	370,305
	2,216,947	615,150	(818)	2,831,279
Deferred tax assets				
Provisions	598	(10,602)	-	(10,004)
Tax losses carried forward	(39,096)	(664,703)	-	(703,799)
Under provision prior year	-	(57,084)	-	(57,084)
Exchange rate variance	(150,439)	-	(23,614)	(174,053)
	(188,937)	(732,389)	(23,614)	(944,940)
Net deferred tax liability	2,028,010	(117,239)	(24,432)	1,886,339

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	
	2019 Shs'000	**2018 Shs'000**
At start of year	22,081	22,097
Additional provision	23,684	1,291
Unused amounts reversed	(1,319)	-
Benefits paid / transferred to pension scheme	(2,463)	(1,307)
At end of year	41,983	22,081



18. Retirement benefit obligations (continued)

The scheme was last valued by an independent actuary as at 31 December 2019. The significant actuarial assumptions were as follows;

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

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is not significant for 2019 and 2018.

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.

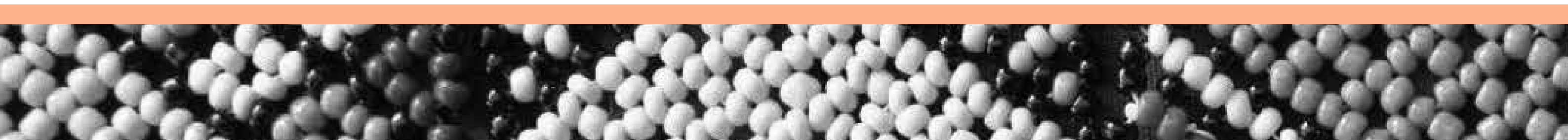
Assumptions regarding future mortality experience are set based on actuarial advice, published statistics and experience in the industry. The Directors do not anticipate variation of the assumptions to impact the obligations significantly.

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. (a) Land & buildings - Group

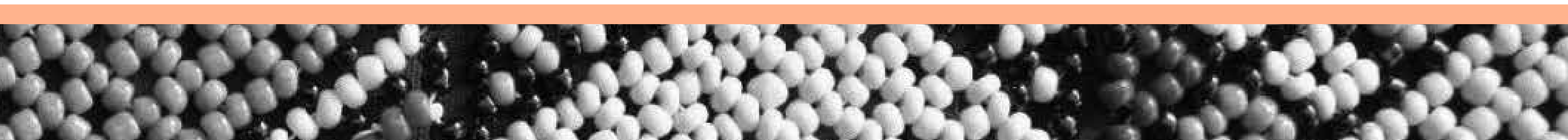
	2019 Shs'000	2018 Shs'000
At 1 January		
At cost or revaluation	15,682,013	12,882,624
Accumulated depreciation	(3,087,878)	(2,862,964)
Translation differences	(1,404,323)	(1,252,843)
Net book amount	11,189,812	8,766,817
Year ended 31 December		
Opening net book amount	11,189,812	8,766,817
Additions	7,443	160,256
Transfers from work in progress	758,946	2,639,133
Depreciation charge	(262,718)	(224,914)
Translation differences	(51,513)	(151,480)
Closing net book amount	11,641,970	11,189,812
At 31 December		
At cost or revaluation	16,448,402	15,682,013
Accumulated depreciation	(3,358,721)	(3,087,878)
Translation differences	(1,447,711)	(1,404,323)
Net book amount	11,641,970	11,189,812



