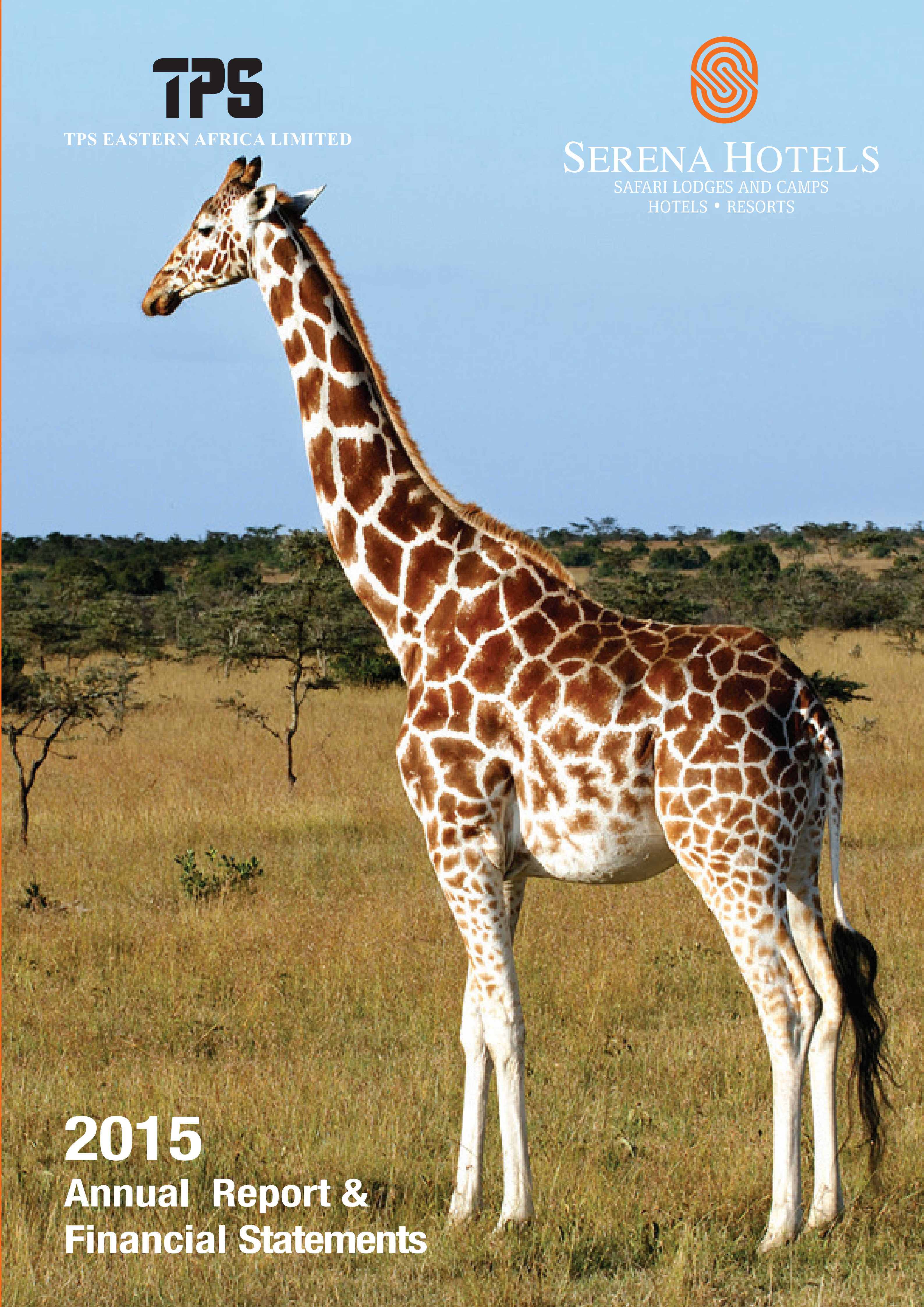
TPS EASTERN AFRICA LIMITED

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS



2015
Annual Report & Financial Statements

Content

Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Abdulmalek Virani	(Finance Director)
Ameer Kassim-Lakha	
Dr. Ramadhani Dau*** (Resigned 28.04.16)	
Jack Jacob Kisa	
Jean-Louis Vinciguerra*	
Mseli Abdallah*** (Resigned 28.04.16)	(Alternate to Dr. Ramadhani Dau)
Guedi Ainache*	
Ashish Sharma*	(Alternate to Jean-Louis Vinciguerra)
Mahmood Pyarali Manji	
Teddy Hollo Mapunda***(Mrs)	
Damien Braud* (Appointed 29.07.15)	

BOARD AUDIT COMMITTEE

Ameer Kassim-Lakha (Chairman)

Jean-Louis Vinciguerra*

Guedi Ainache*

Mahmood Pyarali Manji

BOARD NOMINATION AND REMUNERATION COMMITTEE

Jack Jacob Kisa (Chairman)

Dr. Ramadhani Dau*** (Resigned 28.04.16)

Guedi Ainache*

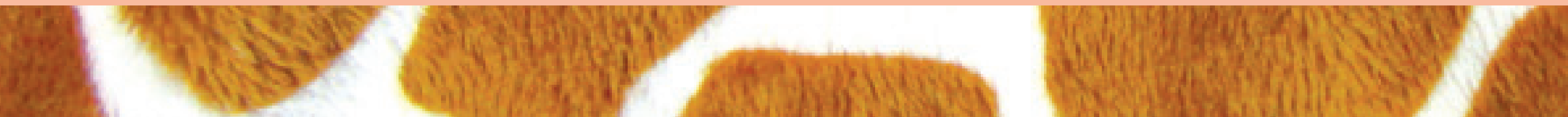
Mahmood Pyarali Manji

Teddy Hollo Mapunda***(Mrs)

*French ***Tanzanian

COMPANY SECRETARY

Dominic K. Ng'ang'a



Directors and Administration

PRINCIPAL OFFICERS

Catherine Waruhiu (Mrs)	Director of Human Resources E.A.
Mohamed Bagha	Financial Controller E.A.
Mark Gathuri	Director of Operations, Kenya Lodges & Resorts E.A.
Rosemary Mugambi (Ms)	Director of Sales and Marketing E.A.
Mugo Maringa	Country Director - TPS (T) and TPS (Z)
Surinder Sandhu	Director of Projects E.A.
Shenin Virji (Mrs)	Executive Assistant to The Managing Director

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

Daniel Kangu	General Manager	- Nairobi Serena Hotel
Tuva Mwahunga	General Manager	- Serena Beach Resort and Spa, Mombasa
Kathurima Mburugu	Manager	- Amboseli Serena Safari Lodge
Paul Chaulo	Manager	- Mara Serena Safari Lodge
Henrietta Mwangola (Mrs)	Manager	- Sweetwaters Serena Camp and Ol Pejeta House
Sylvia Mbugua	Manager	- Serena Mountain Lodge
Dan Chahenza	Manager	- Kilaguni Serena Safari Lodge
Alphaxard Chege	Manager	- Lake Elmenteita Serena Camp

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

Jonathan Cheres	Manager	- Kirawira Serena Camp
Mustafa Mbinga	Manager	- Lake Manyara Serena Safari Lodge
Felix Ogembo	Manager	- Serengeti Serena Safari Lodge
Dismas Simba	Manager	- Ngorongoro Serena Safari Lodge
Gerald Macharia	Manager	- Lake Duluti Serena Hotel, Arusha
Vincent Matei	Manager	- Mbuzi Mawe Serena Camp
Nickson Kanyika	Manager	- Serena Mivumo River Lodge and Selous Serena Camp

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

Charles Mbuya	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
Charles Muia	General Manager	- Kigali Serena Hotel, Rwanda
Duncan Lewa	Manager	- Lake Kivu Serena Hotel, Rwanda
Miguel dos Santos	General Manager	- Polana Serena Hotel, Mozambique
Rahim Azad	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 and Ol Pejeta House
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

TOURISM PROMOTION SERVICES (TANZANIA) LIMITED

Kirawira Serena Camp
Lake Manyara Serena Safari Lodge
Serengeti Serena Safari Lodge
Ngorongoro Serena Safari Lodge
Lake Duluti Serena Hotel, Arusha
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

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

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
Certified Public Accountants
PwC Tower
P.O. Box 43963-00100
Nairobi, Kenya

PRINCIPAL BANKERS

Barclays Bank of Kenya Limited
P.O. Box 30120-00100
Nairobi, Kenya

REGISTRAR

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

Notice of Annual General Meeting

Notice is hereby given that the Forty Fourth Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 30th June 2016, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Forty Third Annual General Meeting held on 29th June 2015.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2015, together with the Directors' and Auditors' Reports thereon.
3. To approve payment of a final dividend for 2015 of Kshs. 0.25 per share, subject to withholding tax, where applicable, to the Members on the Register at the close of business on 30th June 2016, payment of the dividend to be made on or about 30th July 2016.
4. To elect Directors:

   (a) Mr. Damien Braud was appointed on 29th July, 2015 to fill a casual vacancy. He retires in accordance with Article No.110 of the Company's Articles of Association and being eligible, offers himself for re-election.

   (b) Mr. Ameer Kassim-Lakha, Mr. Jack Jacob Kisa and Mr. Jean-Louis Vinciguerra 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 142 of the Companies Act (Cap 486) and subject to section 186 of the Act that if thought fit, the following resolutions be passed

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

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

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

   (c) 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.

5. To approve the Directors' remuneration for 2015.
6. To appoint PricewaterhouseCoopers, the Company's Auditors, in accordance with the Companies Act. PricewaterhouseCoopers have indicated their willingness to continue in office.
7. To approve the Auditors' remuneration for 2015 and to authorise the Directors to fix the Auditors' remuneration for 2016.
8. 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 28 April, 2016

NOTE:
A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. To be valid, a Form of Proxy which is provided with this Report must be duly completed and signed by the member and must be received at the registered offices of the Company's Registrars not later than 11.00 a.m. on 26 June 2016.

Notisi Kuhusu Mkutano Mkuu Wa Pamoja Wa Mwaka

Notisi inatolewa hapa kwamba, mkutano wa 44 wa pamoja wa mwaka wa Kampuni utafanyika katika ukumbi wa mikutano ya kimataifa wa Kenyatta International Conference Center, Nairobi Juni 30, 2016 kuanzia saa tano asubuhi ili kuangazia maswala yafuatayo ya kibiashara:

SHUGHULI ZA KAWAIDA

1. Kuthibitisha kumbukumbu za mkutano wa 43wa mwaka uliofanyika Juni 29, 2015
2. Kupokea, kuzingatia na endapo itaonekana kuwa sawa kupitisha hesabu za pesa kwa kipindi cha mwaka uliomalizika Desemba 31, 2015 pamoja na ripoti za wakurugenzi na wakaguzi wa pesa.
3. Kupitisha malipo ya mwisho ya mgawo wa faida ya mwaka 2015 ya Ksh. 0.25 kwa kila hisa kwa kutegemea ushuru ulioshikiliwa pale inapohitajika kwa wanachama ambao majina yao yatakuwa kwenye sajili ya wanachama kufikia Juni 30, 2016. Malipo ya mgawo wa faida kutolewa kabla au ifikiapo Julai 30, 2016.
4. Kuwachagua wakurugenzi

   a) Bw. Damien Braud aliyeteuliwa Juni 29, 2015 ili kujaza pengo lisilo na mamlaka   anastaafu kufungamana na kifungu nambari 110 cha sheria za kampuni na kwa kuwa hali inamruhusu, amejitokeza ili kuchaguliwa tena.

   b) Mabw. Ameer Kassim-Lakha, Jack Jacob Kisa na Jean-Louis Viciguerra wanastaafu kwa zamu kwa mujibu wa vifungu vya sheria nambari 111, 112 na 113 vya sheria za kampuni . Notisi maalumu zimepokelewa na Kampuni kufungamana na sehemu ya 142 ya sheria za makampuni (Cap 486) na kwa kutegemea sehemu ya 186 ya sheria kwamba endapo itakubalika kupitisha maazimio yafuatayo

   '' Kwamba, Bw. Ameer Kassim- Lakha (Mkurugenzi anayestaafu kwa zamu) aliye na umri uliozidi miaka 70 achaguliwe tena kama Mkurugenzi wa Kampuni''

   '' Kwamba Bw. Jack Jacob Kisa (mkurugenzi wa kampuni) aliye na umri uliozidi miaka 70 achaguliwe tena kama mkurugenzi wa kampuni''

   "Kwamba Bw. Jean- Louis Vinciguerra ((Mkurugenzi anayestaafu kwa zamu) aliye na umri uliozidi miaka 70 achaguliwe tena kama Mkurugenzi wa Kampuni''

   (c) Bi. Teddy Mapunda anastaafu kwa zamu kwa mujibu wa vifungu vya sheria nambari 111, 112 na 113 vya   sheria za Kampuni na kwa kuwa hali inamruhusu amejitokeza ili achaguliwe tena

5. Kupitisha marupururpu ya wakurugenzi ya mwaka 2015.
6. Kuteua PricewaterhouseCoopers kama wakaguzi wa pesa za kampuni kwa mujibu wa sheria za makampuni. PricewaterhouseCoopers wameonyesha nia yao ya kutaka kuendelea na jukumu hili.
7. Kupitisha marupurupu ya wakaguzi wa pesa na kuwapa uhuru wakurugenzi kuamua malipo ya wahasibu ya mwaka 2016.
8. Kutekeleza shughuli nyingine yoyote ya kibiashara ya mkutano mkuu wa pamoja wa mwaka.

Kwa Amri ya Halmashauri

Dominic K. Ng'ang'a
KATIBU WA KAMPUNI

Aprili 28, 2016

MUHIMU:

Mwanachama aliye na ruhusa kuhudhuria mkutano na kupiga kura lakini akawa hawezi kufika, ana uhuru kumteua wakala kumuwakilisha na kupiga kura kwa niaba yake. Si lazima kwa wakala kuwa mwanachama wa kampuni. Ili kuruhusiwa, ni lazima fomu ya uwakilishi iliyoambatanishwa na ripoti hii kujazwa kikamilifu na kutiwa sahihi na mwanachama na kupokelewa kupitia ofisi ya msajili wa kampuni iliyosajiliwa kabla ya saa tano asubuhi mnamo Juni 26, 2016.

Chairman's Statement

MR. FRANCIS OKOMO-OKELLO
CHAIRMAN

It is my pleasure, honour, and privilege to present to you on behalf of the Board of Directors of TPS Eastern Africa Limited (TPSEAL/the Company/ the Group), the Annual Report and Financial Statements of the Company for the year ended 31st December 2015.

The Company navigated through another challenging year for the tourism industry in East Africa. The challenges the Company faced in 2015 was due to a combination of factors beyond Management's control as further detailed below, that impacted negatively on the Company's performance. According to the statistics published by the Kenya Tourism Board (KTB), the total number of tourist arrivals at Jomo Kenyatta International Airport (Nairobi) and Moi International Airport (Mombasa) dropped by approximately 30% and 70%, respectively in 2015 compared to the numbers for the year 2012 when travel advisories were not in place. Available reports indicate that the number of tourist arrivals into Tanzania dropped by approximately 30% in 2015 compared to the numbers in 2014.

Apart from the decline in international tourist arrivals, the other factors beyond Management's control that impacted negatively on the Company's performance in 2015 included the following:

(i) the continued negative international media publicity on the East African Region in relation to insecurity and terrorism threats; travel advisories issued by foreign government agencies of the main source markets since 2013; and the poaching menace which cumulatively led to withdrawal of Charter flights to Kenya and a slowdown in international leisure bookings to Kenya, Tanzania and Zanzibar Stone Town;
(ii) introduction of Value Added Tax (VAT) on tourism services and park fees in September 2013, which made destination Kenya uncompetitive relative to other safari destinations;
(iii) the Ebola epidemic originating from West African countries, which impacted negatively on all African tourist destinations in 2015 with massive cancellations of bookings for Serena units in Kenya and Tanzania;
(iv) strengthening of the US dollar relative to other currencies in Serena's main tourist source markets, such as, Europe and North America, which rendered tourist destinations outside the East African Region more attractive; for instance, wholesalers in the European market with US dollar contracts found it more expensive to sell East African safari packages as the Euro currency weakened against the US dollar;
(v) global economic recessions in some of TPSEAL's source countries, resulting in depressed demand for tourism services;
(vi) excessive developments around TPS's units, and the related pricing pressures with competitors reducing their prices to uneconomic levels for short-term cash flow purposes;
(vii) changes in laws and regulations; increase in maintenance and operating costs; currency and interest rate fluctuations; and
(viii) the fact that TPS operates in an un-level playing field.

The Company took measures in 2015 to safeguard shareholder value, meet its financial commitments, maintain market share, maintain the Company's assets in good physical condition and implemented efficiency measures to reduce energy, procurement and general operating costs without sacrificing operating standards of product and service to cope with the challenges noted above. On a positive note, a number of positive developments occurred which augured well for the Company's business. The United Kingdom Government lifted its travel advisory on 19th June 2015. Other European source markets governments toned down their advisories. From the second half of 2015 extensive positive coverage of East Africa in the international media associated with high profile events such as the visit by the US President Barack Obama to Kenya and the visit to Kenya and Uganda by Pope Francis helped restore confidence among travellers, investors and East African citizens.

During the period under review, activities from the domestic leisure market segments in Kenya were at satisfactory levels and the Company's East African diversified portfolio recorded encouraging business levels in the corporate business segment - a trend that is expected to continue during year 2016.

Chairman's Statement (continued)

As a result of the foregoing positive developments, TPS Eastern Africa Limited (TPSEAL) recorded a turnover of KShs 6.19 billion (2014: KShs 6.34 billion) and Earnings Before Exchange Loss, Interest, Depreciation and Taxation of KShs 551 million (2014: KShs 782 million) in 2015.

