TPS EASTERN AFRICA PLC

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

ANNUAL REPORT & FINANCIAL STATEMENTS 2017



Content

	PAGE
Directors and Administration	2 - 3
Operating Subsidiaries and Properties	4
Other Corporate Information	5
Notice of Annual General Meeting	6
Notisi ya Mkutano wa Pamoja wa Mwaka	7
Chairman's Statement	8 - 9
Taarifa ya Mwenyekiti	10 -12
The Managing Director's Report	13 - 14
Taarifa kutoka kwa Meneja Mkurugenzi	15 - 17
Board of Directors	18 - 19
Corporate Governance Statement	20 -24
Corporate Social Responsibility	25 - 28
National & International Awards and Accolades	29
Directors' Report	30
Directors' Remuneration Report	31 - 32
Statement of Directors' Responsibilities	33
Report of the Independent Auditor	34 - 36
FINANCIAL STATEMENTS	
Consolidated Statement of Profit or Loss	37
Consolidated Statement of Other Comprehensive Income	38
Company Statement of Comprehensive Income	39
Consolidated Statement of Financial Position	40
Company Statement of Financial Position	41
Consolidated Statement of Changes in Equity	42 - 44
Company Statement of Changes in Equity	45 - 46
Consolidated Statement of Cashflows	47
Company Statement of of Cashflows	48
Notes to the Financial Statements	49 - 84
Proxy Form / Fomu ya Uwakilishi	85

Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Nooren Hirjani**	(Chief Financial Officer) (Appointed 16.08.2017)
Abdulmalek Virani	(Finance Director) (Resigned 16.08.2017)
Ameer Kassim-Lakha	
Jack Jacob Kisa	(Resigned 16.08.2017)
Jean-Louis Vinciguerra*	
Guedi Ainache*	
Ashish Sharma*	(Alternate to Jean-Louis Vinciguerra)
Mahmood Pyarali Manji	
Teddy Hollo Mapunda***(Mrs)	
Damien Braud*	

BOARD AUDIT COMMITTEE

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

BOARD NOMINATION AND REMUNERATION COMMITTEE

Jack Jacob Kisa	(Resigned 16.08.2017)
Guedi Ainache*	(Chairman)
Mahmood Pyarali Manji	
Teddy Hollo Mapunda***(Mrs)	

*French **British ***Tanzanian

COMPANY SECRETARY

Dominic K. Ng'ang'a

Directors and Administration

PRINCIPAL OFFICERS

Catherine Waruhiu (Mrs)	Director of Human Resources E.A.
Mohamed Bagha	Group Financial Controller
Charles Muia	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
Alphaxad Chege	Manager	- Mara Serena Safari Lodge
Henrietta Mwangola (Mrs)	Manager	- Sweetwaters Serena Camp and Ol Pejeta House
Sylvia Mbugua (Ms)	Manager	- Serena Mountain Lodge
Dan Chahenza	Manager	- Kilaguni Serena Safari Lodge
Elizabeth Njeri (Ms)	Manager	- Lake Elmenteita Serena Camp

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

Jonathan Cheres	Manager	- Kirawira Serena Camp
Nickson Kanyika	Manager	- Lake Manyara Serena Safari Lodge
Vincent Matei	Manager	- Serengeti Serena Safari Lodge
Dismas Simba	Manager	- Ngorongoro Serena Safari Lodge
Felix Ogembo	Manager	- Arusha Serena Hotel
Wilfred Shirima	Manager	- Mbuzi Mawe Serena Camp
Ellieta Mbisse	Manager	- Serena Mivumo River Lodge and Selous Serena Camp

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

Paul Chaulo	General Manager	- Zanzibar Serena Hotel

TPS (UGANDA) LIMITED [TPS (U)]

Anthony Chege	General Manager	- Kampala Serena Hotel, Uganda

OTHER MANAGED PROPERTIES

Frankline Nyakundi	General Manager	- Lake Victoria Serena Resort, Uganda
Daniel Sambai	General Manager	- Kigali Serena Hotel, Rwanda
Duncan Lewa	Manager	- Lake Kivu Serena Hotel, Rwanda
Abhishek Negi	General Manager	- Polana Serena Hotel, Mozambique
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

Operating Associated Companies and Properties

MOUNTAIN LODGES LIMITED (30%)

Serena Mountain Lodge

TANRUSS INVESTMENT LIMITED / TPS (D) LIMITED (25%)

Dar es Salaam Serena Hotel

TOURISM PROMOTION SERVICES (RWANDA) LIMITED (20%)

Kigali Serena Hotel - Rwanda
Lake Kivu Serena Hotel - Rwanda

TOURISM PROMOTION SERVICES (TANZANIA) LIMITED

Kirawira Serena Camp
Lake Manyara Serena Safari Lodge
Serengeti Serena Safari Lodge
Ngorongoro Serena Safari Lodge
Arusha Serena Hotel
Mbuzi Mawe Serena Camp
Serena Mivumo River Lodge
Selous Serena Camp

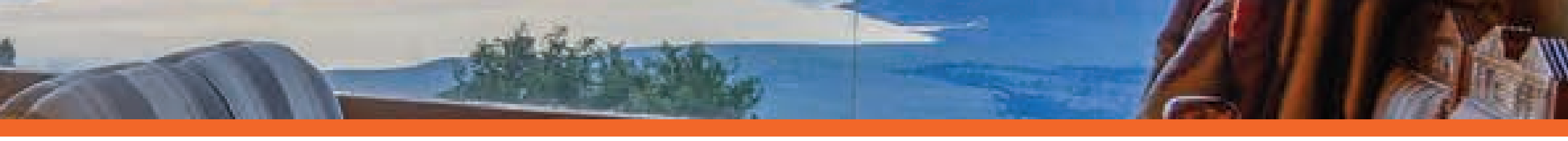
TOURISM PROMOTION SERVICES (SOUTH AFRICA) (PROPRIETARY) LIMITED

Sales and Marketing office in Johannesburg, South Africa

TPS (UGANDA) LIMITED

Kampala Serena Hotel - Uganda

Game drive experience at Arusha Serena Hotel



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
Waiyaki Way / Chiromo Road
Westlands
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 Sixth Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 26th June 2018, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Forty Fifth Annual General Meeting held on 30th June 2017.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2017, together with the Directors' and Auditors' Reports thereon.
3. To approve payment of a final dividend for 2017 of KShs. 0.35 per share, subject to withholding tax, where applicable, to the Members on the Register at the close of business on 26th June 2018. Payment of the dividend to be made on or about 26th July 2018.
4. To elect Directors:
   (a) Mr. Mahmood Manji retires by rotation in accordance with Article No. 111,112 &113 of the Company's Articles of Association and being eligible, offers himself for re-election.

   (b) Mr. Ameer Kassim-Lakha, 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 287 of the Companies Act 2015 and subject to section 131 of the Act that if thought fit, the following resolutions be passed:

   "That Mr. 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. 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".
5. To approve the Directors' remuneration for 2017.
6. To appoint PricewaterhouseCoopers, the Company's Auditors, in accordance with Section 721 (2) of the Companies Act 2015. PricewaterhouseCoopers have indicated their willingness to continue in office.
7. To approve the Auditors' remuneration for 2017 and to authorise the Directors to fix the Auditors' remuneration for 2018.
8. To appoint the Audit Committee members which comprises of Mr. Ameer Kassim-Lakha, Mr. Mahmood Manji, Mr. Jean-Louis Vinciguerra and Mr. Guedi Ainache in accordance with section 769 (1) of the Companies Act 2015.
9. To transact any other ordinary Business of an Annual General Meeting.

By Order of the Board.

Dominic K. Ng'ang'a
COMPANY SECRETARY

Dated at Nairobi this 17 April, 2018

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 22 June 2018.

Notisi Kuhusu Mkutano Mkuu Wa Pamoja Wa Mwaka

Notisi inatolewa hapa kwamba, Mkutano Mkuu wa 46 wa mwaka wa kampuni utafanyika katika ukumbi wa Kenyatta International Conference Centre, Nairobi, mnamo Juni 26, 2018 kuanzia saa tano asubuhi ili kuangazia maswala yafuatayo ya kibiashara:

SHUGHULI ZA KAWAIDA

1. Kuthibitisha kumbukumbu za mkutano wa 45 wa pamoja wa mwaka uliofanyika Juni 30, 2017.
2. Kupokea, kuzingatia na endapo itaonekana kuwa sawa, kupitisha hesabu ya Kampuni pesa kwa kipindi cha mwaka uliomalizika Desemba 31, 2017 pamoja na ripoti kutoka kwa wakurugenzi na wakaguzi wa pesa.
3. Kupitisha malipo ya mwisho ya mgao wa faida wa mwaka 2017 ya senti 0.35 kwa kila hisa kwa kutegema ushuru pale unapohitajika kwa wanachama ambao majina yao yatakuwa kwenye sajili ya wanachama kufikia mwisho wa Juni 26, 2018. Malipo ya mgawo wa faida yatatolewa kabla au ifikiapo Julai 26, 2018.
4. Kuwachagua wakurugenzi:
   a) Bwana Mahmood Manji anastaafu kwa zamu kwa mujibu wa vifungu vya sheria nambari 111, 112 na 113 vya sheria za kampuni na kwa kuwa hali inamruhusu anajitokeza ili kuchaguliwa tena.
   b) Mabw. Ameer Kassim- Lakha na Jean – Louis Vinciguerra wanastaafu kwa mujibu wa vifungu nambari 111, 112 na 113 vya sheria za makampuni. Notisi maalum imepokelewa na kampuni kwa mujibu wa sehemu ya 287 ya sheria za kampuni ya mwaka 2015 na kwa kutegemea sehemu ya 131 ya sheria hii na endapo itaonekana kuwa sawa kupitisha maazimio yafuatayo:
   "Kwamba Bw. Ameer Kassim- Lakha (mkurugenzi anayestaafu kwa zamu) ambaye umri wake umezidi miaka 70 achaguliwe tena kama mkurugenzi wa kampuni ''.
   Kwamba Bw. Jean-Louis Vinciguerra (mkurugenzi anayestaafu kwa zamu) ambaye umri wake umezidi miaka 70 achaguliwe tena kama mkurugenzi wa kampuni''.
5. Kupitisha marupurupu ya wakurugenzi kwa kipindi cha mwaka 2017.
6. Kuwateua PricewaterhouseCoopers kama wakaguzi wa pesa kwa mujibu wa sehemu ya 721 (2) ya sheria za makampuni ya mwaka 2015. PricewaterhouseCoopers wameonyesha nia yao ya kutaka kuendelea na jukumu lao.
7. Kupitisha marupurupu ya wakaguzi wa pesa kwa kipindi cha mwaka 2017 na kuwaamuru wakugenzi kuamua marupururu ya wahasibu ya mwaka 2018.
8. Kuteaua kamati ya uhasibu itakayojumuisha Mabw. Ameer Kassim-Lakha, Mahmood Manji, Jean-Louis Vinciguerra na Bw. Guedi Ainache kwa mujibu wa sehemu ya 769 (1) ya sheria za makampuni ya mwaka 2015.
9. Kutekeleza majukumu mengine ya kibiashara ya Mkutano Mkuu wa Pamoja wa Mwaka.

Kwa Amri ya Halmashauri

Dominic K. Ng'ang'a
KATIBU WA KAMPUNI

Aprili 17 2018

MUHIMU:

Mwanachama aliye na ruhusa kuhudhuria mkutano na kupiga kura lakini akawa hawezi fika, ana uhuru kumteua wakala kumwakilisha na kupiga kura kwa niaba yake. Si lazima kwa wakala huyo 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 Juni 22, 2018.

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 Plc (TPSEAP/the Company/ the Group), the Annual Report and Financial Statements of the Company for the year ended 31st December 2017.

The Company's diversified portfolio in East Africa recorded satisfactory growth in the corporate segment, though this was at a slower than expected pace, due to the activities revolving around the elections in Kenya that generally affected business levels in the East African region. Whilst the political uncertainty did also impact the foreign, regional and local leisure tourism segments in destination Kenya, the business levels within the safari circuit were much healthier than the corresponding periods in the past two years, particularly for the Mara and the Laikipia regions. On a positive note, the peaceful post repeat presidential election period in Kenya towards end of 2017 resulted in a 'strong' performance during the festive season at all the Serena safari properties.

The Kenya coastal region continues to record low business materializations from the foreign leisure market segment as a result of lack of charters and international scheduled flights into Mombasa from source markets. The downturn at the Kenya coast continues to negatively impact Tsavo and Amboseli regions on the foreign leisure front. The recent excitement linked with the opening of the Standard Gauge Railway (SGR) in Kenya has created opportunities on the tourism front from June 2017 for Kilaguni Serena Safari Lodge, Amboseli Serena Safari Lodge and Serena Beach Resort & Spa. This is indeed a travel trend that is expected to strengthen in year 2018.

Despite the abrupt increase in concession fees per bed night with effect from July 2017 (at the beginning of the peak season), the Serena Tanzania properties on the northern circuit performed well during the year 2017 and still command a leadership position in market share within their respective regions. Our Sales and Marketing team that includes overseas representatives have engaged with our suppliers of business to ensure that their support continues during the year 2018; just as Tanzania remains a destination that is still in demand.

From mid-2017, the new facilities and upgraded public areas at Dar es Salaam Serena Hotel (TPS (D)), an Associate of TPSEAP has been well received in the market and it has strengthened the hotel's position as Dar es Salaam's hotel of choice for the discerning corporate and leisure clientele. Dar es Salaam continues to be a source of increased business levels at the Northern and Southern Tanzania circuits, Zanzibar Serena Hotel as well as the other Serena City Hotels.

Zanzibar Serena Hotel (ZSH) is gradually regaining its market share after a rather uneasy political climate in Stone Town.

Serena Uganda recorded satisfactory performance during the year under review and Kampala Serena Hotel (KSH) is positioned as the premier five star hotel for corporate and leisure clientele in Uganda. Competition is starting to become intense in Kampala with the opening of a few more hospitality establishments. However with the recently opened 36 new bedrooms, public areas improvement, new executive lounge, versatile smaller meeting rooms and 'chic' new champagne bar lounge at the Pearl restaurant, KSH is well positioned for growth in 2018 and beyond. Comments received from guests about the new rooms have been excellent, especially in regard to the improved media hub's functionality, the size and feel of the new business suites and the 'People with Disabilities' and 'Hypoallergenic' rooms for guests with allergic conditions.

The Company continues to operate in a generally subdued global economic and business climate caused mainly by: over development of hotels and lodges in areas where Serena is present and the related pricing pressures, abrupt changes in laws and regulations affecting an enabling environment, security alerts, increase in operating and maintenance costs, significant local currency fluctuations, and an uneven playing field.

In 2017, to mitigate the challenges as noted above, the Company took measures 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 experience.

Chairman's Statement (continued)

During the year under review, TPSEAP achieved a turnover of KShs. 6.41 billion (2016: KShs. 6.47 billion), and achieved a profit after tax of KShs. 119.47 million (2016: KShs. 119.18 million).

Taking all factors into account and given that the Nairobi Serena Hotel (NSH) has been operating at 46% of its room inventory and significantly reduced meeting room space (in line with its upgrade program), the Company's performance for the year 2017 is reassuringly satisfactory. It is notable that during the redevelopment phase, NSH has performed satisfactorily with minimal disruptions to guest services. The investment is necessary to reposition the City Hotel in Nairobi so as to increase its market share in the future, thus improving TPSEAP's consolidated profitability and shareholder returns in the medium to long term.

It is noteworthy that the total management fees received by TPSEAP from Tourism Promotion Services (Rwanda) Limited, Tanruss Investment Limited (TIL) and Hoteis Polana S.A. for the year 2017 was equivalent to KShs. 156 million (2016: KShs. 167 million).

The Company and its subsidiaries contributed significantly to the revenues of the governments of Kenya, Tanzania and Uganda in 2017, just as in the previous years. The Group paid, in aggregate, the equivalent of KShs. 1.481 billion (2016: KShs. 1.615 billion) in direct and indirect taxes and equivalent of KShs. 353 million (2016: KShs. 381 million) to the revenues of counties and local authorities in royalties and rents in the various jurisdictions during 2017.

The Board of Directors is pleased to recommend for approval by the shareholders, a final dividend payment of KShs. 0.35 per share for 2017 (2016: KShs. 0.35 per share), subject to payment of withholding tax, where applicable. If approved, the dividend will be payable on or about July 26, 2018 to members on the Register at the close of business on June 26, 2018.

In line with the Group's policy to constantly improve existing products and services in order to meet the needs and expectations of the Company's clients and protect market share, during 2017 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.

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 source markets. Additional details on the HRM and CSR programs and initiatives are incorporated in the Managing Director's Statement included at pages 13 to 14 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 29 of this Annual Report.

Current forecasts indicate that the outlook for the year 2018 for Serena Tanzania and Serena Uganda is promising and a further reversal of fortunes for tourism in destination Kenya is expected to be recorded when compared to year 2017. Notwithstanding the challenging business environment, the Board and Management looks at the year 2018 with much optimism. The Company has the inherent strength and business resilience to optimize the performance of its portfolio in 2018 and continue to focus on its long-term growth prospects, thus maintaining its market share and its leading position in the industry.