19. (b) Property and equipment - Group

Group	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2018				
At cost	4,029,167	357,562	2,461,569	6,848,298
Accumulated depreciation	(2,535,250)	(304,298)	-	(2,839,548)
Translation differences	(124,845)	(27,024)	(31,129)	(182,998)
Net book amount	1,369,072	26,240	2,430,440	3,825,752
Year ended 31 December 2018				
Opening net book amount	1,369,073	26,240	2,430,440	3,825,752
Additions	111,045	-	1,016,205	1,127,250
Disposals	(3,858)	-	-	(3,858)
Transfers	211,774	-	(2,850,907)	(2,639,133)
Write off	-	-	(10,754)	(10,754)
Depreciation charge	(170,481)	(12,853)	-	(183,334)
Depreciation on disposal	1,585	-	-	1,585
Translation differences	(23,773)	(476)	(26,077)	(50,326)
Closing net book amount	1,495,365	12,911	558,907	2,067,183
At 31 December 2018				
At cost	4,348,128	357,562	616,113	5,321,803
Accumulated depreciation	(2,704,145)	(317,151)	-	(3,021,296)
Translation differences	(148,618)	(27,500)	(57,206)	(233,324)
Net book amount	1,495,365	12,911	558,907	2,067,183

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



19. (b) Property and equipment – Group (continued)

	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2019				
At cost	4,348,128	357,562	616,113	5,321,803
Accumulated depreciation	(2,704,145)	(317,151)	-	(3,021,296)
Translation differences	(148,618)	(27,500)	(57,206)	(233,324)
Net book amount as reported	1,495,365	12,911	558,907	2,067,183
Prior year change on write off	(206)	-	50	(156)
	1,495,159	12,911	558,957	2,067,027
Year ended 31 December 2019				
Opening net book amount	1,495,159	12,911	558,957	2,067,027
Additions	105,372	-	547,339	652,711
Disposals	(426)	-	(6,505)	(6,931)
Transfers	279,300	-	(1,038,245)	(758,945)
Depreciation charge	(179,943)	(4,604)	-	(184,547)
Depreciation on disposal	327	-	-	327
Translation differences	35,695	7	947	36,649
Closing net book amount	1,735,484	8,314	62,493	1,806,291
At 31 December 2019				
At cost	4,732,168	357,562	118,752	5,208,482
Accumulated depreciation	(2,883,761)	(321,755)	-	(3,205,516)
Translation differences	(112,923)	(27,493)	(56,259)	(196,675)
Net book amount	1,735,484	8,314	62,493	1,806,291

Borrowing costs of Shs 142,274,487 relating to the Proparco loan have been capitalised in the year (2018: Shs 127,976,611).

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 2016 by independent professional valuer C.P. Robertson-Dunn while Tourism Promotion Services (Tanzania) Limited, Tourism Promotion Services (Zanzibar) Limited and Upekee Lodges Limited were revalued by H & R Consultancy Limited in Tanzania.

Revaluations of properties in Kenya and Zanzibar were made on the basis of earnings for existing use. The assumptions applied were as follows;

Discount rate	– 14%
Growth rate	– 6%
Kenya's EBITDA margin	– 21%
Zanzibar's EBITDA margin	– 16%
Cost of construction in Tanzania	– Shs 40,700 per square meters

The resultant surplus net of deferred income tax of Shs 218 million was recognised in the revaluation reserve through other comprehensive income.

As at 31 December 2016, if the discount rate had increased by 1% with all other variables held constant, the valuation would have been lower by Shs 240,884,000.

As at 31 December 2016, if the discount rate had decreased 1% with all other variables held constant, the valuation would have been higher by Shs 572,618,000.

As at 31 December 2016, 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 80,588,000.

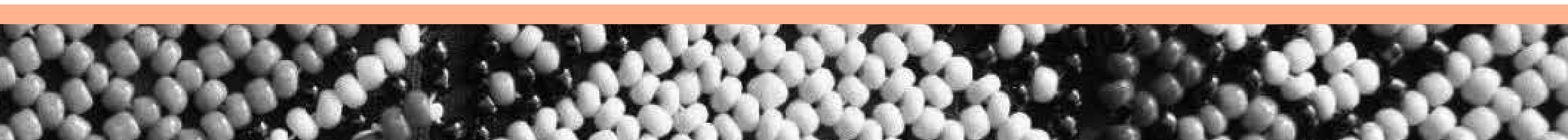
As at 31 December 2016, if the growth rate had decreased / increased by 1% with all other variables held constant, the valuation would have been higher / lower by Shs 39,496,000.

