

**IN THE MATTER OF THE TOURIST COMPANY OF
NIGERIA PLC ("COMPANY" OR "TCN")**

**IN THE MATTER OF THE COMPANIES AND
ALLIED MATTERS ACT (CAMA), 2020**

**PROPOSAL FOR COMPANY VOLUNTARY ARRANGEMENT
("CVA")**

DATED 30th August, 2021

IMPORTANT NOTICE

This CVA proposal ("**Proposal**") of the Directors of The Tourist Company of Nigeria, Plc ("the Company" or "TCN") is prepared in accordance with the provisions of Chapter 17 of the Companies and Allied Matters Act, 2020. In preparing this Proposal, the Directors are acting as agents and fiduciaries of the Company in line with their duties to act in the Company's best interests for, inter alia, continuance as a going concern.

This Proposal has been prepared solely to inform a specific and limited number of material creditors of the Company, namely Sun International Limited ("SIL"), Ikeja Hotels Plc ("Ikeja"), and Omamo Investment Corporation Limited ("Omamo") (collectively "TCN creditors") of a proposed Company Voluntary Arrangement. SIL and Ikeja are currently shareholders of TCN while Omamo is a related party of OMA Investments Limited which, similar to SIL and Ikeja, is likewise a shareholder of TCN. SIL, Ikeja and Omamo are all creditors of the Company by virtue of certain loans advanced in terms of, inter alia, Shareholder and/or Loan Agreements ("TCN loans"). This Proposal for a Company Voluntary Arrangement contains certain statements and statistics that are or may be forward-looking, the accuracy and completeness of which is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates", and words of similar import.

By their nature, forward-looking statements, whilst being informed estimates guided by sound analysis of various macro-economic factors, involve certain risk and or margin of error and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although the Directors believe that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct.

Unless otherwise indicated, the statements contained in this Proposal are made as at 30th August 2021 and reflect the circumstances and the information of which the Directors of the Company were aware at that precise time and not thereafter.

Nothing in this Proposal should be relied upon for any purpose other than the purpose for which this Proposal is being made, including in connection with trading any debt, securities, or any other financial interest of the Company or any of its subsidiaries.

SUMMARY OF PARTICULARS

Date of this Proposal	30 th August 2021
Name of Debtor	The Tourist Company of Nigeria, Plc
Nominee(s) and proposed Supervisor(s)	<p>Mr. Seyi Akinwunmi</p> <p>Insolvency Practitioner Messrs Akinwunmi & Busari Legal Practitioners 19B Bashorun Okusanya, Off Admiralty Road, Lekki, Lagos Tel: 08033024079 E-mail:seyi@akinwunmibusari.com</p> <p>and</p> <p>Mr. Okorie Kalu</p> <p>Insolvency Practitioner Messrs PUNUKA Attorneys & Solicitors International Law Center Plot 45 Oyibo Adjarho Street Off Ayinde Akinmade Street Off Admiralty Way Lekki Peninsula Phase 1, Lagos Nigeria Tel: 08036892453 E-mail: o.kalu@punuka.com</p>
Length of the Payment or repayment Period of the TCN loans, if applicable	<p>The repayment of the TCN loans to the TCN creditors will only take place when the Company commences trading profitably as per the provisions set out in the Shareholder and/or Loan Agreements concluded between TCN and the TCN creditors, while the accrual and payment of the interest on the TCN loans will only resume at such time that the effects of the COVID 19 pandemic are deemed to have passed as evidenced by Governmental Gazette and the TCN creditors referred to above have all agreed in writing that interest should resume being accrued and payable on the TCN loans, (“the CVA Period”) on the same terms and conditions of the Shareholder and/or Loan Agreements or otherwise as may be agreed between TCN and the TCN creditors.</p>