The Company faced a volatile economic environment characterised by exchange rate fluctuations and increased interest cost that led to TPSEAL recording Loss Before Tax at KShs 211 million (2014: Profit Before Tax at KShs 220 million). During the period under review, Unrealised Exchange Loss on Foreign Currency Loans and Interest cost were above year 2014 by KShs 104 million and KShs 70 million respectively. Loss After Tax was recorded at KShs 281 million (2014: Profit After Tax of KShs 274 million).

The fact that the Company posted positive Earnings Before Exchange Loss, Interest, Depreciation and Taxation against a challenging business environment demonstrated that the strategic decisions made since 2006 to regionalize and integrate the Group's business activities in the Eastern Africa Region remained the right one. This is also borne out by the fact that unlike the general trend in the industry no permanent staff members were made redundant, thus protecting the livelihoods of staff members and their families.

The Company and its subsidiaries contributed significantly to the revenues of the governments of Kenya, Tanzania and Uganda in 2015, as in previous years. The Group paid, in aggregate, the equivalent of KShs 1,505 million (2014: KShs 1,471 million) in direct and indirect taxes and equivalent of KShs 191 million (2014: KShs 160 million) to the revenues of counties and local authorities in royalties and rents in the various jurisdictions during 2015.

The Board of Directors is pleased to recommend for approval by the shareholders, a modest final dividend payment of KShs 0.25 per share for 2015 (2014: KShs 1.35 per share), subject to payment of withholding tax, where applicable. If approved, the dividend will be payable on or about July 30, 2016 to members on the Register at the close of business on June 30, 2016.

Based on the current forecasts, the outlook for 2016 for Serena Tanzania and Serena Uganda is promising. A number of positive developments, including the serious attention being paid to security issues, the incentives provided by the Kenyan Government since late last year and early 2016 to revive the tourism industry, and improvements in international relations by the Government of Kenya, are expected to result in improvements in both the leisure and corporate market segments. The tourism industry remains confident that, at least, the second half of 2016 will witness a reversal of fortunes in the Kenyan tourism industry. Current indications for the safari business segment are positive from July 2016. However, the Kenyan coastal region will continue to record low occupancies, although improvement is forecasted from November 2016.

In line with Serena Hotels policy to constantly improve existing products and services in order to meet the needs and exceed the expectations of the Company's clients and protect market share, during 2015, management carried out in a phased manner spring cleaning and maintenance checks on all properties covering the bedrooms and public areas. In addition, management made improvements, wherever possible and necessary, at every guest touch point and implemented measures to ensure that guests were aware that Serena Hotels continued to maintain its traditional high standards despite the challenges facing the tourism industry.

To maintain a competitive edge and enhance guest experience, additional guest activities implemented in 2014, in some cases, resulted in an increase in the length of stay at the Company's properties. The additional activities include: cooking lessons, learning to play traditional musical instruments, jogging, biking, recurve target archery, water colour painting, star gazing, stretching exercises and fitness activities, Kiswahili language classes, bead work, basket weaving, mountain biking safaris, forest hiking safaris, village walks and canopy walks.

During 2016, Serena Hotels commenced the refurbishment of Nairobi Serena Hotel and extension of the Kampala Serena Hotel in a phased manner to upgrade these properties and their service levels. These developments are being carried out with minimal disruption to guest services. The investments are necessary to enable the Company's City Hotels to increase their market share in the future, thus improving TPSEAL's consolidated profitability and shareholder returns in the medium- to long-term.

The Company will continue to implement refurbishment of the other properties, to maintain appropriate Human Resource Management (HRM) practices, and to promote sound Corporate Social Responsibility (CSR) programmes that complement its long-term business strategy. At the same time, the Company continues to pursue new business opportunities in line with its diversification policy and strategy. This will extend the marketing and sales outreach to non-traditional markets. Additional details on the HRM and CSR programmes and initiatives are incorporated in the Managing Director's Statement included at pages 14 to 16 of this Annual Report.

During the year under review, Serena Hotels won a number of national and international awards and accolades, details of which are included at page 33 of this Annual Report.

The Board and Management remain confident that, notwithstanding the challenging business environment, the Company has the inherent

Chairman's Statement (continued)

strength and business resilience to continue to focus on its long-term growth prospects, thus maintaining its market share and its leading position in the industry.

Reflecting on the performance of the Company, despite the challenging business landscape, on behalf of the Board, I would like to thank the Company's Management and Staff for their diligence and dedication during 2015. I would also like to acknowledge, with appreciation, the invaluable support I continue to receive from my colleagues on the Board which has helped steer the Group's business activities and strategies successfully throughout 2015.

I wish to recognise, with gratitude, the vital support, confidence, loyalty and trust that we have continued to receive from our shareholders, clients and other stakeholders within the industry. Finally, even though there remains a lot to be done in terms of improving the supportive infrastructure and promoting East Africa as a must visit tourist destination, I wish to thank the governments within the East African Region for facilitating the growth of the tourism industry, and the various regulatory authorities, as well as other stakeholders, for their continued catalytic support which is critical for the sustained growth of the industry across the region.

FRANCIS OKOMO-OKELLO
CHAIRMAN

Sundowner at the Roaring Rocks in Kilaguni Serena Safari Lodge

Taarifa ya Mwenyekiti

BW. FRANCIS OKOMO-OKELLO
MWENYEKITI

Kwa niaba ya Halmashauri ya wakurugenzi wa TPS Eastern Africa Limited (TPSEAL/ Kampuni/ Kundi) ni furaha yangu, heshima na fursa kuwaletea ripoti ya mwaka na taarifa za matumizi ya pesa za Kampuni kwa kipindi cha mwaka uliomalizika Desemba 31, 2015.

Kampuni ilipitia mapito mengine ya mazingira ya changamoto kwa sekta ya utalii Afrika Mashariki. Changamoto ambazo kampuni ilikumbana nazo mwaka 2015 kwa njia moja ziliathiri matokeo yake. Mkusanyiko wa mambo ambayo yalikuwa nje ya uthibiti wa usimamizi yalikuwa sababu za matokeo yasiyo ya kuridhisha kwa kampuni. Kwa mujibu wa utafiti uliofanywa na halmashauri ya usimamizi wa Utalii nchini (Kenya Tourism Board- KTB), jumla ya idadi ya watalii waliowasili kupitia uwanja wa ndege wa kimataifa wa Jomo Kenyatta (Nairobi) na ule wa Moi (Mombasa), ilipungua kwa takriban asilimia 30 (30%) na 70 (70%) mtawalia mwaka 2015 ikilinganishwa na idadi ya watalii mwaka 2012 wakati ambapo hatukuwa na tahadhari za ushauri wa usafiri. Ripoti zilizoko sasa zinaonyesha kwamba, idadi ya watalii waliosafiri Tanzania ilipungua kwa takriban asilimia 30 (30%) mwaka 2015 ikilinganishwa na idadi ya mwaka 2014.

Bali na kupungua kwa idadi ya watalii wa kimataifa, maswala mengine ambayo yalikuwa nje ya usimamizi yaliyoathiri matokeo ya kampuni mwaka 2015 yalikuwa ni pamoja na:

(i) Kuendelea kutolewa kwa habari zisizo sahihi kupitia vyombo vya kimataifa eneo la Afrika Mashariki kuhusiana na usalama na tishio la kigaidi; ushauri kuhusu tahadhari za usafiri uliotolewa na mawakala wa serikali za kimataifa katika mataifa ambayo ni chimbuko la watalii mwaka 2013 na tabia ya uwindaji haramu ambao kwa pamoja zilisababisha kufutiliwa mbali kwa safari za ndege kuingia Kenya na kufifia kwa watalii wa kimataifa nchini Kenya, Tanzania na kisiwa cha Zanzibar.

(ii) Kuanzishwa kwa utozaji ushuru wa ziada (VAT) kwa huduma za watalii na ada za kuingia katika mbuga za wanyama pori mnamo Septemba 2013 kulipekelea taifa la Kenya kuwa kituo ghali ikilinganishwa na vituo vingine vya safari.

(iii) Janga la ugonjwa wa Ebola mataifa ya magharibi mwa Afrika ambalo liliathiri vibaya vituo vyote vya watalii barani Afrika mwaka 2015 na kupelekea kufutiliwa kwa wingi kwa idadi ya watalii katika hoteli za Serena nchini Kenya na Tanzania;

(iv) Kuimarishwa kwa sarafu ya dola ya Marekani dhidi ya sarafu nyingine katika vituo vya masoko ya Serena kama vile Ulaya na Amerika ya Kaskazini kulisababisha vituo vingine nje ya Afrika Mashariki kuwa vya bei nafuu; kwa mfano, mawakala wa jumla wa utalii katika soko la Ulaya waliotumia sarafu ya dola walipata ugumu kuuza safari za Afrika Mashariki kutokana na bei yake kuwa ghali kwani sarafu ya Euro ilikuwa hafifu dhidi ya dola ya Marekani.

(v) Kushuka kwa uchumi wa dunia mataifa kadhaa ambayo ni chimbuko la soko la TPSEAL na kusababisha kudhoofika kwa mahitaji ya huduma za utalii

(vi) Ustawi mkubwa wa maendeleo kando mwa hoteli za TPS's na shinikizo kutoka kwa washindani kupunguza bei zao hadi viwango visivyo vya kiuchumi kwa madhumuni ya muda ya mfupi ya kuthibiti kupunguka kwa mtiririko wa pesa.

(vii) Mabadiliko ya sheria na masharti, kuongezeka kwa gharama za utekelezaji shughuli na uthibiti; mabadiliko ya fedha na viwango vya riba na;

(viii) Hali kwamba TPS inatekeleza shughuli zake kupitia mazingira yasiyo na usawa

Kampuni ilichukua hatua mwaka 2015 kulinda thamani ya mwanahisa, kuafikia malengo yake kifedha, kuthibiti nafasi yake kwenye soko, kuhifadhi raslimali za kampuni kwa hali nzuri na kuzindua hatua bora kupunguza gharama za kawi, uagizaji na ununuzi na gharama za utekelezaji shughuli bila kuathiri ubora wa viwango vya bidhaa na huduma ili kukabiliana na changamoto zilizotajwa hapo juu. Kwa upande mzuri, kulikuwa na maendeleo kadhaa mema yaliyofanywa ambayo yalikuwa na athari nzuri kwa kampuni. Serikali ya Uingereza iliondoa ushauri wa safari mnamo Juni 19, 2015. Serikali za mataifa mengine ya bara Ulaya ambayo ni chimbuko la masoko ya biashara pia yaliondoa ushauri huu. Kuanzia kipindi cha pili cha mwaka 2015, kuangaziwa sana kwa eneo la Afrika Mashariki kupitia vyombo vya habari vya kimataifa kutokana na safari ya Rais Barack Obama nchini Kenya na ziara ya Papa Mtakatifu Francis hapa Kenya na Uganda, kulisaidia kurejesha imani miongoni mwa wasafiri , wawekezaji na raia wa mataifa ya Afrika Mashariki.

Taarifa ya Mwenyekiti (kuendelea)

Wakati wa kipindi hiki kinachoangaziwa, shughuli katika vitengo vya masoko ya starehe ya hapa nchini Kenya vilikuwa kwenye hatua za kuridhisha huku raslimali za kampuni zilizozagaa kote Afrika Mashariki zikirekodi viwango vya kufurahisha vya biashara za kimashirika. Mtindo huu unatarajiwa kuendelea kipindi cha mwaka 2016.

Kutokana na maendeleo ya kufana yanayoendeshwa sasa, TPS Eastern Africa Limited (TPSEAL) ilirekodi mapato ya jumla ya Kshs. bilioni 6.19 (2014 zilikuwa Kshs. bilioni 6.34) na mapato ya hasara kabla ya ubadilishanaji, riba, kushuka kwa dhamani na ushuru ya Kshs. milioni 551 (2014 zilikuwa Kshs. milioni 782) mwaka 2015.

Kampuni ilikumbana mazingira magumu ya kiuchumi yaliyotokana na kufumuka kwa viwango vya ubadilishanaji fedha na kuongezeka kwa gharama za riba zilizosababisha TPSEAL kurekodi hasara kabla ya kutozwa ushuru ya Kshs .milioni 211 (2014 faida kabla ya ushuru ilikuwa Kshs. milioni 220). Wakati wa kipindi cha mwaka unaoangaziwa, hasara ya ubadilishanaji fedha isiyokadiriwa kutokana na mikopo ya pesa kigeni na gharama za riba ilikuwa zaidi ya mwaka 2014 kwa Kshs. milioni 104 na Kshs. milioni 70 mtawalia. Hasara baada ya ushuru ilifikia Kshs. milioni 281 (2014; faida baada ya ushuru ya Kshs. milioni 274).

Ingawa kampuni ilisajili matokeo ya kufana kabla ya hasara kutokana na ubadilishanaji wa fedha, riba, kushuka kwa dhamani na ushuru dhidi ya changamoto za kimazingira, ilidhihirisha kwamba, maazimio ya mkakati yaliyotekelezwa tangu mwaka 2006 ya kuiweka katika kanda kwa kujumuisha pamoja shughuli zote za biashara za kundi kanda ya Afrika Mashariki zilisalia kuwa bora. Hali hii ilidhihirika kwani hakuna mfanyakazi hata mmoja wa kudumu aliyestaafishwa hivyo kulinda maslahi ya wafanyakazi na familia zao.

Kampuni na washirika wake tanzu zilichangia pakubwa kwenye mfuko wa hazina ya mapato ya serikali za Kenya, Tanzania na Uganda mwaka 2015 kama ilivyokuwa miaka iliyopita. Kampuni ililipa kwa wastani malipo ya Kshs. milioni 1,505 (2014 zilikuwa milioni 1,471) kama malipo ya ushuru wa moja kwa moja au yasiyo ya kawaida na kiwango kingine sawa cha kshs. milioni 191 (2014 zilikuwa miloni 160) kwa serikali za wilaya kama malipo ya mrabaha/ ukodishaji katika maeneo mbali mbali ya utawala mwaka 2015.

Halmashauri ya wakurugenzi ina furaha kutoa pendekezo ili kupitishwa na wanahisa la utoaji wa malipo ya mwisho ya mgawo wa faida ya Kshs. 0.25 kwa kila hisa kwa mwaka 2015 (2014 zilikuwa Kshs. 1.35 kwa kila hisa) baada ya kukatwa kwa malipo ya ushuru ulioshikiliwa pale inapohitajika. Kama itapitishwa, malipo ya mgawo wa faida yatatolewa kabla au ifikiapo Julai 30, 2016, kwa wenye hisa ambao watakuwa kwenye usjili mnamo Juni 30, 2016.

Mtazamo wa mwaka 2016 kwa Serena Tanzania na Serena Uganda ni wa kutia moyo. Baadhi ya maendeleo ya kufana ikiwemo kuangazia kwa kina masuala ya kiusalama, motisha kutoka serikali ya Kenya kuanzia mwishoni mwaka jana na mapema mwaka 2016 ili kufufua sekta ya utalii na kuimarishwa kwa uhusiano wa kimataifa na serikali ya Kenya kunatarajiwa kuinua soko la vitengo vya starehe na mashirika. Biashara ya utalii ina imani kwamba kipindi cha pili cha mwaka 2016 kitashuhudia mabadiliko ya biashara ya utalii nchini Kenya. Ishara za sasa katika sekta ya biashara ya usafiri ni nzuri kuanzia Julai 2016. Hata hivyo, eneo la ukanda wa Pwani ya Kenya litaendelea kupokea idadi ndogo ya wageni ingawa kuna ishara kuwa hali hii itaimarika kuanzia mwezi Novemba 2016.

Kufungamana na sera za Hoteli za Serena kuendelea kuimarisha raslimali zilizoko na huduma ili kukidhi mahitaji na kuzidisha matarajio ya wateja wa kampuni na kulinda nafasi yake katika soko , mwaka 2015, usimamizi ulitekeleza kwa awamu zoezi la ukaguzi wa usafi na uhifadhi wa raslimali zake zote kwa kuangazia vyumba vya kulala na maeneo ya umma. Zaidi ya hayo, usimamizi uliimarisha

Guest room at Serena Beach Resort and Spa

Guest room at Lake Elmenteita Serena Camp

Taarifa ya Mwenyekiti (kuendelea)

mahali palipohitajika na zaidi kituo chochote cha wageni na kuanzisha hatua kuhakikisha kwamba wageni walikuwa na ufahamu kuwa Hoteli za Serena zinaendelea kudumisha utamaduni wake wa viwango vya hali ya juu licha ya changamoto zinazokabili sekta ya biashara ya utalii.

Ili kudumisha ushindani na kuimarisha hisia za wateja, shughuli za ziada zilizozinduliwa mwaka 2014 kwa upande mmoja zilichangia kuongezeka kwa muda wa kukaa kwa wateja katika hoteli za kampuni. Shughuli za ziada zilikuwa ni pamoja na; masomo ya upishi, kujifunza kucheza ala za muziki wa ngoma za kiasili, kupasha misuli, kuendesha baiskeli, mchezo wa kulenga shabaha kwa kutumia mshale, uchoraji, unyooshaji viungo na mazoezi ya mwili, mafunzo ya lugha ya Kiswahili, ushonaji shanga, ufumaji vikapu, ukweaji milima kwa kutumia baiskeli, ukweaji milima, matembezi vijijini na matembezi juu ya kamba iliyoning'inia.

Wakati wa kipindi cha mwaka 2016, hoteli za Serena zilianzisha zoezi la ukarabati wa Nairobi Serena hotel na upanuzi wa hoteli ya Kampala Serena kwa nia ya awamu ili kuimarisha hali ya raslimali hizi na viwango vya huduma zake. Zoezi hili linatekelezwa kwa uangalivu mkubwa bila kuathiri huduma kwa wateja. Uwekezaji huu ni muhimu kuwezesha hoteli za mjini za kampuni kupanua nafasi ya masoko yake siku za usoni hivyo kuimarisha faida za pamoja za TPSEAL na mapato kwa thamani ya wanahisa ya muda wa kadri na mrefu.