Revaluations of properties in Tanzania were based on sales comparable method by market participants (replacement cost basis) and the resultant revaluation loss net of deferred tax of Shs 16 million recognised in the revaluation reserve through other comprehensive income.

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	
	2019 Shs'000	2018 Shs'000
Cost	11,118,439	8,319,050
Accumulated depreciation	(2,405,118)	(2,020,599)
Net book amount	8,713,321	6,298,451



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	683,218	266,293	1,274,154
Impairment of Mangapwani	-	(2,202)	-	(2,202)
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 budgets 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:

2019	Tanzania	Uganda	Kenya
Budgeted average EBITDA margin (%)	13%	21%	26%
Long term growth rate (%)	6%	6%	6%
Pre-tax discount rate (%)	16%	15%	15.5%
Annual capital expenditure as a % of revenue	4%	4%	4%
2018			
Budgeted average EBITDA margin (%)	24%	29%	23%
Long term growth rate (%)	6%	6%	6%
Pre-tax discount rate (%)	16%	15%	15.5%
Annual capital expenditure as a % of revenue	4%	4%	4%

These assumptions have been used for the analysis of each operating segment 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 budget 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 details covers property leases which include office space, parks, land occupied by hotels and various camps.

	Group	
	2019 Shs'000	2018 Shs'000
Opening balance	-	-
Adoption of IFRS 16	462,419	-
Addition	-	-
Depreciation	(40,906)	-
Translation difference	47	-
	421,560	-

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:

The movement in investments in the year is 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 2018 and 31 December 2018	828,621	1,487,783	437,423	45,795	1	-	1,432,174	4,231,797
Impairment during the year	-	-	-	(45,795)	-	-	-	(45,795)
At 31 December 2019	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 – 2018 and 2019	100.00%	100.00%	100.00%	100.00%	100.00%	75.00%	65.19%	

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
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
2018									
TPS (Uganda) Limited	65	2,785,807	691,494	3,477,301	811,473	515,711	1,327,184	1,610,779	153,102

Cash Flow

	2019 Shs'000	2018 Shs'000
Cash flows from operating activities	285,440	300,517
Cash flows from investing activities	(41,926)	(329,349)
Cash flows from financing activities	(223,860)	(120,274)
Net decrease in cash and cash equivalents	19,654	(149,106)

Notes to Financial Statements (continued)

23. Investment in associates

	Group	
	2019 Shs'000	2018 Shs'000
At start of the year	950,847	974,845
Share of associate results before tax	(6,177)	(15,967)
Share of tax	(22,836)	(8,031)
Net share of results after tax	(29,013)	(23,998)
At end of year	921,834	950,847

	Company	
	2019 Shs'000	2018 Shs'000
At start and end of year	840,330	840,330

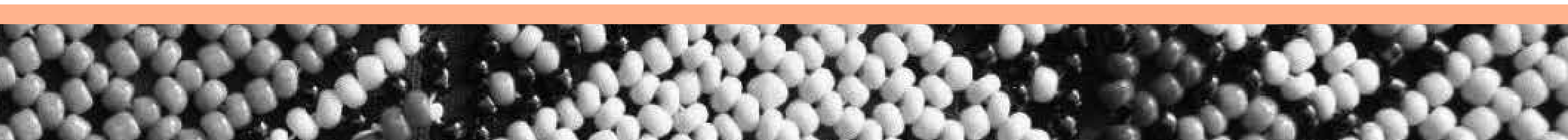
The Company holds 25.1% interest in TPS (D) Limited, a Kenyan domiciled entity which was established as the holding company to acquire the Movenpick Hotel (now Dar es Salaam Serena Hotel) in Dar es Salaam, Tanzania. TPS (D) Limited owns 100% of an off- shore company, TPS (Cayman) Limited (previously 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.