Length of suspension of terms including but not limited to the accrual and /or payment of loan interest, if applicable	As per above - at such time that the effects of the Covid-19 pandemic are deemed to have passed as evidenced by Governmental Gazette and the TCN creditors have all agreed in writing that interest on the TCN loans is to resume being accrued and payable on the TCN loans, on the same terms and conditions of the Shareholder and/or Loan Agreements or otherwise as may be agreed between TCN and the TCN creditors.
Date of last statutory accounts released	31 st December 2019 (statutory accounts)
Date of last unreleased annual accounts and last condensed unaudited quarterly financial statements	To be filled
Particulars of TCN loan Agreements or Debts owed	Refer to Second Shareholders Agreement (point 1.14 below)
Interest Rate	5% per annum
Nominee's and Supervisor's estimated fee	₦6.875 million (excl VAT)
Expenses	₦0.5 million

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HISTORY AND BACKGROUND

1.1 The Tourist Company of Nigeria (“the Company “ or “TCN”) was incorporated on 10th April 1964. In 2009 and 2010, SIL acquired a substantial shareholding in the Company, thereby becoming an equal shareholder with Associated Ventures International Limited (“AVI”), Ikeja and OMA Investments Limited (the latter three being collectively referred to as the “Ikeja Hotel Group”).

1.2 As at 31st December 2020, the following were the major shareholders of the Company;

a. Sun International Limited (“SIL”)	1,108,138,647 shares	49.33%
b. Associated Ventures International Limited (“AVI”)	419,408,169 shares	18.67%
c. Oma Investments Limited	405,614,547 shares	18.06%
d. Ikeja Hotels Plc (“Ikeja”)	273,529,085 shares	12.18%

1.3 In the course of its business operations, the Company availed itself of several loans from the TCN creditors for the financing of certain projects and businesses and generally for the beneficial trading of the hospitality business of the Company. Based on the provisions contained in the Shareholder and/or Loan Agreements including their addendums, interest equal to 5% would be and has been charged on the various TCN loans advanced to the Company, which is usually compounded monthly and capitalized on the last day of each month until the TCN loans and all interest thereon has been repaid in full.

1.4 Furthermore, it was agreed that the repayment of the TCN loans would be dependent on the Company achieving EBITDA targets in accordance with the following schedule :

Loan Repayments US\$ (000)					
	2009	2010	2011	2012	2013
EBITDA	10,147	15,024	15,663	16,862	17,515
EBITDA target for loan repayment	9,500	14,500	15,000	16,000	17,000
Ikeja Hotel Group Shareholder Loans					
Loan repayments	(9,826)	(9,025)	(4,500)	(5,500)	(4,500)
Balance at year end	23,525	14,500	10,000	4,500	-
Interest	1,039	895	602	352	113
SIL Shareholder Loans					
Loan Payments	5,004	(500)	(4,500)	(5,500)	(4,500)
Balance at year end	15,000	14,500	10,000	4,500	-
Interest	438	746	602	352	113

The above EBITDA targets and the repayment targets of the TCN loans were subject to the working capital requirements of TCN. To this extent, should the Company meet its

EBITDA targets as set out above, but require additional funds for the Company's business, the Parties acknowledged that repayment of the TCN loans would be adjusted accordingly. Furthermore, it is recorded in the Shareholders Agreement that dividends, as set out in Article 20, shall not apply until such time as the TCN loans are repaid in full unless otherwise agreed by the shareholders of the Company in writing.