Reflecting on the positive trajectory of the Company's performance, on behalf of the Board, I would like to congratulate and thank the Company's Management and Staff for their diligence and dedication during 2017. 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 2017.

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

Taarifa ya Mwenyekiti

BW. FRANCIS OKOMO-OKELLO
MWENYEKITI

Ni furaha, hadhi na fahari kwangu, kwa niaba ya halmashauri ya Wakurugenzi wa TPS Eastern Africa Plc (TPSEAP) / Kampuni / Kundi) kuwaletea ripoti ya mwaka na taarifa za matumizi ya pesa ya kampuni kwa kipindi cha mwaka uliomalizika Desema 31, 2017.

Biashara za kampuni zilizoenea kote Afrika Mashariki zilisajili ukuaji wa kuridhisha katika kitengo cha mashirika ingawa ukuaji huu ulikuwa wa mwendo hafifu kinyume na ilivyoratajiwa kutokana na shughuli zilizokuwa zikiendelea kuhusiana na uchaguzi mkuu nchini Kenya ambazo kwa jumla ziliathiri viwango vya biashara eneo la Afrika Mashariki. Huku hali isiyotabirika ya kisiasa ikiathiri mataifa ya nje, kitengo cha safari za kanda na utalii wa starahe nchini Kenya, viwango vya biashara katika mikondo ya safari viliimarika zaidi ya vipindi vya miaka 2 iliyopita hasa maeneo ya Mara na Laikipia. Kwa upande wa kuridhisha, hali ya usalama wakati wa kipindi cha marudio ya uchaguzi wa urais nchini Kenya mwishoni mwa mwaka 2017 kilipelekea kuwepo kwa matokeo imara msimu wa sherehe katika raslimali za Serena.

Eneo la kanda ya Pwani ya Kenya liandelea kusajili ukuaji hafifu wa biashara kutoka kitengo cha soko la starehe za kimataifa kutokana na ukosefu wa safari za ndege za humu nchini na zile za kimataifa zilizoratibiwa kuingia Mombasa kutoka maeneo ambayo ni chimbuko la watalii. Kufifia eneo la Pwani ya Kenya kunaendelea kuathiri vibaya maeneo ya Tsavo na Amboseli kwenye soko la starehe za kimataifa. Kuzinduliwa hivi majuzi kwa reli ya kisasa (SGR) nchini Kenya kumefungua nafasi hasa kwa utalii wa humu nchini kuanzia Juni 2017 kutoka Kilaguni Serena Safari Lodge, Amboseli Serena Safari Lodge na Serena Beach Resort & SPA. Hakika huu ni mkondo wa safari unaotarajiwa kuimarika mwaka 2018.

Licha ya kuongezwa ghafla kwa ada ya vitanda kuanzia Julai 2017 (mwanzo wa msimu wa biashara nyingi), raslimali za Serena nchini Tanzania ukanda wa Kaskazini zilifanya vyema kipindi cha mwaka 2017 na bado zinaendelea kuthibiti nafasi ya uongozi katika soko maeneo husika.Timu yetu ya mauzo na uvumishaji ambayo inahusisha waakilishi kutoka mataifa ya nje imejihusisha na wadau wetu wa biashara kuhakikisha kwamba mchango wao unaendelea kipindi cha mwaka 2018 kama ilivyo kwa Tanzania kusalia kuwa kituo kilicho na hitajiko kubwa.

Kuanzia katikati mwa mwaka 2017, vifaa vipya na maeneo ya umma yaliyofanyiwa ukarabati katika Hoteli ya Dar es salaam Serena Hotel (TPS (D)) ambayo ni mshirika wa TPSEAP kumepokelewa vyema kwenye soko na kuimarisha nafasi ya hoteli ya Dar es Salaam kama chaguo kwa mashirika na wateja wa starehe. Dar es Salaam inaendelea kuwa kituo cha ongezeko la viwango vya biashara mikondo ya Kaskazini na Kusini Tanzania, Zanzibar Serena Hotel pamoja na Hoteli za Serena zilizoko maeneo ya mijini.

Kwa taratibu, hoteli ya Zanzibar Serena Hotel (ZSH) inaendelea kupanua nafasi ya kimasoko baada ya mazingira makali ya kisiasa katika mji huo wa zamani.

Hoteli ya Serena Uganda ilisajili matokeo ya kuridhisha kipindi cha mwaka unaoangaziwa huku Kampala Serena Hotel (KSH) ikijiweka katika nafasi ya daraja la juu kwa wateja wa mashirika na starehe. Ushindani unazidi kuwa mkali Kampala kutokana na kufunguliwa kwa hoteli kadhaa. Hata hivyo, kutokana na kufunguliwa hivi majuzi kwa hoteli ya vyumba 36 vya kulala, kuimarishwa kwa maeneo ya umma, vyuma vya kisasa , vyumba vidogo vya mikutano na baa ya kisasa katika hoteli ya Pearl of Africa restarurant, KSH imejiweka vyema kwa ukuaji mwaka 2018 na zaidi ya hapo. Maoni yaliyopokelewa kutoka kwa wageni kuhusiana na vyumba hivi vipya yamekuwa ni ya kutia moyo hasa kuhusiana na kuimarishwa kwa utendakazi wa kituo cha habari, ukubwa na hisia za vyumba vipya vya biashara na vile vya '' watu wenye ulemavu'' na '' alajia ya chakula'' kwa wageni walio na matatizo ya aina fulani fulani ya vyakula.

Taarifa ya Mwenyekiti (kuendelea)

Kampuni inaendelea kutekeleza majukumu yake chini ya mazingira hafifu ya biashara ulimwenguni ambayo yamesabishwa hasa na; ujenzi zaidi wa hoteli na vyumba vya kulala maeneo ambapo Serena ipo na shinikizo linalohusiana na bei, mabadiliko ya ghafla ya sheria na masharti yanayoathiri mazingira tekelezi, tahadhari za kiusalama, kuongezeka kwa gharama za utenda kazi, mabadiliko ya viwango vya ubadilishanaji fedha na mandhari zisizo sawa za utekelezaji.

Ili kupunguza changamoto zilizotajwa hapo juu, mnamo mwaka 2017, kampuni ilichukua hatua za kulinda thamani ya mwanahisa , kuafikia majukumu yake kifedha, kudhibiti nafasi yake kimasoko, kudhibiti raslimali zake kwa hali inayofaa na kuzindua hatua zifaazo kupunguza kawi, gharama za uagizaji na uuzaji wa bidhaa bila kuathiri viwango vya utoaji huduma na huduma za mteja.

Wakati wa kipindi cha mwaka unaoangaziwa, TPSEAP ilipata mapato ya jumla ya shilingi bilioni 6.41 (2016 zilikuwa shilingi bilioni 6.47) na wakati huo kupata faida baada ya ushuru ya shilingi milioni 119.47 (2016 ilikuwa milioni 119.18.

Kwa kuzingatia maswala yote na kwa ufahamu kwamba Nairobi Serena Hotel (NSH) imekuwa ikitekeleza majukumu yake kwa asilimia 46% ya vyumba na kupunguka kiasi kwa eneo la mikutano, kwa mujibu wa mpango wake wa uimarishaji, matokeo ya Kampuni mwaka 2017 yanatoa hakikisho njema. Inafahamika kwamba wakati wa uimarishaji kwa awamu, NSH imefanikiwa vyema bila kuathiri huduma za wateja . Uwekezaji ni muhimu kuimarisha hali ya hoteli la jiji ili kupanua nafasi yake kwenye soko siku za usoni hivyo na kuongeza faida za TPSEAP zilizowekwa pamoja na mapato ya wanahisa ya muda wa kadri na mrefu.

Ni muhimu kufahamu kwamba, jumla ya ada za usimamizi zilizopokewa na TPSEAP kutoka Tourism Promotion Services (Rwanda) Limited , Tanruss Investment Limited (TIL) na Hotels Polana S.A mwaka 2017 zilikuwa sawa na milioni 156 (2016 zilikuwa milioni 167).

Kampuni na washirika wake tanzu zilichangia pakubwa kwenye mapato ya serikali za mataifa ya Kenya, Tanzania na Uganda mwaka 2017 sawa na ilivyokuwa miaka ya nyuma. Kundi lilitoa malipo sawa na bilioni 1.481 (2016 zilikuwa bilioni 1.615) kama malipo ya ushuru wa moja kwa moja au yasiyo moja kwa moja ya milioni 353 (mwaka 2016 yalikuwa milioni 381) kama mapato ya kaunti na serikali za mitaa, ridhaa na ada za ukodishaji katika maeneo mbali mbali ya utawala kipindi cha mwaka 2017.

Halmashauri ya wakurugenzi ina furaha kupendekeza kuidhinishwa na wakurugenzi malipo ya mwisho ya mgawo wa faida ya Ksh 0.35 kwa kila hisa kwa mwaka wa 2017 (2016 yalikuwa Kshs 0.35 kwa kila hisa) kwa kutegemea malipo ya ushuru ulioshikiliwa pale inapohitajika. Endapo pendekezo hili litaidhinishwa, malipo ya mgawo wa faida yatatolewa kabla au ifikiapo Julai 26, 2018 kwa wanachama ambao majina yao yatakuwa kwenye sajili ifikiapo Juni 26, 2018.

Kufungamana na sera za kundi kuendelea kuimarisha bidhaa na huduma zilizoko ili kuafikia mahitaji na matarajio ya wateja wa kampuni na wakati huo kulinda nafasi yake katika soko, mnamo mwaka 2017, usimamizi ulitekeleza kwa mfumo wa awamu ukaguzi wa usafi na uimarishaji wa vitanda na maeneo ya umma katika raslimali zake zote. Zaidi ya hayo, usimamizi uliimarisha

Guest room at Dar es Salaam Serena Hotel

Taarifa ya Mwenyekiti (kuendelea)

palipohitajika maeneo yote yanayohusiana na wateja na kuzindua hatua kuhakikisha kwamba wateja wana ufahamu kwamba Serena Hotels wanaendelea kudumisha viwango vyake vya hali ya juu licha ya changamoto zinazokumba sekta ya utalii.

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. Hali hii itapanua nafasi ya uvumishaji na mauzo kwa vituo vya masoko yasiyo ya kawaida. Maelezo zaidi kuhusu usimamizi wa wafanyakazi (HRM) na shughuli za mipango ya maslahi ya jamii (CSR) na mikakati zimeambatanishwa kupitia kurasa 15 hadi 17 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 ni kupitia kurasa ya 29 ya ripoti hii ya mwaka.

Utabiri wa sasa unaonyesha kwamba mtazamo wa mwaka 2018 kwa Serena Tanzania na Serena Uganda unaleta matumaini na mabadiliko mema ya utalii katika kituo cha Kenya yanatarajiwa kurekodiwa kuwa mema ikilinganishwa na mwaka 2017. Bila kuzingatia changamoto zinazokabili mazingira ya biashara, Halmashauri na usimamizi unaangazia 2018 kama mwaka wenye matumaini. Kampuni ina uwezo na mihimili ya kibiashara kuimarisha matokeo ya biashara zake mwaka 2018 na kuendelea kuangazia matarajio ya ukuaji wake wa muda wa mrefu hivyo kudumisha nafasi yake kwenye masoko na uongozi katika sekta ya biashara hii.

Kwa kuangazia mkondo wa matokeo mema ya Kampuni, kwa niaba ya Halmashauri, ningependa kupongeza usimamizi wa kampuni na wafanyakazi kwa kujitolea kwao kwa dhati na kuwajibika vilivyo mwaka 2017. Pia, ningependa kutambua kwa dhati mchango usio na kifani ninaondelea kupokea kutoka kwa wanahalmashauri wenzangu kwenye bodi ambao umesaidia kuongoza biashara za kundi na mikakati yake kikamilifu mwaka 2017.

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 kuinua miundo misingi inayosaidia kuimarisha eneo la 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

Restaurant at Serena Mountain Lodge

Lounge at Serena Mountain Lodge

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
MANAGING DIRECTOR

During the period under review, the Company successfully traversed through a challenging business landscape for the tourism industry in East Africa mainly caused by the ripple effect of the political uncertainty in Kenya. To some extent this impacted business levels in the East African region. Despite a continuing degree of concern as highlighted in the Chairman's Statement, I am delighted to note that TPSEAP recorded a positive performance in 2017. This achievement has been realised through refining our strategy to invigorate growth and drive more resilience towards volatility whilst taking a balanced risk management approach. Consequently the Group continued to provide the highest standards of product and service experience, whilst maintaining market share and competitive advantage.

Corporate business segments contributed positively to the Company's performance in 2017. This trend is expected to continue in 2018. Despite new market entrants increasing competition, all Serena City hotels performed well and hosted high profile guests and events in 2017. The various global meetings, high profile events and associated East African media coverage during 2017 continues to provide a positive endorsement of the region.

A gradual turnaround in foreign tourism for destination Kenya during 2018 is expected to be more promising than year 2017. Based on the feedback received from our suppliers of business in traditional and emerging source markets, there is increased interest in selling destination Kenya and East Africa, especially following travel related complications in other parts of the world. The recent positive news that Kenya Airways will commence direct flights to/from New York from October 2018 and the resumption of Air France flights to Nairobi is encouraging. To this end the Management team is confident that compared to 2017, business levels will improve for Serena Kenya, as well as East Africa in 2018. The support from the domestic and regional markets is expected to continue at encouraging levels during year 2018.

However, Mombasa as a destination is still struggling, resulting in reduced contribution to the safari market, particularly within the Tsavo and Amboseli regions. Management have re-strategized to reposition Serena Beach Resort and Spa during 2018 whilst the Kenyan authorities work towards facilitating the destination's attractiveness and infrastructure (open skies policy for flights to Mombasa) to attract the quality foreign leisure market segment.

The Serena Tanzania northern circuit performed well during the year despite the abrupt increase in concession fees per bed night, introduced in July 2017. Meanwhile Serena Zanzibar has begun to recover market share after a rather uneasy political climate in Stone Town.

Serena Hotels has a long history and culture of creating value for its guests. During the period under review, additional guest experiences were implemented, and in some cases, resulted in an extended duration of stay at the Company's properties.

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 continue to focus on: recalibrating our cost base to improve productivity and efficiency at existing units, investing in core assets to sustain the known Serena uniqueness whilst enhancing our market share during the industry's recovery; and continuing our phased bedroom upgrade investment for lodges, camps and Serena Beach Resort and Spa.

As long-term investors and our commitment to destination East Africa, Management are pleased to highlight the following key initiatives:

- New facilities and refurbishment of existing facilities at Kampala Serena Hotel and Dar es Salaam Serena Hotel during 2017. Completed in a phased manner, this investment has been well received by our guests - both repeat and new. It is satisfying to note that the disruption was managed effectively and sensitively, ensuring the Serena experience seamlessly met guests' comfort and expectations during project works.

The Managing Director's Report (continued)

- The Nairobi Serena Hotel (NSH)'s redevelopment which is progressing well, also on a phased basis, will reach completion at the end of year 2018, and rest assured, reposition the hotel product amongst the finest in the region.
- The award of a new Management contract in the Democratic Republic of Congo (DRC) that will strengthen the Serena circuit with the opening of Goma Serena Hotel in early 2019.

The financial outcomes of our business strategy are encouraging, as demonstrated by our performance. For the year 2017 TPS Eastern Africa Plc recorded turnover of KShs. 6.41 billion (2016: KShs. 6.47 billion), profit after tax of KShs. 119.47 million (2016: KShs. 119.18 million).

During the year 2018, the Company will continue to deliver engaging Sales and Marketing campaigns, participate in trade fairs, road trips and promotional activities. Creative and pro-active sales and marketing strategy in response to the rapid changes in market dynamics and trends of customers' preferences, continues to be implemented. This will be imperative so as to pursue new business opportunities, enlist new source markets, increase the brand outreach and drive repeat and incremental business. In addition, the Company continues to diversify and make concerted efforts in the domestic market while also focusing on the new and emerging markets in line with the "Alternative Markets Strategy" reaching the Middle East, India, China, Russia, Japan, South Korea, Brazil, Turkey and rest of Africa. The Company also continues to serve and actively engage with the traditional source markets comprising United Kingdom, Germany, France, United States of America and Spain.

The Serena Loyalty Prestige Card continues to increase local and repeat regional business. The outreach has been strengthened by increased presence on social media platforms and marketing alliances with international airlines and banks whose members actively redeem points at Serena Hotels internationally. The Serena Hotels website has been further enhanced making it even more dynamic, interactive, user friendly and responsive customers. It is encouraging to note the success since its launch in December 2017, where online revenue mix has witnessed significant growth levels.