23. Investment in associates (continued)

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

	% interest held	Current Assets Shs'000	Non-current Assets Shs'000	Current Liabilities Shs'000	Non-current Liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000
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)
2018							
Mountain Lodges Limited	29.90	19,768	96,969	155,957	2,800	76,558	(20,950)
TPS (Rwanda) Limited	20.15	412,071	1,263,266	352,783	175,439	1,123,963	(173,529)
TPS (D) Limited	25.10	215,371	3,616,773	592,347	827,232	1,116,200	43,696
		647,210	4,977,008	1,101,087	1,005,471	2,316,721	(150,783)



Notes to Financial Statements (continued)

24. Inventory

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Food, beverage and consumables	253,830	209,957	-	-
Other stock	206,153	265,351	-	-
	459,983	475,308	-	-

Inventory is stated at cost. The cost of inventories recognised as an expense and included in 'inventory expensed" amounted to Shs 1,118,985 (2018: Shs 1,123,363,000).

25. Receivables and prepayments

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Trade receivables – third parties	749,355	815,458	-	-
Less: provision for impairment of receivables	(64,398)	(61,033)	-	-
Trade receivables – other related companies (Note 30)	5,183	11,226	-	-
Net trade receivables	690,140	765,651	-	-
Prepayments	73,436	71,841	-	-
Advances to related companies (Note 30)	454,422	386,303	456,770	444,108
Impairment of related party debts	(96,956)	-	(63,004)	-
Other receivables	18,638	43,926	4,169	-
	1,139,680	1,267,721	397,935	444,108

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

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
At start of year	61,033	37,825	-	-
Provision in the year	117,418	25,447	(63,004)	-
Receivables written off during the year	(16,824)	-	-	-
Unused amounts reversed	(273)	(2,239)	-	-
At end of year	161,354	61,033	(63,004)	-

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

25. Receivables and prepayments (continued)

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

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
US Dollar	337,170	409,905	-	-
Euro	1,242	1,255	-	-
Sterling Pound	785	1,279	-	-
Kenya Shillings	400,215	542,060	397,935	444,108
Tanzania Shillings	209,678	125,326	-	-
Uganda Shillings	190,590	187,896	-	-
	1,139,680	1,267,721	397,935	444,108

26. Cash and cash equivalents

Cash at bank and in hand	147,569	211,745	-	356

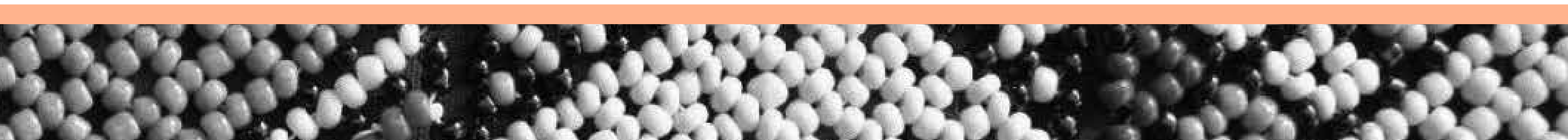
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Cash and bank balances as above	147,569	211,745	-	356
Bank overdrafts (Note 15)	(300,304)	(392,308)	(389)	-
	(152,735)	(180,563)	(389)	356

27. Payables and accrued expenses

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Trade payables	780,420	982,329	-	-
Trade payables – related companies (Note 30)	5,293	6,140	-	-
Advances from related companies (Note 30)	139,628	98,615	-	-
Accrued expenses and other payables	1,000,945	718,716	16,308	4,063
	1,926,286	1,805,800	16,308	4,063

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



Notes to Financial Statements (continued)

28. Cash generated from operations

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

	Group	
	2019 Shs'000	2018 Shs'000
Profit before income tax	321,950	243,449
Adjustments for:		
Interest expense (Note 9)	151,410	126,066
Interest income (Note 9)	(3,445)	(7,101)
Interest on lease liability (Note 9)	62,012	-
Depreciation (Note 19)	447,422	408,248
Depreciation on right of use asset (Note 21)	40,906	-
Profit on sale of property, plant and equipment	5,267	(2,139)
Property and equipment write offs (Note 19)	8,124	10,753
Impairment of goodwill (Note 20)	2,202	-
Share of loss from associates (Note 23)	29,013	23,999
Changes in working capital		
- receivables and prepayments	128,041	(15,651)
- inventories	15,325	24,513
- payables and accrued expenses	120,486	9,526
- provisions for liabilities and charges	19,902	(1,307)
Cash generated from operations	1,348,615	820,356

