



TPS EASTERN AFRICA PLC

AUDITED RESULTS AND SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

The Board of Directors of TPS Eastern Africa PLC is pleased to announce the audited results and financial statements for the year ended 31st December 2019

CONSOLIDATED SUMMARISED STATEMENT OF PROFIT OR LOSS

	Year ended	
	31-Dec-19 Shs'000	31-Dec-18 Shs'000
Revenue from contracts with customers	6,823,159	6,593,441
Profit before depreciation, finance income (costs), results of associates and income tax expense	1,017,126	795,111
Finance income	3,445	7,101
Finance costs	(119,268)	(126,517)
Interest on lease liability	(62,012)	-
Depreciation on right of use asset	(40,906)	-
Depreciation on land, buildings, property and equipment	(447,422)	(408,248)
Share of loss of associates	(29,013)	(23,998)
Profit before income tax	321,950	243,449
Income tax expense	(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	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)	0.81	0.69
Weighted average number of shares ('000)	182,174	182,174

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	31-Dec-19	31-Dec-18
	Shs'000	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 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

Capital and reserves attributable to the Company's equity holders	2019 Shs'000	2018 Shs'000
Share capital	182,174	182,174
Share premium	4,392,668	4,392,668
Revaluation reserve	2,389,133	2,423,447
Translation reserve	(1,215,638)	(1,161,317)
Retained earnings	2,616,994	2,434,571
Proposed dividends	-	63,761
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	8,365,331	8,335,304
Non-controlling interest	835,908	802,270
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Total equity	9,201,239	9,137,574
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Non-current liabilities		
Borrowings	3,587,202	1,677,058
Deferred income tax liability	1,842,764	1,886,339
Lease liability	425,495	-
Retirement benefit obligations	41,983	22,081
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Total non-current liabilities	5,897,444	3,585,478
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Total equity and non-current liabilities	15,098,683	12,723,052
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Non-current assets		
Land and buildings	11,641,970	11,189,812
Property and equipment	1,806,292	2,067,183
Intangible assets	1,271,952	1,274,154
Right of use asset	421,560	-
Investment in associates	921,834	950,847
Deferred income tax asset	2,699	1,113
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	16,066,307	15,483,109
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Current assets		
Inventories	459,983	475,308
Receivables and prepayments	1,139,680	1,267,721
Current income tax	172,920	160,240
Cash and cash equivalents	147,569	211,745
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	1,920,152	2,115,014
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Current liabilities		
Trade and other payables	1,926,286	1,805,800
Borrowings	647,520	2,663,253
Lease liability	12,091	-
Bank overdraft	300,304	392,308
Current income tax	1,575	13,710
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	2,887,776	4,875,071
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Net current liabilities	(967,624)	(2,760,057)
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Net assets	15,098,683	12,723,052
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	-	-	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	-	-	-	-	-	(63,761)	-	(63,761)
- proposed for 2018	-	-	-	-	(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

	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 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	-	-	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	-	-	-	-	-	(63,761)	-	(63,761)
	-	-	-	-	-	(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

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended	
	31-Dec-19 Shs'000	31-Dec-18 Shs'000
Net cash generated from operating activities	1,072,343	639,273
Net cash utilised in investing activities	(658,817)	(1,283,093)
Net cash utilised in financing activities	(443,151)	(143,713)
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 in cash and cash equivalents	(29,625)	(787,533)
Effects of currency translation differences	57,453	(4,809)
At end of period	(152,735)	(180,563)

Commentary

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 (TPS Eastern Africa PLC/the Group) diversified portfolio in East Africa recorded growth in the corporate, conference and domestic leisure segments, particularly from the second half of 2019. Consequently, the portfolio performance during 2019 was optimized to the extent possible for all of Serena Kenya, Serena Tanzania and Serena Uganda.

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.

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.

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). Notwithstanding the dynamic business landscape, the 2019 financial performance continued to endorse our strategic vision, and so was both purposeful and reassuring.

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.

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. 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.

Our team will leverage this 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'. Management is thus confident of harnessing Serena's Brand values as we refine our business and operating models to anticipate, connect and respond even better 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.

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. The 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, reforestation, education, public health; and essentially community development, right across East Africa.

Dividend

The Company is bracing itself for a most difficult year 2020, and to this effect, the Board of Directors do not recommend the payment of a dividend for year 2019.

Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on Tuesday, June 30, 2020, at 11.00 a.m. via electronic communication due to the ongoing COVID-19 pandemic, subject to receipt of No Objection from Capital Markets Authority.

By Order of the Board

Dominic Ng'ang'a
Company Secretary

May 26, 2020
Nairobi

The above results are an extract from the audited financial statements for the Group for the year ended December 31, 2019.



SERENA HOTELS

SAFARI LODGES AND CAMPS

HOTELS • RESORTS