Kampuni itaendelea mbele na uzinduzi wa ukarabati wa raslimali nyingine, kudumisha taratibu bora za usimamizi wa wafanyakazi (HRM) na kuunga mkono mipango ya shughuli za maslahi ya kijamii (CSR) ambayo inashamirisha mkakati wa muda mrefu wa biashara. Wakati huo, kampuni inaendelea kutafuta mbinu mpya za biashara kufungamana na sera zake za upanuzi na mkakati. Maelezo zaidi kuhusu usimamizi wa wafanyakazi (HRM) na shughuli za mipango ya maslahi ya jamii (CSR) na mikakati zimeambatanishwa kupitia kurasa 17 hadi 19 za taarifa ya meneja mkurugenzi.

Wakati wa kipindi cha mwaka unaoangaziwa, hoteli za Serena zilipokea tuzo kadhaa na hadhi za kitaifa na kimataifa. Maelezo ya kina kuhusu tuzo hizi na hadhi hizi ziko kurasa la 33 ya ripoti hii ya mwaka.

Halmashauri na usimamizi zingali na matumaini kwamba, licha ya changamoto za mazingira ya kibiashara, kampuni ina uwezo na uthabiti wa kibiashara kuendelea kuangazia matarajio yake ya muda mrefu ya ukuaji hivyo kudumisha nafasi yake kimasoko na uongozi kibiashara.

Kwa kuangazia matokeo ya kampuni, licha ya changamoto za mazingira ya kibiashara, kwa niaba ya Halmashauri, ningependa kushukuru usimamizi wa kampuni na wafanyakazi kwa jitihada zao na kujitolea mwaka 2015. Pia, ningependa kutambua kwa dhati msaada usio na kifani ambao naendelea kupokea kutoka kwa wanahalmashauri wenzangu ambao umesaidia kuendesha mbele shughuli za biashara za kundi na mikakati kipindi chote cha mwaka 2015.

Ningependa kutambua kwa dhati mchango muhimu, imani na uaminifu ambazo tunazidi kupokea kutoka kwa wanahisa wetu, wateja na washika dau wengine wa biashara hii. Mwisho, ingawa kuna mengi ambayo yanastahili kufanywa ili kuimarisha miundo misingi inayosaidia na kuimarisha eneo Afrika Mashariki kuwa kituo cha lazima kutembelewa na watalii, ningependa kuzishukuru serikali za mataifa ya Afrika mashariki kwa kurahisisha ukuaji wa sekta ya utalii na pia halmashauri mbali mbali za utawala pamoja na washika dau wengine kutokana na msaada wao ambao ni muhimu kuthibiti ukuaji wa biashara eneo hili lote.

FRANCIS OKOMO-OKELLO
MWENYEKITI

Giraffe crossing the Mara River at Mara National Reserve

Leopard at Mara National Reserve

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
MANAGING DIRECTOR

During the year 2015, the Tourism sector in Kenya was in very poor shape due to a challenging business landscape.The challenges TPSEAL faced in Kenya, to some extent, had a ripple effect in the entire East African Region.

A global economic recession depressed demand for tourism, particularly in Europe and North America, which adversely affected TPS's source markets. TPSEAL's portfolio in East Africa operated in a dynamic business environment.

Corporate business segments contributed positively to the Company's performance in 2015. This trend is expected to continue in 2016. Despite new competition all Serena City Hotels performed satisfactorily and hosted high profile guests and events in 2015.

Mombasa as a tourist destination faced serious challenges in 2015 due to a significant reduction of charter flights from 37 in 2007 to 4. A few Charters from Europe have resumed. However, the lack of charters into Mombasa and the fact that Kenya Airways does not operate direct flights into Mombasa from tourist source market countries, is making it difficult to market the destination.

The Kenyan safari circuit was negatively impacted in 2015. The reduced business from the coast negatively impacted business levels at Amboseli, Tsavo and the Mount Kenya Region. The Company's Sales & Marketing team compensated for the gap by soliciting for conferences.

While business levels that materialized in Serena Tanzania were not as buoyant as expected, Serena Uganda and the Associate Companies, Tourism Promotion Services (Rwanda) Limited and TPS (D) Limited recorded encouraging results in 2015.

The visit of the US Secretary of State, Mr. John Kerry, in May 2015, US President Barack Obama, and other dignitaries in July 2015 seem to have improved relations between the two countries. The Western World has come to Kenya's aid and acknowledged that terrorism is a global threat and that the security situation in Kenya has improved. The British Government lifted its travel advisory on the Kenya Coast on 19th June 2015, the USA lifted its advisory on 22nd October 2015, and other Western countries softened their travel advisories. TPSEAL has therefore increased efforts to attract tourists from traditional source markets just as it continues to canvass business from the non-traditional and emerging source markets.

Kenya announced, in November 2015, incentives to revive tourism. President Kenyatta, on 12th January 2016, unveiled a tourism incentive package to attract world travelers back to Kenya.

The visit to Kenya and Uganda by His Holiness Pope Francis, Head of the Roman Catholic Church, in November 2015 attracted thousands of Catholics and other Christians to East Africa. And the 10th World Trade Organization Ministerial Conference that took place in Nairobi in December 2015 attracted over 5,500 delegates. These events defined moments of underlining Kenya's increasing status in sub-Saharan Africa and the World as an important tourist destination. Thus, during the last quarter of 2015, Kenya received extensive positive international media coverage, which helped promote Kenya's public image globally.

It has been rather difficult to forecast business, due to sudden shifts in market sentiment and bookings at short notice. However, indications from suppliers of business are that, while international leisure bookings are at very short lead-times, the diversified revenue streams from the rest of the Serena portfolio are expected to be at positive levels during 2016.

International leisure bookings on the Kenyan Safari Circuit continues to be of serious concern until mid-July 2016. The Company has relied mainly on local resident and conference business segments. The outlook from mid July 2016 is much healthier than 2015, particularly for the Mara and Laikipia units.

Serena will continue to focus on mitigating market risks affecting levels of business, capitalizing on its strengths and enhancing its resilience to maximize the performance of its portfolio in 2016. Management closely monitors the Company's operations to ensure that the Company takes pro-active action in good time. Such action includes communication to suppliers of business as and when uncertain situations are likely to arise. In addition, Management is executing active cost management measures to protect the margins from the business realised while ensuring increased marketing efforts to drive volumes on the sales.

Management gathers competitor performance statistics, which confirm that, despite the challenges, all Serena properties command a leadership advantage in market share within their respective areas of operation. The poor business environment in the region has forced competitors, mainly on the leisure and safari circuit, to lower accommodation rates to unsustainable levels, which is primarily providing a short-term cash-flow solution but is hurting the industry in the medium to long term.

TPSEAL continues to make efforts to diversify product and customer base from the traditional source markets into local, regional and emerging markets-Middle East, India, China, Russia, Japan, South Korea, Brazil, Turkey and Africa. The Sales and Marketing team, however, engages actively with the company's traditional markets (United Kingdom, Germany, France, United States of America and Spain) by supporting Travel Agents and Operators on road shows, trade fairs and promotions. The Company will continue with its strategy of pursuing new business opportunities, enlisting new source markets, increasing the brand outreach, and driving repeat and incremental business. These measures should insulate the Group from revenue erosion. The Serena Loyalty Prestige Card continues to result in increased local and regional repeat business and the outreach has been strengthened by increased presence on social media platforms and marketing alliances with international airlines whose members can redeem points at Serena Hotels globally. On-line bookings through the Serena Website continue to grow steadily.

The tourism industry is a powerful pillar in the realization of East Africa's social and economic development. TPS's commitment to East Africa as a tourist destination will focus on improving productivity and efficiency in existing units; investing in existing assets to ensure that the Serena product remains unique and ahead of new competition; and continuing with the systematic phased out of bedroom upgrade for lodges, camps and Serena Beach Resort and Spa based on availability of funds.

As stated in the Chairman's Statement, to avoid compromising the Company's long-term competitiveness and market position, Management continues to recognize the importance of complementing its business strategies with appropriate Human Resources Management (HRM) practices and Corporate Social Responsibility (CSR) programs, thereby leading to improved guest experience and enhanced financial results.

The provision of rewarding careers, personal growth, quality training and exposure to advanced leadership roles as well as capacity building for our employees remain a strategic priority for Serena Hotels. In this connection, during 2015, the Company in Kenya, Tanzania, Uganda, Rwanda, and Mozambique continued to embrace the 'Lobster Ink' training with a South African based Company specializing in training staff on service delivery in the hospitality industry benchmarked to Leading Quality Assurance (LQA) Standards. Students from selected hospitality colleges/learning institutions are also given the opportunity to attend the hospitality skills training courses conducted at Serena Hotels. I would like to take this opportunity to personally congratulate each member of the Serena team for the support and exemplary dedication they have shown to Serena in 2015.

The Group's CSR programs continue to focus on sustainable business practices that touch on eco-tourism; environmental conservation; education; public health and community development. For further details on the Group's CSR programs, please refer to pages 27 to 32 of this Annual Report.

Finally, even though there remains a lot to be done in terms of improving the supportive infrastructure and promoting East Africa as a must visit conference and tourist destination, it is appropriate to express the Company's appreciation of the governments within the East African Region for facilitating the increased resource allocation for maintainance of security. This is one of the Key factors that will restore confidence among the citizens, travelers as well as investors and will ensure the sustained growth of the tourism industry across the region. On behalf of TPSEAL, I would like to appeal to the governments within the East African Region to continue with the mutually beneficial engagements with the tourism industry players through public/private partnerships and with the constant policy dialogue, as we can only be an effective "co-pilot" if the tourism sector can be provided with enabling conditions and government commitment to increase resources so as to broaden destination marketing; eliminate adverse and sudden changes to tax policies; increase competitiveness by, for instance, intensifying efforts aimed at creating level playing fields; enhance the region's attractiveness; and ensure new developments in the fragile eco-systems in game reserves and National Parks are controlled.

Finally, may I, on behalf of the Staff and Management, express our gratitude and

The Managing Director's Report (continued)

sincere appreciation to the Board of Directors for their guidance, diligence, invaluable support, and encouragement during the year 2015. I also wish to express my gratitude to the shareholders, customers, various regulatory authorities and other stakeholders for their continued support in the years gone by. We, at Serena, look forward to this continued support during the year 2016.

MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Rooftop at Serena Mountain Lodge

Taarifa Kutoka kwa Meneja Mkurugenzi

BW. MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Wakati wa kipindi cha mwaka 2015, biashara ya utalii nchini Kenya ilikuwa katika hali mbaya kutokana na changamoto za kimazingira. Changamoto zilizokabili TPSEAL nchini Kenya, kwa upande mwingine zilichangia athari mbali mbali eneo lote la ukanda wa Afrika Mashariki.

Kufifia kwa uchumi wa dunia kuliathiri mahitaji ya utalii hasa mabara ya Uropa na Amerika ya Kaskazini hali iliyovuruga masoko ambayo ni chimbuko la biashara za kampuni ya TPS's. Biashara za TPSEA eneo la Afrika Mashariki ziliendeshwa chini ya mazingira yasiyo thabiti.

Vitengo vya biashara za mashirika vilichangia vyema kwa matokeo ya kampuni mwaka 2015. Mwenendo huu unatarajiwa kuendelea vivyo hivyo mwaka 2016. Licha ya ushindani mpya, hoteli zote za Serena zilizoko maeneo ya mijini zilirekodi matokeo ya kuridhisha na zilikuwa hifadhi kwa wageni mashuhuri na hata matukio mwaka 2015.

Mombasa, kama kituo cha utalii, kilikumbana na changamoto kali mwaka 2015 kutokana na kupunguzwa kwa safari za ndege za humu nchini kutoka 37 mwaka 2007 hadi 4. Ndege chache kutoka bara la Uropa zimerejelea safari zao. Haya hivyo, ukosefu wa ndege zinazoingia Mombasa na hali kwamba shirika la ndege la humu nchini – Kenya Airways halina ndege zinazopaa moja kwa moja hadi Mommbasa kutoka vituo ambavyo ni chimbuko la masoko ya utalii, kumepelekea iwe vigumu kuuza kituo hiki.

Mkondo wa safari za Kenya uliathirika vibaya mwaka 2015. Kupunguka kwa biashara eneo la pwani kulivuruga viwango vya biashara huko Amboseli, Tsavo na eneo la Mlima Kenya. Timu ya mauzo ya kampuni na uvumishaji ilijaza pengo hili kwa kuuza shughuli za mikutano.

Viwango vya biashara zilizopatikana Serena Tanzania vilikosa kuridhisha kama ilivyotarajiwa. Serena Uganda na mashirika tanzu ya Tourism Promotion Services (Rwanda) Limited na TPS (D) Limited zilirekodi matokeo ya kuvutia mwaka 2015.

Ziara za waziri wa mashauri ya nchi za kigeni wa Marekani Bw. John Kerry mwezi Mei 2015 , na Rais Barack Obama na wageni wengine mwezi Julai kulionekana kuimarisha uhusiano baina ya mataifa haya mawili. Mataifa ya magharibi yamejitokeza kuisaidia Kenya na kutambua kwamba swala la ugaidi ni tishio la kimataifa na kwamba hali ya usalama nchini Kenya imeimarika. Serikali ya Uingereza iliondoa ushauri wa tahadhari za usafiri eneo la pwani ya Kenya Juni 19, 2015, serikali ya Marekani ilifanya vivyo hivyo Oktoba 22, 2015. mataifa mengine ya magharibi pia yaliondoa tahadhari za usafiri. Kwa sababu hiyo, TPSEAL imeongeza juhudi zake za kuwavutia watalii kutoka masoko ya kawaida huku ikiendelea kutafuta biashara kutoka masoko na vituo visivyo vya kawaida.

Mnamo mwezi Novemba 2015, taifa la Kenya lilitangaza vishawishi vya kufufua utalii. Mnamo Januari 12, 2016, Rais Kenyatta alizindua mpango wa ushawishi ili kuwavutia wasafiri wa kimataifa kutembelea Kenya.

Ziara ya humu nchini Kenya (na Uganda) iliyofanywa na Papa Mtakatifu Francis ambaye ni kiongozi wa kanisa katoliki mwezi Novemba 2015 ilivutia maelfu ya wakatoliki na wakristo wengine eneo la Afrika Mashariki. Mkutano wa mawaziri wa shirika la biashara ulimwenguni (WTO) ambao ulifanyika Nairobi Desemba 2015 ulivutia zaidi ya washiriki 5,500. Matukio haya yalitoa ishara za kuendelea kuimarika kwa umaarufu wa Kenya katika ukanda mdogo wa jangwa la Sahara barani Afrika na ulimwenguni kama kituo muhimu cha utalii. Kwa hivyo, kipindi cha mwisho cha miezi minne ya mwaka 2015, taifa la Kenya liliangaziwa sana na vyombo vya habari vya mataifa ya kigeni hali iliyosaidia kuimarisha sura ya taifa hili ulimwenguni.

Imekuwa vigumu kutoa mtazamo wa biashara kutokana na mabadiliko ya ghafla ya masoko na maombi ya nyumba kwa muda mfupi. Hata hivyo, ishara kutoka kwa wadau wa biashara ni kwamba, huku maombi ya nyumba kutoka masoko ya kimataifa yakiwa ni ya muda mfupi, mikondo ya mapato iliyosambaa kutoka raslimali nyingine za Serena inatarajiwa kuimarika vyema mwaka 2016.

Maombi ya vyumba vya starehe kwenye mkondo ya safari nchini Kenya inazidi kutiliwa shaka kubwa hadi katikati mwa mwezi Julai 2016.

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

Kampuni imekuwa ikitegema sana watalii wa humu nchini na vitengo vya biashara za mikutano. Mtazamo kuanzia katikati mwa Julai 2016 unaonekana kuwa wa kufana ikilinganishwa na mwaka 2015 hasa katika hoteli za Mara na Laikipia.

Serena itaendelea kuangazia hatari zinazokabili masoko na kuathiri viwango vya baishara, kutumia kikamilifu uthabiti wake na kuimarisha matokeo ya raslimali zake mwaka 2016. Kwa karibu, usimamizi unatathmini shughuli za kampuni kuhakikisha kwamba inachukua hatua zifaazo kwa wakati unaofaa. Hatua kama hizo ni pamoja na mawasiliano na wadau wa biashara wakati hali zisizo za kawaida zinatarajiwa kutokea. Zaidi ya hayo, inachukua hatua zifaazo za kupunguza gharama za matumizi ili kulinda mapato yaliyopatikana kutokana na biashara huku ikihakikisha kuongezwa kwa juhudi za uvumishaji kupanua viwango vya mauzo.

Usimamizi unakusanya matokeo ya utafiti wa ushindani ambao unathibitisha kwamba, licha ya changamoto, raslimali zote za Serena zinathibiti uongozi wa nafasi kwenye soko katika maeneo husika ya utekelezaji shughuli. Mazingira mabaya ya kibishara katika kanda yamelazimisha washindani hasa kutoka maeneo ya starehe na mikondo ya safari kupunguza ada za malazi hadi viwango visivyoweza kuthibitiwa. Hali hii imetoa suluhu la mtiririko wa muda mfupi wa pesa lakini inaathiri biashara kwa muda wa kadri na mrefu.

TPSEAL inazidi kufanya juhudi kupanua bidhaa na idadi ya wateja kutoka vituo vya kawaida vya masoko hadi wateja wa humu nchini, kanda na masoko mapya ambayo ni Mashariki ya Kati, India, Uchina, Urusi, Ujapani, Korea ya Kusini, Brazil, Uturuki na Afrika. Hata hivyo, timu ya mauzo na uvumishaji inajihusisha kwa karibu na masoko ya kawaida ya kampuni (Uingereza, Ujerumani, Ufaransa, Marekani na Uhispania) kwa kusaida mawakala wa safari na wadau kwenye tamasha za barabarani, maonyesho ya kibiashara na matoleo. Kampuni itaendelea na mkakati wake wa kutafuta nafasi mpya za kibiashara, kusajili masoko mapya, kuongeza, kupanua na kuhamasisha matumizi ya bidhaa zake ili kuongeza biashara. Hatua hizi zinafaa kuiokoa kampuni kutokana na msuko suko wa kifedha. Kadi ya Serena Loyalty Prestige inazidi kuchochea biashara za mara kwa mara na uwepo wake umeongezewa nguvu na kuonekana kwenye majukwaa ya mawasliano ya kijamii na ushirikiano baina ya mashirika ya ndege ya kimataifa ambapo wanachama wake wanaweza kuridhia alama zao kupitia hoteli za Serena kote ulimwenguni. Utumaji wa maombi kupitia wavuti wa Serena unazidi kuimarika kwa haraka.