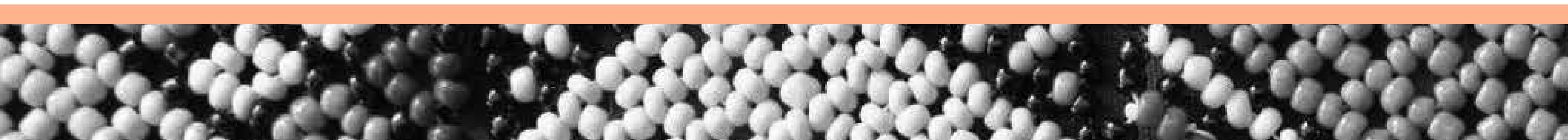
29. Non-controlling interest

	Group	
	2019 Shs'000	2018 Shs'000
At start of the year	802,270	748,975
Share of profit for the year	33,638	53,295
At end of year	835,908	802,270

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

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.

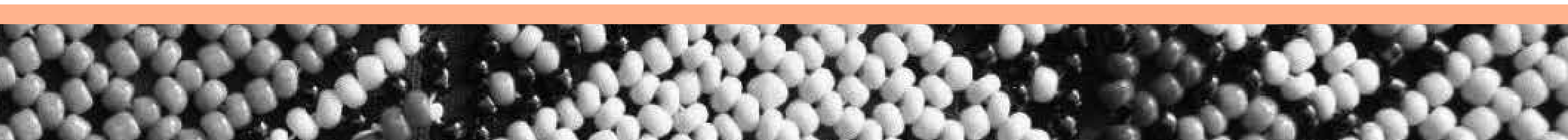


Notes to Financial Statements (continued)

30. Related party transactions (continued)

The following transactions were carried out with related parties:

	Group	
i) Sale of goods and services to:	**2019 Shs'000**	**2018 Shs'000**
Mountain Lodges Limited	91,994	90,365
Diamond Trust Bank Kenya Limited	3,083	1,898
The Jubilee Insurance Company of Kenya Limited	3,767	2,698
Tourism Promotion Services (Rwanda) Limited	38,801	40,528
Hoteis Polana, S.A.	27,756	29,056
Nation Media Group	5,384	4,897
Industrial Promotion Services (Kenya) Limited	328	326
The Jubilee Insurance Company of Uganda Limited	2,574	2,554
Diamond Trust Bank of Uganda Limited	3,295	3,269
Tanruss Investment Limited	85,304	87,024
African Broadcasting (Uganda) Limited	30,335	30,094
Monitor Publication Limited	2,572	2,551
Frigoken Limited	320	227
	295,513	295,487
ii) Purchase of goods and services from:		
Farmer's Choice Limited	104,417	82,809
The Aga Khan Hospital (Tanzania) Limited	59	305
Diamond Trust Bank Tanzania Limited	1,118	779
Serena Tourism Promotion Services, S.A.	211,526	141,025
Nation Media Group	798	1,399
The Jubilee Insurance Company (Tanzania) Limited	3,613	4,444
The Jubilee Insurance Company of Uganda Limited	36,990	36,696
Monitor Publication Limited	1,205	1,196
	359,726	268,653
iii) Key management compensation		
Salaries and other short term employment benefits	165,598	171,633
Pension	6,545	6,722
	172,143	178,355



Notes to Financial Statements (continued)

30. Related party transactions (continued)

iv) Directors' remuneration	2019 Shs'000	2018 Shs'000
Fees for services as a non-executive director	1,255	1,159
Emoluments to executive directors (included in key management compensation above)	79,099	77,636
Total remuneration of directors of the Company and Group	80,354	78,795