- 1.5 Despite the best efforts of the Company to achieve the EBITDA levels set out above and in the Second Shareholders Agreement (which would have allowed the Company to commence repaying the TCN loans), various circumstances have conspired to prevent the Company from achieving this objective, namely protracted and prolonged litigation and disputes between the shareholders which resulted in SEC conducting a forensic investigation of TCN which has significantly curtailed the activities of the Company in recent years, the recent emergence and spread of the COVID-19 pandemic which has devastated the hospitality and gaming sectors, and the devaluation of the Naira, resulting in the Company's revenue for the 2020 financial year decreasing by 64% to ₦1.3 billion compared to the financial year ended 31 December 2019. Furthermore, the Company incurred a total comprehensive loss of ₦7.7 billion, which included an unrealised foreign exchange loss on the TCN loans of ₦6.3 billion. The impact of the Covid-19 pandemic on business levels has resulted in a decline in cash reserves from ₦1.4 billion (including term deposits) in FY 2019 to ₦0.7 billion at 31 December 2020. Furthermore, the Company's balance sheet has weakened from a net current asset position of ₦0.3 billion in FY 2019 to a net current liability position of ₦0.5 billion in FY 2020. Notwithstanding significant efforts being implemented to reposition the business operation and activities of the Company following the advent of the Covid-19 pandemic, the present harsh economic climate has continued to affect the financial performances of the Company's businesses. Allied to the foregoing there has been zero economic or financial support from either local or national Government in Nigeria.
- 1.6 Premised on the foregoing, swift action was needed to shore up the Company's balance sheet and to ensure that the Company could continue to trade under both solvent and liquid conditions. Accordingly, the Board passed a resolution on 1 April 2020, recommending to shareholders that interest which ordinarily accrued on the TCN loans be waived for the foreseeable future, due to a force majeure situation arising in respect of the Company. Key to making this recommendation to the shareholders including the TCN creditors was that the Company would not be able to afford the interest payable on the TCN loans without running into financial difficulties.
- 1.7 In view of the above, the Company now seeks to formally restructure the various TCN loans, made available to the Company by the TCN creditors, by specifically and exclusively waiving the interest which would ordinarily accrue on the TCN loans from 1 March 2020 until the conditions set out herein are met, through a Company Voluntary Arrangement between the Company and the TCN creditors, in order to stabilize the financial health of the Company and ensure that it continues to operate and trade as a going concern and with the objective to ultimately revert to the originally agreed terms and conditions contained within the Shareholder and/or Loan Agreements, on the same terms and conditions of the

Shareholder and/or Loan Agreements or otherwise as may be agreed between TCN and the TCN creditors.

2. FINANCIAL POSITION

Major Statement of Financial Position Items	2020 N'000	2019 N'000	% Increase/ (Decrease)
Non-current assets	31,135,343	31,515,071	(1)
Current assets	994,222	1,832,712	(46)
Total equity	3,541,872	11,195,857	(68)
Non-current liabilities	27,142,478	20,630,109	32
Current liabilities	1,445,215	1,521,817	(5)
Net assets per share (kobo)	158	498	(68)

Major statement of profit or loss and other comprehensive income items	2020 N'000	2019 N'000	% Increase/ (Decrease)
Revenue	1,306,255	3,666,082	(64)
Loss before Taxation	(7,888,451)	(1,493,056)	428
Taxation		283,523	(100)
Total comprehensive Loss for the year	(7,888,451)	(1,209,533)	552
Loss per share basic (kobo)	(351)	(54)	552

3. DESIRABILITY OF A COMPANY VOLUNTARY ARRANGEMENT

3.1 Over the years, the Directors and Managers of the Company have, on an ongoing basis, assessed and tested the underlying fundamentals of the TCN business including, taking into consideration the lingering and disruptive impact of the global COVID-19 pandemic during 2020 and 2021 and have resolved that TCN is a going concern. The Directors have also consulted widely and sourced information about available share capital restructuring and/or insolvency procedures available in Nigeria vis- a- vis the earlier mentioned challenges being faced by the business. The consensus reached by the Directors is that such share capital restructuring and/or insolvency options present various impediments to the business, inclusive of change of control, negative publicity backlash, costs, delays in terms

- of time, erosion of value in the business, tax and regulatory compliance and or interference management, business rescue, uncertainty and unpredictability of outcome, etc.
- 3.2 As indicated above , the Company had already by 1st April, 2020, taken emergency measures to notify the TCN creditors of the need for immediate waiver of interest accruals and payments on the TCN loans to enable the Company to survive the onslaught on its business caused by the global Covid-19 pandemic.
- 3.3 Taking all of the above factors into consideration, the Directors of TCN are proposing a Company **Voluntary** Arrangement (CVA) which enables the Company to **voluntarily and formally** agree with the specific named TCN creditors for a restructuring of the TCN loans (i.e. agreement on the waiver of accrual and payment of interest thereon from 1 March 2020 until otherwise as set out in this Proposal), under the supervision of licensed Insolvency Practitioners but with the Directors and Management in place, to achieve a composition in full and final satisfaction of the Company's debts or obligations towards the TCN creditors in respect of the waiver of the accrual and payment of interest on the TCN loans for the period referred to above. This is because:-
- 3.3.1 we have reasonable grounds to believe the Company has a viable business with immense potential and should not be ordered to cease trading or to be liquidated due to its temporary inability to satisfy and discharge specific obligations set out above occasioned by external and global factors beyond its control;
- 3.3.2 the continuation of the Company's business will ultimately permit regular payments on the principal sums to be made through the Management in place and with the co-operation of the Supervisor out of operational cash flow. However, if the business ceases to trade, all creditors, including the TCN creditors will not have the opportunity to benefit from current and future earnings and profits; and
- 3.3.3 the value of the TCN business assets if liquidated would be insufficient to cater for the obligations due to the TCN creditors concerned or to cater for all the liabilities and creditors of the Company in the event the Company is wound up.
- 3.4 Accordingly, this Proposal aims to reduce the financial exposures of the Company, promote financial stability, and preserve business continuity which in turn would create greater value to the TCN creditors, and other stakeholders of the Company, rather than a cessation of trade and ultimately liquidation.
- 3.5 This Proposal does not alter the TCN creditors rights to claim repayment of the existing TCN loans as defined, which were made before the approval of this Proposal, save for the waiver of the accrual and payment of interest on the TCN loans from 1 March 2020 as provided for herein.
- 3.6 The survival of the Company as a going concern will ultimately allow the Company to generate profits which can be distributed to its shareholders as dividends and create value for other stakeholders.

- 3.7 The survival of the Company as a going concern will provide employees with security of employment.
- 3.8 The prospects of a more advantageous realisation of the Company's assets on a winding up are remote, as it is likely that the assets would have to be realised as part of a fire sale.
- 3.9 Additional claims may arise if the Company ceases to trade.
- 3.10 The costs of other forms of insolvency proceedings are relatively high when compared to the typical costs of a CVA.

4. PROPOSAL

- 4.1 Having extensively reviewed the current cash flow position and assets of the Company, and the capacity to sustain repayment without any default, the Directors of TCN hereby propose the following terms for consideration and approval.
 - a. That, with effect from 1 March 2020, all interest which would ordinarily have accrued and been payable to the TCN creditors in respect of the TCN loans be henceforth waived until such time that the effects of the COVID 19 pandemic are deemed to have passed as evidenced by Governmental Gazette, by demonstrating a positive EBITDA for a minimum of 12 consecutive months, and the TCN creditors referred to above have all agreed in writing to resume the accrual and payment of interest on the TCN loans, on the same terms and conditions of the Shareholders and /or Loan Agreements or otherwise as may be agreed between TCN and the TCN creditors.
 - b. The Company will not, until such time that the Company resumes accruing for and paying interest on the TCN loans, incur any further liability in the form of additional loan funding from the TCN creditors, other than in the normal and ordinary course of business and for the purposes of the Company's business within the CVA Period, without the written consent of the Supervisor justified and shared to the persons affected by this Proposal.

Subject to the terms and conditions of this Proposal, the TCN creditors in conjunction with the Company may, with the agreement of the Supervisor, shorten the waiver of Interest Accrual and Payment Period.

5. NATURE AND EFFECT OF THE ARRANGEMENT

- 5.1 The Proposal is a proposal under Chapter 17 of CAMA for a scheme of arrangement of the Company's affairs or composition in relation to the accrual and payment of interest on the TCN loans with effect from 1 March 2020.
- 5.2 Unless the Proposal indicates to the contrary, nothing in the Proposal shall be construed as effecting a composition or satisfaction of any Debt or Obligation owed to or by a person other than the Company, whether that Debt or Obligation is owed jointly by the Company

or otherwise. Therefore, the release of the Company from its debts or obligation (namely the waiver of the accrual and payment of the interest on the TCN loans with effect from 1 March 2020) by the terms of this Proposal is not intended to operate as a release of any co-debtor/co-obligor for the same debt/obligation, subject however to the TCN creditors discretion.

5.3 After the commencement of the CVA, none of the expressly named TCN creditors herein shall (save with the consent of the Supervisor), in respect of the waiver of the accrual and payment of the interest on the TCN loans with effect from 1 March 2020 which is subject to the CVA:

- (a) have any remedy against the property of the Company;
- (b) commence or continue any action or other legal proceeding against the Company, during the pendency of the CVA or thereafter.

6. CONTINUED TRADING

6.1 Until such time as the CVA is completed or otherwise terminated, the Company will not sell, transfer, encumber or otherwise dispose of any assets of the business other than in the normal and ordinary course of business, save with the Supervisor's prior written consent, which consent shall not be unreasonably withheld.

6.2 During the CVA Period, each Director agrees that, except as provided in this Proposal or to the extent such would be a breach of the Director's fiduciary duties, the Directors will procure that the business of the Company shall be properly managed and shall comply, in all material respects, with all applicable laws and shall maintain all licences, consents, and authorisations which are necessary to carry on the business of the Company; and the Company shall carry on its business in the normal and ordinary course, so as to maintain it as a going concern.

7. STANDSTILL OF CONTEMPLATED OR EXISTING PROCEEDINGS AGAINST COMPANY

7.1 The earlier named TCN creditors under the proposed CVA shall not institute or commence any legal action against the Company in respect of the waiver of the accrual and payment of the interest on the TCN loans which this Proposal seeks to restructure based on majority approval of the concerned TCN creditors. Also, any possible legal proceedings against the Company in existence at the commencement of the CVA in respect of debts which are subject to this Proposal shall be discontinued by the TCN creditors with no order as to costs as soon after the commencement of the CVA as is practicable.

The Company confirms that no costs arising as a result of the discontinuance of any legal action in accordance with clause 5.3 above will be enforced.

8. NOMINEES AND SUPERVISORS

- 8.1 By a Board Resolution dated 28th July 2021, the Company has appointed Messrs. Seyi Akinwunmi and Okorie Kalu (particulars of whom have earlier been mentioned) as Nominees to plan the process leading to the negotiation and or voting on the Proposal, and where appropriate act as Supervisors for the implementation of the CVA agreed upon.
- 8.2 The Nominees are therefore expected to become the Supervisors. They are to be remunerated on a fixed fee basis totaling ₦6.875 million and expenses of ₦0.5 million (excl VAT) for acting as both Nominees and or Supervisors.
- 8.3 The Supervisor shall ensure that the Company provides the TCN creditors quarterly a summary of the Company's results and the general progress of the CVA.

9. DIRECTORS' DECLARATION

- 9.1 As Directors, we confirm that this Proposal fairly sets out the Company's proposals to the TCN creditors by virtue of the TCN loans for a CVA.
- 9.2 We acknowledge that although we have received professional assistance in drafting this Proposal, its contents and the accuracy thereof remain our sole responsibility.
- 9.3 We have included in this Proposal to the TCN creditors , all the information required to be disclosed pursuant to the provisions of CAMA. The information and all statements contained herein and the accompanying Statement of Affairs are true to the best of our knowledge and belief.

The Directors of the Company do not propose to offer any additional personal guarantees to creditors including the TCN creditors in relation to this Proposal.

We, the Directors of the Company confirm that this document fairly sets out our Proposal being made to the TCN creditors by virtue of the TCN loans held with the Company, for a CVA and that to the best of our knowledge and belief all statements herein are true.

Dated this 30th day of August 2021

Signed 

Director



Director/Company Secretary

ACKNOWLEDGMENT OF RECEIPT

WE, (MESSRS. _____), received the written notice/Proposal on the day of, 2021 and consent to act as (Joint) Nominee and Supervisor for the Company in respect of the contemplated Company Voluntary Arrangement with its creditors.

Seyi Akinwunmi
Akinwunmi & Busari

Okorie Kalu
PUNUKA Attorneys & Solicitors