Kama ilivyoonyeshwa kupitia taarifa ya Mwenyekiti, ili kuepuka kuathiri ushindani wa muda mrefu wa kampuni na nafasi yake kwenye soko, usimamizi unazidi kutambua umuhimu wa kulinda mkakati wa biashara zake kwa kuwa na utaratibu bora wa usimamizi wa wafanyakazi (HRM) na mipango ya wajibu wa shirika kwa jamii (CSR) hivyo kuimarisha hisia za wageni na matokeo bora ya kifedha.

Nafasi ya uzawadiaji taaluma , maendeleo ya kibnafsi, utoaji wa mafunzo ya hali ya juu na maandalizi ya mapema kwa majukumu

Star gazing at Mara Serena Safari Lodge

Guest room at Amboseli Serena Safari Lodge

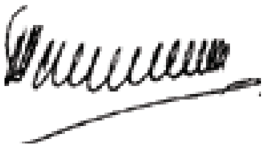
Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

ya uongozi pamoja na uimarishaji uwezo kwa wafanyakazi wetu umesalia kuwa mkakati uliopewa kipaumbele na hoteli za Serena. Kufungamana na hili, kipindi cha mwaka 2015, katika mataifa ya Kenya, Uganda, Rwanda na Msumbiji, kampuni iliendelea kuzingatia mafunzo ya '' lobster Ink'' ikishirikiana na kampuni kutoka Afrika Kusini inayojihusisha na utoaji wa mafunzo kwa wafanyakazi kuhusu utoaji wa huduma kwenye sekta ya Utalii ili kutoa viwango vya huduma za hali ya juu (Leading Quality Assurance - LQA) . Wanafunzi walioteuliwa kutoka vyuo teule vya utoaji mafunzo ya hoteli/ taasisi za utaoji mafunzo pia hupewa fursa kuhudhuria mafunzo haya ambayo huendeshwa na hoteli za Serena. Ningependa kuchukua fursa hii ya kibinafsi kumpongeza kila mwanachama wa timu ya Serena kwa msaada na kwa uwajibikaji wao kikamilifu ambao wamedhihirisha kwa Serena mwaka 2015.

Mipango ya wajibu wa shirika kwa jamii (CSR) inaendelelea kuangazia taratibu za kudumu kibiashara ambazo zinagusia utalii wa viumbe na mimea, uhifadhi wa mazingira, elimu, afya ya umma na ustawi wa jamii. Kwa maelezo zaidi kuhusu mipango ya kampuni kwa maslahi ya jamii , tafadhali angalia kurasa 27 hadi 32 za ripoti hii ya mwaka.

Mwisho, ingawa kuna mengi yanayohitaji kufanywa ili kuimarisha miundo misingi na kusaidia Afrika Mashariki kama kituo cha lazima cha mikutano na utalii, ni vyema kuonyesha shukrani za kampuni kwa serikali za jimbo la Afrika Mashariki kwa kusaidia kutenga raslimali nyingi kudumisha usalama. Hiki ni mojawapo wa kipengelele muhimu ambacho kitarejesha imani miongoni mwa wananchi, wasafiri pamoja na wawekezaji. Tutahakikisha kwamba tunadumisha ukuaji wa biashara ya utalii eneo hili. Kwa niaba ya TPSEAL , ningependa kutoa mwito kwa serikali za kanda ya Afrika Mashariki kuendeleza uhusiano mwema na wadau wa biashara ya utalii kupitia ushirikiano wa umma/ kibnafsi na kwa mazungumzo ya kila mara ya kisheria kwani tunaweza tu kutekeleza majukumu yetu kikamilifu kama ''marubani wenza'' endapo sekta ya utalii itaandaliwa mazingira mema na uwajibiklaji wa serikali kuongeza raslimali ili kupanua uvumishaji, kuondoa mabadliko ya sera za utoaji ushuru, kuongeza ushindani hasa kuchochea juhudi ambazo lengo lake ni kuanzisha majukwaa sawa, kuhamasisha vivutio katika kanda hii na kuhakikisha kwamba ustawi wowote katika mazingira ya viumbe na mimea kwenye mbuga za wanyama pori umethibitiwa.

Mwisho, kwa niaba ya wafanyakazi na usimamizi ningependa kutoa shukrani kwa bodi ya wakurugenzi kutokana na mwongozo wao, uangalizi na usaidizi wao mwaka 2015. Pia ningependa kutoa shukrani kwa wanahisa, wateja na washika-dau mbali mbali kwa usaidizi ambao wamekuwa wakidhihirisha kwetu miaka iliyopita. Sisi katika Kampuni ya Serena, tunatarajia kuendelea kushuhudia usaidizi huo mwaka 2016.



MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Watercolour Painting at Sweetwaters Serena Camp

Restaurant at Lake Elmenteita Serena Camp

Board of Directors

1

MR. FRANCIS OKOMO-OKELLO – Chairman 1

Mr. Okello (aged 66 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 the Chairman of Barclays Bank of Kenya Limited and an Independent Non-Executive Director of Barclays Africa Group Limited. 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 63 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. ABDULMALEK JEEVAN VIRANI - Finance Director 3

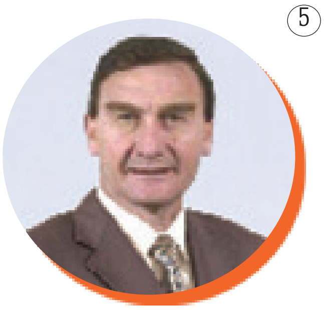
Mr. Virani (aged 65 yrs) holds a Bachelor of Commerce Degree. He is a Chartered Accountant and a CPA (K). He is currently the Finance Director of TPS Companies in Eastern Africa. He has been involved, over the years, in taking the TPS Group public and in structuring finance for acquisition and mergers of existing as well as green field projects for the Group.

4

MR. JACK JACOB KISA - Non-executive Director 4

Mr. Kisa (aged 78 yrs) holds a B.Sc. (Economics) (London) Degree and M.P.A. (Harvard) Degree. He served as Principal Economist in Kenya's Ministry of Finance and Planning in the 1970s. In 1974, Mr. Kisa was appointed as the Director of the United Nations World Employment Programme for Africa, in which capacity he served until 1977. In 1978, he was appointed Senior Economist at the World Bank Headquarters in Washington, D.C. During the period 1986-1991, Mr. Kisa served as Economic Advisor to the Southern African Development Community on secondment from the World Bank.

5



MR. JEAN-LOUIS VINCIGUERRA - Non-executive Director 5

Mr. Vinciguerra (aged 72 yrs) is a graduate of the Institute of Political Studies and completed the programme for Management Development from the Harvard Business School. He currently works with the Aga Khan Fund for Economic Development as Senior Financial Advisor.

6

MR. AMEER KASSIM-LAKHA - Non-executive Director 6

Mr. Kassim-Lakha (aged 82 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 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 2015 he received ICPAK Award of selfless service to the Institute and the Accounting profession He is a past Vice-Chairman of the Professional Centre. He is a co-sponsor of the Kenya College of Accountancy now KCA University. He is a past Chairman of Industrial Promotion Services (Kenya) Limited and Aga Khan Hospitals Mombasa and Kisumu.

Board of Directors (continued)

(7)

MR. MAHMOOD PYARALI MANJI - Non-executive Director (7)

Mr Manji (aged 62 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 East Africa. Mr Manji is a member of the International Who's Who of professionals. 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.

(8)

MR. GUEDI AINACHE - Non-executive Director (8)

Mr. Guédi Aïnaché (aged 40 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 PTA Bank's Head of Syndication, based in Nairobi. He has previously worked with PROPARCO 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.

(9)

MRS. TEDDY HOLLO MAPUNDA – Non-Executive Director (9)

Mrs. Mapunda (aged 41 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) and Why Africa Now of USA.

(10)

MR. DAMIEN BRAUD – Non-Executive Director (10)

Mr. Damien Braud (aged 37) holds a Masters Degree in International Finance from HEC Paris (France) and he is also a graduate of Telecom Engineering from Telecom Sud Paris (France). Currently he is PROPARCO's Regional Director for Eastern Africa based in Nairobi. He has preivously worked with PROPARCO in Paris as a Senior Investment Officer within the Private Equity Division handling various equity transactions across various regions in Africa, Latin America and Asia. Before Joining PROPARCO, Damien had worked for 6 years in Amundi Private Equity dealing with Private Equity Investments (Capital Expansion and buy-out) in France.

(11)

MR. DOMINIC K. NG'ANG'A - Company Secretary (11)

Mr. Ng'ang'a (aged 41 yrs) holds a Bachelor of Commerce (Accounting) Degree from KCA University. He is a CPA finalist and a Certified Public Secretary CPS (K). He is also a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).

Corporate Governance Statement

The Board of Directors of TPS Eastern Africa Limited (TPSEAL/ "the Company") is responsible for formulation of the Company's policies and oversight of implementation of those policies, overall management of Company's operations, strategic direction, and governance of TPSEAL and its subsidiaries ("TPS Group"). The Board is accountable to the Group's shareholders for ensuring that the Company complies with the provisions of the law. The TPS Group has built its business on very strong corporate governance principles based on the application of high and consistent ethical standards in its relationship with its clients, employees, and other stakeholders, at large. 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 the best business practices based on the principles of 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 the Guidelines on good Corporate Governance Practices by Public Listed Companies in Kenya as issued by the Capital Markets Authority (CMA) (the CMA Guidelines). In this respect, the directors of the Company have committed the Board to ensuring that the integrity of internal systems remains a key pillar to enhancement of the Group's financial performance and sustainability.

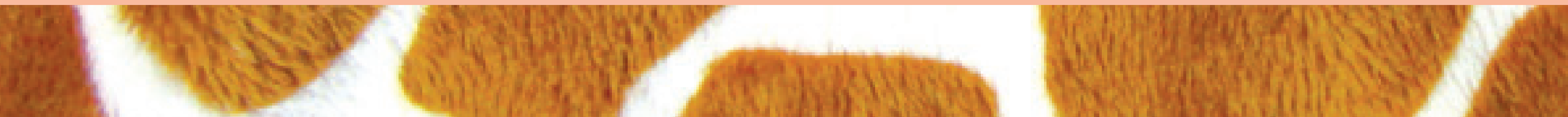
THE BOARD OF DIRECTORS

The Board consisted of 11 substantive directors and 2 alternate directors as at 31 December, 2015. The Chairman is a non-executive director. A majority of the directors are non-executive and independent. There are two executive directors, i.e. the Managing Director and the Finance Director. 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 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 urgent issues of strategic importance, or as required by statute, or in compliance with the requirements of regulatory authorities.

The Board held five scheduled Board meetings in 2015 attended as indicated below.

	NAME OF DIRECTOR	NO: OF BOARD MEETINGS ATTENDED
1	Francis Okomo-Okello	5
2	Mahmud Jan Mohamed	5
3	Abdulmalek Virani	5
4	Jack Kisa	5
5	Guedi Ainache	5
6	Teddy Mapunda (Mrs)	5
7	Ameer Kassim-Lakha	5
8	Damien Braud	1
9	Jean-Louis Vinciguerra	0
10	Ashish Sharma	4
11	Dr. Ramadhani Dau	0
12	Mseli Abdallah	3
13	Mahmood Manji	5

Notes:
1. Five (5) Board meetings were held in 2015.
2. Mr. Damien Braud was appointed in the 3rd quarter of 2015.
3. Dr. Ramadhani Dau was represented by his alternate Mr. Mseli Abdallah in three (3) Board meetings held during the year.
5. Mr. Jean-Louis Vinciguerra was represented by his alternate Mr. Ashish Sharma in four (4) Board meetings held during the year.



Corporate Governance Statement (continued)

Management gives the directors adequate notice for meetings and timely information so that they can contribute constructively and knowledgeably at Board meetings. This enables them to maintain effective oversight and control over strategic, financial, operational, and compliance issues. The separation of the Board's non-executive, independent Chairman's role from that of the Group's management obviated the possibility of conflict between the functions of the Chairman and those of the executive Managing Director. This separation, in turn, resulted in creating in-built checks and balances. The Board maximized shareholders' value and ensured the long-term sustainability of the TPS Group by assuming an active leadership role..

The Company's shareholders re-elected Messrs Francis Okomo-Okello, Mahmood Manji, Ameer Kassim-Lakha, Jean-Louis Vinciguerra and Mr. Jack Jacob Kisa as directors of TPSEAL Board at the last Annual General Meeting held on 29th June, 2015.

The Board appointed Mr. Damien Braud as a director of TPSEAL Board On 29th July, 2015. Mr. Braud, based in Nairobi is currently PROPARCO's Regional Director for Eastern Africa.

On 28th April, 2016, Dr. Ramadhani Dau resigned as a director of the Company, Dr. Dau, a Tanzanian national, had been appointed as an Ambassador for his Country and he had indicated that following the appointment he would not have adequate time to effectively discharge his responsibilities as a Director on the TPSEAL Board including attending Board meetings and participating in the other Board related activities as and when required.

In observing principles of good corporate governance and enhancing the capacity of TPSEAL directors, the directors attended a corporate governance training conducted by Strathmore University's Business School in January 2016. The training was part of the Company's observance of the principlas of good corporate governance for enhancement of directors' knowledge and effective discharge of their responsibilities.

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 issues in order to ensure sustainable returns to the Group's shareholders. The Board, in collaboration with management, carries out reviews periodically comparing actual performance with set targets and takes corrective measures where necessary, so as to ensure that the Company's business performance is as close as possible to the budgeted estimates.

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, have been established 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 respond to the dynamic business environment and to comply with the ever-changing relevant legislation and regulations. The Committees meet at least quarterly in a calendar year as provided in their respective ToR.

BOARD AUDIT COMMITTEE

Members of this Committee comprised of Mr. Ameer Kassim-Lakha (Chairman), Mr. Jean-Louis Vinciguerra, Mr. Guedi Ainache, and Mr. Mahmood Manji. The Committee works 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 effectively administered and reviewed as appropriate. During the year under review, the Committee reviewed significant audit findings identified by the Group's internal and external auditors and followed up implementation of necessary actions.

The Board authorized the Committee, to seek directly from the Company's employees and independent professionals, whenever necessary, any 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) meetings during the year under review. External auditors and executive directors attended the Committee's meetings as required to deal and or respond to specific issues. The Committee meets with the external auditors in the absence of executive directors and members of the management team.

Corporate Governance Statement (continued)

The Committee initiated the strengthening of the Group's risk assessment process, a move aimed at mitigating various business risks. The Board adopted the Enterprise Risk Management Policy formulated and recommended by the Committee. The Policy is aimed at addressing business risks entailed in the dynamic operating environment.

The Committee developed a Whistle Blowing Protection and Fraud Prevention Policy during the year for enhancing accountability, transparency and ethical practices. The Board adopted the Policy and management circulated it to all the employees and stakeholders. 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 of Messrs Jack Kisa (Chairman), Guedi Ainache, Mahmood Manji, Dr. Ramadhani Dau and Mrs. Teddy Mapunda. The Board mandated the Committee to consult experts, where necessary, to scrutinize the Company's organizational structure and staff establishments and to recommend to the Board appropriate Human Resources policies and capacity enhancement. The Committee held two (2) scheduled meetings during 2015.

The Board mandated 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 as a whole, Committees of the Board, as well as individual directors and make necessary recommendations to the Board for enhancing the effectiveness of the Board.

The Committee conducts an evaluation exercise after every two years aimed at assessing the performance of the Board, the Chairman, the Managing Director and individual directors. Any weaknesses revealed by the results are addressed with a view to improving the Board's performance. The Committee conducted the scheduled 2015-2016 Board perfomance evaluation in early January, 2016 and both the Committee and the Board discussed the results of the evaluation and agreed on appropriate follow-up actions.

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 operational framework for the management team. The Company updates periodically its policies and procedures manuals to incorporate any subsequent changes to ensure that they remain relevant to the Group's operational requirements. The Company carried out a comprehensive review of the Financial and Information & Communication Technology policies and procedures manuals in 2014 to cope with the changing business dynamics. To this end, 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 is an independent appraisal and review function whose recommendations are discussed and adopted where necessary. The Company has 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.

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 on the Company's performance. This is done through the distribution of the TPSEAL Annual Report at least 21 days before the Annual General Meeting, release of half-year and end-year financial results through the print media and regulatory bodies, and issuance 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 enquiries in a timely manner. Management also updates regularly the Company's website so as to provide current information on the Company's affairs. The Company complied with its obligations under the NSE Continuing Listing Rules and the CMA Act during the year under review.

The Company ensures that enquiries from shareholders and other stakeholders are addressed expeditiously by maintaining an open-door policy in terms of communication both at Board and Management levels.

Corporate Governance Statement (continued)

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate emoluments paid to non-executive directors during the 2015 financial year amounted to KShs 2.503 Million (refer to Note 28) to the Financial Statements). Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the TPS Group was a party whereby directors might have acquired benefits to facilitate the acquisition of the Company's shares by such directors. There were no non-executive directors' loans during the year.