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

	Group	
Trade receivables from related parties	2019 Shs'000	2018 Shs'000
African Broadcasting Services	-	2,031
Aga Khan Education Services (Uganda)	24	24
Aga Khan Foundation	575	818
Aga Khan Health Services	-	-
Aga Khan University Hospital (Kenya & Uganda)	2,800	4,140
Diamond Trust Bank Kenya Limited	138	567
I.P.S. (Kenya)	125	472
Monitor Publications	-	438
Nation Media Group	1,365	1,667
The Jubilee Insurance Company Limited	156	561
The Jubilee Insurance Company of Uganda Limited	-	508
	5,183	11,226
Other receivables from related parties		
Hoteis Polana, S.A.	142,197	116,894
Mountain Lodges Limited	92,569	103,624
Pearl Development Group Limited	16,748	11,987
Serena Tourism Promotion Services, S.A.	-	40
Tanruss Investment Limited	187,627	117,663
Tourism Promotion Services (Rwanda) Limited	13,402	34,452
TPS (Cayman) Limited	1,879	1,643
	454,422	386,303
	459,605	397,529

Notes to Financial Statements (continued)

30. Related party transactions (continued)

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

	Company	
Other receivables from related parties	**2019 Shs'000**	**2018 Shs'000**
Tourism Promotion Services (Kenya) Limited	379,657	326,977
Tourism Promotion Services (Tanzania) Limited	57,445	96,631
Tanruss Investment Limited	19,668	20,500
	456,770	444,108

	Group	
Trade payables to related parties	**2019 Shs'000**	**2018 Shs'000**
Diamond Trust Bank (U) Limited	-	363
Farmer's Choice Limited	5,293	5,501
Monitor Publications	-	276
	5,293	6,140
Other payables to related parties		
Hoteis Polana, S.A.	8,412	16,723
Ihusi SARL	282	-
Pearl Development Group Limited	5,339	4,712
Serena Tourism Promotion Services, S.A.	71,249	64,466
Tanruss Investment Limited	11,514	3,688
Tourism Promotion Services (Rwanda) Limited	42,832	9,026
	139,628	98,615
	144,921	104,755

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 (2018: 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 Company has long term borrowing from Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO) of Shs 2,443,826,000 (2018; Shs 2,585,985,000) as disclosed in Note 15.

Notes to Financial Statements (continued)

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

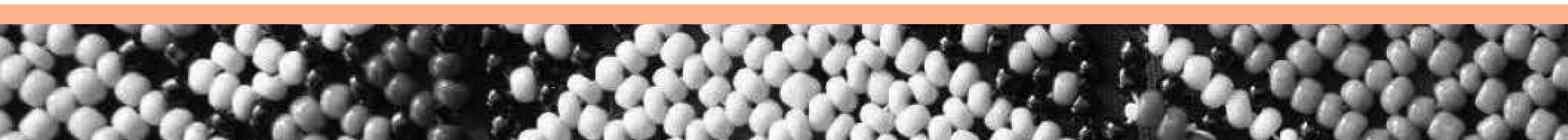
Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	Group	
	2019 Shs'000	2018 Shs'000
Property, plant and equipment	111,540	1,912,596

33. Subsequent events

Subsequent to 31 December 2019 the novel coronavirus (COVID-19) that had initially been reported in Wuhan, China expanded into a global pandemic leading to widespread infections and deaths. Note 2(a) describes the impact of COVID-19 on the Group.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of, and for the year ended, 31 December 2019 have not been adjusted to reflect their impact.



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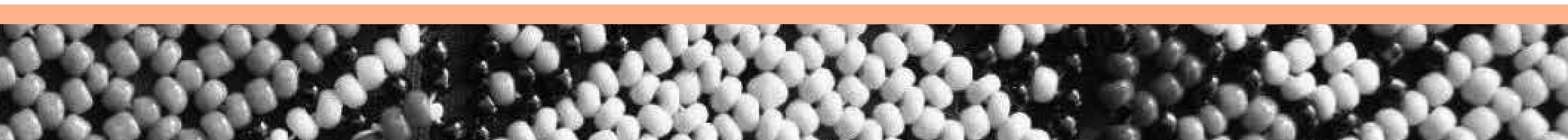


Proxy

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 Tuesday 30th June 2020 at 11.00 a.m. and at any adjournment thereof.

No. of shares held: __________________________ Account number:____________________

Signed this__________________________day of__________________________2020

Signature:__________________________

Signature:__________________________

NOTES:

1. If you so wish you may appoint the Chairman of the meeting as your proxy.
2. To be valid, this Form of Proxy MUST be returned to the Company's Share Registrars, Image Registrars, 5th floor, ABSA Towers, Loita Street, P. O. Box 9287-00100, GPO, Nairobi, Kenya, not later than 26th June, 2020 at 11.00 a.m.
3. A person appointed as a proxy need not be a member of the Company.
4. In the case of a member being a limited liability Company/ Corporation, this Form of Proxy MUST be completed under its seal or under the hand of an officer or attorney duly authorized in writing.
5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated.

Fomu ya Uwakilishi

Mimi/ sisi____

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

Kutoka __________________________ na akikosa kufika __________________________

Kutoka ____________________ kama wakala wangu/wetu kupiga kura kwangu/kwetu na kwa niaba yangu/ sisi wakati wa mkutano wa pamoja wa mwaka wa kampuni utakaofanyika Juni 30 2020 kuanzia saa tano au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa __________________________ nambari ya akaunti

Imetiwa sahihi __________________________ Tarehe__________________________2020

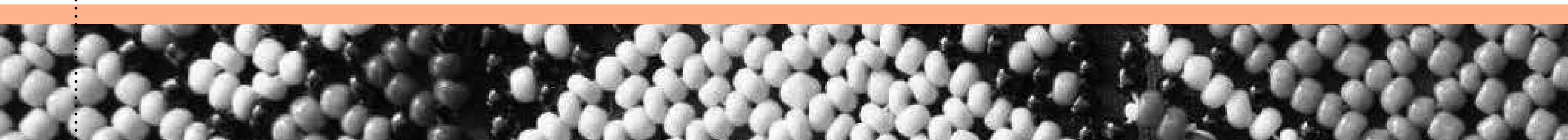
Sahihi __________________________

Sahihi __________________________

MUHIMU

1) Kwa hiari yako unaweza kumteua Mwenyekiti wa Mkutano kuwa wakala wako
2) Ili kuwa halali, fomu hii ya uwakilishi LAZIMA irudishwe kwa msajili wa hisa za kampuni, Image Registrars, orofa ya tano Jumba la ABSA Towers, barabara ya Loita Street SLP 9287-00100, GPO, Nairobi, Kenya kabla ya Juni 26 2020 saa tano asubuhi.
3) Si lazima kwa mtu aliyeteuliwa kama wakala kuwa mwanachama wa kampuni
4) Endapo mwanachama atakuwa kampuni/shirika, fomu hii ya uwakilishi LAZIMA ijazwe na kupigwa mhuri wake rasmi na afisa au kutiwa sahihi na wakili aliyeruhusiwa kwa njia ya kuandika.
5) Endapo umiliki utakuwa wa pamoja, sahihi ya mmoja wao itatosha lakini majina ya wamiliki wote yaonyeshwe.

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS



FOLD 1 / KUNJA 1

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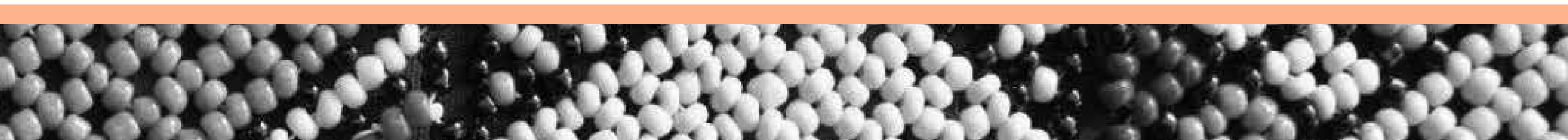
Bandika
Stampu Hapa

IMAGE REGISTRARS

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

FOLD 2 / KUNJA 2



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