The provision of rewarding careers, personal growth, quality training and exposure to senior leadership roles enhances capacity building opportunities for our employees, and so remain a strategic priority for Serena Hotels. During the year, the Group's Productivity Improvement Strategy targeted our operations in Kenya, Tanzania, Uganda, Rwanda, and Mozambique to further embrace Staff/Management training, and development and welfare programs, some of which include: the in-house Management Development Programme, soft and technical skills training, culinary skills enhancement; and training benchmarked to Leading Quality Assurance (LQA) Standards.

The Group's CSR programs remain fully aligned to achieving the Sustainable Development Goals (SDGs) set out by the United Nations Development Programme (UNDP). Our sustainable business practices respond to the needs of eco-tourism, environmental conservation, reafforestation, education, public health; and essentially community development. For further details on the Group's CSR programs, please refer to pages 25 to 28 of this Annual Report.

As we plan to build on the exciting growth and development during 2017, Management is confident of harnessing Serena's Brand values, whilst progressing the continuous implementation of our mid to long term strategies. This will ensure that the Company makes even more positive strides towards maintaining, and indeed increasing its market leadership position so as to optimize the performance of its portfolio in year 2018 to the extent possible.

I wish to recognize and thank the respective Governments of East Africa for their efforts aimed at improving the supportive infrastructure and in promoting East Africa as a 'must visit' conference and tourist destination. It is appropriate to express the Company's appreciation to the East African governments for facilitating the continuous resource allocation for critical maintenance of security. However on behalf of TPSEAP, I would like to appeal to the Governments within the East Africa region to purposefully engage with players within the Tourism Industry prior to implementing abrupt changes to tax laws and policies that may adversely affect the industry. This will greatly support and assist industry players when making commitments to suppliers of business a year or two years in advance. Otherwise such changes create uncertainty and basically end up in tarnishing the image of destination East Africa when the changes result in renegotiating contracts and renewing commercial commitments.

Finally, may I, on behalf of the Staff and Management, express our gratitude and sincere appreciation to the Board of Directors for their guidance, diligence, invaluable support, and encouragement during the year 2017. 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 2018.

MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Taarifa Kutoka kwa Meneja Mkurugenzi

BW. MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Wakati wa kipindi cha mwaka unaongaziwa, kampuni ilifaulu kikamilifu kupitia mazingira ya changamoto za kibiashara katika sekta ya utalii eneo la Afrika Mashariki hasa kutokana na athari za taharuki za kisiasa nchini Kenya. Kwa kiwango fulani, hali hii iliathiri viwango vya biashara eneo la Afrika Mashariki. Licha ya kuzidi kuwepo kwa shauku kama ilivyodokezwa kupitia taarifa ya mwenyekiti, nina furaha kusema kwamba TPSEAP ilirekodi matokeo ya kufana mwaka 2017. Mafanikio haya yamepatikana kupitia upigaji msasa mkakati wetu kuchochea ukuaji na kuongeza mihimili zaidi dhidi ya mazingira magumu huku ukizingatia tahadhari sawa za usimamizi. Kwa sababu hiyo, kundi lilizidi kutoa viwango vya hali ya juu vya bidhaa na huduma huku likiendelea kuthibiti nafasi yake kwenye soko na kukabiliana na ushindani mkali.

Kitengo cha biashara za mashirika kilichangia pakubwa matokeo mema ya kampuni mwaka 2017. Mwendo huu unatarajiwa kuendelea mbele mwaka 2018. Licha ya kuingia kwa wadau wapya kwenye soko na kuongezeka kwa ushindani, hoteli zote za Serena zilizoko mijini zilifanya vyema na zilikuwa wenyeji wa wageni mashuhuri na matukio mwaka 2017. Mikutano mbali mbali ya kimataifa, matukio ya hali ya juu na uangaziaji wa pamoja wa vyombo vya habari Afrika Mashariki mwaka 2017 kuliendelea kutoa ishara njema kanda hii.

Mabadiliko ya ghafla ya safari za watalii wa kimataifa nchini Kenya mwaka 2018 yanatarajiwa kuleta matumaini ikilinganishwa na 2017. Kufungamana na majibu kutoka kwa wadau wa biashara kutoka masoko ya jadi na yanayoinukia, kuna hamu kubwa inayozidi kuongezeka kuuza kituo cha Kenya na Afrika Mashariki kufuatia changamoto za usafiri zinazokumba maeneo kadhaa ulimwenguni. Habari za hivi punde kwamba shirika la Ndege la Kenya litakuwa likifanya safari za moja kwa moja kutoka mji wa New York kuanzia Oktoba 2018 na kurejea kwa safari za ndege za Air France hadi Nairobi zinatia moyo. Kufikia sasa, timu ya usimamizi ina imani kwamba, ikilinganishwa na mwaka 2017, viwango vya biashara vitaimarika kwa Serena Kenya pamoja na Afrika Mashariki mwaka 2018. Mchango kutoka masoko ya humu nchini na kanda unatarajiwa kuendelea na kuleta matumaini mwaka 2018.

Hata hivyo, Mombasa kama kituo bado inazidi kujikakamua na kusababisha kupungua kwa mchango kwenye soko la safari hasa maeneo ya Tsavo na Amboseli. Usimamizi umefanyia mabadiliko mkakati kuiweka tena katika nafasi inayofaa Serena Beach Resort and Spa mwaka 2018 huku watawala nchini Kenya wakifanya juhudi kukifanya kituo kuwa cha kuvuta na muundo msingi (sera za kufungua anga ya Mombasa kwa safari za Ndege) kuvutia kitengo cha soko la starehe za kimataifa ili kuwa za hali ya juu.

Ukanda wa kaskazini mwa Serena Tanzania ulifanya vyema kipindi cha mwaka huu licha ya kuongezwa ghafla kwa ada za mkataba za kila kitanda kwa usiku ambazo zilizinduliwa mwaka 2017. Wakati huo, Serena Zanzibar imeanza kurejesha nafasi yake ya soko baada ya kuwepo kwa mazingira tata ya kisiasa katika mji huo wa zamani.

Hoteli za Serena zina historia ya muda mrefu na utamaduni wa kutoa thamani kwa wageni wake. Wakati wa kipindi cha mwaka unaoangaziwa, vituo zaidi vya kuwaridhisha wateja vilianzishwa na kwa njia fulani, vilipelekea wageni kuongeza muda wao kukaa kwenye raslimali za kundi.

Sekta ya utalii ni nguzo muhimu ya kuafikia ustawi wa ukuaji wa kiuchumi na kijamii Afrika Mashariki. Uwajibikaji wa TPS kwa Afrika Mashariki kama kituo cha utalii utaendelea kuangazia.

Kuangazia upya msingi wa gharama ili kuimarisha uzalishaji na viwango katika vituo vilivyoko, kuwekeza kwenye raslimali muhimu kudumisha muundo usio na mithili wa Serena huku tukiimarisha nafasi yetu kwenye soko wakati wa kipindi cha kuinua utalii na; kuimarisha hali ya vitanda vyetu kwenye hoteli, kampi na Serena Beach Resort and Spa.

Kama wawekezaji wa muda mrefu na kuwajibikia kituo cha Afrika Mashariki, usimamizi una furaha kudokeza mikakati ifuatayo;

- Vifaa vipya na ukarabati wa vile vilivyoko sasa katika Kampala Serena Hotel na Dar es Salaam Hotel mwaka 2017. Kukamilishwa

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

kwa mfumo wa awamu, uwekezaji huu umepokelewa vyema na wageni wetu – wanaorudi na wapya. Inaridhisha kutambua kwamba usumbufu ulitatuliwa ipasavyo na kwa tahadhari kuhakikisha kwamba wateja waliridhika huku kazi zikiendelea.

- Uimarishaji wa Nairobi Serena (NSH) unaeondelea vyema pia kwa mfumo wa awamu na unatarajiwa kukamilika mwisho wa mwaka 2018.Tunahakikisha kwamba, uimarishaji sura ya hoteli utakuwa mojawapo wa zile zinazovutia eneo hili.
- Utoaji wa kandarasi mpya kwa usimamizi wapya katika Jamhuri ya Kidemokrasia ya Congo (DRC0 ambao utaimarisha mikondo ya Serena kufuatia kufunguliwa kwa Goma Serena Hotel mapema mwaka 2019.

Mapato ya kifedha ya mkakati wa biashara yetu ni ya kuvutia kama ilivyodhihirishwa kupitia matokeo yetu. Kwa kipindi cha mwaka 2017, TPS Eastern Africa Plc ilisajili mapato ya jumla ya Kshs. bilioni 6.41 (2016 zilikuwa Kshs. bilioni 6.47) na fadia baada ya kutozwa ushuru ya Kshs milioni 119.47 (faida kabla ya ushuru mwaka 2016 ilikuwa Kshs. milioni 119.18).

Kipindi cha mwaka 2018, kampuni itaendelea na mpango wa pamoja wa kampeini za mauzo na uvumishaji, kushiriki maonyesho ya kibiashara, maonyesho ya barabarani na shughuli za matangazo. Mkakati wa ubunifu na ushiriki wa mapema kwenye shughuli za uvumishaji kukabiliana na mabadiliko ya ghafla kwenye masoko na mienendo ya matamanio ya wateja zinazidi kuzinduliwa. Haya yatakuwa muhimu ili kukabiliana na nafasi mpya za kibiashara, kusajili masoko mapya, kuongeza ufahamu wa bidhaa na kuendeleza biashara za kila mara na kuongeza nyingine. Zaidi ya hayo, kampuni inazidi kupanua na kufanya juhudi za pamoja kwenye soko la humu nyumbani huku ikiendelea kuangazia masoko mapya na yanayoibuka kufungamana na mkakati wake wa '' Alternative Markets Strategy'' ili kufikia Mashariki ya Kati, India, Uchina, Urusi, Japani, Korea ya Kusini, Brazili, Uturuki na Afrika nzima. Pia, Kampuni inazidi kuhudumia na kikamilifu kushirikiana na masoko ya jadi yanayohusisha Uingereza, Ujerumani, Ufaransa, Amerika na Uhispania.

Kadi ya Serena Loyalty Prestige Card inaendelea kupelekea kuongezeka kwa urudiaji wa mara kwa mara wa biashara huku upeo wake ukiimarishwa na kuongezeka kwa uwepo wake kwenye mitandao ya kijamii na ushirikiano wa uvumishaji na mashirika ya ndege ya kimataifa na benki ambazo wanachama wake huridhia kikamilifu pointi zao kwenye hoteli za Serena kote ulimwenguni. Wavuti wa Serena Hotels umaimarishwa zaidi na kuufanya kuwa na nguvu, wa kujadiliana, wa kupendekeza na kutatua maswali na wateja. Inatia moyo kufahamu ufanisi uliopatikana tangu kuzinduliwa kwake mwezi Desema 2017 huku mapato yanayopatikana kupitia njia ya mtandao yakishuhudia viwango muhimu vya ukuaji.

Nafasi ya uzawadiaji taaluma, maendeleo ya kibnafsi, utoaji wa mafunzo ya hali ya juu na maandalizi ya kwa majukumu ya uongozi pamoja na uimarishaji uwezo kwa wafanyakazi wetu umesalia kuwa mkakati uliopewa kipaumbele na hoteli za Serena wakati wa kipindi hiki cha mwaka. wakati wa kipindi cha mwaka , mkakati wa uimarishaji uzalishaji ulilenga shughuli zetu mataifa ya Kenya, Uganda, Rwanda na Msumbiji kutoa mafunzo zaidi kwa wafanyakazi/ usimamizi na maendeleo pamoja na mipango ya kimaslahi. Baadhi ya

Arieal view of Zanzibar Serena Hotel

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

mafunzo hayo yalihusu, mpango wa utunzaji wa vyumba, mafunzo ya kiufundi na kompyuta, mafunzo ya upishi na mafunzo ya Lobster Ink Training yatakayowezesha kufikia viwango vya Leading Quality Assurance (LQA).

Mipango ya kundi kwa maslahi ya kijamii (CSR) inaendelea kushirikishwa kikamilifu kuafikia malengo thabiti ya maendeleo (SDGs) yaliyobuniwa na mpango wa maendeleo wa umoja wa mataifa (UNDP). Udumishaji wa utekelezaji wa biashara unatoa majibu kwa mahitaji ya utalii wa viumbe hai na mimea, uhifadhi wa mazingira, elimu, afya ya umma na maendeleo muhimu ya jamii. Kwa maelezo ya kina kuhusu mipango ya kundi kwa maslahi ya jamii, tafadhali angalia kurasa 25 hadi 28 za ripoti hii ya mwaka.

Huku tukijiandaa kubuni ukuaji wa kushangaza wa maendeleo mwaka 2017, usimamizi una imani ya kutumia vyema thamani za bidhaa za Serena huku ukiendeleza mikakati yake ya kadri na muda mrefu. Hili litahakikisha kwamba kampuni inafanya hatua zaidi na za maana kuhifadhi na kuongeza nafasi ya uongozi wake ili kutumia vyema matokeo ya raslimali zake kadri itakavyowekezekana mwaka 2018.

Ningependa kutambua serikali husika za mataifa ya Afrika Mashariki kutokana na juhudi zao ambazo zilinuiwa kuinua muundo msingi ili kuimarisha kanda ya Afrika Mashariki na kuwa kituo cha lazima cha kutembelewa kwa sababu za mikutano na utalii. Ni vyema kutoa shukrani za kampuni kuziendea serikali za mataifa ya kanda ya Afrika Mashariki kwa kusimamia na kuongeza raslimali zao ili kudumisha usalama. Hata hivyo, natoa mwito kwa serikali za Afrika Mashariki kushirikisha wadau walioko katika sekta ya utalii kabla ya kufanya maamuzi ya ghafla kuhusu sheria za ushuru na sera ambazo zinaweza kuathiri biashara hii. Hili litasaidia pakubwa wadau wa biashara hii wanapofanya mikataba ya awali na wahudumu wa biashara hii mwaka mmoja au miwili. Hata hivyo, mabadiliko kama haya yanaleta hali ya taharuki na hatimaye kuathiri taswira ya kituo cha Afrika Mashariki yanapopelekea kufanywa upya kwa mikataba ya kandarasi na kubadilisha uwajibikaji kifedha

Mwisho, kwa niaba ya wafanyakazi na usimamizi ningependa kutoa shukrani zetu kwa Halmashauri ya wakurugenzi kwa mwongozo wao, msaada usio na kifani na himizo mwaka 2017. Pia ningependa kutoa shukrani kwa wanahisa, halmashauri mbali mbali za uongozi na wadau wengine kwa kuendelea kutuunga mkono miaka iliyopita. Sisi katika Serena tunatarajia kuendelea kupokea msaada huu mwaka 2018.

MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Kampala Serena Hotel

Board of Directors

1

MR. FRANCIS OKOMO-OKELLO – Chairman 1

Mr. Okello (aged 68 yrs) is a qualified lawyer. He holds an LLB degree from the University of Dar-es-Salaam. He is an Albert Parvin Fellow of the Princeton University, Woodrow Wilson School of Public and International Affairs (USA) and a Fellow of The Kenya Institute of Bankers (FKIB). He is an independent Non-Executive Director of Barclays Africa Group Limited and the immediate former Chairman of Barclays Bank of Kenya 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

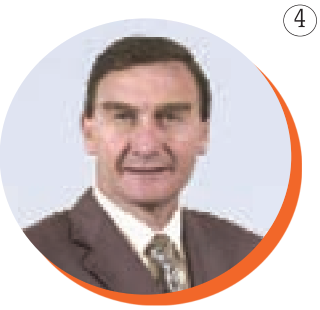
MR. MAHMUD JAN MOHAMED – Managing Director 2

Mr. Jan Mohamed (aged 65 yrs) has vast experience in the hotel industry in Europe, USA, Africa and Asia. He is the Chief Executive, TPS Group of Companies in Eastern Africa. He is the founder Chairman of the Kenya Tourism Federation, Trustee of the East African Wildlife Society, Director of British America Tobacco Kenya, TPS Central Asia, Mountain Lodges Limited and a member of the East Africa Association advisory council. He is an associate member of the Hotel Catering Institutional Management Association (UK) and a member of the Cornell Hotel Society (USA).

3

MR. NOOREN HIRJANI - Chief Financial Officer 3

Mr. Hirjani (Aged 51 yrs) is an Associate of the Institute of Chartered Accountants in England & Wales and holds a BA (Honors) degree from Manchester University. He is a senior finance executive with over 20 years' relevant experience from the United Kingdom, United Arab Emirates, Bahrain and Qatar markets. Previously, Mr. Hirjani served in senior positions at Marston's PLC, Carlsberg UK, Merlin Entertainments PLC, Lagan Group, Dubai Holdings, Gulf Finance House; and Qatar Foundation.



4

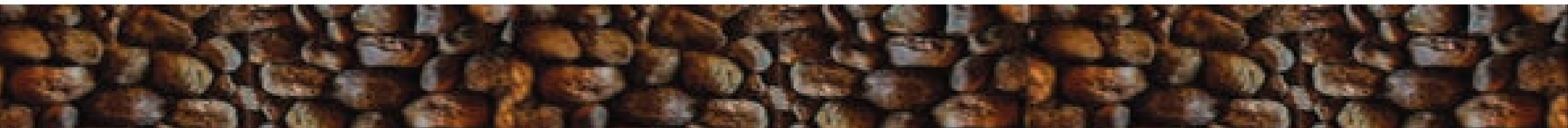
MR. JEAN-LOUIS VINCIGUERRA - Non-executive Director 4

Mr. Vinciguerra (aged 74 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.

5

MR. AMEER KASSIM-LAKHA - Non-executive Director 5

Mr. Kassim-Lakha (aged 84 yrs) is a life member of the Institute of Chartered Accountants in England and Wales; a Fellow of the Institute of Certified Public Accountants of Kenya; an Associate Member of the Chartered Institute of Arbitrators (Rtd) and OPM (Harvard). He is a past Chairman of the Institute of Certified Public Accountants of Kenya and The Association of Professional Societies in East Africa. In 2016 he received ICPAK Award of selfless service to the Institute and the Accounting profession He is a past Vice-Chairman of the Professional Centre. He is a co-sponsor of the Kenya College of Accountancy now KCA University. He is a past Chairman of Industrial Promotion Services (Kenya) Limited and Aga Khan Hospitals Mombasa and Kisumu.



Board of Directors (continued)

6

MR. MAHMOOD PYARALI MANJI - Non-executive Director 6

Mr Manji (aged 64 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 YPO. 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.

MR. GUEDI AINACHE - Non-executive Director 7

7

Mr. Guédi Aïnaché (aged 42 yrs) holds a Masters Degree in Audit and Risk Management from the University of Angers, France and he is also a graduate of Economic Science, from the University of Le Mans, France. Currently he is the Corporate Finance Director at MMD Investments Limited. He has previously worked with PTA Bank as Head of Syndication, based in Nairobi, PROPARCO in Nairobi as Regional Head for East Africa and in Paris as Senior Investment Officer within the Corporate Division handling various large corporate financing transactions across various regions in Africa, Latin America & Asia and as an Associate Director with Crédit Agricole Corporate and Investment Bank in France.

MRS. TEDDY HOLLO MAPUNDA – Non-Executive Director 8

8

Mrs. Mapunda (aged 43 yrs) is a graduate of Strategic Business Management from SIPU (Swedish Institute of Public Administration) in Sweden. She is also a graduate of Leadership and Management, from GIMPA University in Accra, Ghana. Holds a Postgraduate in Public Private Partnership and Diploma in Corporate Social Responsibility CSR – Copenhagen Denmark. Currently, she is the founder of Montage Limited a multi-dimensional consultancy and creative agency based in Dar-es-Salaam Tanzania. She is also a Board member of British American Tobacco (Kenya), Why Africa Now of USA, WAMA Foundation and Arusha International Conference Centre (AICC).

MR. DAMIEN BRAUD – Non-Executive Director 9

9

Mr. Damien Braud (aged 39) 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.

MR. DOMINIC K. NG'ANG'A - Company Secretary 10

10

Mr. Ng'ang'a (aged 43 yrs) holds a Bachelor of Commerce (Accounting) Degree from KCA University. He is a CPA finalist and a Certified Public Secretary CPS (K). He is also a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).

Corporate Governance Statement

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

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

THE BOARD OF DIRECTORS

The Board consisted of 9 substantive directors and 1 alternate director as at 31 December, 2017. The Chairman is a non-executive director. A majority of the directors are non-executive and independent, a manifestation that the interests of the minority shareholders are taken into consideration. There are two executive directors, i.e. the Managing Director and Chief Financial Officer. Re-election and appointment of directors are subject to the provisions of the Company's Articles of Association and CMA Guidelines. The directors have a wide range of business and professional skills and experience and each contributes independently and collectively to the Board's deliberations. The directors meet at least four (4) times a year in accordance with the Board's Charter. In addition, the Board holds special meetings to deliberate on issues of strategic importance, or as required by statute, or in compliance with the requirements of regulatory authorities.

The Board held four (4) scheduled Board meetings in 2017 attended by directors as indicated below:

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

Notes:

1. Four (4) Board meetings were held in 2017.
2. Mr. Jean-Louis Vinciguerra was represented by his alternate Mr. Ashish Sharma in four (4) of the Board meetings held during the year.
3. Mr. Abdulmalek Virani retired on 16.08.17
4. Mr. Nooren Hirjani was appointed on 16.08.17 and thus he could only attend two (2) meetings held in the remainder of 2017.

Management provides the directors with adequate notice for Board meetings and timely information so that they can contribute constructively and knowledgeably at Board meetings. This also enables the directors to maintain effective oversight and control over strategic, financial, operational, and compliance issues.

Corporate Governance Statement (continued)

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 roles of the Chairman and those of the executive Managing Director. This segregation strengthens the Board's independence and further ensures in-built checks and balances. Consequently, the Board continued to maximize shareholders' value whilst maintaining the long-term sustainability of the TPS Group through active leadership during the year.

The Company's shareholders re-elected Messrs Guedi Ainache, Ameer Kassim-Lakha, Jean-Louis Vinciguerra, and Mr. Jack Jacob Kisa, as directors of TPSEAP Board at the last Annual General Meeting held on 30th June, 2017.

Given his increasing engagements at a personal level in 2017, Mr. Jack Jacob Kisa resigned as a director of the Company with effect from 16th August, 2017. Mr. Kisa had served the TPSEAP Board as a director for more than fifteen (15) years. On a similar note, Mr. Abdulmalek Virani, TPSEAP Finance Director and an Executive Director retired on 16th August, 2017 and was replaced by Mr. Nooren Hirjani in the capacity of Chief Financial Officer.

In observing principles of good corporate governance and enhancing the capacity of TPSEAP directors, the TPSEAP directors continue to attend corporate governance trainings. Two (2) trainings on strategy and corporate governance have so far been conducted by Strathmore Business School in 2016 and 2017 respectively. Further training and strategic sessions have been scheduled for 2018.

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. The Company has no known trends that would have material effect on the financial position and operations of the Company in the future.

BOARD COMMITTEES

The Board has set up two main Committees (the Committees) and has delegated specific mandates to each one of them. The Committees, namely, Board Audit Committee and Board Nomination and Remuneration Committee, function under specific written Terms of Reference (ToR). The Board reviews the number of Committees and their respective ToR from time to time so as to 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 stipulated in their respective ToR.

BOARD AUDIT COMMITTEE

Members of this Committee comprised: 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 internal and external auditors and followed up implementation of necessary remedial 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 four (4) meetings during the year under review. External auditors and Management Team attended the Committee's meetings as required to deal with and or respond to specific issues.

The Board has adopted the Enterprise Risk Management Policy. The Policy is aimed at addressing business risks entailed in the dynamic operating environment. The Board and Management have rolled out a framework for the operationalization and implementation of the Policy and ensure its adherence.

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

BOARD NOMINATION AND REMUNERATION COMMITTEE

The Committee's membership comprised: Messrs Guedi Ainache (Chairman), Mahmood Manji, and Mrs. Teddy Mapunda. Mr. Jack Kisa, a member of the Committee and the immediate Chairman resigned on 16th August, 2017 and Mr. Guedi Ainache was appointed the Chairman of the Committee by the Board. 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 2017.

Corporate Governance Statement (continued)

The Board mandates the Committee to propose nominees for appointment to the Board as may be required from time to time, and to assess the effectiveness of the Board 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 facilitates the conduct of an evaluation exercise after every two years aimed at assessing the performance of the Board, the Chairman, the Managing Director, individual directors and the Company Secretary. Any weaknesses revealed by the results of such an evaluation are addressed with a view to improving the Board's overall performance. The next performance evaluation exercise is scheduled for 2018.

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 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 invested in an audit software application – 'TeamMate Audit Management System' which helps in leveraging the existing audit expertise, harmonizing and strengthening the risk management function, and enhancing the effectiveness of internal control processes across the Group through automation.

COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

The Company is committed to ensuring that Management provides shareholders, securities & bond markets, and other stakeholders with accurate and timely information on the Company's performance. This is done through the distribution of the TPSEAP 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.

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate emoluments paid to non-executive directors during the 2017 financial year amounted to KShs 1.338 Million (refer to Note 27) to the Financial Statements). Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement under which the TPS Group was a party whereby directors might have acquired benefits to facilitate the acquisition of the Company's shares by such directors. There were no non-executive directors' loans during the year.

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

DIRECTORS' INTEREST

There were no material contracts involving directors' interests during the year ended 31st December 2017 nor the previous financial year (2016). However, some directors were minority shareholders of the Company as shown below:

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

Corporate Governance Statement (continued)

CONFLICT OF INTEREST

In terms of the established corporate governance and practices within the Company, the Directors were required to disclose their areas of conflict of interest during the year 2017. Directors are also required to refrain from contributing to discussions and voting on matters in which they have, or could have any such conflict. In addition, the directors are required, on an ongoing basis, to notify the Company Secretary of and declare in advance, any potential conflicts of interest whether from other directorships, shareholdings, associations, and/or conflicts arising from any specific transactions. The Company Secretary maintains and updates a register of such interests as part of the Company's corporate records. No such conflicts have been declared in the year under review.

OTHER DISCLOSURES

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

The Company has an elaborate Information and Communication Technology Policy in place that safeguards the Assets and data resource of the Company. Additionally, the Company has a robust procurement Policy that ensures that the purchasing department operates within the tenets of the laid down procurement procedures.

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

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

The Company has complied with most of the provisions under the new code of corporate governance save for a few areas which include for example; governance audit, and legal & compliance audits slated for implementation in 2018.

OTHER CORPORATE INFORMATION

The Company and its subsidiaries in Kenya, Uganda, Tanzania, Zanzibar and South Africa had a total of 3,102 employees. TPSEAP is a holding Company and did not own any land and buildings during the year under review.

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

Wildbeests migration at Mara National Reserve

Corporate Governance Statement (continued)

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Aga Khan Fund for Economic Development,S.A	82,048,626	45.04
2	Pyrus Investments Limited	12,470,400	6.85
3	Standard Chartered Nominee Account 9292-GCS	10,892,900	5.97
4	Craysell Investments Limited	8,366,733	4.58
5	The Jubilee Insurance Company of Kenya Limited	7,722,106	4.24
6	Industrial Promotion Services (Kenya) Limited	7,697,088	4.23
7	Aga Khan University Foundation	6,851,000	3.76
8	PDM (Holdings) Limited	6,607,440	3.63
9	Executive Healthcare Solutions Limited	2,979,600	1.64
10	Kanchanben Ramniklal Khimji Shah	2,290,744	1.26
11	Others	34,247,471	18.80
		182,174,108	100.00

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2017

	NO. OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Less than 500 Shares	3,106	438,187	0.24
500 - 5000 shares	4,926	6,668,117	3.66
5001 - 10,000 shares	207	1,502,301	0.82
10,001 - 100,000	226	6,591,170	3.62
100,001 - 1,000,000	38	11,659,340	6.40
Over 1,000,000	14	155,314,993	85.26
	8,517	182,174,108	100.00

SHAREHOLDER CATEGORIES

	NO.OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Foreign Investors	160	120,762,146	66.29
Local Institutions	462	45,591,857	25.03
Local Individuals	7,895	15,820,105	8.68
	8,517	182,174,108	100.00

Programs and initiatives remain fully aligned to achieving the Sustainable Development Goals (SDGs) set out by the United Nations Development Programme: SDG 1: No Poverty; SDG 2 – Zero Hunger; SDG 3: Good Health and Well-Being for people; SDG 4: Quality Education; SDG 5: Gender Equality; SDG 6: Clean Water and Sanitation; SDG 7: Affordable and Clean Energy; SDG 8: Decent Work and Economic Growth; SDG 9: Industry, Innovation and Infrastructure; SDG 10: Reduced Inequalities; SDG 11: Sustainable Cities and Communities; SDG 12: Responsible Consumption and Production; SDG 13: Climate Action; SDG 14: Life Below Water; SDG 15: Life on Land; SDG 16: Peace, Justice and Strong Institutions; SDG 17: Partnerships for the Goals.

SERENA HOTELS EAST AFRICA FIVE YEAR DEVELOPMENT IMPACT ASSESSMENT STUDY

Tourism Promotion Services (TPS) trading under the brand name Serena Hotels pioneered a new form of Tourism over 40 years ago. The Company was founded with the strategy that very few locations are unsuitable for tourism activities and that it is often possible to combine developmental objectives with real economic sustainability and profitability for multiple stakeholders and destinations. It strived to bring best practices in social, cultural, environmental and economic development to some of the most deprived, remotest and yet alluring but most fragile areas in the world. Whilst developing its properties in areas relatively excluded from globalization, Serena Hotels relies on an ethical framework, in-depth risk and environmental analyses and a policy of constant innovation. It has contributed towards economic growth, development of tourism and a range of ancillary services, development of local human resources, as well as conservation of cultural and natural heritage, while reducing the ecological foot print of its properties to the minimum possible.

The Company focuses on innovation and programs that respond to the needs of the environment, economy and society/communities – the fundamental tenets of Sustainability. On various fronts, the Company's sustainable development agenda has been aimed at inspiring its various stakeholders to take a wider consideration encompassing a long-term view when making business decisions.

In year 2016, Horwath HTL was engaged by TPS Serena Hotels and Proparco (a French Development Finance Institution) to develop a formalized and standardized system allowing for systematic measurement of the local footprint and contribution to local development and economic activity generated by Serena Hotels in East Africa over the last five years (years 2013 to 2017).

Horwath HTL has been recognized as one of the most prominent consulting firms specialized in the hotel, tourism and leisure sector by providing unequalled experience and expertise for client projects around the world including economic impact valuations through a combination of detailed local knowledge and international understanding. Horwath HTL is a member of the World Tourism Organisation and a regular contributor to International Organisations and Lenders including the African Development Bank, IFC, World Bank, UNESCO, Stanbic Bank, Ecobank amongst others.

The objective of the TPS Serena Hotels Development Impact Assessment study in East Africa is to assess the impacts (direct, indirect, induced, spillover) of each of the twenty Serena properties and its stakeholders in East Africa, on the governments, the local economies, environment and communities in order to demonstrate the footprint of the establishment in its ecosystem.

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

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

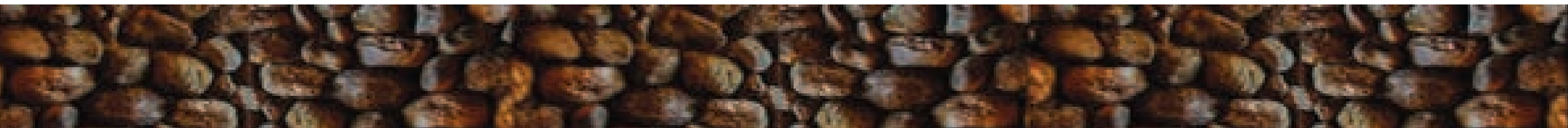
Corporate Social Responsibility (continued)

The outcome of the Development Impact Assessment study reveals that the Total Local Economic Activity Generated in East Africa by Serena Hotels presence in Kenya, Tanzania, Zanzibar, Uganda and Rwanda over a five-year period (2013 to 2017) is equivalent to approximately USD 1,453 Million as tabulated below:

Economic Impact

Consolidated Economic Impact Summary for TPS Serena Hotels in East Africa: Year 2013 to 2017 (Five Years)

	ECONOMIC IMPACT IN EAST AFRICA (5 Years)					
	Direct	**Indirect**	**Induced**	**Spillover**	**TOTAL**	**Basis Used**
Jobs Created – average per annum	3,840	12,431	4,120	1,276	21,667	Headcount expressed in Full Time Equivalent (FTE) per annum.
Number of People Supported within the Households as a result of the Jobs Created – average per annum	17,401	55,410	18,510	5,767	97,088	Headcount multiplied by the Country's average number of people per household.
TOTAL ECONOMIC IMPACT - Contribution to Gross Domestic Product in East Africa - $ Million (Note 1)	653	731	53	16	1,453	Direct, indirect, induced, spillover revenues and tax collection deriving from Serena Hotels operations.
Note 1: The ECONOMIC IMPACT in the line above has been derived from the below and covers 20 Serena properties:						
Value Creation by Guests - $ Million	110	336			446	Value creation at Serena Hotels and non-hotel expenditure during their visit.
Payroll & Related - $ Million	116	158	53	16	343	Amounts paid to Serena Direct employees, and all along the value chain.
Local Procurement (food, beverage, utilities, repairs & maintenance and other operating costs)- $ Million	277				277	Consumption of non-imported goods and services by Serena Hotels operations.
Direct & Indirect Taxes (includes park/conservancy fees, visas) - $ Million	130	237			367	Taxes collected from Serena Hotels and indirect tax through Serena Hotels supply chain.
Capital Expenditure (renovations, expansions, improvements) - $ Million	20				20	Capital investments by Serena Hotels for renovations, expansions or improvements.



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 expands, developments and operations have and continue to be guided by a dynamic ecological-policy focusing on actions and projects related to climate change, water and energy conservation, air emissions, reducing and recycling waste to the extent possible, conserve biodiversity, restore natural habitats and respect of local tradition, culture and heritage. Across our operations, we facilitate the transfer of knowledge on environmental and sustainable responsibility to our guests, communities, suppliers and various stakeholders.

Serena Hotels Carbon Footprint in East Africa (Kenya, Tanzania, Uganda, Rwanda, Zanzibar):

As part of the Horwath HTL Development Impact Assessment study, an international benchmarking exercise based on the Hotel Carbon Footprint (Kg) per occupied bed international benchmark metric produced by The Center for Hospitality Research, Cornell University was carried out for the 20 Serena properties in East Africa. As data from local hotels is unavailable, this analysis tends to compare the environmental performances of Serena Hotels in East Africa with other regions of the world (UK, USA and China) as summarized below:

	CO_2 emissions (Kg/occupied bed)		
Serena Hotels (20 properties in East Africa) – Year 2017	39.1		
	High	Median	Low
Sample Upscale Hotels in USA	134.1	26.3	6.9
Sample Upscale Hotels in UK	44.6	27.7	2.7
Sample Upscale Hotels in China	285	138.2	63.8

As commented by the Horwath HTL consultants, this analysis shows that the Serena properties in East Africa are close to the 'median' range of CO_2 emissions when compared to the Western Countries upscale sample hotels in the UK and USA, which are more developed than the countries in East Africa. This therefore highlights the focus of Serena Hotels on sustainable development and demonstrates the efficiency of the implemented actions on the energy front in order to protect the fragile environment.

Serena Tree Planting Commitment

Our success story on the tree planting front that has taken place for over 20 years has helped Serena Hotels to directly reduce its carbon footprint. Serena Hotels on average has planted approximately 415,000 trees per annum over the last 16 years. Research indicates that as a tree matures, it can consume 21.8 Kgs of carbon dioxide per year and can sequester 1 ton (1,000 Kgs) of carbon dioxide by the time it reaches 40 years old as it turns that CO_2 into parts of itself. It also releases enough oxygen to supply your needs for two years.

Serena Hotels continue to increase its focus on planting fruit, vegetable and herbal trees within the local community and schools around our properties in Kenya and Rwanda. Whilst contributing towards the climate change agenda, it is hoped that this will enhance food security, reduce health related problems and ensure that we create more 'green spaces' which acts as a catalyst for positive economic, social and cultural change.

Tree Planting Program under the Serena 'Adopt a School' Initiative

Conservation of Energy and Water

We have continued with our energy and water conservation efforts across all Serena properties. This has been achieved through: the installation of solar water heating systems; invertor systems for optimum energy consumption and reduced usage of the generator thus reduction in fuel usage, noise and air-pollution; phased installation of synchronized generators and energy saving bulbs; phased investment in bio-digesters which is a system that treats effluent water to allow it to be re-used for irrigation and animal

Solar Energy Plant at Kilaguni Serena Safari Lodge consumption at the waterhole in an environmentally sensitive manner; and phased installation of desalination plants at the Serena Lodges and Camps.

The installation of the Solar Power plant (960 solar panels) at Kilaguni Serena Safari Lodge was completed in June 2017 and it is the only Lodge that has implemented the same in the Tsavo area. Management expect to roll this out at other properties in Kenya during year 2018.

Turtle and Butterfly Conservation

Serena Beach Resort & Spa (SBRS), Mombasa has been working for over 20 years to protect sea turtles and has released about 52,364 hatchlings into the sea.

The Butterfly Conservation Sanctuary at SBRS that was established in year 2003 has bred 65 species and 348,984 butterflies have been released to date.

COMMUNITY INVESTMENT, SUPPORT AND DEVELOPMENT

Serena Hotels continues to give priority to the local communities living around its areas of operation so as to ensure economic independence with the end goal to better navigate uncertainty and strive towards sustainable livelihood in the future. Our properties focus on providing opportunity to the local community through: purchasing fresh food stuff; selling artifacts and handicrafts from various local community groups in our gift shops; and skills development and employment through work-training opportunities that allows youth to gain marketable skills leading to meaningful work. We enhance guest experience by exposing them to the diverse range of local cultures and ethnic groups through art, dance, song, musical and theatrical displays whilst economically empowering the local people (239 performers from the local community are hired per annum). Other support initiatives includes provision of free medical consultation (2,260 persons from the local community benefit per annum), health outreach programs, safe drinking water for the local community (23,765 beneficiaries per annum) and their livestock (12,500 per annum) and support through a broad range of charitable causes and community programs that takes the form of cash, food, clothing, visits to orphanages, hospitals, old-people's homes, homes for the physically or mentally challenged and other disadvantaged groups.

Local Community Engagement by Serena Hotels, Tanzania

Serena Hotels works with schools around its properties in various ways to ensure children have a conducive environment for learning. This is achieved through a number of initiatives under the ""Adopt a School" aegis that influences positive attributes on a child, thus having a holistic positive impact on a child's upbringing and development that will, hopefully in the medium to long-term assist to gradually transform the quality of life for future generations.

The Serena Hotels "Adopt a School" success stories includes: 28 children libraries with 12,623 beneficiaries per annum; introduction of Eco-Clubs; planting of fruit and herb trees; health outreach programs through the Serena Wellness Program; infrastructure support and its "Light Up a Life' Christmas program (by its 5th year of operation has resulted in 11,374 children for the local community benefitting with a Christmas gift and party).

School Infrastructure support under the Serena 'Adopt a School' Initiative

Health, Safety and Wellbeing

Serena Hotels ensures that the highest standards of health and safety are maintained for the benefit of all our stakeholders. This includes the overall food safety, hygiene and sanitation standards. In addition, the Company has built a positive and dynamic security and safety culture.

The Serena Employee Wellness Program continues to address the holistic health needs of not only Serena Staff but also of the communities that surrounds the Serena properties. In essence, the program is devoted to reducing the incidence of accident and illness in the workplace, promoting healthy lifestyles, maximizing potential and promoting optimum quality of life. We believe the health, safety and wellbeing of our staff and guests is critical to our success and the vitality of our local communities.

National and International Awards and Accolades

During the year 2017, Serena Hotels are proud to have won a number of national and international awards and accolades details of which are below:

World Travel Awards 2017

Voted for by travel and tourism professionals worldwide which recognises commitment to excellence. Serena Hotels won a total of 7 awards as below:

- Zanzibar's Leading Hotel 2017: Zanzibar Serena Hotel
- Uganda's Leading Hotel 2017: Kampala Serena Hotel
- Uganda's Leading Hotel Suite 2017: Presidential Suite at Lake Victoria Serena Golf Resort & Spa
- Rwanda's Leading Hotel 2017: Kigali Serena Hotel
- Rwanda's Leading Hotel Suite 2017: Presidential Suite at Kigali Serena Hotel
- Mozambique's Leading Hotel 2017: The Polana Serena Hotel
- Mozambique's Leading Hotel Suite 2017: Presidential Suite at The Polana Serena Hotel

African Responsible Tourism Awards 2017

Amboseli Serena Safari Lodge took the Silver position under the category 'Best Partnership for Poverty Reduction'.

Skål International Sustainable Tourism Award

Amboseli Serena Safari Lodge was the Winner under the category of 'Community and Government Projects'.

National Social Security Fund (Tanzania)

The National Social Security Fund (Tanzania) awarded TPS (T) Limited for being the best complying employer in the Tourism and Hospitality sector for the year 2017. We were the only company in the Hospitality Sector that won the award.

Eco-Warrior Award 2017

- Serena Beach Resort & Spa, Mombasa was the Winner of the Sustainable Development Goal (SDG) 14 - Protecting Life below Water Award.
- Kilaguni Serena Safari Lodge was awarded the First Runner up Position for the SDG 13 -Promoting Climate Action Award.

Eco-Rated Properties by Eco-Tourism Kenya

- Gold Rated: Serena Beach Resort & Spa, Mombasa; Lake Elmenteita Serena Camp and Sweetwaters Serena Camp.
- Silver Rated: Kilaguni Serena Safari Lodge; Amboseli Serena Safari Lodge and Serena Mountain Lodge.

Nominated for **World Travel Market (WTM) Responsible Tourism Awards 2017:** Amboseli Serena Safari Lodge.

Green Hotelier Awards

Amboseli Serena Safari Lodge was 'Highly Commended for 2017 in Africa & Middle East'.

Pearl of Africa – Tourism Excellence Awards 2017

The awards carried out in Uganda is in its second year running and is organized by the Ministry of Tourism in Uganda through the Uganda Tourism Board (UTB) to celebrate the achievements of the tourism industry while giving recognition / showing appreciation to both individuals and companies that have contributed to the tremendous growth of Uganda's tourism over the years. Kampala Serena Hotel received two of the accolades. Best Luxury Accommodation and Best Exhibitor (done jointly with Lake Victoria Serena Golf Resort & Spa).

EKULA –Pearl of Africa Awards 2017

The ceremony took place in Uganda and Lake Victoria Serena Golf Resort & Spa was nominated for the award of Best Service Standard and Luxury Hotel.

Kampala Restaurant Week

- Best Signature Dining Restaurant: Explorer Restaurant at Kampala Serena Hotel
- Best Outstanding Service Award: Kampala Serena Hotel

Booking.com Best Awards

The world's #1 accommodation site awarded the below Serena Properties with a Certificate of excellence with the below ratings:

- Nairobi Serena Hotel – 8.6 out of 10
- Mara Serena Safari Lodge – 8.7 out of 10
- Kampala Serena Hotel - 9.3 out of 10

They received a great average review score by guests booking via booking.com website. They were therefore awarded with a certificate of Excellence in honor of their achievements over the past year as measured by their overall guest review score. All of the guest reviews are written by real guests after they have stayed and checked out of the accommodation. Whether it's the tastiest breakfast, an off the beaten track stay or just plain value for money, the Booking's Best Awards recognize that it's the little things that can make or break a holiday.

The Telegraph – Expert Review Rating

The Telegraph on 22nd November 2017 published a '9 out of 10 Expert Rating' for Polana Serena Hotel.

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2017.

Business review

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

The Group's performance

The Group's profit before income tax for the year was Shs 260,747,000 (2016: Shs 315,148,000), 17% lower than prior year's profit before tax. The decline in performance was as a result of reduced revenues during the year. The reduction in revenue was mainly attributed to closure of Nairobi Serena Hotel for the ongoing construction. This was offset by improved performance by other operating units.

The table below highlights some of the key performance indicators:

Performance ratios	2017	2016
Revenue (Shs "000")	6,408,206	6,468,803
Profit before income tax (Shs "000")	260,747	315,148
Net assets (Shs "000")	9,164,617	9,367,517

Dividend

The profit for the year attributable to equity holders of the Company of Shs 65,209,000 (2016: Restated Shs 88,150,000, previously Shs 98,303,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 63,760,938 (2016: Shs 63,760,938).

Directors

The directors who held office during the year and to the date of this report were:

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Nooren Hirjani ***	(Chief Financial Officer- appointed 16 August 2017)
Ameer Kassim-Lakha	
Jean-Louis Vinciguerra*	
Teddy Hollo Mapunda (Mrs) **	
Mahmood Pyarali Manji	
Guedi Ainache*	
Damien Braud*	
Ashish Sharma	(Alternate to Jean-Louis Vinciguerra)
Abdulmalek Virani	(Finance Director – resigned 16 August 2017)
Jack Jacob Kisa	(Resigned on 16 August 2017)

* French ** Tanzanian *** British

Auditor

Disclosures to auditor

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

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

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

Terms of appointment of auditor

PricewaterhouseCoopers continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

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

By order of the Board

DOMINIC NG'ANG'A
COMPANY SECRETARY

17 April, 2018

Directors’ Remuneration Report

Information not subject to audit

The Group and Company’s remuneration policy and strategy for executive and non-executive Directors applicable in 2019 are to be approved by shareholders at the forthcoming 2018 Annual General Meeting. This Report has been prepared in accordance with the relevant provisions of both the CMA Code of Corporate Governance guidelines on Director’s remuneration and the Kenyan Companies Act, 2015.

- The Group’s and Company’s overall policy and strategy for remuneration of Directors aims to fairly and objectively reward performance in the medium and longer term interests of shareholders. The remuneration structure is designed to recognise the requisite skills, expertise and experience of Directors given market competitive forces and demand.
- Executive Directors remuneration primarily comprises fixed elements including: salary, pension and benefits. Benefits are largely fixed in nature comprising housing, travel, and pension. There is no variable element such as performance based incentive or bonus scheme.
- Terms of service for the directors include fixed terms contacts ranging from two to three years with a range of notice periods and termination payments.
- There are no share option arrangements or long term incentive scheme methods used in assessing the performance conditions.
- During 2017, there were no significant amendments to the terms and conditions of any entitlement of a Director to share options or under a long term incentive scheme.
- Non-Executive Directors receive fees and sitting allowances.

Significant changes to director’s during the year:

- During the year the Board of Directors transitioned the planned retirement of the Finance Director and his replacement, the Chief Financial Officer was appointed. No material change in Director’s remuneration was made.

Statement of voting on the Director’s remuneration report at the previous Annual General Meeting:

- In respect of a resolution to approve the Director’s remuneration, shareholders voted unanimously by a show of hands having received written notice of their right to vote before the AGM.
- A resolution to approve the Director’s remuneration policy will be put to a resolution of shareholders for approval at the forthcoming AGM.

Information subject to audit

The following table shows a single figure remuneration for the Executive Directors, Non-Executive Chairman and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2017 together with the comparative figures for 2016. The aggregate Directors’ emoluments are shown under note 27 (iv) of these financial statements.

For the year ended 31 December 2017	Salary Shs 000	Fees Shs 000	Bonus Shs 000	Expense allowances Shs 000	Loss of office/ Shs 000	Estimated value for non-cash benefits Shs 000	Total Shs 000
F. Okomo-Okello, Non-Executive Chairman	-	196	-	-	-	-	196
M. Jan Mohamed, Managing Director	41,969	-	-	-	-	3,646	45,615
N. Hirjani, Chief Financial Officer	11,845	-	-	-	-	8	11,853
A. Virani, Finance Director	22,749	-	-	-	-	1,060	23,809
A. Kassim-Lakha, Non-Executive Director	-	217	-	-	-	-	217
J. Kisa, Non-Executive Director	-	95	-	-	-	-	95
D. Braud, Non-Executive Director	-	130	-	-	-	-	130
J-L. Vinciguerra, Non-Executive Director	-	84	-	-	-	-	84
T. Mapunda (Mrs.), Non-Executive Director	-	168	-	-	-	-	168
M. Manji, Non-Executive Director	-	231	-	-	-	-	231
G. Ainache, Non-Executive Director	-	217	-	-	-	-	217
	76,563	1,338	-	-	-	4,714	82,615

Directors' Remuneration Report (continued)

Information subject to audit (continued)

For the year ended 31 December 2016	Salary Shs 000	Fees Shs 000	Bonus Shs 000	Expense allowances Shs 000	Loss of office/ Termination Shs 000	Estimated value for non-cash benefits Shs 000	Total Shs 000
F. Okomo-Okello, Non-Executive Chairman	-	224	-	-	-	-	224
M. Jan Mohamed, Managing Director	40,464	-	-	-	-	3,928	44,392
A. Virani, Finance Director	24,592	-	-	-	-	1,338	25,930
A. Kassim-Lakha, Non-Executive Director	-	245	-	-	-	-	245
J. Kisa, Non-Executive Director	-	231	-	-	-	-	231
D. Braud, Non-Executive Director	-	190	-	-	-	-	190
J-L. Vinciguerra, Non-Executive Director	-	84	-	-	-	-	84
T. Mapunda (Mrs.), Non-Executive Director	-	210	-	-	-	-	210
M. Manji, Non-Executive Director	-	245	-	-	-	-	245
G. Ainache, Non-Executive Director	-	245	-	-	-	-	245
Dr. R. Dau, Non-Executive Director	-	21	-	-	-	-	21
	65,056	1,695	-	-	-	5,266	72,017

Pension related benefits

	2017 Shs'000	2016 Shs'000
M. Jan Mohamed, Managing Director	2,056	1,851
N. Hirjani, Chief Financial Officer	603	-
A. Virani, Finance Director	993	1,191
	3,652	3,042

On behalf of the Board

Mr. Mahmud Jan Mohamed
DIRECTOR
17 April, 2018

Statement of Directors' Responsibilities

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

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

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then apply them consistently; and

iii. Making judgements and accounting estimates 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 2017 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 Kenyan Companies Act 2015.

In preparing the financial statements, the directors have assessed the Group's and Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Group and the Company will not remain a going concern for at least the next twelve months from the date of this statement.

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

Approved by the board of directors on 17 April 2018 and signed on its behalf by:

Mr. Francis Okomo-Okello
DIRECTOR
17 April, 2018

Mr. Mahmud Jan Mohamed
DIRECTOR
17 April, 2018

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

We have audited the accompanying separate financial statements of TPS Eastern Africa Plc (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group) set out on pages 37 to 84, which each comprise a statement of financial position at 31 December 2017 and statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate company opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment As described in Note 18, the Group carries out an impairment assessment annually to establish whether goodwill at each Cash Generating Unit (CGU) should continue to be recognised or if any impairment exists. The assessment is based on value-in-use calculations about the future financial performance of the business and the discount rates applied. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement. The future cash flows are also prone to bias because they are based on management's assessment of the future profitability of the CGUs.	We evaluated and challenged the composition of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business, industry-specific reports and the macro economic outlook. We assessed the projected cash flows against the approved strategic and business plan of the cash generating unit. We checked the reasonableness of the forecast cash flows against historical performance and the approved short-term financial budgets of the business. We also challenged management's assumptions in relation to the: - Long term growth rates by comparing them to economic and industry forecasts - Pre-tax discount rate by assessing the cost of capital for the Company and comparable organisations, as well as considering country specific factors We challenged management on the sensitivity of the assumptions used and determined that the calculations were most sensitive to assumptions for gross margin and the pre-tax discount rates. We have reviewed the adequacy of the disclosures in Note 18 of the financial statements.

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Report of The Independent Auditor To The Members of TPS Eastern Africa Plc (Continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report Of The Independent Auditor To The Members of TPS Eastern Africa Plc (Continued)

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

Report of the directors

In our opinion the information given in the directors' report on page 30 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 31 to 32 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Bernice Kimacia, Practising Certificate Number 1457.

PricewaterhouseCoopers

Certified Public Accountants
17 April, 2018
Nairobi

Consolidated Statement of Profit or Loss

for the Year ended 31 December 2017

	Notes	2017 Shs'000	2016 Restated Shs'000
Revenue	5	6,408,206	6,468,803
Other income		272,098	349,657
Inventory expensed		(1,116,544)	(1,194,034)
Employee benefits expense	7	(2,133,614)	(2,048,130)
Other operating expenses		(2,598,621)	(2,602,809)
Profit before depreciation, interest, share of associates' results and income tax expense		831,525	973,487
Depreciation and impairment of property, plant and equipment and intangible assets	17b	(406,496)	(538,333)
Finance income	8	14,425	63,001
Finance costs	8	(149,347)	(184,112)
Share of (loss)/profit of associates	20	(29,360)	1,105
Profit before income tax	6	260,747	315,148
Income tax expense	9	(141,282)	(195,973)
Profit for the year		119,465	119,175
Attributable to:			
Equity holders of the Company		65,209	88,150
Non-controlling interest	26	54,256	31,025
		119,465	119,175
Earnings per share attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	10	0.36	0.48

The notes on pages 49 to 84 are an integral part of these financial statements

Consolidated Statement of Other Comprehensive Income

for the Year ended 31 December 2017

	Notes	2017 Shs'000	2016 Restated Shs'000
Profit for the year		119,465	119,175
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		50,725	(256,388)
Revaluation gain	17a	-	284,661
Deferred tax on revaluation	15	-	(232,458)
Total other comprehensive income/(loss) for the year		50,725	(204,185)
Total comprehensive income/ (loss) for the year		170,190	(85,010)
Attributable to:			
Equity holders of the Company		115,934	(58,883)
Non-controlling interest		54,256	(26,127)
Total comprehensive income/(loss) for the year		170,190	(85,010)

The notes on pages 49 to 84 are an integral part of these financial statements.

Company Statement of Comprehensive Income

For the Year ended 31 December 2017

	Notes	2017 Shs'000	2016 Shs'000
Dividend income		94,451	177,131
Operating expenses		(21,574)	(37,108)
Profit before income tax		72,877	140,023
Income tax expense		-	-
Profit for the year		72,877	140,023
Other comprehensive income		-	-
Total comprehensive income for the year		72,877	140,023

The notes on pages 49 to 84 are an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	2017 Shs'000	2016 Restated Shs'000	2015 Restated Shs'000
Capital and reserves attributable to the Company's equity holders				
Share capital	12	182,174	182,174	182,174
Share premium	12	4,392,668	4,392,668	4,392,668
Revaluation reserve	13	2,480,830	2,534,165	2,446,956
Translation reserve		(1,019,030)	(1,069,755)	(813,367)
Retained earnings		2,315,239	2,260,456	2,213,921
Proposed dividends	11	63,761	63,761	45,544
		8,415,642	8,363,469	8,467,896
Non-controlling interest	26	748,975	1,004,048	1,030,175
Total equity		9,164,617	9,367,517	9,498,071
Non-current liabilities				
Borrowings	14	3,819,714	3,187,561	1,968,217
Deferred income tax	15	2,028,010	2,157,622	1,907,410
Retirement benefit obligations	16	21,084	21,891	20,496
Total non-current liabilities		5,868,809	5,367,074	3,896,123
Total equity and non-current liabilities		15,033,426	14,734,591	13,394,194
Non-current assets				
Property and equipment	17a	12,592,569	11,156,265	10,976,209
Intangible assets	18	1,274,154	1,274,154	1,324,154
Investment in associates	20	972,612	1,001,972	1,000,867
Deferred income tax	15	831	764	2,702
		14,840,166	13,433,155	13,303,932
Current assets				
Inventories	21	499,821	490,885	451,324
Receivables and prepayments	22	1,332,411	1,158,746	1,170,619
Current income tax		140,016	250,602	270,223
Cash and cash equivalents	23	674,409	1,451,623	432,422
		2,646,657	3,351,856	2,324,588
Current liabilities				
Trade and other payables	24	1,796,277	1,534,800	1,625,407
Borrowings	14	657,120	515,620	608,919
		2,453,397	2,050,420	2,234,326
Net current assets		193,260	1,301,436	90,262
		15,033,426	14,734,591	13,394,194

The financial statements on pages 37 to 84 were approved and authorised for issue by the board of directors on 17 April 2018 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mahmud Jan Mohamed
DIRECTOR

Company Statement of Financial Position

As at 31 December 2017

	Notes	2017 Shs'000	2016 Shs'000
Equity			
Share capital	12	182,174	182,174
Share premium	12	4,392,668	4,392,668
Retained earnings		871,849	862,733
Proposed dividends	11	63,761	63,761
Total equity		5,510,452	5,501,336
Non-current assets			
Investment in subsidiaries	19	4,231,797	4,231,797
Investment in associates	20	840,330	840,330
		5,072,127	5,072,127
Current assets			
Receivables and prepayments	22	431,981	430,325
Cash and cash equivalents	23	10,553	961
		442,534	431,286
Current liabilities			
Trade and other payables	24	4,209	2,077
Net current assets		438,325	429,209
		5,510,452	5,501,336

The financial statements on pages 37 to 84 were approved for issue by the board of directors on 17 April 2018 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mahmud Jan Mohamed
DIRECTOR

The notes on pages 49 to 84 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 2015									
At start of year as previously stated		182,174	4,392,668	2,310,907	(331,072)	2,603,955	245,935	1,007,922	10,412,489
Prior period adjustment	30 (i)	-	-	-	-	(95,513)	-	(91,767)	(187,280)
At start of year as restated		182,174	4,392,668	2,310,907	(331,072)	2,508,442	245,935	916,155	10,225,209
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 gain		-	-	262,348	-	-	-	140,088	402,436
Deferred tax on revaluation	15	-	-	(78,705)	-	-	-	(42,026)	(120,731)
Transfer of excess depreciation to retained earnings		-	-	(62,358)	-	62,358	-	-	-
Deferred income tax on transfer		-	-	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	11	-	-	-	-	-	(245,935)	-	(245,935)
- proposed for 2015	11	-	-	-	-	(45,544)	45,544	-	-
		-	-	-	-	(45,544)	(200,391)	-	(245,935)
At end of year (restated)		182,174	4,392,668	2,446,956	(813,367)	2,213,921	45,544	1,030,175	9,498,071

Consolidated Statement of Changes in Equity (continued)

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 2016									
At start of year as previously stated		182,174	4,392,668	2,446,956	(813,367)	2,309,434	45,544	1,121,942	9,685,351
Prior period adjustment	30 (i)	-	-	-	-	(95,513)	-	(91,767)	(187,280)
At start of year as restated		182,174	4,392,668	2,446,956	(813,367)	2,213,921	45,544	1,030,175	9,498,071
Comprehensive income for the year									
Profit for the year previously stated		-	-	-	-	98,303	-	31,025	129,328
Adjustment on profit for the year	30 (ii)	-	-	-	-	(10,153)	-	-	(10,153)
Adjusted profit for the year		-	--		-	88,150		31,025	119,175
Other comprehensive income:									
Currency translation differences – previously stated		-	-	-	(255,717)	-	-	-	(255,717)
Currency translation differences - adjustment	30 (ii)				(671)				(671)
Revaluation gain		-	-	284,661	-	-	-	-	284,661
Deferred tax on revaluation		-	-	(175,306)	-	-	-	(57,152)	(232,458)
Transfer of excess depreciation to retained earnings		-	-	(69,453)	-	69,453	-	-	-
Deferred income tax on transfer	15	-	-	47,307	-	(47,307)	-	-	-
Total other comprehensive income		-	-	87,209	(256,388)	22,146	-	(57,152)	(204,185)
Total comprehensive income for the year		-	-	87,209	(256,388)	110,296	-	(26,127)	(85,010)
Transactions with owners									
Dividends:									
- final for 2015 paid		-	-	-	-	-	(45,544)	-	(45,544)
- proposed for 2016	11	-	-	-	-	(63,761)	63,761	-	-
		-	-	-	-	(63,761)	18,217	-	45,544
At end of year (restated)		182,174	4,392,668	2,534,165	(1,069,755)	2,260,456	63,761	1,004,048	9,367,517

Consolidated Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 2017									
At start of year		182,174	4,392,668	2,534,165	(1,069,755)	2,260,456	63,761	1,004,048	9,367,517
Comprehensive income for the year									
Profit for the year		-	-	-	-	65,209	-	54,256	119,465
Other comprehensive income:									
Currency translation differences		-	-	-	50,725	-	-	-	50,725
Transfer of excess depreciation to retained earnings		-	-	(76,192)	-	76,192	-	-	-
Deferred income tax on transfer	15	-	-	22,858	-	(22,858)	-	-	-
Total other comprehensive income		-	-	(53,335)	50,725	53,335	-	-	50,725
Total comprehensive income for the year		-	-	(53,335)	50,725	118,544	-	54,256	170,190
Transactions with owners									
Acquisition of non-controlling interest	26	-	-	-	-	-	-	(309,329)	(309,329)
Dividends:									
- final for 2016 paid	11	-	-	-	-	-	(63,761)	-	(63,761)
- proposed for 2017	11	-	-	-	-	(63,761)	63,761	-	-
		-	-	-	-	(63,761)	-	(309,329)	(373,090)
At end of year		182,174	4,392,668	2,480,830	(1,019,030)	2,315,239	63,761	748,975	9,164,617

Company Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2016						
At start of year		182,174	4,392,668	786,471	45,544	5,406,857
Comprehensive income for the year						
Profit for the year		-	-	140,023	-	140,023
Total comprehensive income for the year		-	-	140,023	-	140,023
Transactions with owners						
Dividends:						
- final for 2015 paid		-	-	-	(45,544)	(45,544)
- proposed for 2016	11	-	-	(63,761)	63,761	-
		-	-	(63,761)	18,217	(45,544)
At end of year		182,174	4,392,668	862,733	63,761	5,501,336

The notes on pages 49 to 84 are an integral part of these financial statements.

Company Statement of Changes in Equity (continued)

	Notes	Share Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2017						
At start of year		182,174	4,392,668	862,733	63,761	5,501,336
Comprehensive income for the year						
Profit for the year		-	-	72,877	-	72,877
Total comprehensive income for the year		-	-	72,877	-	72,877
Transactions with owners						
Dividends:						
- final for 2016 paid	11	-	-	-	(63,761)	(63,761)
- proposed for 2017	11	-	-	(63,761)	63,761	-
		-	-	(63,761)	-	(63,761)
At end of year		182,174	4,392,668	871,849	63,761	5,510,452

The notes on pages 49 to 84 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 Shs'000	2016 Shs'000
Operating activities			
Cash generated from operations	25	910,127	913,074
Interest received		11,387	11,443
Income tax paid		(123,376)	(150,512)
Net cash generated from operating activities		798,138	774,005
Investing activities			
Purchase of property, plant and equipment	17(a)	(1,899,040)	(563,345)
Proceeds from disposal of property, plant and equipment		1,363	14,777
Acquisition of non-controlling interest	26	(309,329)	-
Net cash used in investing activities		(2,207,006)	(548,568)
Financing activities			
Repayments of commercial paper		-	(50,000)
Proceeds from long term borrowings		1,201,311	1,537,597
Payments of long term borrowings		(528,034)	(291,187)
Interest paid		(149,347)	(184,111)
Dividends paid to shareholders	11	(63,761)	(45,544)
Net cash generated from financing activities		460,169	966,755
Net (decrease) / increase in cash and cash equivalents		(948,699)	1,192,192
Movement in cash and cash equivalents			
At start of year		1,425,891	283,382
(Decrease) / increase		(948,699)	1,192,192
Effect of currency translation differences on cash and cash equivalents		134,587	(49,683)
At end of year	23	611,779	1,425,891

The notes on pages 49 to 84 are an integral part of these financial statements.

Company Statement of Cash Flows

for the Year ended 31 December 2017

	Notes	2017 Shs'000	2016 Shs'000
Profit before income tax		72,877	140,023
Adjustments for:			
Changes in working capital			
- receivables and prepayments		(1,656)	(93,854)
- payables and accrued expenses		2,132	(238)
Net cash generated from operating activities		73,353	45,931
Financing activities			
Dividends paid to shareholders	11	(63,761)	(45,544)
Net cash used on financing activities		(63,761)	(45,544)
Net increase in cash and cash equivalents		9,592	387
Movement in cash and cash equivalents			
At start of year		961	574
Increase		9,592	387
At end of year	23	10,553	961

The notes on pages 49 to 84 are an integral part of these financial statements.

Notes to Financial Statements

1. General information

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

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

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

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

2. Summary of significant accounting policies

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

a) Basis of preparation

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

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 January 2017: Amendment to IAS 7 – Statement of cash flows on disclosure initiative. In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure to enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendment to IAS 12 – Income taxes 'Recognition of deferred tax assets for unrealised losses'. The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

(ii) New standards and interpretations that are not yet effective and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, 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 other comprehensive income (OCI) and fair value through profit or loss (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. 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.

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 IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

The IASB has also included additional practical expedients related to transition to the new revenue standard. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

IFRS 16,'Leases' 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.

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.

Management is evaluating the impact of IFRS 9, 15 and 16. The new standards are not expected to have a material impact on the Group financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

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.

b) Consolidation (continued)

(i) Subsidiaries (continued)

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 cost method of accounting in the Company financial statements, and the equity method of accounting in the consolidated financial statements. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

(v) Joint arrangements

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

(v) Joint arrangements (continued)

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 translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income' or 'other expenses'.

Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as 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.

Notes to Financial Statements (continued)

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.

f) Property and equipment

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

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

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

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

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

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

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

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

Gains and losses on disposal of property, 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.

Notes to Financial Statements (continued)

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. 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 as 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.

(iii) Impairment of financial assets (continued)

Assets carried at amortised cost (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.

Receivables are derecognised when the rights to receive cash flows from financial assets has expired or where the Group 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.

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 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.

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(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

Fair value of property

The Group revalues its property in accordance with the accounting policy stated in Note 2(f).

Income taxes

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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. 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.
- the recoverability of deferred tax assets

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 2017, if the Kenya Shilling had weakened/strengthened by 5% against the US Dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 4,387,252 (2016: 5,355,969) higher/lower, mainly as a result of US dollar receivables, payables and bank balances.

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2017 (2016: nil).

(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 2017, an increase/decrease of 10% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 54,258,579 (2016: Shs 33,883,908).

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. 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 third party and related party receivables disclosed in Note 22 excluding prepayments and cash at bank.
Related party and other receivables are neither past due nor impaired. The Group's bankers are reputable and sound financial institutions.

Notes to Financial Statements (continued)

4 Financial risk management (continued)

(iii) Cash flow and fair value interest rate risk (continued)

Credit risk (continued)

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	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Past due but not impaired:				
- by 31 to 60 days	101,268	107,827	-	-
- by 61 to 90 days	109,618	61,715	-	-
- by over 90 days	118,155	133,613	-	-
Total past due but not impaired	329,041	303,155	-	-
Impaired and fully provided for	37,825	98,035	-	-

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	Total Shs'000
At 31 December 2017:					
- borrowings	929,420	905,340	2,568,662	876,665	5,280,087
- trade and other payables	1,796,277	-	-	-	1,796,277
	2,725,697	905,340	2,568,662	876,665	7,076,364
At 31 December 2016:					
- borrowings	515,620	740,129	1,368,083	1,079,349	3,703,181
- trade and other payables	1,534,800	-	-	-	1,534,800
	2,050,420	740,129	1,368,083	1,079,349	5,237,981
(b) Company					
At 31 December 2017:					
- trade and other payables	4,209	-	-	-	4,209
At 31 December 2016:					
- trade and other payables	2,077	-	-	-	2,077

Notes to Financial Statements (continued)

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 2017 the Group's strategy, which was unchanged from 2016, was to maintain a gearing ratio below 40%. The gearing ratios at 31 December 2017 and 2016 as follows:

	2017 Shs'000	2016 Shs'000
Total borrowings (Note 14)	4,476,835	3,703,181
Less: cash and bank balances (Note 23)	(674,409)	(1,451,623)
Net debt	3,802,426	2,251,558
Total equity	9,164,617	9,367,517
Total capital	12,967,043	11,619,075
Gearing ratio	29%	19%

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.

5 Segment information (continued)

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2017 is as follows:

	Kenya Hotels and lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotel Shs '000	All other segments Shs '000	Total Shs '000
Revenue	2,558,929	2,083,152	1,691,748	336,084	6,669,913
Less inter segmental sales	-	-	-	(261,707)	(261,707)
Net revenue from third parties	2,558,929	2,083,152	1,691,748	74,377	6,408,206
EBITDA	(68,487)	469,010	418,780	12,222	831,525
Depreciation and amortisation	(179,207)	(132,366)	(91,929)	(2,994)	(406,496)
Income tax expense	98,811	(122,370)	(105,214)	(12,510)	(141,282)
Share of loss from associate	(7,917)	-	-	(21,443)	(29,360)
Investment in associate	(2,235)	-	-	974,845	972,610
Additions to non-current assets	1,222,922	84,339	589,843	1,936	1,899,040
Total assets	8,883,394	3,596,439	3,381,835	1,625,155	17,486,823
Goodwill	324,643	683,218	266,293	-	1,274,154

The segment information for the year ended 31 December 2016 is as follows:

	Kenya Hotels and Lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotels Shs '000	All other segments Shs '000	Total Restated Shs '000
Revenue	2,915,699	1,850,260	1,631,399	318,318	6,729,612
Less inter segmental sales	-	-	-	(246,873)	(246,873)
Net revenue from third parties	2,915,699	1,850,260	1,631,399	71,445	6,468,803
EBITDA	242,156	327,276	414,725	(10,670)	973,487
Depreciation and amortisation	(210,914)	(182,275)	(142,048)	(3,100)	(538,333)
Income tax expense	25,971	(87,866)	(123,426)	(10,652)	(195,973)
Share of (loss)/ profit from associate	(9,329)	-	-	10,434	1,105
Investment in associate	5,684	-	-	996,288	1,001,972
Additions to non-current assets	182,488	95,596	275,621	9,641	563,346
Total assets	6,388,405	4,351,165	3,553,508	2,679,884	16,972,962
Goodwill	324,643	683,218	266,293	-	1,274,154

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

Notes to Financial Statements (continued)

5. Segment information (continued)

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2017 Shs'000	2016 Restated Shs'000
EBITDA	831,525	973,487
Depreciation and amortisation (Note 17a)	(406,496)	(538,333)
Share of (loss)/profit from associates (Note 20)	(29,360)	1,105
Finance costs – net (Note 8)	(134,922)	(121,111)
Profit before tax	260,747	315,148

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

6. Profit before tax

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

	Group	
	2017 Shs'000	2016 Shs'000
Profit on disposal of property, plant and equipment	(2,505)	(5,218)
Net finance costs (Note 8)	134,922	121,111
Receivables – provision for impairment losses (Note 22)	14,693	(54,214)
Auditors' remuneration (Company: 2017: Shs 2,891,929 (2016: Shs 2,754,218))	17,512	19,766
Employee benefit expense (Note 7)	2,133,614	2,048,130
Repairs and maintenance of property and equipment	341,333	223,888
Goodwill impairment (Note 17b)	-	50,000

7. Employee benefits expense

	2017 Shs'000	2016 Shs'000
Salaries, wages and other staff costs	2,003,025	1,904,734
Retirement benefits costs:		
- Defined benefit scheme (Note 16)	-	34,983
- Defined contribution scheme	49,487	34,981
- National Social Security Fund	81,102	73,432
	2,133,614	2,048,130
Average number of employees	2,817	2,845

Notes to Financial Statements (continued)

8. Finance income and costs

	Group	
	2017 Shs'000	2016 Shs'000
Interest income:		
- Fixed and call deposits	10,519	10,876
- Staff loans	867	567
Net foreign currency exchange gain on borrowings	3,039	51,558
Finance income	14,425	63,001
Interest expense:		
Interest expense on borrowings	(149,347)	(184,112)
Net finance costs	(134,922)	(121,111)

9. Income tax expense

	2017 Shs'000	2016 Shs'000
Current income tax	233,960	159,317
Deferred income tax (Note 15)	(92,678)	36,656
Income tax expense	141,282	195,973

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	
	2017 Shs'000	2016 Shs'000
Profit before income tax	260,747	315,148
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2016 : 30%)	78,224	94,544
Tax effect of:		
Income not subject to tax	6,433	331
Expenses not deductible for tax purposes	25,160	42,790
Unrecognised deferred tax asset	4,501	31,938
Under provision of deferred income tax in prior year	26,964	26,370
Income tax expense	141,282	195,973

Notes to Financial Statements (continued)

10. 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.

	2017 Shs'000	2016 Restated Shs'000
Profit attributable to equity holders of the Company (Shs 000s)	65,209	88,150
Weighted average number of ordinary shares in issue (thousands)	182,174	182,174
Basic earnings per share (Shs)	0.36	0.48

There were no potentially dilutive shares outstanding at 31 December 2017 or 2016. Diluted earnings per share are therefore the same as basic earnings per share.

11. 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 2017 were 182,174,108 shares (2016: 182,174,108 shares). A dividend in respect of qualifying shares for the year ended 31 December 2017 of Shs 0.35 per share (2016: Shs 0.35) amounting to Shs 63,760,938 (2016: Shs 63,760,938) 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.

12. Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 2016 , 31 December 2016 and 31 December 2017	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 (2016: 182,174,108) shares are issued at a par value of Shs 1.00 per share and are fully paid.

13. Revaluation reserve

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

14. Borrowings

	Group		Company	
The borrowings are made up as follows:	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Non-current				
Borrowings	3,819,715	3,187,561	-	-
Current				
Bank overdraft	62,360	25,732	-	-
Bank borrowings	594,490	489,888	-	-
	657,120	515,620	-	-
Total borrowings	4,476,835	3,703,181	-	-

14. Borrowings (continued)

The borrowings comprise secured liabilities (bank borrowings and overdraft) in a total amount of Shs 4,476,835,000 (2016: Shs 3,703,181,000). The PROPARCO loan is Shs. 2,757,984,000 (2016: Shs 2,034,884,000).

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 Plc for Tourism Promotion Services (Kenya) Limited in addition to a floating debenture over all assets of Tourism Promotion Services (Kenya) Limited, Tourism Promotion Services (Tanzania) Limited and Tourism Promotion Services (Zanzibar) Limited. The PROPARCO loan is guaranteed by TPS Eastern Africa Plc, the parent Company.

	Group	
The effective interest rates at the year-end were as follows:	2017 Shs'000	2016 Shs'000
Kenya		
- bank borrowings : Kenya Shillings	12.95%	13.37%
- related party borrowings : US Dollars	4.75%	4.75%
Tanzania		
- bank overdrafts: US Dollars (3.25% above 3-month LIBOR)	4.25%	4.25%
- bank borrowings: Tanzania Shillings	-	12.50%
Zanzibar		
- bank overdrafts and bank borrowings: Tanzania Shillings	12.50%	12.50%
Uganda		
- bank overdraft : US Dollars	4.00%	4.00%
- related party borrowings : US Dollars	4.75%	4.75%

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.

Borrowings in respective currencies were as follows:

	Group	
	2017 Shs'000	2016 Shs'000
US Dollars	3,448,752	2,823,514
Kenya Shillings	1,028,083	873,360
Tanzania Shillings	-	6,307
	4,476,835	3,703,181

15. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2016: 30%). The movement on the deferred income tax account is as follows:

Year ended 31 December 2016	Deferred tax liability Shs'000	Deferred tax asset Shs'000	Total Shs'000
At start of year	1,907,410	(189,982)	1,717,428
Prior year adjustment	-	187,280	187,280
Restated	1,907,410	(2,702)	1,904,708
Charge / (credit) to profit or loss (Note 9)	37,072	(416)	36,656
Charge to other comprehensive income	213,140	2,354	215,494
At end of year	2,157,622	(764)	2,156,858
Year ended 31 December 2017			
At start of year	2,157,622	(764)	2,156,858
(Credit) / charge to profit or loss (Note 9)	(92,755)	77	(92,678)
Charge to other comprehensive income	(36,857)	(144)	(37,001)
At end of year	2,028,010	(831)	2,027,179

Year ended 31 December 2017	1.1.2017 Shs'000	Charge/ (credit) to profit or loss Shs'000	Charged/ (credit) to equity Shs'000	31.12.2017 Shs'000
Deferred income tax liabilities				
Property and equipment				
- on historical cost	1,367,605	48,102	-	1,415,707
- on revaluation surplus	1,054,620	(20,200)	2,715	1,037,135
Unrealised exchange gains	129,938	(11,591)	-	118,347
Other deductible temporary differences	(108,114)	40,560	-	(67,554)
Currency translation difference	(59,539)	-	(39,716)	(99,255)
	2,384,510	56,871	(37,001)	2,404,380
Deferred income tax assets				
Tax losses carried forward	(221,915)	(155,881)	-	(377,796)
Provisions	(5,737)	6,332	-	595
	(227,652)	(149,549)	-	(377,201)
Net deferred income tax liability	2,156,858	(92,678)	(37,001)	2,027,179

Notes to Financial Statements (continued)

15. Deferred income tax (continued)

Year ended 31 December 2016	1.1.2016 Restated Shs'000	Charge/ (credit) to income statement Shs'000	Charge/ (credit) to OCI Shs'000	31.12.2016 Shs'000
Deferred income tax liabilities				
Property and equipment				
- on historical cost	1,360,376	7,229	-	1,367,605
- on revaluation surplus	822,162	-	232,458	1,054,620
Unrealised exchange gains	117,029	12,909	-	129,938
Other deductible temporary differences	(66,911)	(41,203)	-	(108,114)
Currency translation difference	(42,575)	-	(16,964)	(59,539)
	2,190,081	(21,065)	215,494	2,384,510
Deferred income tax assets				
Tax losses carried forward	(458,003)	48,808	-	(409,195)
Prior year adjustment	187,280	-	-	187,280
Restated tax losses carried forward	(270,723)	48,808	-	(221,915)
Provisions	(14,650)	8,913	-	(5,737)
	(285,373)	57,721	-	(227,652)
Net deferred income tax liability	1,904,708	36,656	215,494	2,156,858

16. 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	
	2017 Shs'000	2016 Shs'000
At start of year	21,891	20,496
Charge to income statement (Note 7)	-	34,983
Benefits paid to pension scheme	(807)	(33,588)
At end of year	21,084	21,891

The principal actuarial assumptions used were as follows:

	2017 Shs'000	2016 Shs'000
- discount rate	18.9%	18.9%
- 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 2016 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 Kenyan Company ceased operating the unfunded gratuity scheme and set up a pension scheme in 2015.

17a. Property and equipment - Group

	Land & buildings Shs'000	Operating equipment Shs'000	Vehical & equipments Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2016					
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
Year ended 31 December 2016					
Opening net book amount	9,024,161	1,419,524	48,440	484,084	10,976,209
Additions	35,649	154,657	19,459	353,581	563,346
Disposals	(5,138)	(3,461)	-	(960)	(9,559)
Transfers	-	8,973	44	(9,017)	-
Depreciation charge	(219,246)	(245,162)	(23,925)	-	(488,333)
Revaluation	284,661	-	-	-	284,661
Translation differences	(133,950)	(17,000)	(238)	(18,871)	(170,059)
Closing net book amount	8,986,137	1,317,531	43,780	808,817	11,156,265
At 31 December 2016					
At cost or revaluation	12,837,227	3,799,524	357,562	838,097	17,832,410
Accumulated depreciation	(2,646,040)	(2,364,531)	(287,115)	-	(5,297,686)
Translation differences	(1,205,050)	(117,462)	(26,667)	(29,280)	(1,378,459)
Net book amount	8,986,137	1,317,531	43,780	808,817	11,156,265

Notes to Financial Statements (continued)

17a. Property and equipment – Group (continued)

	Land & buildings Shs'000	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2017					
At cost or revaluation	12,837,227	3,799,524	357,562	838,097	17,832,410
Accumulated depreciation	(2,646,040)	(2,364,531)	(287,115)	-	(5,297,686)
Translation differences	(1,205,050)	(117,462)	(26,667)	(29,280)	(1,378,459)
Net book amount	8,986,137	1,317,531	43,780	808,817	11,156,265
Year ended 31 December 2017					
Opening net book amount	8,986,137	1,317,531	43,780	808,817	11,156,265
Additions	15,353	230,171	-	1,653,516	1,899,040
Disposals	-	(528)	-	-	(528)
Transfers	30,044	-	-	(30,044)	-
Depreciation charge	(216,924)	(172,389)	(17,183)	-	(406,496)
Depreciation on disposal	-	1,670	-	-	1,670
Translation differences	(47,793)	(7,383)	(357)	(1,849)	(57,382)
Closing net book amount	8,766,817	1,369,072	26,240	2,430,440	12,592,569
At 31 December 2017					
At cost or revaluation	12,882,624	4,029,167	357,562	2,461,569	19,730,922
Accumulated depreciation	(2,862,964)	(2,535,250)	(304,298)	-	(5,702,512)
Translation differences	(1,252,843)	(124,845)	(27,024)	(31,129)	(1,435,841)
Net book amount	8,766,817	1,369,072	26,240	2,430,440	12,592,569

In the opinion of the directors, there is no impairment of property and equipment. Land and buildings for Tourism Promotion Services (Kenya) Limited, Jaja Limited, TPS (OP) Limited and TPS (Uganda) Limited were revalued on 31 December 2016 by independent professional valuers C.P. Robertson-Dunn while Tourism Promotion Services (Tanzania) Limited, Tourism Promotion Services (Zanzibar) Limited and Upekee Lodges Limited were revalued by H & R Consultancy Limited in Tanzania.

Notes to Financial Statements (continued)

17a. Property and equipment – Group (continued)

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

If the buildings, freehold and leasehold land were stated on the historical cost basis (adjusted for translation differences), the amounts would be as follows:

	Group	
	2017 Shs'000	2016 Shs'000
Cost	5,519,661	5,489,617
Accumulated depreciation	(1,644,205)	(1,614,292)
Net book amount	3,875,456	3,875,325
17b. Depreciation and goodwill impairment		
Depreciation (Note 17a)	406,496	488,333
Goodwill impairment (Note 18)	-	50,000
Closing accumulated impairment	406,496	538,333

18. Intangible assets - Goodwill

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

Year ended 31 December 2017	Kenya Shs'000	Tanzania Shs'000	Zanzibar Shs'000	Mangapwani Shs'000	Uganda Shs'000	Total Shs'000
At start of year	324,643	576,345	104,671	2,202	266,293	1,274,154
Impairment charge through profit or loss	-	-	-	-	-	-
At end of year	324,643	576,345	104,671	2,202	266,293	1,274,154

Year ended 31 December 2016	Kenya Shs'000	Tanzania Shs'000	Zanzibar Shs'000	Mangapwani Shs'000	Uganda Shs'000	Total Shs'000
At start of year	324,643	576,345	154,671	2,202	266,293	1,324,154
Impairment charge through profit or loss	-	-	(50,000)	-	-	(50,000)
At end of year	324,643	576,345	104,671	2,202	266,293	1,274,154

The directors monitor goodwill impairment at the level of the acquired entity, being the cash generating unit (CGU). The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period.

18. Intangible assets - Goodwill (continued)

Management has determined the values assigned to each of the key assumptions used as follows:

Assumption	Approach used to determine values:
Room occupancy rates	Average room occupancy rate over the five-year forecast period; based on past performance and management expectations of market development.
Room rates	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term country inflation forecast.
Budgeted average gross margin	Based on past performance and management expectations of the future.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, the planned refurbishment, or sustaining expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is based on long term growth rate forecasts for the industry and Country.
Pre-tax discount rate	Based on specific risks relating to the industry and country. Factors considered for the industry include regulatory environment, market competition, and barriers to entry.

Tourism Promotion Services (Kenya) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2017 by Shs 849 million.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher / lower than the management estimates at 31 December 2017 with all other assumptions in the table above unchanged, the head room would have increased / decreased by Shs 70 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the headroom would have decreased by Shs 537 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the headroom would have increased by Shs 664 million.

TPS (Uganda) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2017 by Shs 4,565 million.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher / lower than the management estimates at 31 December 2017 with all other assumptions in the table above unchanged, the head room would have increased / decreased by Shs 76 million.

The 1% change in forecast EBITDA margins represents a reasonably possible reduction in sales prices and / or increase in production and other costs over the 5 year forecast period which would yield the same average EBITDA margin as achieved on average over the last 4 years to 31 December 2017.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the headroom would have decreased by Shs 657 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the headroom would have increased by Shs 821 million.

18. Intangible assets - Goodwill (continued)

Tourism Promotion Services (Tanzania) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2017 by Shs 2,240 million.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher / lower than the management estimates at 31 December 2017 with all other assumptions in the table above unchanged, the head room would have increased / decreased by Shs 46 million.

The 1% change in forecast EBITDA margins represents a reasonably possible reduction in sales prices and / or increase in production and other costs over the 5 year forecast period which would yield the same average EBITDA margin as achieved on average over the last 4 years to 31 December 2017.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the headroom would have decreased by Shs 374 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the headroom would have increased by Shs 467 million.

Tourism Promotion Services (Zanzibar) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2017 by Shs 357 million.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher / lower than the management estimates at 31 December 2017 with all other assumptions in the table above unchanged, the headroom would have increased / decreased by Shs 6 million.

The 1% change in forecast EBITDA margins represents a reasonably possible reduction in sales prices and / or increase in production and other costs over the 5 year forecast period which would yield the same average EBITDA margin as achieved on average over the last 4 years to 31 December 2017.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the headroom would have decreased by Shs 59 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the headroom would have increased by Shs 47 million.

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

	Tanzania	Zanzibar	Uganda	Kenya
Budgeted average EBITDA margin (%)	16%	18%	27%	19%
Long term growth rate (%)	6%	6%	6%	6%
Pre-tax discount rate (%)	16%	15%	15%	15.5%
Regular CAPEX	4%	4%	4%	4%

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount to exceed its recoverable amount.

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.

19. Investment in subsidiaries (at cost)

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

	TPS(K) Shs'000	TPS(T) Shs'000	TPS(Z) Shs'000	TPS(Mgp) Shs'000	TPS(SA) Shs'000	TPS(M) Shs'000	TPS(U) Shs'000	Total Shs'000
At 1 January 2016 , 31 December 2016 and 31 December 2017	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 – 2016 and 2017	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	65.19%	

Other indirect subsidiaries include Jaja Limited, which owns Lake Elmentaita 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 which owns two properties; Serena Mivumo River Lodge and Selous Serena Camp situated in the Selous Game Reserve in Southern Tanzania. Tourism Promotion Services (Tanzania) Limited, a 100% subsidiary of the TPS Eastern Africa Plc, held 51% equity in Upekee Lodges Limited (ULL) while 49% was owned by Export Holdings Limited (EHL). During the year TPS (T) acquired 40% non –controlling interest in ULL Following the corporate restructuring and acquisition of 49% non-controlling shareholding in ULL on 31 October 2017, the assets and liabilities of ULL were transferred to TPS (T) on 31 December 2017.

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	Profit/ (loss) Shs'000
2017					
Upekee Lodges Limited	100	-	-	66,899	115,287
TPS (Uganda) Limited	65	3,544,387	1,392,783	1,691,748	256,248

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000
2016					
Upekee Lodges Limited	51	702,028	632,007	59,749	(108,337)
TPS (Uganda) Limited	65	3,553,508	1,580,623	1,631,399	241,626

20. Investment in associates

Group	2017 Shs'000	2016 Shs'000
At start of the year	1,001,972	1,000,867
Share of associate results before tax	(31,095)	12,874
Share of tax	1,735	(11,769)
Net share of results after tax	(29,360)	1,105
At end of year	972,612	1,001,972
Company		
At start and end of year	840,330	840,330

The Company holds 25.1% interest in TPS (D) Limited, a Kenyan domiciled entity (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 which owns the Tanzanian operating company, Tanruss Investments Limited, the owner of Dar es Salaam Serena Hotel. Other shareholders in TPS (D) Limited include related parties: The Aga Khan Fund for Economic Development, S.A, PDM Holdings Limited, PROPARCO; and NORFUND.

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

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

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000
2017					
Mountain Lodges Limited	29.90	133,325	154,395	47,834	(26,477)
Tourism Promotion Services (Rwanda) Limited	20.15	1,976,701	616,249	1,023,942	(102,028)
TPS (D) Limited	25.10	3,994,451	1,589,481	1,111,921	(3,522)
		6,104,477	2,360,125	2,183,697	(132,027)
2016					
Mountain Lodges Limited	29.90	142,143	136,736	41,726	(31,201)
Tourism Promotion Services (Rwanda) Limited	20.15	2,145,348	593,697	1,412,362	79,905
TPS (D) Limited	25.10	3,638,010	1,553,581	1,094,612	(22,855)
		5,925,501	2,284,014	2,548,700	25,849

Notes to Financial Statements (continued)

21. Inventory

	Group		Company	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Food, beverage and consumables	226,197	245,927	-	-
Other stock	273,624	244,958	-	-
	499,821	490,885	-	-

22. Receivables and prepayments

	Group		Company	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Trade receivables – third parties	728,727	796,321	-	-
Less: provision for impairment of receivables	(37,825)	(98,035)	-	-
Trade receivables from related companies (Note 27(v))	5,007	1,623	-	-
Net trade receivables	695,909	699,909	-	-
Prepayments	92,068	120,040	11,629	13,164
Advances to related companies (Note 27(v))	404,981	288,202	416,185	412,994
Other receivables	139,453	50,595	4,167	4,167
	1,332,411	1,158,746	431,981	430,325

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

	Group		Company	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
At start of year	98,035	152,249	-	-
Receivables written off during the year	(74,904)	-	-	-
Provision in the year	17,455	41,313	-	-
Unused amounts reversed	(2,761)	(95,527	-	-
At end of year	37,825	98,035	-	-

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	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Kenya Shillings	505,155	339,033	431,981	430,325
US Dollar	517,583	395,243	-	-
Tanzania Shillings	157,051	225,446	-	-
Uganda Shillings	149,716	197,334	-	-
Euro	1,715	1,222	-	-
Sterling Pound	1,191	468	-	-
	1,332,411	1,158,746	431,981	430,325

23. Cash and cash equivalents

	Group		Company	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Cash at bank and in hand	674,409	1,451,623	10,553	961

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

	Group	
	2017 Shs'000	2016 Shs'000
Cash and bank balances as above	674,409	1,451,623
Bank overdrafts (Note 14)	(62,630)	(25,732)
	611,779	1,425,891

24. Payables and accrued expenses

	Group		Company	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Trade payables	967,389	742,599	-	-
Trade payables to related parties (Note 27(v))	5,088	6,356	-	-
Advances from related parties (Note 27(v))	127,535	208,023	-	-
Accrued expenses and other payables	696,265	577,822	4,209	2,077
	1,796,277	1,534,800	4,209	2,077

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

25. Cash generated from operations

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

	Group	
	2017 Shs'000	2016 Shs'000
Profit before income tax	260,747	315,148
Adjustments for:		
Interest expense (Note 8)	149,347	184,111
Interest income (Note 8)	(11,386)	(11,443)
Depreciation and amortisation (Note 17b)	406,496	538,333
Profit on sale of property, plant and equipment	(2,505)	(5,218)
Share of loss / (profit) from associates (Note 20)	29,360	(1,105)
Changes in working capital		
- receivables and prepayments	(173,665)	22,021
- inventories	(8,936)	(39,561)
- payables and accrued expenses	261,477	(90,607)
- provisions for liabilities and charges	(808)	1,395
Cash generated from operations	910,127	913,074

26. Non-controlling interest

	2017 Shs'000	2016 Restated Shs'000	2015 Restated Shs'000
At start of the year	1,004,048	1,121,942	1,007,922
Prior year adjustment to write off deferred tax asset	-	(91,767)	(91,767)
At start of the year -restated	1,004,048	1,030,175	916,155
Share of profit for the year	54,256	31,025	15,958
Share of revaluation surplus	-	-	140,088
Share of deferred tax on revaluation	-	(57,152)	(42,026)
Acquisition of EHL shareholding in ULL	(309,329)	-	-
At end of year	748,975	1,004,048	1,030,175

Tourism Promotion Services (Tanzania) Limited, a 100% subsidiary of the TPS Eastern Africa Plc, held 51% equity in Upekee Lodges Limited (ULL) while 49% was owned by Export Holdings Limited (EHL). 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.

During the year the Directors undertook a strategic review of ULL's business given several years of underperformance. Discussions between shareholders involved assessing and evaluating sustainable business model options for turnaround. Consequently, directors representing the majority shareholder, TPS (T), expressed their desire to purchase the 49% Non-Controlling Interest (NCI).

Notes to Financial Statements (continued)

Following amicable negotiations, on 31st October 2017, NCI shareholders unanimously agreed to sell their 49% shareholding and the transaction concluded on 31 December 2017. This demonstrated the Group's strategic intent to integrate the Selous operations within their flagship Northern Tanzanian circuit and attain 100% control of the ex-ULL business.

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

27. Related party transactions

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

The following transactions were carried out with related parties:

	Group	
i) Sale of goods and services to:	**2017 Shs'000**	**2016 Shs'000**
Mountain Lodges Limited	2,356	2,618
Diamond Trust Bank Kenya Limited	2,955	3,175
The Jubilee Insurance Company of Kenya Limited	5,778	4,913
Tourism Promotion Services (Rwanda) Limited	42,101	35,440
Hoteis Polana, S.A.	28,207	23,512
Nation Media Group	4,542	7,384
Industrial Promotion Services (Kenya) Limited	1,308	1,153
The Jubilee Insurance Company of Uganda Limited	2,403	1,545
Diamond Trust Bank of Uganda Limited	3,033	3,506
Tanruss Investment Limited	86,066	108,295
African Broadcasting (Uganda) Limited	21,203	21,510
Monitor Publication Limited	3,097	4,953
Frigoken Limited	-	479
Aga Khan Health Services	70	-
Aga Khan University Hospital (Kenya & Uganda)	396	-
	203,515	218,483

ii) Purchase of goods and services from:	2017 Shs'000	2016 Shs'000
Farmer's Choice Limited	66,572	39,069
The Aga Khan Hospital (Tanzania) Limited	1,689	2,063
Diamond Trust Bank Tanzania Limited	3,046	3,869
Serena Tourism Promotion Services, S.A.	138,989	76,674
Nation Media Group	-	1,828
The Jubilee Insurance Company (Tanzania) Limited	2,199	49
The Jubilee Insurance Company of Uganda Limited	33,857	27,048
Monitor Publication Limited	3,655	3,754
	250,007	154,354

iii) Key management compensation	2017 Shs'000	2016 Shs'000
Salaries and other short-term employment benefits	181,229	168,847
iv) Directors' remuneration		
Fees for services as a non-executive director	1,338	1,695
Emoluments to executive directors (included in key management compensation above)	84,929	73,364
Total remuneration of directors of the Company and Group	86,267	75,059

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

	Group	
Trade receivables from related parties	2017 Shs'000	2016 Shs'000
Industrial Promotion Services (Kenya) Limited	-	496
Nation Media Group	4,541	-
The Jubilee Insurance Company of Uganda Limited	-	93
Aga Khan Health Services	70	-
Aga Khan University Hospital (Kenya & Uganda)	396	-
African Broadcasting Services	-	368
Monitor Publications	-	516
PDM(U) Diamond Trust Properties Limited	-	149
	5,007	1,623

Notes to Financial Statements (continued)

Advances to related parties	2017 Shs'000	2016 Shs'000
Mountain Lodges Limited	115,530	103,732
Hoteis Polana, S.A.	91,834	49,034
Tourism Promotion Services (Rwanda) Limited	55,550	33,289
Pearl Development Group Limited	32,464	40,011
Tanruss Investment Limited	108,160	60,897
TPS (Cayman) Limited	1,443	1,239
	404,981	288,202
	409,988	289,825

	Company	
Other receivables from related parties		
Tourism Promotion Services (Kenya) Limited	239,716	274,043
Tourism Promotion Services (Tanzania) Limited	143,062	103,698
Tourism Promotion Services (Zanzibar) Limited	-	865
Tourism Promotion Services (Rwanda) Limited	5,935	5,791
TPS (D) Limited	-	4,059
Tourism Promotion Services (Management) Limited	5,108	5,108
Tanruss Investment Limited	22,364	19,427
	416,185	412,991
Trade payables to related parties		
Farmer's Choice Limited	5,088	5,201
Diamond Trust Bank (U) Limited	-	7
Monitor Publications	-	1,148
	5,088	6,356

Other payables to related parties	2017 Shs'000	2016 Shs'000
Mountain Lodges Limited	215	-
Hoteis Polana, S.A.	3,852	533
Tourism Promotion Services (Rwanda) Limited	9,199	7,897
Tanruss Investment Limited	33,202	19,827
Pearl Development Group Limited	904	2,669
Serena Tourism Promotion Services, S.A.	80,163	32,892
Aga Khan Fund for Economic Development	-	144,205
	127,535	208,023
	132,623	214,379

vi) Guarantees

TPS Eastern Africa Plc has provided corporate guarantees to the lenders of Tanruss Investment Limited, the owner of Dar es Salaam Serena Hotel, for an amount of Shs 651,300,000 (2016: 651,300,000) which was obtained to settle loans to the previous owners and to fund capital expenditure.

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

vii) Loans from related party

The Company has long term borrowing from Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO) of Shs 2,757,984,000 (2016; Shs 2,034,884,000) as disclosed in Note 14.

28. Contingent liabilities

At 31 December 2017, Tourism Promotion Services (Kenya) Limited had given guarantees amounting to Shs 7,800,000 (2016: 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 the directors is that no additional liabilities will arise from these matters.

29. Commitments

Capital commitments

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

	Group	
	2017 Shs'000	2016 Shs'000
Property and equipment	1,176,026	366,058

Operating lease commitments

	Group	
	2017 Shs'000	2016 Shs'000
Not later than 1 year	18,635	17,991
Later than 1 year and not later than 5 years	36,911	35,572
Later than 5 years	133,127	141,123
	188,673	194,686

30. Prior year adjustments

(i) De-recognition of deferred tax asset

The adjustment relates to reversal of a deferred tax asset balance of Shs 187,280,000 recognised by Upekee Lodges Limited (ULL). The prior year adjustment was necessitated by errors in the inputs into the formulae in the ULL impairment model as well as in the computation of projected taxable profits for ULL.

ii) Foreign withholding tax asset balances

In 2016, there was a change in South Africa Income Tax legislation disallowing carry forward of foreign withholding tax assets, which in the past, would be offset against taxes payable on income derived from foreign sources.

A withholding tax asset should have been written off in 2016 following this change. This has been done in 2017 as a prior period adjustment.

The prior period adjustments have been processed as follows:

Consolidated statement of financial position

Deferred income tax	2016 Shs'000	2015 Shs'000
As previously reported	188,044	189,982
De-recognition of deferred income tax asset (i)	(187,280)	(187,280)
As restated	764	2,702
Retained earnings		
As previously reported	2,366,122	2,309,434
De-recognition of deferred income tax asset (i)	(95,513)	(95,513)
Write-off of foreign withholding tax asset balances (ii)	(10,153)	-
As restated	2,260,456	2,213,921

Notes to Financial Statements (continued)

30. Prior year adjustments (continued)

The prior period adjustments have been processed as follows:

Consolidated statement of financial position

	2016 Shs'000	2015 Shs'000
Minority interest		
As previously reported	1,095,815	1,121,942
De-recognition of deferred income tax asset (i)	(91,767)	(91,767)
As restated	1,004,048	1,030,175

Current income tax receivable

	2016 Shs'000
As previously reported	261,426
Withholding tax expense (ii)	(10,824)
As restated	250,602
Translation reserve	
As previously reported	1,069,084
Withholding tax expense (ii)	671
As restated	1,069,755
Statement of profit or loss and other comprehensive income	
Other operating expense	
As previously reported	2,592,656
Withholding tax expense (ii)	10,153
As restated	2,602,809

Notes

Notes

Proxy

TPS EASTERN AFRICA PLC

I/We____

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

of ____________________ and failing him, ____________________

of ____________________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday 26th June 2018 at 11:00 a.m. and at any adjournment thereof.

No. of shares held: ____________________ Account number:____________________

Signed this____________________day of____________________2018

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 22th June, 2018 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 26 2018 kuanzia saa tano au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ____________________ nambari ya akaunti

Imetiwa sahihi ____________________ Tarehe____________________2018

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 22 2018 saa tano asubuhi.
3) Si lazima kwa mtu aliyeteuliwa kama wakala kuwa mwanachama wa kampuni
4) Endapo mwanachama atakuwa kampuni/shirika, fomu hii ya uwakilishi LAZIMA ijazwe na kupigwa mhuri wake rasmi na afisa au kutiwa sahihi na wakili aliyeruhusiwa kwa njia ya kuandika.
5) Endapo umiliki utakuwa wa pamoja, sahihi ya mmoja wao itatosha lakini majina ya wamiliki wote yaonyeshwe.

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

FOLD 1 / KUNJA 1

Please afix
Stamp
here

Bandika
Stampu Hapa

IMAGE REGISTRARS

5th Floor (Orofa ya Tano), 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