DIRECTORS' INTEREST

There were no material contracts involving directors' interests during the year ended 31st December 2015 and the previous financial year (2014). However, some directors were minority shareholders of the Company as detailed 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
Abdulmalek Virani	1,456	0.00080
Mahmud Jan Mohamed	6,720	0.0037

CONFLICT OF INTEREST

The Directors were required to disclose their areas of conflict of interest during the year 2015. They were also required to refrain from contributing to and voting on matters in which they had such conflict in terms of the established practice. In addition, the directors were required, on an ongoing basis, to notify the Company Secretary in advance of any potential conflicts of interest through other directorships, shareholdings, associations, and conflicts arising from specific transactions. The Company Secretary maintained and updated a register of such interests as part of the Company's corporate records.

OTHER CORPORATE INFORMATION

The Company and its subsidiaries in Kenya, Uganda, Tanzania, South Africa and Zanzibar had a total of 2,274 employees. TPSEAL is a holding Company and did not own any land and buildings during the period under review.

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

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Aga Khan Fund for Economic Development,S.A	82,048,626	45.04
2	Societe de Promotion et de'participation pour la Cooperation Economique (PROPARCO)	10,892,900	5.98
3	The Jubilee Insurance Company of Kenya Limited	7,722,106	4.24
4	Industrial Promotion Services (Kenya) Limited	7,697,088	4.23
5	Aga Khan University Foundation	6,851,000	3.76
6	PDM (Holdings) Limited	6,607,440	3.63
7	Standard Chartered Nominees - Non residents A/C 9287P	6,251,643	3.43
8	Craysell Investments Limited	6,147,233	3.37
9	CFC Stanbic Nominees Limited A/C 1031144	2,804,100	1.54
10	CFC Stanbic Nominees Limited A/C 1031143	2,407,488	1.32
11	Others	42,744,484	23.46
		182,174,108	100.00

Corporate Governance Statement (continued)

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2015

	NO. OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Less than 500 Shares	3,063	445,018	0.24
500 - 5000 shares	5,064	6,873,868	3.77
5001 - 10,000 shares	231	1,660,108	0.91
10,001 - 100,000	241	7,396,409	4.06
100,001 - 1,000,000	63	16,441,023	9.02
Over 1,000,000	15	149,357,682	81.99
	8,677	182,174,108	100.00

SHAREHOLDER CATEGORIES

	NO.OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Foreign Investors	147	119,482,115	65.59
Local Institutions	548	47,094,970	25.85
Local Individuals	7,982	15,597,023	8.56
	8,677	182,174,108	100

Golf Course at Lake Victoria Serena Resort

Corporate Social Reponsibility

For Serena Hotels, Corporate Social Responsibility (CSR), Environmental Conservation and Sustainability means corporate culture, a culture which holds the Company's responsibility not only for making profit, but also for the conditions under which profits are made. Finding a balance between financial success, social responsibility and protecting the environment is a fundamental approach that lies at the heart of Serena Hotels corporate culture and is reflected in our corporate values. Sustainability is a key pillar of our Group strategy and has always played a fundamental role within our business.

We continue to strive to combine a powerful business sense and a strong sense of social responsibility towards our stakeholders which has over four decades of existence been created, managed and sustained through long-term relationships, marked by mutual respect and trust.

Reflecting on our success over the years, from a CSR, Environmental and Sustainability perspective, our material concerns have not changed significantly, but our guiding principles and approach has continued to evolve in an ethical manner through various partnerships so as to widen our footprint with an increased emphasis on quality, value addition and visible measures of impact and success within the ecosystem and communities in which we operate.

Serena takes a long term, entrepreneurial approach to the issue of sustainability in all of its activities along the value chain and this report demonstrates how we are continuing to meet the growing demands of our social responsibilities.

COMMUNITY INVESTMENT, SUPPORT AND DEVELOPMENT

Economic Sustainability

Our Sustainable approach towards sourcing and production helps us to create value for a wide group of stakeholders from farmers to community groups to customers. Serena Hotels continues to give priority to the local communities living around our areas of operation so as to ensure economic independence. Below are some of the initiatives that are in place:

- Serena Hotels provides on-the-ground support, advice and training on quality and cleanliness to ensure consistency and quality of supply within our forward and backwards supply chain linkages. This helps to develop innovative products and programs while meeting our sustainability goal. One recent example is that over the last two years, we have worked with the communities around Amboseli Serena Safari Lodge through Africa Pro-poor Tourism Development Center (APDTC), our partner in the initiative, to promote participation of women entrepreneurs within the communities. The women have been taken through various levels of capacity building and are now able to meet our supply requirement of quality products and standards. They have benefitted as a group, as their incomes begin to expand thereby supporting their livelihoods and those of their families. Suppliers are also encouraged to reduce packaging or package in recyclable/biodegradable material and comply with international human rights and labor standards.
- The Serena gift shops includes artifacts and handicrafts from various local community groups and the Company continues to hire local performers to entertain guests through dance, song, musical and theatrical displays. This enhances guest experience by exposing them to the diverse range of local cultures and ethnic groups whilst economically empowering the local people. Within the twenty three Serena properties in East Africa (Kenya, Rwanda, Tanzania and Uganda), approximately 94 local performers are hired in a year.

Educational Sustainability
Commitment to Promote Reading and Literacy in East Africa

Research indicates that being read to as a child is one of the strongest predictors of later academic success and reading for pleasure helps to develop children's language, literacy, critical thinking and communication, social and emotional skills.

All over the world, too many children leave primary school unable to read and write fluently. The problem is even more pronounced in Kenya, Uganda and Tanzania. According to results from a large survey undertaken by UWEZO (2011), only 28% of children in Kenya, 4% in Uganda and 8% in Tanzania in standard 3 were able to pass a standard 2 level of English exam.

Reading For Children (RFC) and sensitization workshop held at D.E.B Primary School by Serena Mountain Lodge

As a way to show true commitment to Literacy and Early Childhood Development, Serena Hotels (in partnership with Aga Khan Foundation (AKF), Madrasa Early Childhood Program (MECP) and

Corporate Social Reponsibility (continued)

Lions International) has consciously decided to embark on a task to turn this around through teaching parents about the importance of early childhood development and through ensuring children in local communities are able to read, thus enabling them to be able to contribute to development in the long run. This initiative is known as Reading For Children (RFC), whereby a sensitization workshop (for 2-3 days conducted by Serena Hotels trained facilitators) is held for parents, teachers and other local community members to encourage early childhood development through reading, storytelling and language development. Furthermore, a library consisting of 100 books is launched in the local community which is then run by librarians chosen and trained in the community.

In year 2015, Serena Hotels launched 19 community libraries in Kenya that continues to have approximately 8,507 beneficiaries. During year 2016, Serena Hotels expects to launch 23 more libraries in Kenya, Tanzania and Uganda.

The upkeep of these libraries is the responsibility of the community themselves. Through the appointed library committee, the communities are taught how to carry out various activities to raise funds for the library. In addition, they are taught different ways of writing and creating books from readily available materials, such as cardboard, to add to the library.

Reading for Children (RFC) library launched at Iltilal Primary School by Kilaguni Serena Safari Lodge

However, to further build and ensure financial sustainability of the program, Serena Hotels released its first ever set of children's story books related to conservation through a Book Development Project. Proceeds from the three books titled We All Went to Serena, What is it? and Life History of a Butterfly that are being sold at the Serena Hotels Gift Shops will be used to print more books, develop additional books and establish additional libraries.

By the end of year 2016 Serena Hotels, together with its partners, AKF, MECP and Lions International aims to promote reading and improve literacy for over 15,000 children and their families.

Other Literacy Initiatives

Serena Hotels do support wider multi-stakeholder projects related to promoting reading and literacy in East Africa.

During the International World Literacy Day 2015, Serena Hotels supported a business leader's breakfast in partnership with the Aga Khan Foundation and Story Moja to highlight the looming crisis of literacy not only in Kenya but East Africa. We expect more collaboration to follow subsequent to the breakfast proceedings.

In honor of The Day of an African Child 2015, Serena Hotels through Aga Khan Foundation's partnership with Story Moja's initiatives did participate in the "Read Aloud" program (the largest gathering of Kenyan Children, reading the same script at the same time) that saw participation of a total of 4,358 children from the 19 schools that Serena support. Records indicate that this program led to the Kenyan initiative unofficially surpassing the world record.

Serena participated in the 'Educate Her Parade' event that took place at the Karura Forest. The event, organized by the Global Give Back Circle (GGBC), is an initiative that integrates Mentoring, Private Sector Engagement and Government and Local Community Support in a 'Circle of Empowerment' that guides an at-risk girl to complete her educational journey, gain employable skills, transition into the workplace and embrace the joys of Citizenship through Giving Back. The Global Give Back Circle has also partnered with the recently launched initiative by The US First Lady Michelle Obama, let girls learn that seeks to reach out to the 62 million girls in the world that do not have access to education.

It is indeed with such partnerships that Serena believes can: influence positive attributes on a child that will in the medium to long term assist to gradually transform the quality of life for

Serena Hotels Participating in the Educate Her Parade, 2015

Corporate Social Reponsibility (continued)

generations to come; bridge gaps – symbols of connection, cooperation and harmony; and find a way to relate the values of the past, the realities of the present and the opportunities of the future - today's children are the force, hope and leaders of tomorrow.

CHARITABLE DONATIONS

Serena and its staff support a broad range of charitable causes and community initiatives. These take many forms: cash, supply of foodstuffs or clothing, hosting of community events or provision of employee-time in the form of visits to orphanages, hospitals, old-people's homes, homes for the physically or mentally challenged and other disadvantaged groups.

Once Upon a Christmas Dream. . .'Light Up A Life' Christmas Initiative

For the third consecutive year, Serena Hotels decided to dedicate its Corporate Christmas tree decorations fund towards a much brighter and beautiful cause – lighting up young lives with love through an initiative known as 'Light Up A Life'. Working with selected children's homes, schools and hospitals from the communities that surround our African properties, Serena Hotels had a Christmas Season of global goodwill that glittered with the joy of giving. Over 1,500 children were asked which gift would make their Christmas tide glow. Their wishes, each as bright as a star, were hung on 25 Serena Christmas trees as 'wish tags'. Each child's wish was fulfilled.

In 2015, creativity at our various properties was embraced further within the initiative. For instance, the Kilaguni Serena Safari Lodge Christmas tree was expertly crafted from lava rocks collected from the lava fields that surround the Lodge. These lava rocks were returned after the festive period.

'Light Up A Life' Christmas Gift Giving Ceremony by Kampala Serena Hotel

Participation by our guests, staff and business supporters over the years has been gratifying in enabling Serena Hotels decorate Christmas with the joy of Africa's children.

Hotel Room to Classroom' – Solar Lamp Initiative

In partnership with Sunny Money, an affiliate of the international charity Solar Aid, Nairobi Serena Hotel initiated a campaign 'Hotel Room to Classroom' in August 2015 to raise funds to provide solar lamps for Isokon Primary School students located in the Maasai Mara. The sole aim of this initiative is to eradicate the use of kerosene lamps in rural Kenya which aligns with Serena Hotels

Presentation of solar lamps to Isokon Primary School by Nairobi Serena Hotel

Climate change initiatives.

The funds collected were used to purchase 70 Solar Lamps that were donated to standard 8 students in an off the grid location. According to Sunny Money, a family can save about USD 70 per year on expenditure related to kerosene and candles for light.

PROTECTING A FRAGILE ENVIRONMENT

Serena Hotels has remained sensitive towards improving and preserving the environment in which it operates. Responsible management of natural resources in our operations has been a part of our business since construction of our first hotel over four decades ago. As the Company grew over the years, developments and operations have and continue to be guided by an eco-policy focusing on concrete actions and projects related to climate change, water and energy conservation, air pollution, biodiversity as well as facilitating the transfer of knowledge on environmental responsibility to our guests, communities and various stakeholders.

Serena Tree Planting Commitment

The Serena tree planting program has been in place since 1991 with its initial success program in the Hombe Forest in the Mount Kenya National Park (UNESCO World Heritage Site) that suffered

Corporate Social Reponsibility (continued)

from the adverse effects of deforestation and at Amboseli National Park where the destruction of forests by elephants is well on the way to being reversed. Serena Hotels have established tree and shrub nurseries at all its properties and over the years, this initiative has grown to see a wholesome transformation of the environment around Serena properties. With a bigger focus which is now conservation of the ecosystem, there is notable improvement not just in forest cover but also in the abundant wildlife and increased variety of bird species that ultimately depend on the environment. To widen the foot print, Serena Hotels in the last five years has been in partnerships with several organizations, through which there has been value addition in terms of impact and synergies.

Tree Planting in Ndakiani Dam, Nairobi by the TPS Serena head office staff

Turtle Conservation

The Serena Beach Resort & Spa (SBRS) Mombasa initiated a Turtle Conservation Program in 1993. The program was found necessary as marine ecological reports indicated that Turtles faced extinction due to nest losses as a result of tidal flooding, predators and human activities within the next 50 years and this necessitated the CITES (Convention of International Trade in Endangered Species) to list the sea turtles that SBRS conserve (Green, Olive Ridley and Hawksbill sea turtles) in the region as critically endangered. The Program protects sea turtle eggs from insecure nest sites through placing protective cages around the eggs or relocating them to SBRS. Lights are also dimmed on the beachfront and lawn to allow the hatchlings to make their way to the ocean, as their attraction to light can disorient them.

Since inception of the program by SBRS over two decades ago, 407 turtle nests have been protected and secured with the help of the local fishermen, beach operators and Kenya Wildlife Service Rangers. During this period 52,524 eggs have been secured at SBRS hatcheries of which 43,691 hatchlings (83%) have been

Sea Turtle Hatching at Serena Beach Resort & Spa, Mombasa

released into the Indian Ocean. Releasing of the hatchlings is a memorable and exciting experience for our guests and staff at SBRS, as it involves an important milestone for the hatchlings – they must crawl on the sand to the ocean themselves in order to make a magnetic imprint in their brains, which will ensure that they return to lay their eggs on the same beach once they mature.

One of the successes of the project has been to turn individuals/ fishermen who may have previously been poachers of turtles and their eggs into their protectors through monetary incentives. One such group of individuals has been organized into the "Kamkunji Fishermen Self Help Group", whereby the proceeds of their earnings from nest reporting is used to fund larger-scale income-generating activities, in this case fishing. The Company through its grant partners acquired a large freezer for the preservation of their catch.

To complement the releasing of the hatchlings experience, weekly lectures are conducted at SBRS in order to educate guests and the local community about sea turtles, the threat of extinction, and how individuals can play a role in conserving sea turtles.

Butterfly Conservation

Serena Beach Resort & Spa (SBRS) Mombasa in year 2003 established a Butterfly Conservation Sanctuary at its premises. This decision was taken under the backdrop that Butterflies have a unique role in the environment, the first of which is that they are conservational as they not only pollinate the wild flowering plants as they feed on the nectar, but also serves to enhance the biodiversity by maintaining ecological balance. Butterflies are also a key indicator on the assessment of the health of the surrounding forest, as they feed on a particular food plant. Therefore the absence of a certain species of butterflies may indicate the depletion of a certain forest component.

Corporate Social Reponsibility (continued)

Butterfly Park at Serena Beach Resort & Spa, Mombasa

Due to the radical shrinkage of forests, reports indicated that most of the butterflies had largely disappeared from Kenya's coast and this also necessitated the launch of the Butterfly Conservation Sanctuary by SBRS where we breed and the indigenous butterfly species are re-introduced by our guests to the coastal landscape. Within the Butterfly Sanctuary, separate enclosures of a butterfly display house, pupa and egg display, egg and caterpillar hatchery and female unit are provided. Butterflies are with no doubt beautiful and their presence within a hotel premises provides a pleasant aesthetic value and pleasure to the hotel guests and employees.

To date 65 species are bred and 255,366 butterflies have in the last 13 years been released.

Supporting Lion Conservation in Kenya

Our partnership with the Born Free Foundation has created a lot of awareness on the plight of lions in Kenya.

International singer and TV personality Peter Andre travelled to Kenya in July 2015 with the Born Free Foundation in a bid to help protect the wild lion population in East Africa. Amboseli Serena Safari Lodge which supports the construction of lion proof bomas hosted him for two nights. During his visit he learnt how lions and other big cats can be saved with the help of simple and cost-effective bomas as they are aimed at alleviating the conflict between humans and lions.

Conservation of Energy and Water

The Company's investments in Solar and other forms of renewable energy over the years, we believe has helped contribute to the global efforts in relation to climate change.

We have continued with our energy and water conservation efforts across all Serena properties. This has mainly been achieved through: the installation of solar water heating systems at 5 of the Serena City Hotels and Resorts; invertor systems at the Lodges for optimum energy consumption and reduced usage of the generator thus reduction in fuel usage, noise and air-pollution, installing of synchronized generators and energy saving bulbs in a phased manner.

In pursuit of water conservation that is closely monitored at the properties, Serena has an extensive range of water saving measures in place. These mainly include more efficient laundry and dishwashing formulations, phased investment in bio-digesters which is a system that treats effluent water to allow it to be re-used for irrigation and animal consumption at the waterhole in an environmentally sensitive manner; and phased installation of desalination plants at the Serena Lodges and Camps.

Waste Management

Serena Hotels continue to implement sustainable solutions for waste management despite operating in countries where recycling and other waste management facilities are limited. As part of our goal to increase the amount of waste being recycled, we are working with multiple partners to develop and encourage the use of local recycling programs. One successful initiative that was implemented last year was a partnership with The Recycler, a professional waste management and recycling solutions company based in Dar-es-Salaam. Dar-es-Salaam Serena Hotel is doing its part in taking steps towards a cleaner and greener Tanzania - over a four month period in 2015, Dar-es-Salaam Serena Hotel was able to successfully recycle over 4.5 tons of waste. This includes 70Kg of white paper, 2,007Kg of cardboard, 1,019Kg of plastic bottles and nylon, 77Kg of cans/tins and 1,329Kg of glass.

HEALTH, SAFETY AND WELLBEING

We believe the health, safety and wellbeing of our staff and guests is critical to our success and the vitality of our local communities.

The Serena Employee Wellness Program that began in 2001 is supported by our internal Wellness Champions and the Unit Clinic

Health Fair held for staff and the local community at Polana Serena Hotel, Mozambique

Corporate Social Reponsibility (continued)

Nurses who continue to sensitize our staff and the local community on health related aspects.

During the year 2015, the activities revolved around prevention, care and treatment of common communicable infections; counseling and screening (cancer, diabetes, eye); polio vaccinations; blood donations; HIV/AIDS testing and counseling; maternal child care in collaboration with the respective Ministries of Health in the East African region.

Over 5,700 persons from the local communities benefitted through the free medical consultations and subsidized medication provided at the Serena Hotels clinics with Amboseli Serena Safari Lodge recording approximately 3,600 patients who were seen and supported during year 2015.

Our lodges provide safe clean drinking water to the local communities thus reducing the exposure to a wide range of water-borne diseases. This has helped improve the overall health of the people around us, our staff and their families. Approximately 259,632 persons and 360,000 livestock benefit per annum.

Recurve Target Range Archery as a guest activity at Lake Elmenteita Serena Camp

National and International Awards and Accolades

During the year 2015, Serena Hotels are proud to have won a number of national and international awards and accolades details of which are set out below:

World Travel Awards 2015: Voted for by travel and tourism professionals worldwide which recognises commitment to excellence. Serena Hotels won the below categories:

- Africa's Leading Green Hotel: Nairobi Serena Hotel, a Member of *The Leading Hotels of the World*
- Kenya's Leading Hotel: Nairobi Serena Hotel, a Member of *The Leading Hotels of the World*
- Rwanda's Leading Hotel: Kigali Serena Hotel
- Uganda's Leading Hotel: Kampala Serena Hotel, a Member of *The Leading Hotels of the World*
- Uganda's Leading Hotel Suite: Presidential Suite at Lake Victoria Serena Golf Resort & Spa

TPS Eastern Africa Limited was recognized for the Best Practice in Board Diversity Awards 2015:
The Award recognizes companies that have demonstrated the Nairobi Securities Exchange (NSE) priority Diversity Attributes that mainly include professional mix (profession, technical skills and related experience); age diversity; and gender balance. Additionally, the commitment and diversity of progressive companies and their leaders who continue to create and innovatively provide opportunities for advancement in the workplace, and do so as an integral strategy for increasing profit and competitive advantage with a view of not only the workforce but the market place at large were recognized.

The main objective of this initiative is to manage a structured conversation around Board Diversity in Kenya with a view to fostering best practices in corporate governance, and sensitizing Kenya's corporate leadership about the importance of Board diversity and inclusion.

TPS Eastern Africa Limited is one of the listed companies at the NSE that was in year 2015 recognized for promoting the diversity attributes as articulated by the NSE Leadership and Diversity Dialogue Board.

The ceremony was presided over by Her Excellency Graça Machel- the former First Lady of Mozambique and South Africa and an International advocate for women and children's rights.

SATOA Award:
Serena Hotels won the 'Best Corporate Social Responsibility' Award at the 4th annual SATOA Awards in London. SATOA is a UK trade association of those who promote and sell the Southern Africa and Indian Ocean destinations. The Awards celebrate tourism excellence in Africa and are voted for by both the travel industry and consumers, providing an excellent barometer of the winners' performance and popularity in the UK and Ireland.

Best Lodges and Resorts: Africa & Middle East - Travel & Leisure World's Best Awards 2015

Only 5 lodges/camps were listed in 2015, as opposed to the usual list of 20 and Ngorongoro Serena Safari Lodge came third position and was the only property in East Africa to be recognised.

Conde Nast Travellers Readers Choice Awards 2015:
Kirawira Serena Camp has been recognized under the category of one of the Top 100 Hotels & Resorts in the world & Top 30 Resorts in Africa.

Eco Tourism Kenya: Lake Elmenteita Serena Camp was recognized with a Gold Certification in an eco-rating.

Traveller's Choice Award 2015: Kilaguni Serena Safari Lodge

Uganda Tourism Excellency Awards: Kampala Serena Hotel received the 'Outstanding Service in Hospitality' award.

Best Fine Dining Restaurant Award in Uganda: Kampala Serena Hotel's Pearl of Africa restaurant.

Uganda National Coffee Baristas Competitions: Kampala Serena Hotel won the Best Barista and Best Cappuccino competitions.

Serengeti Serena Safari Lodge for the fourth consecutive time was featured in the World's Best Hotels 2015 according to Travel & Leisure Magazine.

Polana Serena Hotel has been elected as a Mozambican Superbrand 2015.

Trip Advisor: Serena Mountain Lodge, Amboseli Serena Safari Lodge, Sweetwaters Serena Camp, Kilaguni Serena Safari Lodge, Lake Duluti Serena Hotel, Lake Manyara Serena Safari Lodge, Kampala Serena Hotel and Polana Serena Hotel received the "Certificate of Excellence" from Trip Advisor for the exceptional feedback earned from travellers over the past year. The accolade which honours hospitality excellence is given only to organisations that consistently achieve traveller's reviews on Trip Advisor and is extended to qualifying businesses worldwide. The "Certificate of Excellence" is awarded to businesses that rank in the top 10 percent worldwide for traveller feedback.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015 in accordance with Companies Act, which disclose the state of affairs of TPS Eastern Africa Limited (the "Company") and its subsidiaries (together the "Group").

PRINCIPAL ACTIVITIES

The principal activities of the Group are to own and operate hotel and lodge facilities in Eastern Africa, serving the business and tourist markets.

RESULTS AND DIVIDEND

The loss for the year attributable to equity holders of the Company of Shs 296,571,000 (Profit in 2014: Shs 245,910,000) has been deducted from retained earnings. The directors recommend the approval of a final dividend of Shs 45,543,527 (2014: Shs 245,935,046).

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)
Abdulmalek Virani	(Finance Director)
Ameer Kassim-Lakha	
Dr. Ramadhani Dau** (Resigned 28.04.16)	
Jack Jacob Kisa	
Jean-Louis Vinciguerra*	
Mseli Abdallah** (Resigned 28.04.16)	(Alternate to Dr. Ramadhani Dau)
Ashish Sharma*	(Alternate to Jean-Louis Vinciguerra)
Guedi Ainache*	
Teddy Hollo Mapunda (Mrs)**	
Mahmood Pyarali Manji	
Damien Braud*	(Appointed on 29 July 2015)

* French ** Tanzanian

AUDITOR

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with Companies Act.

By order of the Board

Dominic K Ng'ang'a
COMPANY SECRETARY

28 April, 2016

Statement Of Directors' Responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the Company's profit or loss. It is also requires the directors to ensure that the Group maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. 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 and applying appropriate accounting policies; and

(iii) Making accounting estimates and judgments that are reasonable in the circumstances

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and Company at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act.

Nothing has come to the attention of the directors that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 28 April, 2016 and signed on its behalf by:

Mr. Francis Okomo-Okello
CHAIRMAN
28 April, 2016

Mr. Mahmud Jan Mohamed
MANAGING DIRECTOR
28 April, 2016

Report of the Independent Auditor to the Members of TPS Eastern Africa Limited

Report on the financial statements

We have audited the accompanying financial statements of TPS Eastern Africa Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 37 to 76. These financial statements comprise the consolidated statement of financial position at 31 December 2015 and the consolidated income statement, 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 statement of financial position of the Company standing alone as at 31 December 2015 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on other legal requirements

As required by the Companies Act we report to you based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;

iii) the Company's statement of financial position is in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Richard Njoroge – P/1244.

PricewaterhouseCoopers

Certified Public Accountants

28 April, 2016
Nairobi.

Consolidated Income Statement
for the year ended 31 December 2015

	Notes	2015 Shs'000	2014 Shs'000
Sales	5	6,189,360	6,337,210
Other income		161,446	277,725
Inventory expensed		(1,097,956)	(1,143,206)
Employee benefits expense	7	(1,988,941)	(2,041,586)
Other operating expenses	8	(2,712,417)	(2,647,756)
Profit before depreciation, interest and income tax expense		551,492	782,387
Depreciation on property, plant and equipment	18	(426,566)	(426,237)
Finance income	9	10,207	10,944
Finance costs	9	(356,005)	(182,971)
Share of profit of associates	22	9,896	35,978
Income tax (expense)/credit	10	(69,637)	54,318
(Loss)/profit before income tax	6	(210,976)	220,101
(Loss)/profit for the year (Profit of Shs 120,060,000 (2014: Shs 332,557,000) has been dealt with in the accounts of the Company)		(280,613)	274,419
Attributable to:			
Equity holders of the Company		(296,571)	245,910
Non controlling interest	27	15,958	28,509
		(280,613)	274,419
(Loss)/earnings per share attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	11	(1.63)	1.35

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 Shs'000	2014 Shs'000
(Loss)/profit for the year		(280,613)	274,419
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(537,874)	(183,172)
Deferred tax on translation	16	55,579	11,102
		(482,295)	(172,070)
Revaluation during the year	18	402,436	-
Deferred tax on revaluation	16	(120,731)	-
Total other comprehensive loss for the year		(200,590)	(172,070)
Total comprehensive (loss)/income for the year		(481,203)	102,349
Attributable to:			
Equity holders of the Company		(595,223)	73,840
Non controlling interest		114,020	28,509
Total comprehensive (loss)/income for the year		(481,203)	102,349

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 Shs'000	2014 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	2,446,956	2,310,907
Translation reserve		(813,367)	(331,072)
Retained earnings		2,309,434	2,603,955
Proposed dividends	12	45,544	245,935
		8,563,409	9,404,567
Non controlling interest	27	1,121,942	1,007,922
Total equity		9,685,351	10,412,489
Non-current liabilities			
Borrowings	15	1,968,217	903,894
Deferred income tax liability	16	1,907,410	1,787,017
Retirement benefit obligations	17	20,496	65,019
Total non-current liabilities		3,896,123	2,755,930
Total equity and non-current liabilities		13,581,474	13,168,419
Non-current assets			
Property, plant and equipment	18	10,976,209	11,186,630
Intangible assets	20	1,324,154	1,324,154
Investment in associates	22	1,000,867	990,971
Deferred income tax asset	16	189,982	210,243
		13,491,212	13,711,998
Current assets			
Inventories		451,324	496,244
Receivables and prepayments	23	1,170,619	1,321,127
Current income tax		270,223	124,364
Cash and cash equivalents	24	432,422	285,444
		2,324,588	2,227,179
Current liabilities			
Trade and other payables	25	1,625,407	1,676,480
Current income tax		-	9,785
Borrowings	15	608,919	1,084,493
		2,234,326	2,770,758
Net current assets/(liabilities)		90,262	(543,579)
		13,581,474	13,168,419

The financial statements on pages 37 to 76 were approved and authorised for issue by the board of directors on 28 April, 2016 and signed on its behalf by:

Mr. Francis Okomo - Okello
CHAIRMAN
28 April, 2016

Mr. Mahmud Jan Mohamed
MANAGING DIRECTOR
28 April, 2016

Company Statement of Financial Position

As at 31 December 2015

	Notes	2015 Shs'000	2014 Shs'000
Equity			
Share capital	13	182,174	182,174
Share premium	13	4,392,668	4,392,668
Retained earnings		786,471	711,955
Proposed dividends	12	45,544	245,935
Total equity		5,406,857	5,532,732
Non-current assets			
Investment in subsidiaries	21	4,231,797	4,231,797
Investment in associates	22	840,330	840,330
		5,072,127	5,072,127
Current assets			
Receivables and prepayments	23	336,471	465,648
Cash and cash equivalents	24	574	919
		337,045	466,567
Current liabilities			
Trade and other payables	25	2,315	5,962
		2,315	5,962
Net current assets		334,730	460,605
		5,406,857	5,532,732

The financial statements on pages 37 to 76 were approved for issue by the board of directors on 28 April, 2016 and signed on its behalf by:

Mr. Francis Okomo - Okello
CHAIRMAN
28 April, 2016

Mr. Mahmud Jan Mohamed
MANAGING DIRECTOR
28 April, 2016

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	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									
At start of year		182,174	4,392,668	2,339,823	(159,002)	2,575,064	245,935	979,413	10,556,075
Comprehensive income for the year									
Profit for the year		-	-	-	-	245,910	-	28,509	274,419
Other comprehensive income:									
Currency translation differences		-	-	-	(172,070)	-	-	-	(172,070)
Transfer of excess depreciation to retained earnings		-	-	(41,309)	-	41,309	-	-	-
Deferred income tax on transfer	16	-	-	12,393	-	(12,393)	-	-	-
Total other comprehensive income		-	-	(28,916)	(172,070)	28,916	-	-	(172,070)
Total comprehensive income for the year		-	-	(28,916)	(172,070)	274,826	-	28,509	102,349
Transactions with owners									
Dividends:									
- final for 2013 paid	12	-	-	-	-	-	(245,935)	-	(245,935)
- proposed for 2014	12	-	-	-	-	(245,935)	245,935	-	-
		-	-	-	-	(245,935)	-	-	(245,935)
At end of year		182,174	4,392,668	2,310,907	(331,072)	2,603,955	245,935	1,007,922	10,412,489

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2015

	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 2015									
At start of year		182,174	4,392,668	2,310,907	(331,072)	2,603,955	245,935	1,007,922	10,412,489
Comprehensive income for the year									
Loss for the year		-	-	-	-	(296,571)	-	15,958	(280,613)
Other comprehensive income:									
Currency translation differences		-	-	-	(482,295)	-	-	-	(482,295)
Revaluation at end of year		-	-	262,348	-	-	-	140,088	402,436
Deferred tax on revaluation		-	-	(78,705)	-	-	-	(42,026)	(120,731)
Transfer of excess depreciation to retained earnings		-	-	(62,358)	-	62,358	-	-	-
Deferred income tax on transfer	16	-	-	14,764	-	(14,764)	-	-	-
Total other comprehensive income		-	-	136,049	(482,295)	47,594	-	98,062	(200,590)
Total comprehensive income for the year		-	-	136,049	(482,295)	(248,977)	-	114,020	(481,203)
Transactions with owners									
Dividends:									
- final for 2014 paid	12	-	-	-	-	-	(245,935)	-	(245,935)
- proposed for 2015	12	-	-	-	-	(45,544)	45,544	-	-
		-	-	-	-	(45,544)	(200,391)	-	(245,935)
		182,174	4,392,668	2,446,956	(813,367)	2,309,434	45,544	1,121,942	9,685,351

Company Statement of Changes in Equity
for the year ended 31 December 2015

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2014						
At start of year		182,174	4,392,668	625,333	245,935	5,446,110
Comprehensive income for the year						
Profit for the year		-	-	332,557	-	332,557
Total comprehensive income for the year		-	-	332,557	-	332,557
Transactions with owners						
Dividends:						
- final for 2013 paid	12	-	-	-	(245,935)	(245,935)
- proposed for 2014	12	-	-	(245,935)	245,935	-
		-	-	(245,935)	-	(245,935)
At end of year		182,174	4,392,668	-	245,935	-

Company Statement of Changes in Equity (continued)

for the year ended 31 December 2015

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2015						
At start of year		182,174	4,392,668	711,955	245,935	5,532,732
Comprehensive income for the year						
Profit for the year		-	-	120,060	-	120,060
Total comprehensive income for the year		-	-	120,060	-	120,060
Transactions with owners						
Dividends:						
- final for 2014 paid	12	-	-	-	(245,935)	(245,935)
- proposed for 2015	12	-	-	(45,544)	45,544	-
		-	-	(45,544)	(200,391)	(245,935)
At end of year		182,174	4,392,668	786,471	45,544	5,406,857

Consolidated Statement of Cash Flows

As at 31 December 2015

	Notes	Year ended 31 December 2015 Shs'000	2014 Shs'000
Operating activities			
Cash generated from operations	26	523,558	797,466
Interest received		10,207	10,944
Income tax paid		(149,781)	(162,614)
Net cash generated from operating activities		383,984	645,796
Investing activities			
Purchase of property, plant and equipment	18	(350,340)	(466,548)
Proceeds from disposal of property, plant and equipment		8,219	65
Investment in subsidiary	21	-	(14,207)
Non-current receivable	19	-	68,317
Net cash used in investing activities		(342,121)	(412,373)
Financing activities			
(Settlement)/proceeds on commercial paper	15	(250,000)	150,000
Proceeds on long term borrowings		1,390,978	470,000
Payments on long term borrowings		(454,804)	(456,055)
Interest paid		(234,439)	(165,363)
Dividends paid to Company's shareholders	12	(245,935)	(245,935)
Net cash generated from/(used in) financing activities		205,800	(247,353)
Net increase/(decrease) in cash and cash equivalents		247,663	(13,930)
Movement in cash and cash equivalents			
At start of year		(88,587)	(120,252)
Increase/(decrease)		247,663	(13,930)
Effect of currency translation differences		124,306	45,595
At end of year	24	283,382	(88,587)

Notes to the Financial Statements

1 General information

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

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

The Company's shares are listed on the Nairobi Securities Exchange.
For the Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and profit and loss account by the income statement in these financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

(i) New standards, amendments and interpretations adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015 and have no material impact on the group:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS36 by the issue of IFRS 13.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New standards, amendments and interpretations adopted by the group (continued)

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles. The following amendments are effective 1 July 2014:-

- IFRS 2 – clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition'
- IFRS 3 – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date.
- IFRS 3 – clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement
- IFRS 8 – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- IFRS 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
- IFRS 13 – clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9
- IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts
- IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.
- IAS 40 – clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination.

Amendments to IAS 19,'Defined Benefit Plans: Employee Contributions'. Effective 1 July 2014. The amendments clarify the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits.

(ii) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments and interpretations not yet adopted (continued)

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group is assessing the impact of IFRS 15.

IFRS 11, 'Joint arrangements'. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 27, 'Separate financial statements'. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016.

IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are effective for annual periods beginning on or after 1 January 2016.

IAS 1, 'Presentation of financial statements' These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. Effective for annual periods beginning on or after 1 January 2016.
Annual improvements 2014. These set of amendments, effective 1 January 2016, impacts 4 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.
- IAS 34, 'Interim financial reporting' regarding disclosure of information

IFRS 16, Leases, Effective date - 1 January 2019 After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment.

This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Summary of significant accounting policies (continued)

(b)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.

(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.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

(b)Consolidation (continued)

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 each investor. IFRS GAAP plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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.

(c) Functional currency and translations 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.

2 Summary of significant accounting policies (continued)

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

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 available-for-sale financial assets, are included in other comprehensive income.

(iii) Group companies

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

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

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

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

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

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.

(d) 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 is responsible for allocating resources and assessing performance of the operating segments has been identified as the Managing Director who makes strategic decisions.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the Group has delivered products to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been accepted by the customer.

(ii) Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided.

(iii) Interest income is recognised using the effective interest method.

(iv) Dividends are recognised as income in the period in which the right to receive payment is established.

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment

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

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

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

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

	Useful life	Residual values
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, plant 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.

(g) 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.

2 Summary of significant accounting policies (continued)

(g) Intangible assets (continued)

Goodwill (continued)

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.

(h) 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.

(i) Financial assets

(i) Classification

The Group classifies its financial assets under loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates such designation periodically.

Loans and receivables

Loans and receivables are initially recorded at fair value (plus transaction costs) and subsequently carried at amortised cost using the effective interest method. They are included in current assets, Loans and receivables are included in receivables and prepayments in the statement of financial position.

(ii) Offsetting financial instruments

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

(iii) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and Company may measure impairment on the basis of an instrument's fair value using an observable market price.

(j) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the lease property and the present value of the minimum lease payments.

(k) Inventories

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

(l) Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment (note i).

Receivables are derecognised when the rights to receive cash flows from financial assets has expired or where the Company has transferred substantially all risks and rewards of ownership.

(m) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are derecognised when extinguished.

(n) 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.

(o) Cash and cash equivalents

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

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

(p) 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 in Kenya operates a defined contribution post-employment 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.

(q) Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the 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.

2 Summary of significant accounting policies (continued)

(q) Current and deferred income tax (continued)

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

(r) 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.

(s) 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.

(t) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group and Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 20).

Impairment of property

The Group has assessed impairment of property in accordance with the accounting policy stated in Note 2(h).

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant 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.

Gratuity scheme obligations

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuity include the discount rate and future salary increases.

Notes to the Financial Statements (continued)

3 Critical accounting estimates and judgements (continued)

Gratuity scheme obligations (continued)

Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Group relies on an independent actuary to determine the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

Other key assumptions for gratuity obligations are based in part on current market conditions. Additional information is disclosed in Note 16.

(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.

4 Financial risk management

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by the board of directors under the guidance of management. 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, recognised assets and liabilities and net investments in foreign operations.

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 2015, if the Shilling had weakened/strengthened by 5% against the US Dollar with all other variables held constant, consolidated post tax loss for the year and equity would have been Shs 11,486,465 (2014: profit for the year of Shs 7,863,939) higher/lower, mainly as a result of US dollar receivables, payables and bank balances.

The Company has no balances denominated in foreign currencies.

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2015 (2014: nil).

4 Financial risk management (continued)

Market risk (continued)

(iii) Cash flow and fair value 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 2015, an increase/decrease of 10% on interest rate would have resulted in an increase/decrease in consolidated post tax loss for the year and equity of Shs 22,017,581 (2014: profit of Shs 22,746,492).

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The credit controller is responsible for managing and analysing credit risk for each new customer before standard payment and delivery terms are offered. 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.

For banks and financial institutions, only reputable well established financial institutions are accepted. For trade receivables, 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.

The maximum exposure for credit risk equals the amounts disclosed on the statement of financial position in 2015 and 2014.

Related party and other receivables are neither past due nor impaired. The Group's bankers are reputable and sound financial institutions.

There were no assets that are past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Past due but not impaired:				
- by 31 to 60 days	77,217	98,121	-	-
- by 61 to 90 days	42,824	66,581	-	-
- by over 90 days	46,430	81,524	-	-
Total past due but not impaired	166,471	246,226	-	-
Impaired and fully provided for	152,249	27,962	-	-

4 Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Management maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

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 2015:				
- borrowings and interest	968,820	517,300	1,140,347	674,512
- trade and other payables	1,625,407	-	-	-
- guarantees	-	-	-	2,244,900
At 31 December 2014:				
- borrowings and interest	1,273,992	346,007	503,979	220,625
- trade and other payables	1,676,480	-	-	-
- guarantees	-	-	-	2,350,500
(b) Company				
At 31 December 2015:				
- trade and other payables	2,315	-	-	-
- guarantees	-	-	-	2,237,100
At 31 December 2014:				
- trade and other payables	5,962	-	-	-
- guarantees	-	-	-	2,342,700

Capital risk 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.

During 2015 the Group's strategy, which was unchanged from 2014, was to maintain a gearing ratio below 40%. The gearing ratios at 31 December 2015 and 2014 as follows:

	2015 Shs'000	2014 Shs'000
Total borrowings	2,577,136	1,988,387
Less: cash and cash equivalents	(432,422)	(285,444)
Net debt	2,144,714	1,702,943
Total equity	9,685,351	10,412,489
Total capital	11,830,065	12,115,432
Gearing ratio	18%	14%

Notes to the 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. Kenya is further segregated into hotels and lodges.

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 segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2015 is as follows:

	Kenya Hotels Shs '000	Kenya Lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotels Shs '000	All other segments Shs '000	Total Shs '000
Revenue	1,797,335	955,068	1,767,137	1,612,276	310,828	6,442,644
Less inter segmental sales	-	-	-	-	(253,284)	(253,284)
Net revenue from third parties	1,797,335	955,068	1,767,137	1,612,276	57,544	6,189,360
EBITDA	215,633	(26,074)	(137,097)	485,926	13,104	551,492
Depreciation and amortisation	(91,445)	(97,704)	(143,013)	(85,496)	(8,908)	(426,566)
Income tax credit/(expense)	(35,807)	(22,555)	116,321	(119,864)	(7,732)	(69,637)
Share of (loss)/profit from associate	-	(11,227)	-	-	21,123	9,896
Investment in associate	-	15,012	-	-	985,855	1,000,867
Additions to non-current assets	108,044	151,796	25,636	62,540	2,324	350,340
Total assets	3,994,128	2,097,760	4,223,691	2,893,080	2,607,141	15,815,800
Goodwill	230,152	90,000	733,218	266,293	4,491	1,324,154

The segment information for the year ended 31 December 2014 is as follows:

	Kenya Hotels Shs '000	Kenya Lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotels Shs '000	All other segments Shs '000	Total Shs '000
Revenue	1,684,102	1,082,294	2,019,118	1,493,336	315,242	6,594,092
Less inter segmental sales	-	-	-	-	(256,882)	(256,882)
Net revenue from third parties	1,684,102	1,082,294	2,019,118	1,493,336	58,360	6,337,210
EBITDA	171,758	61,802	149,085	397,531	2,211	782,387
Depreciation and amortisation	(87,060)	(86,218)	(140,932)	(98,818)	(13,209)	(426,237)
Income tax expense	64,712	(40,769)	137,002	(96,043)	(10,584)	54,318
Share of (loss)/profit from associate	-	(5,901)	-	-	41,879	35,978
Investment in associate	-	26,239	-	-	964,732	990,971
Additions to non-current assets	121,760	155,903	93,983	93,237	1,665	466,548
Total assets	3,916,564	2,119,184	4,656,579	2,596,274	2,650,576	15,939,177
Goodwill	230,152	90,000	733,218	266,293	4,491	1,324,154

The revenue from external parties reported to the Managing Director is measured in a manner consistent with that in the income statement.

Notes to the Financial Statements (continued)

5 Segment information (continued)

A reconciliation of adjusted EBITDA to (loss)/profit before tax is provided as follows:

	2015 Shs' 000	2014 Shs' 000
EBITDA	551,492	782,387
Depreciation	(426,566)	(426,237)
Share of profit from associates	9,896	35,978
Finance costs – net	(345,798)	(172,027)
(Loss)/profit before tax	(210,976)	220,101

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

6 (Loss)/profit before tax

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

	Group	
	2015 Shs' 000	2014 Shs' 000
(Profit)/loss on disposal of property, plant and equipment	(6,200)	2,622
Net finance costs	345,798	(172,027)
Receivables – provision for impairment losses (Note 22)	124,287	(4,289)
Auditors' remuneration (Company: 2015: Shs 2,623,064 2014: Shs 2,498,157)	17,358	16,517
Employee benefit expense (Note 7)	1,988,941	2,041,586
Repairs and maintenance of property, plant and equipment	173,797	160,633

7 Employee benefits expense

	Group	
	2015 Shs' 000	2014 Shs' 000
The following items are included within employee benefits expense:		
Salaries, wages and other staff costs	1,851,541	1,920,263
Retirement benefits costs:		
- Gratuity charge (Note 17)	32,062	4,143
- Defined contribution scheme	32,461	41,233
- National Social Security Funds	72,877	75,947
	1,988,941	2,041,586

8 Other operating expenses

	Group	
	2015 Shs' 000	2014 Shs' 000
Administration expenses	1,076,964	1,123,567
Selling and distribution expenses	376,565	394,785
Utilities	542,775	608,496
Other expenses	716,113	520,908
	2,712,417	2,647,756

Notes to the Financial Statements (continued)

9 Finance income and costs

	Group	
	2015 Shs' 000	2014 Shs' 000
Interest income:		
- fixed and call deposits	1,309	-
- staff loans	719	1,469
- related party loans	8,179	9,475
Finance income	10,207	10,944
Interest expense:		
Interest expense on borrowings	(234,439)	(165,363)
Net foreign currency exchange loss on borrowings	(121,566)	(17,608)
Finance costs	(356,005)	(182,971)
Net finance costs	(345,798)	(172,027)

10 Income tax expense

	Group	
	2015 Shs' 000	2014 Shs' 000
Current income tax	(5,865)	54,686
Deferred income tax (Note 15)	75,502	(109,004)
Income tax expense/(credit)	69,637	(54,318)

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	
	2015 Shs' 000	2014 Shs' 000
(Loss)/profit before income tax	(210,976)	220,101
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2014 - 30%)	(63,293)	66,030
Tax effect of:		
Income not subject to tax	(6,532)	(12,594)
Expenses not deductible for tax purposes	34,799	20,229
Under/(over) provision of deferred income tax in prior year	104,664	(127,983)
Income tax credit	69,638	(54,318)

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.

	2015	2014
(Loss)/profit attributable to equity holders of the Company (Shs 000s)	(296,571)	245,910
Weighted average number of ordinary shares in issue (thousands)	182,174	182,174
Basic earnings per share (Shs)	(1.63)	1.35

There were no potentially dilutive shares outstanding at 31 December 2015 or 2014. Diluted earnings per share are therefore the same as basic earnings per share.

Notes to the Financial Statements (continued)

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 2015 were 182,174,108 shares (2014: 182,174,108 shares). A dividend in respect of qualifying shares for the year ended 31 December 2015 of Shs 0.25 per share (2014: Shs 1.35) amounting to Shs 45,543,527 (2014: Shs 245,935,046) is to be proposed at the forthcoming annual general meeting.

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 2014 and 31 December 2014 & 2015	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 (2014: 182,174,108) shares are issued at a par value of Shs 1.00 per share and are fully paid.

14 Revaluation reserve

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

15 Borrowings

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
The borrowings are made up as follows:				
Non-current				
Borrowings	1,968,217	903,894	-	-
Current				
Bank overdraft	149,040	374,031	-	-
Bank borrowings	409,879	410,462	-	-
Commercial paper	50,000	300,000	-	-
	608,919	1,084,493	-	-
Total borrowings	2,577,136	1,988,387	-	-

The borrowings include secured liabilities (bank borrowings and overdraft) in a total amount of Shs 2,527,136,000 (2014: Shs 1,488,387,000), commercial paper Shs 50,000,000 (2014: 300,000,000) and no long term notes (2014: 200,000,000). 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 Limited 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.

Notes to the Financial Statements (continued)

15 Borrowings (continued)

The effective interest rates at the year-end were as follows

	Group	
	2015 Shs' 000	2014 Shs' 000
Kenya		
- bank borrowings : Kenya Shillings	13.37%	11.41%
- long term notes : Kenya Shillings	-	10.00%
- commercial paper: Kenya Shillings	23.00%	12.75%
- long term borrowings : US Dollars	4.75%	-
Tanzania		
- bank overdrafts: US Dollars (3.25% above 3-month LIBOR)	3.52%	3.51%
- bank borrowings: US Dollars (3.25% above 3-month LIBOR)	4.52%	3.51%
: Tanzania Shillings – Barclays Bank of Tanzania Limited	12.50%	12.50%
Zanzibar		
- bank overdrafts and bank borrowings: Tanzania Shillings (existing)	12.50%	12.50%
- bank overdrafts and bank borrowings: Tanzania Shillings (new)	13.50%	13.50%
Uganda		
- bank borrowings : US Dollars	4.00%	3.98%

The carrying amounts of short-term borrowings approximate to their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the balance sheet date. It is impracticable to assign fair values to the Group's long term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

None of the above borrowings was in default at any time in the year. The Group had undrawn facilities of Shs 240,933,000 for the year ended 31 December 2015.

Borrowings in respective currencies were as follows:

	Group	
	2015 Shs'000	2014 Shs'000
Currency	Shs'000	Shs'000
US Dollars	1,389,050	583,053
Kenya Shillings	1,111,606	1,246,240
Tanzania Shillings	76,480	159,094
Total borrowings	2,577,136	1,988,387

16 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2014: 30%). The movement on the deferred income tax account is as follows:

Year ended 31 December 2014	Movement in deferred tax liability Shs'000	Movement in deferred tax asset Shs'000	Total Shs'000
At start of year	1,933,099	(236,219)	1,696,880
Income statement charge/(credit) (Note 10)	(127,474)	18,470	(109,004)
Translation difference	(18,608)	7,506	(11,102)
At end of year	1,787,017	(210,243)	1,576,774

Notes to the Financial Statements (continued)

16 Deferred income tax (continued)

Year ended 31 December 2015			
At start of year	1,787,017	(210,243)	1,576,774
Income statement charge (Note 10)	74,629	873	75,502
Deferred tax on revaluation	120,731	-	120,731
Translation difference	(74,967)	19,388	(55,579)
At end of year	1,907,410	(189,982)	1,717,428

Year ended 31 December 2015	1.1.2015 Shs'000	Charge/(credit) to income statement Shs'000	Translation difference Shs'000	31.12.2014 Shs'000
Deferred income tax liabilities				
- on historical cost	1,365,713	55,136	-	1,420,849
- on revaluation surplus	626,360	(13,004)	120,731	734,087
Unrealised exchange gains	128,330	(11,301)	-	117,029
Accelerated tax depreciation	40,606	-	-	40,606
Other deductible temporary differences	(39,035)	(27,876)	-	(66,911)
Currency translation difference	-	-	(55,579)	(55,579)
	2,121,974	2,955	65,152	2,190,081
Deferred income tax assets				
Tax losses carried forward	(526,083)	68,080	-	(458,003)
Provisions	(19,117)	4,467	-	(14,650)
	(545,200)	72,547	-	(472,653)
Net deferred income tax liability	1,576,774	75,502	65,152	1,717,428

Year ended 31 December 2014	1.1.2014 Shs'000	Charge/(credit) to income statement Shs'000	Charge/(credit) to OC Shs'000	31.12.2014 Shs'000
Deferred income tax liabilities				
- on historical cost	1,413,107	(47,394)	-	1,365,713
- on revaluation surplus	638,429	(12,069)	-	626,360
Unrealised exchange gains	136,130	(7,800)	-	128,330
Accelerated tax depreciation	40,606	-	-	40,606
Other deductible temporary differences	(26,265)	(1,668)	-	(27,933)
Currency translation difference	-	-	(11,102)	(11,102)
	2,202,007	(68,931)	(11,102)	2,121,974
Deferred income tax assets				
Tax losses carried forward	(457,345)	(68,738)	-	(526,083)
Provisions	(47,782)	28,665	-	(19,117)
	(505,127)	(40,073)	-	(545,200)
Net deferred income tax liability	1,696,880	(109,004)	(11,102)	1,576,774

Notes to the Financial Statements (continued)

17 Retirement benefit obligations

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	
	2015 Shs' 000	2014 Shs' 000
At start of year	65,019	156,618
Charge to income statement (Note 7)	32,062	4,143
Benefits paid/ transferred to pension scheme	(76,585)	(95,742)
At end of year	20,496	65,019

The principal actuarial assumptions used were as follows:

	2015	2014
- discount rate	15.5%	15.5%
- future salary increases	8.0%	8.0%

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 in 2015 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.

The Kenyan company ceased operating the unfunded gratuity scheme and transferred the amount held to a pension scheme in 2014.

18 Property, plant and equipment - Group

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2014					
At cost or revaluation	11,930,041	3,137,106	287,731	424,466	15,779,344
Accumulated depreciation	(1,997,473)	(1,733,305)	(225,772)	-	(3,956,550)
Translation differences	(502,464)	757	(24,225)	(1,280)	(527,212)
Net book amount	9,430,104	1,404,558	37,734	423,186	11,295,582
Year ended 31 December 2014					
Opening net book amount	9,430,104	1,404,558	37,734	423,186	11,295,582
Additions	101,374	293,051	39,642	32,481	466,548
Disposals	-	(2,687)	-	-	(2,687)
Transfers	6,115	24,380	-	(30,495)	-
Depreciation charge	(217,901)	(191,043)	(17,293)	-	(426,237)
Translation differences	(121,842)	(21,979)	(863)	(1,892)	(146,576)
Closing net book amount	9,197,850	1,506,280	59,220	423,280	11,186,630

Notes to the Financial Statements (continued)

18 Property, plant and equipment – Group (continued)

At 31 December 2014					
At cost or revaluation	12,037,530	3,451,850	327,373	426,452	16,243,205
Accumulated depreciation	(2,215,374)	(1,924,348)	(243,065)	-	(4,382,787)
Translation differences	(624,306)	(21,222)	(25,088)	(3,172)	(673,788)
Net book amount	9,197,850	1,506,280	59,220	423,280	11,186,630
At 1 January 2015					
At cost or revaluation	12,037,530	3,451,850	327,373	426,452	16,243,205
Accumulated depreciation	(2,215,374)	(1,924,348)	(243,065)	-	(4,382,787)
Translation differences	(624,306)	(21,222)	(25,088)	(3,172)	(673,788)
Net book amount	9,197,850	1,506,280	59,220	423,280	11,186,630
Year ended 31 December 2015					
Opening net book amount	9,197,850	1,506,280	59,220	423,280	11,186,630
Additions	77,843	155,904	10,686	105,907	350,340
Disposals	-	(2,019)	-	-	(2,019)
Transfers	4,246	33,620	-	(37,866)	-
Depreciation charge	(211,420)	(195,021)	(20,125)	-	(426,566)
Revaluation	402,436	-	-	-	402,436
Translation differences	(446,794)	(79,240)	(1,341)	(7,237)	(534,612)
Closing net book amount	9,024,161	1,419,524	48,440	484,084	10,976,209
At 31 December 2015					
At cost or revaluation	12,522,055	3,639,355	338,059	494,493	16,993,962
Accumulated depreciation	(2,426,794)	(2,119,369)	(263,190)	-	(4,809,353)
Translation differences	(1,071,100)	(100,462)	(26,429)	(10,409)	(1,208,400)
Net book amount	9,024,161	1,419,524	48,440	484,084	10,976,209

In the opinion of the directors, there is no impairment of property, plant 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 2015 by independent professional valuers C.P. Robertson-Dunn while Tourism Promotion Services (Tanzania) Limited, Tourism Promotion Services (Zanzibar) Limited and Upekee Lodges Limited were revalued H & R Consultancy Limited in Tanzania. Valuations and subsequent revaluations were made on the basis of earnings for existing use and the resultant surplus net of deferred income tax 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 Kenyan and Tanzanian lodges.

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	
	2015 Shs' 000	2014 Shs' 000
Cost	8,590,676	8,515,677
Accumulated depreciation	(2,797,796)	(2,586,229)
Net book amount	5,792,880	5,929,448

19 Non-current receivable

	Company and Group	
	2015 Shs'000	2014 Shs'000
At start of the year	51,397	123,037
Advanced during the year	-	-
Repayment	(51,397)	(71,640)
At end of year	-	51,397
Current	-	51,397
	-	51,397

20 Intangible asset - Group

Goodwill

	2015 Shs'000	2014 Shs'000
Cost	1,344,162	1,344,162
Accumulated impairment	(20,008)	(20,008)
Net book amount	1,324,154	1,324,154

Impairment tests for goodwill

Goodwill is allocated to the group's operating segments identified according to the location of operation and business segment.

	2015 Shs'000	2014 Shs'000
Tourism Promotion Services (Kenya) Limited	324,643	324,643
Tourism Promotion Services (Tanzania) Limited	576,345	576,345
Tourism Promotion Services (Zanzibar) Limited	154,671	154,671
Tourism Promotion Services (Mangapwani) Limited	2,202	2,202
TPS (Uganda) Limited	266,293	266,293
	1,324,154	1,324,154

A summary of the segment level goodwill allocation is presented in Note 5.

The recoverable amount of an operating segment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial projections approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The growth rates do not exceed the long-term average growth rates for the respective businesses in which the operating segments operate.

Key assumptions used for value-in-use calculations:

	Kenya	Tanzania	Zanzibar
EBITDA margin[1]	21%	20%	23%
Growth rate[2]	6%	6%	6%
Discount rate[3]	14.5%	14.5%	14.5%

[1] Budgeted EBITDA margin

[2] Weighted average growth rate used to extrapolate cash flows beyond the projected period.

[3] Pre-tax discount rate applied to the cash flow projections.

Notes to the Financial Statements (continued)

20 Intangible asset - Group (continued)

Goodwill (continued)

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.

21 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 2014	828,621	1,487,783	437,423	45,795	1	-	1,417,967	4,217,590
Addition during the year	-	-	-	-	-	-	14,207	14,207
At 31 December 2014	828,621	1,487,783	437,423	45,795	1	-	1,432,174	4,231,797
At 31 December 2015	828,621	1,487,783	437,423	45,795	1	-	1,432,174	4,231,797
Addition during the year	-	-	-	-	-	-	14,207	14,207
At 31 December 2015	828,621	1,487,783	437,423	45,795	1	-	1,432,174	4,231,797

Country of Incorporation	Kenya	Tanzania	Tanzania	Tanzania	South Africa	Kenya	Uganda
% interest held – 2014 and 2015	100.00%	100.00%	100.00%	100.00%	100.00%	75.00%	65.19%

Other indirect subsidiaries include Jaja Limited, which owns Lake Elmenteita 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 (51% subsidiary of TPS(T)) which owns two properties; Serena Mivumo River Lodge and Selous Serena Camp situated in the Selous Game Reserve in Southern Tanzania.

In the opinion of the directors, there has been no impairment of any of the investments.

The key financial data as at year end for Upekee Lodges Limited incorporated in Tanzania and TPS (Uganda) Limited incorporated in Uganda, (subsidiaries with significant non-controlling interest) are summarised below;

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	(Loss)/ Profit Shs'000
2015					
Upekee Lodges Limited	51	749,300	567,745	64,332	(168,519)
TPS (Uganda) Limited	65	2,893,080	627,218	1,612,276	283,057

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	(Loss)/ Profit Shs'000
2014					
Upekee Lodges Limited	51	837,004	458,003	66,910	(97,340)
TPS (Uganda) Limited	65	2,596,273	494,413	1,493,336	218,918

Notes to the Financial Statements (continued)

22 Investment in associates

	Group	
	2015 Shs'000	2014 Shs'000
At start of the year	990,971	954,993
Additional investment during the year	-	-
Share of associate results before tax	24,138	51,316
Share of tax	(14,242)	(15,338)
Net share of results after tax	9,896	35,978
At end of year	1,000,867	990,971

	Company	
	2015 Shs'000	2014 Shs'000
At start of the year	840,330	840,330
At end of year	840,330	840,330

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

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

The key financial data as at year end of Mountain Lodges Limited (the associate whose principal business is to provide lodge facilities for tourists and incorporated in Kenya), Tourism Promotion Services (Rwanda) Limited incorporated in Rwanda and TPS (D) Limited incorporated in Kenya is as follows:

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	(Loss)/ Profit Shs'000
2015					
Mountain Lodges Limited	29.90	130,480	93,871	38,255	(37,547)
Tourism Promotion Services (Rwanda) Limited	20.15	2,455,686	728,792	1,588,687	120,043
TPS (D) Limited	25.10	3,648,033	1,723,161	1,232,023	(12,219)
		6,234,199	2,545,824	2,858,965	70,277
2014					
Mountain Lodges Limited	29.90	137,027	63,765	53,684	(19,735)
Tourism Promotion Services (Rwanda) Limited	20.15	2,281,106	753,285	1,490,502	156,810
TPS (D) Limited	20.00	3,902,239	1,984,414	1,271,358	40,960
		6,320,372	2,801,464	2,815,544	178,035

23 Receivables and prepayments

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Trade receivables – third parties	869,907	659,474	-	-
Less: provision for impairment of receivables	(152,249)	(27,962)	-	-
Trade receivables – other related companies (Note 28)	14,098	7,454	-	-
Net trade receivables	731,756	638,966	-	-
Prepayments	113,586	229,049	13,165	1,500
Advances to related companies (Note 28)	208,462	364,702	319,136	459,860
Other receivables	116,815	88,410	4,170	4,288
	1,170,619	1,321,127	336,471	465,648

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

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
At start of year	27,962	32,251	-	-
Provision in the year	133,029	1,861	-	-
Unused amounts reversed	(8,742)	(6,150)	-	-
At end of year	152,249	27,962	-	-

In the estimate of the Directors, the carrying amounts of the receivables and prepayments approximate to their fair value. The carrying amounts of the Group's receivables and prepayments are denominated in the following currencies:

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
US Dollar	487,519	417,050	-	-
Euro	1,222	1,222	-	-
Sterling Pound	256	473	-	-
Kenya Shillings	554,391	490,294	336,471	465,648
Tanzania Shillings	95,039	229,008	-	-
Uganda Shillings	32,192	183,080		
	1,170,619	1,321,127	336,471	465,648

24 Cash and cash equivalents

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Cash at bank and in hand	432,422	285,444	574	919
Short term bank deposits	-	-	-	-
	432,422	285,444	574	919

Notes to the Financial Statements (continued)

24 Cash and cash equivalents (continued)

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

	2015 Shs'000	2014 Shs'000
Cash and bank balances as above	432,422	285,444
Bank overdrafts (Note 15)	(149,040)	(374,031)
	283,382	(88,587)

25 Payables and accrued expenses

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Trade payables	908,622	642,789	-	-
Trade payables – related companies (Note 28)	5,572	4,910	-	-
Advances from related companies (Note 28)	100,042	54,943	-	-
Accrued expenses and other payables	611,171	973,838	2,315	5,962
	1,625,407	1,676,480	2,315	5,962

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

26 Cash generated from operations

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

	2015 Shs'000	2014 Shs'000 (Restated)
(Loss)/profit before income tax	(210,976)	220,101
Adjustments for:		
Interest expense (Note 9)	234,439	165,363
Interest income (Note 9)	(10,207)	(10,944)
Depreciation (Note 18)	426,566	426,237
(Profit)/loss on sale of property, plant and equipment	(6,200)	2,622
Share of profit from associates (Note 22)	(9,896)	(35,978)
Changes in working capital		
- receivables and prepayments	150,508	45,213
- inventories	44,920	10,613
- payables and accrued expenses	(51,073)	65,838
- provisions for liabilities and charges	(44,523)	(91,599)
Cash generated from operations	523,558	797,466

27 Non controlling interest

	2015 Shs'000	2014 Shs'000
At start of the year	1,007,922	979,413
Share of profit for the year	15,958	28,509
Share of revaluation surplus	140,088	-
Share of deferred tax on revaluation	(42,026)	-
At end of year	1,121,942	1,007,922

Notes to the Financial Statements (continued)

27 Non controlling interest (continued)

Tourism Promotion Services (Tanzania) Limited, a 100% subsidiary of the TPS Eastern Africa Limited, holds 51% equity in Upekee Lodges Limited (ULL) while 49% is held by Export Holdings Limited. ULL is incorporated in the United Republic of Tanzania and owns Selous Luxury Camp and Mivumo River Lodge which are both situated in the Selous Game Reserve in Southern Tanzania. TPS (Uganda) Limited's 34.81% shareholding is held by Proparco, DEG, NSSF Uganda and the Aga Khan Fund for Economic Development.

28 Related party transactions

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

The following transactions were carried out with related parties:

i) Sale of goods and services to:

	Group	
	2015 Shs'000	2014 Shs'000
Mountain Lodges Limited	3,701	6,154
Diamond Trust Bank Kenya Limited	2,554	6,108
The Jubilee Insurance Company of Kenya Limited	6,491	6,192
Tourism Promotion Services (Rwanda) Limited	36,196	37,092
Hoteis Polana, S.A.	24,018	24,611
Nation Media Group	5,313	5,761
Industrial Promotion Services (Kenya) Limited	1,234	1,308
The Jubilee Insurance Company of Uganda Limited	1,664	-
Diamond Trust Bank of Uganda Limited	2,520	461
Tanruss Investment Limited	102,377	94,722
African Broadcasting (Uganda) Limited	24,305	12,593
Monitor Publication Limited	2,817	2,483
Aga Khan Development Network (Kenya)	-	74
Aga Khan University Hospital (Kenya & Uganda)	21,637	-
Aga Khan Foundation	799	-
Aga Khan Health Services	162	2
Air Uganda	97	131
Aga Khan Education Services (Kenya)	756	-
Aga Khan Development Network (Uganda)	7,872	-
	244,513	197,692

Notes to the Financial Statements (continued)

28 Related party transactions (continued)

ii) Purchase of goods and services from:

	2015 Shs'000	2014 Shs'000
Farmer's Choice Limited	61,604	44,384
The Aga Khan Hospital (Tanzania) Limited	1,028	1,561
Diamond Trust Bank Tanzania Limited	3,843	7,565
Serena Tourism Promotion Services, S.A.	68,657	65,062
Nation Media Group	1,156	-
The Jubilee Insurance Company (Tanzania) Limited	15	374
The Jubilee Insurance Company of Uganda Limited	17,434	48,669
Monitor Publication Limited	4,732	1,453
Air Uganda	-	160
	158,469	169,228

iii) Key management compensation

	2015 Shs'000	2014 Shs'000
Salaries and other short-term employment benefits	177,738	188,500

iv) Directors' remuneration

	2015 Shs'000	2014 Shs'000
Fees for services as a non-executive director	2,503	1,253
Emoluments to executive directors (included in key management compensation above)	73,371	74,807
Total remuneration of directors of the Company and Group	75,874	76,060

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

	Group	
	2015 Shs'000	2014 Shs'000
Trade receivables from related parties		
Industrial Promotion Services (Kenya) Limited	325	324
Nation Media Group	784	910
The Jubilee Insurance Company of Kenya Limited	1,163	3,405
Aga Khan Development Network (Uganda)	1,547	74
Aga Khan Education Services (Uganda)	193	2
Aga Khan University Hospital (Kenya & Uganda)	7,174	-
African Broadcasting Services	1,590	-
Monitor Publications	1,322	2,739
	14,098	7,454

Notes to the Financial Statements (continued)

28 Related party transactions (continued)

Other receivables from related parties		
Mountain Lodges Limited	73,118	33,125
Hoteis Polana, S.A.	37,600	41,232
Tourism Promotion Services (Rwanda) Limited	26,598	52,634
Pearl Development Group Limited	13,175	22,904
Serena Tourism Promotion Services, S.A.	300	1,363
Tanruss Investment Limited	57,671	211,724
TPS (D) Limited	-	1,720
	208,462	364,702
	222,560	372,156

Other receivables constitute balances due from entities under the control of the Group

	Company	
	2015 Shs'000	2014 Shs'000
Other receivables from related parties		
Tourism Promotion Services (Kenya) Limited	212,224	232,608
Tourism Promotion Services (Tanzania) Limited	63,880	137,733
Tourism Promotion Services (Zanzibar) Limited	-	11,998
Tourism Promotion Services (Rwanda) Limited	-	6,009
Tanruss Investment Limited	43,032	71,512
	319,136	459,860

	Group	
	2015 Shs'000	2014 Shs'000
Trade payables to related parties		
Farmer's Choice Limited	4,379	4,254
The Jubilee Insurance Company Limited	-	391
Air Uganda	125	249
Aga Khan University Hospital (Kenya & Uganda)	-	16
Monitor Publications	1,068	-
	5,572	4,910
Other payables to related parties		
Mountain Lodges Limited	-	24
Hoteis Polana, S.A.	15,136	22,419
Tourism Promotion Services (Rwanda) Limited	3,088	3,690
Tanruss Investment Limited	61,574	3,498
Pearl Development Group Limited	1,761	-
Serena Tourism Promotion Services, S.A.	18,483	25,312
	100,042	54,943
	105,614	59,853

Other payables constitute balances due to entities under the control of the Group

Notes to the Financial Statements (continued)

28 Related party transactions (continued)

vi) Loans to directors of the Company

	Company	
	2015 Shs'000	2014 Shs'000
At start of year	1,602	-
Loans advanced	-	1,825
Loan repayments received	(1,602)	(223)
At end of year	-	1,602

No provisions for impairment losses have been required in 2014 and 2015 for any related party receivables. The loans were issued at statutory interest rates.

vii) Guarantees

TPS Eastern Africa Limited has provided a corporate guarantee to the lenders of Tanruss Investment Limited, the owner of Dar es Salaam Serena Hotel, for an amount of Shs 651,300,000 (2014: 407,700,000) which was obtained to settle loans to the previous owners and to fund capital expenditure during the year.

The Company has also provided corporate guarantee of Shs 1,120,000,000, Shs 65,000,000 and Shs 400,800,000 to lenders of Tourism Promotion Services (Kenya) Limited, TPS (OP) Limited and Tourism Promotion Services (Tanzania) Limited respectively .

29 Contingent liabilities

At 31 December 2015, Tourism Promotion Services (Kenya) Limited had given guarantees amounting to Shs 7,800,000 (2014: Shs 7,800,000) to banks on behalf of third parties for supply of goods and services.

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 a subsidiary and an associate. The view of directors is that no additional liabilities will arise from these matters.

30 Commitments

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

	Group	
	2015 Shs'000	2014 Shs'000
Property, plant and equipment	388,985	707,764
Operating lease commitments		
Not later than 1 year	17,861	17,861
Later than 1 year and not later than 5 years	27,993	29,052
Later than 5 years	147,123	154,121
	192,541	201,034

Notes

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Proxy

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 Thursday 30th June 2016 at 11:00 a.m. and at any adjournment thereof.

No. of shares held: ________________________ Account number:________________________

Signed this________________________day of________________________2016

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, Barclays Plaza, Loita Street, P. O. Box 9287-00100, GPO, Nairobi, Kenya, not later than 26th June, 2016 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 2016 kuanzia saa nane unusu au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ________________________ nambari ya akaunti

Imetiwa sahihi ________________________ Tarehe________________________2016

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 Barclays Plaza, barabara ya Loita Street SLP 9287-00100, GPO, Nairobi,Kenya kabla ya Juni 26 2016 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.

FOLD 1 / KUNJA 1

Please afix
Stamp here

Bandika
Stampu Hapa

IMAGE REGISTRARS

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

FOLD 2 / KUNJA 2

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS