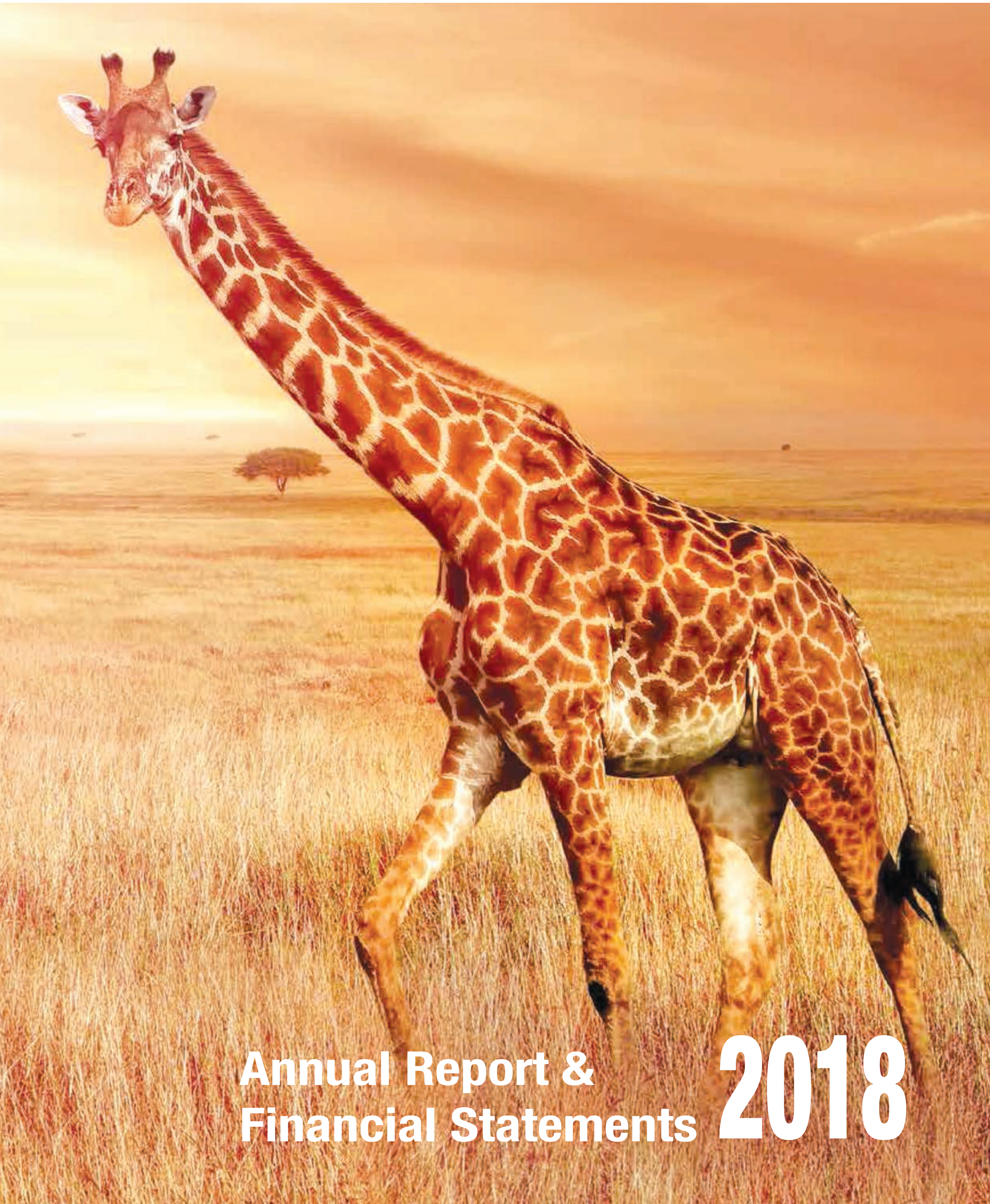
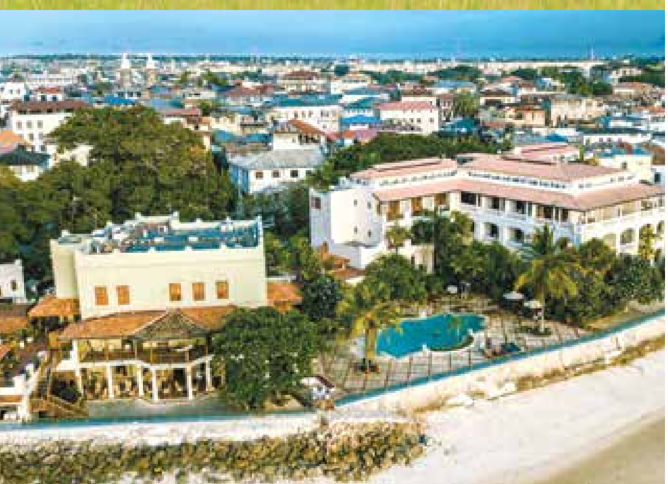
TPS EASTERN AFRICA PLC

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS



Annual Report & Financial Statements 2018



Content

Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Nooren Hirjani**	(Chief Financial Officer)
Ameer Kassim-Lakha	
Jean-Louis Vinciguerra*	
Guedi Ainache*	
Ashish Sharma*	(Alternate to Jean-Louis Vinciguerra)
Mahmood Pyarali Manji	
Teddy Hollo Mapunda***(Mrs)	
Damien Braud*	(Resigned 12.11.2018)
Jean-Benoit Du Chalard	(Appointed 12.11.2018)

BOARD AUDIT COMMITTEE

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

BOARD NOMINATION AND REMUNERATION COMMITTEE

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

*French **British ***Tanzanian

COMPANY SECRETARY

Dominic K. Ng'ang'a

Directors and Administration

PRINCIPAL OFFICERS

Catherine Waruhiu (Mrs)	Director of Human Resources E.A.
Christopher Karuru	Group Chief Accountant
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)	Business Planning & Analysis Manager

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

Daniel Kangu	General Manager	- Nairobi Serena Hotel
Herman Mwasaghua	Ag. General Manager	- Serena Beach Resort and Spa, Mombasa
Kathurima Mburugu	Manager	- Amboseli Serena Safari Lodge
Alphaxard Chege	Manager	- Mara Serena Safari Lodge
Henrietta Mwangola (Mrs)	Manager	- Sweetwaters Serena Camp and Ol Pejeta House
Amos Odoyo	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
Lameck Kimaru	Manager	- Lake Manyara Serena Safari Lodge
Vincent Matei	Manager	- Serengeti Serena Safari Lodge
Nickson Kanyika	Manager	- Ngorongoro Serena Safari Lodge
Dismas Simba	Manager	- Arusha Serena Hotel
Simon Magaigwa	Manager	- Mbuzi Mawe Serena Camp
Ayub Msoffe	Manager	- Serena Mivumo River Lodge and Selous Serena Camp

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

Wilfred Shirima	General Manager	- Zanzibar Serena Hotel

TPS (UGANDA) LIMITED [TPS (U)]

Anthony Chege	General Manager	- Kampala Serena Hotel, Uganda

OTHER MANAGED PROPERTIES

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

Operating Associated Companies and Properties

MOUNTAIN LODGES LIMITED (30%)

Serena Mountain Lodge

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

Dar es Salaam Serena Hotel

TOURISM PROMOTION SERVICES (RWANDA) LIMITED (20%)

Kigali Serena Hotel - Rwanda

Lake Kivu Serena Hotel - Rwanda

TOURISM PROMOTION SERVICES (TANZANIA) LIMITED

Kirawira Serena Camp

Lake Manyara Serena Safari Lodge

Serengeti Serena Safari Lodge

Ngorongoro Serena Safari Lodge

Arusha Serena Hotel

Mbuzi Mawe Serena Camp

Serena Mivumo River Lodge

Selous Serena Camp

TOURISM PROMOTION SERVICES (SOUTH AFRICA) (PROPRIETARY) LIMITED

Sales and Marketing office in Johannesburg, South Africa

TPS (UGANDA) LIMITED

Kampala Serena Hotel - Uganda

OTHER PROPERTIES MANAGED BY SERENA

Lake Victoria Serena Resort - Uganda

Polana Serena Hotel - Mozambique

Game drive experience at Amboseli Serena Safari Lodge

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

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

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

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

Notice of Annual General Meeting

Notice is hereby given that the Forty Seventh Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 25th June 2019, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Forty Sixth Annual General Meeting held on 26th June 2018.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2018, together with the Directors' and Auditors' Reports thereon.
3. To approve payment of a final dividend for 2018 of KShs. 0.35 per share, subject to withholding tax, where applicable, to the Members on the Register at the close of business on 25th June 2019. Payment of the dividend to be made on or about 25th July 2019.
4. To elect Directors:
   (a) Mr. Jean-Benoit Du Chalard was appointed on 12th November, 2018 to fill a casual vacancy. He retires in accordance with Article No.110 of the Company's Articles of Association and being eligible, offers himself for re-election.
   (b Mr. Jean-Louis Vinciguerra retires by rotation in accordance with Articles No. 111, 112 & 113 of the Company's Articles of Association. Mr. Jean-Louis Vinciguerra does not offer himself for re-election.
   (c) Mr. Ameer Kassim-Lakha retire by rotation in accordance with Articles No. 111, 112 & 113 of the Company's Articles of Association. Special notices have been received by the Company pursuant to section 287 of the Companies Act 2015 and subject to section 131 of the Act that if thought fit, the following resolutions be passed:

   "That Mr. 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".

5. To approve the Directors' remuneration for 2018.
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 2018 and to authorise the Directors to fix the Auditors' remuneration for 2019.
8. To appoint the Audit Committee members which comprises Mr. Ameer Kassim-Lakha, Mr. Mahmood Manji and Mr. Guedi Ainache in accordance with section 769 (1) of the Companies Act 2015.
9. To transact any other ordinary Business of an Annual General Meeting.

By Order of the Board.

Dominic K. Ng'ang'a
COMPANY SECRETARY

Dated at Nairobi this 25 April, 2019

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 21 June 2019.

Notisi Kuhusu Mkutano Mkuu Wa Pamoja Wa Mwaka

NOTISI inatolewa hapa kwamba, Mkutano wa 47 wa pamoja wa mwaka wa Kampuni utafanyika katika Jumba la Mikutano ya Kimataifa la Kenyatta International Conference Centre jijini Nairobi mnamo Juni 25, 2019 kuanzia saa tano asubuhi ili kutekeleza maswala yafuatayo kibiashara:

ORDINARY BUSINESS

1. Kuthibitisha kumbukumbu za mkutano wa 46 wa mwaka uliofanyika Juni 26, 2018.
2. Kupokea, kuzingatia na endapo itaonekana kuwa sawa kupitisha hesabu ya pesa kwa kipindi cha mwaka uliokamilika Desemba 31, 2018 pamoja na ripoti za wakurugenzi na wakaguzi wa pesa.
3. Kupitisha malipo ya mwisho ya mgawo wa faida wa mwaka 2018 wa Kshs. 0.35 kwa kila hisa kwa kutegemea ushuru ulioshikiliwa pale inapohitajika kwa wanachama ambao majina yao yalikuwa kwenye sajili kufikia Juni 25 2019. Malipo kwa mgawo wa faida yatatolewa kabla au ifikiapo Julai 25, 2019.
4. Kuwachagua wakurugenzi:
   (a) Bw. Jean- Benoit Du Chalard aliteuliwa Novemba 12, 2018 kujaza nafasi iliyokuwa wazi. Anastaafu kwa mujibu wa kifungu nambari 110 cha sheria za kampuni na kwa kuwa anastahili anajitokeza ili kuchaguliwa tena.
   (b) Bw. Jean-Louis Vinciguerra anastaafu kwa zamu kwa mujibu wa vifungu nambari 111, 112 na 113 vya sheria za kampuni. Mr. Jean-Louis Vinciguerra hatajitokeza ili kuchaguliwa tena.
   (c) Bw. Ameer Kassim-Lakha anastaafu kwa zamu kwa mujibu wa vifungu nambari 111, 112 na 113 vya sheria za kampuni. Notisi maalumu imepokelewa na kampuni kwa mujibu wa sehemu ya 287 ya sheria za Makampuni ya mwaka 2015 na kufungamana na sehemu ya 113 ya sheria na endapo itaonekana kuwa sawa kupitisha mazimio yafuatayo:

   ‵′ Kwamba Bw. Ameer Kassim-Lakha (Mkurugenzi anayestaafu kwa zamu) ambaye amefikisha zaidi ya miaka 70 achaguliwe tena kama mkurugenzi wa kampuni′′.
5. Kupitisha marupurupu ya wakurugenzi ya kipindi cha mwaka 2018.
6. Kuteua PricewaterhouseCoopers kama wakaguzi wa pesa za Kampuni kwa mujibu wa sehemu ya 721 (2) ya sheria za makampuni ya mwaka 2015. PricewaterhouseCoopers wameonyesha nia ya kuendelea mbele na jukumu lao.
7. Kupitisha marupurupu ya wakaguzi wa pesa ya mwaka 2018 na kuwapa uhuru wakurugenzi kuweka marupurupu ya mwaka 2019.
8. Kuteua kamati ya ukaguzi wa pesa ambayo itajumuisha Bw. Ameer Kassim-Lakha, Bw. Mahmood Manji na Bw. Guedi Ainache kwa mujibu wa sehemu ya 769 (1) ya sheria za makampuni ya mwaka 2015.
9. Kutekeleza shughuli nyinginezo za kawaida za kibiashara kuhusiana na Mkutano Mkuu wa pamoja wa mwaka.

Kwa Amri ya Halmashauri.

Dominic K. Ng'ang'a
KATIBU WA KAMPUNI

Imenukuliwa Nairobi Aprili 25, 2019

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 21, 2019.

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 2018.

Following the stabilisation of Kenya's political environment in the second quarter 2018, market sentiment continues to indicate a consistent return of confidence in the tourism sector. Indeed this optimism has been prevalent beyond Kenya and extended across the East African region.

Reassuring business levels from the foreign leisure market segment was experienced across the East African Serena Safari Circuit in Kenya, Tanzania and Zanzibar from July 2018. Consequently, the Company's diversified portfolio in East Africa recorded satisfactory growth in both corporate and domestic leisure segments during the year under review.

High profile visits during 2018 such as Richard Quest (CNN International anchor and reporter) in Nairobi, Jack Ma (Alibaba Group Founder) in Nairobi and Kigali, and other influential visiting dignitaries and international profile conferences will continue to provide the positive endorsement of destination East Africa. Management therefore expects business levels on the corporate, domestic and international market segments for the Group to improve during year 2019.

The first phase of the redevelopment of Nairobi Serena Hotel was successfully completed in August 2018, leading to improved performance in the fourth quarter 2018. Completion of the new: bedrooms (half room inventory), ball room, meeting rooms, and public areas generated incremental revenues. Similarly, the new and refurbished facilities at Kampala Serena Hotel and Dar es Salaam Serena Hotel (TPS (D) - an associate of TPSEAP) that were completed in the course of 2017 have contributed positively during the year 2018. Early indications from these strategic business developments are encouraging and validate the Board's vision to reposition the Serena City Hotel brand in Nairobi, Kampala & Dar es Salaam. This progress bodes well for future market share growth in our City Hotels.

Furthermore, our brand footprint continues to strengthen with two key developments in our managed properties, namely: the successful completion of the international 18-hole Golf Course, at Lake Victoria Serena Golf Resort & Spa; and the advanced opening plan for Goma Serena Hotel, scheduled for opening in the third quarter 2019.

Despite the abrupt increase in concession fees per bed night since July 2017, the Serena Tanzania properties on the northern circuit performed well during the year 2018; continuing to command its leadership position in regional market share.

The Company continues to operate in a generally subdued global economic and business climate primarily caused by: over development of hotels and lodges in competitive locations, abrupt changes in laws and regulations adversely affecting an enabling business environment, security alerts, unexpected increases in energy and other operating costs; and material forex currency fluctuations.

Given the above challenges, the Company persistently took measures to protect and sustain shareholder value, meet its financial commitments, whilst maintaining assets in good physical condition. Furthermore, cost containment initiatives and technological advances supported efficiency measures to reduce energy, procurement and general operating costs without compromising operating standards of product and experience.

During the year under review, TPS Eastern Africa PLC achieved a turnover of KShs. 6.593 billion (2017: KShs. 6.408 billion), and profit after tax of KShs. 179.01 million, up by 49.8% (2017: KShs. 119.47 million). Taking all factors into account and given that Nairobi Serena Hotel was undergoing its redevelopment program (operating at 46% of its room inventory) with significantly reduced meeting space; the Company's performance for the year 2018 is satisfactory. Looking ahead, with full room inventory in place, future projections remain reassuring particularly once the final phase of Nairobi Serena Hotel's redevelopment is completed in June 2019.

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 2018 was equivalent to KShs. 152 million (2017: KShs. 156 million).

Chairman's Statement (continued)

The Company and its subsidiaries contributed significantly to the revenues of the governments of Kenya, Tanzania and Uganda in 2018. During the year 2018, the Group contributed in aggregate, the equivalent of KShs. 1.564 billion (2017: KShs. 1.481 billion) in direct and indirect taxes; and the equivalent of KShs. 438 million (2017: KShs. 353 million) in royalties and rents to the revenues of counties and local authorities in the various East African jurisdictions.

The Board of Directors are recommending for approval by the shareholders, payment of a final dividend for 2018 of KShs. 0.35 per share (2017: KShs. 0.35 per share), subject to payment of withholding tax, where applicable. If approved, the dividend will be payable on or around July 25, 2019 to members on the Register at the close of business on June 25, 2019.

The Company will progress its planned refurbishment of the other properties, continue to maintain appropriate Human Resource Management (HRM) practices, and 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 strategy, including extending its marketing and sales outreach to non-traditional source markets. Additional details on the HRM practices and CSR programs and initiatives are incorporated in the Managing Director's Statement included at pages 13 to 14 of this Annual Report.

During the year under review, Serena Hotels won a number of national and international awards and accolades which further reinforces the Group's leading position in the tourism sector.

Market indications from Serena's suppliers of business impacting Kenya, Tanzania and Uganda are encouraging, with the foreign leisure bookings projected to continue on a growth trajectory; whilst the diversified revenue streams from the wider Serena portfolio is similarly favourable for 2019. The Group continues to effectively risk manage its business strategy and thereby maintain the focus on mitigating risks; and capitalise on its brand strength to optimize portfolio performance in 2019 to the extent possible.

Notwithstanding the challenging business environment, the Board and Management look at the future with optimism and express their appreciation to the governments within the East African Region for facilitating the continuous resource allocation required to improve the business environment for destination East Africa. Similarly I would like to acknowledge the continued catalytic support being rendered by various regulatory authorities as well as other stakeholders which is critical for the sustained growth of the industry across the region. Finally, I would also like to recognise, with gratitude the vital support, confidence, loyalty and trust that we have continued to receive from our shareholders, customers and other stakeholders within the industry.

To conclude, on behalf of the Board, I would like to thank the Company's Management and Staff for their diligence and dedication during 2018. 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 2018.

FRANCIS OKOMO-OKELLO
CHAIRMAN

New 7th Floor Executive Lounge at Nairobi Serena Hotel

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 za kampuni kwa kipindi cha mwaka uliomalizika Desema 31, 2018.

Kufuatia uthabiti wa mazingira ya kisiasa nchini Kenya awamu ya miezi minne ya mwisho ya mwaka 2018, vitengo vya masoko viliendelea kuashiria kurejelea kwa imani katika sekta ya utalii. Kwa jumla, matumaini haya yamekuwa yakionekana nje ya Kenya na kuenea kote kanda ya Afrika Mashariki.

Hakikisho la viwango vya biashara vilishuhudiwa kote katika mikondo ya safari za Serena Afrika Mashariki kwenye mataifa ya Kenya, Tanzania na Zanzibar kuanzia mwezi Julai 2018. Kwa sababu hiyo, raslimali za kampuni zilizozagaa kote Afrika Mashariki zilirekodi ukuaji wa kuridhisha kwenye vitengo vya mashirika na utalii wa humu nchini wakati wa kipindi cha mwaka unaoangaziwa.

Ziara za hali ya juu wakati wa kipindi cha mwaka 2018 kama vile Richard Quest (Mtangazaji na ripoti maarufu wa kimataifa wa CNN International) jijini Nairobi, Jack Ma (muasisi wa Alibaba Group) Nairobi na Kigali na watu wengine wenye ushawishi mkubwa pamoja na mikutano ya kimataifa zitaendelea kutoa ishara njema kwa kituo cha Afrika Mashariki kama kilicho bora kutembelewa. Kwa sababu hiyo, usimamizi unatarajia viwango vya soko la biashara za kundi kwenye sekta ya mashirika humu nchini na kimataifa kuimarika kipindi cha mwaka 2019.

Zoezi la awamu ya kwanza kuimarisha upya sura ya hoteli ya Nairobi Serena lilikamilika vyema mwezi Agosti mwaka 2018 na kupelekea kuimarika kwa matokeo miezi minne ya kwanza. Kukamilika kwa vyumba vipya vya kulala, ukumbi wa densi, ukumbi wa mikutano na maeneo ya umma kulisababisha kuongezeka kwa mapato. Sawia, vifaa vipya na vilivyofanyiwa ukarabati katika Kampala Serena Hotel na Dar es Salaam Serena Hotel (TPS) (D) ambavyo ni mshirika wa TPSEAP) ambao vilikamilika mwaka 2017 na kuchangia vyema matokeo ya mwaka 2018. Ishara za awali kutokana na mkakati huu wa maendeleo ya bishara ni za kutia moyo na kuthibitisha maono ya Halmashauri ya kuziweka hoteli za Serena kwenye miji mikuu ya Nairobi, Kampala na Dar es Salaam mtawaliwa. Ustawi huu unaenda sambamba na kuongezeka kwa nafasi ya masoko ya hoteli zetu za mijini hivyo kuleta faida.

Kwa ziada, sera zetu zinazidi kuwa na nguvu kama vile kukamilika kwa uwanja wa kimataifa wa mchezo wa Golf wa 18-hole katika Lake Victoria Serena Golf Resort & Spa na pia ufunguzi wa hoteli ya Goma Serena Hotel unaotarajiwa kufanyika kipindi cha awamu ya 3 mwaka 2019.

Licha ya kuongezeka ghafla kwa kwa ada za vitanda za kila usiku kuanzia 2017, raslimali za Serena ukanda wa kaskazini zilifanya vyema mwaka 2018 na kuendelea kushikilia jukwaa la uongozi kwenye masoko ya kanda.

Kampuni inazidi kutelekeza shughuli la biashara kupitia mazingira magumu ya kiuchumi duniani ambayo kimsingi yamesababishwa na; ujenzi wa hoteli nyingi na majumba ya kulala kwenye maeneo yenye ushindani, mabadiliko ya ghafla ya sheria na masharti yanayoathiri kwa kiwango kikubwa mazingira ya utekelezaji, tahadhari za kiusalama, kuongezeka kwa kawi bila matarajio pamoja na gharama nyinginezo za utekelezaji na mabadiliko la viwango vya ubadilishanaji fedha za kigeni.

Kutokana na changamoto zilizotajwa hapo juu, kampuni iliendelea kuchukua tahadhari kulinda na kudumisha thamani ya mwanahisa, kutimiza matakwa yake kifedha huku ikidumisha raslimali zake kwa hali nzuri. Zaidi ya hayo,mbinu za kudhibiti gharama na maendeleo ya teknolojia zilisaidia katika juhudi za kupunguza kawi, huduma za uuzaji na uagizaji na kwa jumla gharama za utekelezaji bila kuathiri viwango vya bidhaa na hisia za mteja.

Taarifa ya Mwenyekiti (kuendelea)

Wakati wa kipindi hiki cha mwaka unaoangaziwa, TPS Eastern Africa PLC ilipata mapato ya jumla ya Kshs. 6.593 bilioni (2017 zilikuwa bilioni Kshs 6.408) na kupata faida baada ya ushuru wa Kshs. milioni 179.01 (2017 zilikuwa Kshs. 119.47milioni) na kuwakilisha imariko la asilimia 49.8%. Kwa kuzingatia maswala yote kwa jumla na kwa kutambua kwamba hoteli ya Nairobi Serena ilikuwa ikipitia mpango wake wa mabadiliko (ikitekeleza shughuli za vyumba kwa asilimia 46%) na kuwa na eneo ndogo la kukutana, matokeo ya kampuni mwaka 2018 ni ya kuridhisha. Makadirio ya siku za usoni bado yanaleta matumaini mara tu awamu ya mwisho ya kufanyia mabadiliko hoteli ya Nairobi Serena yatakapokamilika mwezi Juni 2019.

Ni muhimu kufahamu kwamba, ada za usimamizi zilizopokelewa na TPSEAP kutoka Tourism Promotion Services (Rwanda) Limited, Tanruss Investment Limited (TIL) na Hotels Polana S.A mwaka 2018 zilikuwa sawa na Kshs. 152 milioni (2017 zilikuwa Kshs. 156 milioni)

Kampuni na washirika wake tanzu zilichangia pakubwa mapato ya serikali za mataifa ya Kenya, Tanzania na Uganda mwaka 2018 sawa na ilivyokuwa miaka ya nyuma. Wakati wa kipindi cha mwaka 2018, kundi lilitoa malipo sawa na Kshs. 1.564 bilioni (2017 zilikuwa Kshs. 1.481 bilioni) kama ushuru wa moja kwa moja au usio wa moja kwa moja wa Kshs. 438 milioni (mwaka 2017 ulikuwa Kshs. 353 milioni) kama mapato kwa kaunti na serikali za mitaa, ridhaa na ada za ukodishaji maeneo mbali mbali ya utawala.

Wakurugenzi wa halmashauri wana furaha kutoa pendekezo ili kupata idhini ya wanahisa la mgawo wa mwisho wa faida wa Kshs. 0.35 kwa kila hisa wa mwaka 2018 (2017 ilikuwa Kshs. 0.35 kwa kila hisa) kwa kutegemea ushuru ulioshikiliwa pale inapohitajika. Endapo itapitishwa, malipo ya mgawo wa faida yatatolewa kabla au ifikiapo Julai 25, 2019 kwa wanachama ambao majina yao yatakuwa kwenye sajili ifikiapo Juni 25, 2019.

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.

Ishara kutoka kwa wadau wa biashara wanaojihusisha na Serena Kenya, Tanzania na Serena Uganda ni ya kutia moyo. Maombi ya safari za utalii kutoka mataifa ya kigeni yanabashiria kuzidi kuongezeka huku njia mbali mbali za mapato kutoka raslimali nyinginezo za Serena zikionekana kufana mwaka 2019. Kundi litazidi kuhami mkakati wa biashara zake dhidi ya hatari hivyo kudumisha mwelekeo na kutumia sifa zake kuimarisha matokeo ya raslimali zake mwaka 2019.

Meeting Room on the New 7th Floor Executive Lounge at Nairobi Serena Hotel

Taarifa ya Mwenyekiti (kuendelea)

Bila kujali changamoto za mazingira ya biashara, Halmashauri ya Wakurugenzi inaangalia siku za usoni kwa matumaini na inatoa shukrani zake kwa Serikali za Kanda ya Afrika Mashariki kwa kuendelea kutenga hazina inayohitajika kuimarisha mazingira ya biashara kwa kituo cha Afrika Mashariki. Pia, ningependa kutambua mchango kutoka kwa halmashauri mbali mbali za uongozi pamoja na wadau wengine ambao ni muhimu sana kwa ukuaji wa biashara katika kanda hii. Mwisho, pia, ningependa kutambua kwa dhati mchango na imani ambazo tumeendelea kupokea kutoka kwa wanahisa wetu, wateja na wadau wengine wa biashara hii.

Nikimalizia, kwa niaba ya halmshauri, ningependa kushukuru usimamizi wa Kampuni na wafanyakazi kwa kujitolea kwao mwaka 2018. Pia, ningependa kutambua kwa dhati mchango usio na kifani ambao ninaendelea kupokea kutoka kwa wenzangu kwenye halmashauri ambao umesaidia kuendeleza shughuli za biashara za kundi na kufanikisha mikakati yake mwaka 2018.

FRANCIS OKOMO-OKELLO
MWENYEKITI

New Herbs & Spices Restaurant at Nairobi Serena Hotel

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
MANAGING DIRECTOR

It is indeed clear that from the third quarter 2018, the Tourism Sector in East Africa witnessed improvements in business levels compared to 2017 after the political environment in Kenya stabilised. The Company's performance for year 2018 was encouraging, thanks to the vital support by the local resident and conference market segments. This was further complemented by the performance from the foreign leisure market business to Kenya from July 2018.

The Serena Tanzania properties on the northern circuit performed well during the year 2018. After two years of underperformance as a result of an uneasy political climate in Stone Town, Zanzibar Serena Hotel has during year 2018 begun to gradually regain market share.

The last few years have provided a real test for Companies operating in the East African Tourism industry, so we are pleased to note that despite such turbulence, the Company has continued to demonstrate its 'Built to Last' capability through implementation of its successful business model; and the spirit and service motto of its employees of 'living up to the promise'. Notwithstanding the challenging business landscape, financial performance from our business strategy was encouraging.

The continuous resource allocation by the Government of Kenya and the Tourism Sector that was required to improve the business environment for destination Kenya has been positive. These efforts have enabled other complimentary diverse and niche product offerings to the traditional 'beach and safari' experience. The direct flights to/from New York, the resumption of Air France flights to Nairobi, granting of the additional flight frequency on the Mombasa route from July 2018 to Ethiopian Airlines; and Qatar Airways direct flight to Mombasa from 11 December 2018 - are all expected to positively impact market growth in 2019. The increase in the number of Charters to Mombasa is also a positive outcome of the charter incentive program launched by the Kenyan government in 2016. Indeed, this will help grow the foreign leisure business during year 2019; and is expected to positively impact Tsavo, Amboseli and the Mount Kenya region in particular. The road infrastructure improvements and construction of the Standard Gauge Railway (SGR) in Kenya has created opportunities particularly on the domestic tourism front during 2018; and this is expected to further grow in year 2019.

The Nairobi Serena Hotel (NSH)'s redevelopment program has been progressing well, on a phased basis, with the first phase completed in August 2018. Inspired by Pan African design themes, the interior and exterior spaces reflect a blend of cultural influences from across the African Continent's heritage, into elegant and harmonious inspirational spaces. Complemented by exceptional service, modern amenities and uncompromising comfort, NSH gives the guest an 'authentic, enriching feel' for the history, culture and lifestyle of Kenya, indeed 'connected to the destination'; and so setting the tone for a memorable and inspiring stay or safari. This remains Nairobi Serena Hotel's unique "DNA". As the last phase reaches completion in June 2019, the holistic outcome of the renovations will lead to a significant enhancement in guest experience and thus additional revenue opportunity due to the opening of the full room inventory, new restaurant and executive lounge. Rest assured, the Board's vision to reposition the hotel product amongst the finest in the region, will be realised.

The business landscape in Uganda and Tanzania remained relatively dormant with limited new domestic and foreign investments significantly affecting the country as a whole. Whilst competition is becoming intense in Kampala and Dar es Salaam due to the opening of a few more hospitality establishments, the Board and Management feel assured that the timely refurbishements undertaken at both our City Hotels, have indeed positioned the hotels for growth in 2019 and beyond.

As indicated in the Chairman's statement, other brand strengthening and revenue drivers in our managed properties within the group are: the successful completion of the international 18-hole Golf Course at Lake Victoria Serena Golf Resort & Spa; and the advanced opening plan of Goma Serena Hotel, scheduled for opening in the third quarter 2019.

Despite a continuing degree of economic concern as highlighted in the Chairman's Statement, TPSEAP recorded a positive performance in 2018. This achievement has been realised through refining our strategy to invigorate growth and drive increased resilience towards market volatility, whilst taking a balanced risk management approach.

Consequently, the Group continued to provide the highest standards of product and service experience expected of Serena, whilst maintaining market share and competitive advantage.

During the year under review, TPS Eastern Africa PLC achieved a turnover of KShs. 6.593 billion (2017: KShs. 6.408 billion), and profit after tax of KShs. 179.01 million, up by 49.8% (2017: KShs. 119.47 million).

As long-term investors and our commitment to destination East Africa, Management closely monitors Company operations to ensure that we take pro-active action which includes communication to suppliers of business as, and when uncertain situations are anticipated. In addition, Management is implementing active cost management measures to protect margins, whilst targeting creative sales and marketing initiatives across our evolving channels of trade.

During the year 2019, the Group will continue to deliver engaging sales and marketing campaigns, participate in trade fairs, road trips and promotional activities as well as build on its digital strategy platform. Serena Hotels has a long history and culture of creating value for its guests. Additional guest experiences continue to be implemented, and in some cases, has resulted in an extended duration of stay at the Group's properties. 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.

The provision of rewarding careers, personal growth, quality training and exposure to senior leadership roles, enhances capacity building opportunities for our employees. These remain a strategic priority for Serena Hotels in 2019 and beyond. 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 Program, Graduate soft and technical skills training, culinary skills enhancement; standards based Training of Trainers program, financial accounting training; and specialized service delivery training in the hospitality industry 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 continue to compliment eco-tourism, environmental conservation, reafforestation, education, public health; and essentially community development across Eastern Africa.

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.

As we plan to build on the growth and development during 2018, 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 Group 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 2019 to the extent possible.

On this note, 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 2018. I also wish to express my gratitude to the various regulatory authorities, shareholders, customers, and other stakeholders for their continued support in the years gone by.

MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Taarifa Kutoka kwa Meneja Mkurugenzi

MR. MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Ni dhahiri kwamba, kuanzia kipindi cha miezi mitatu ya mwisho mwaka 2018, sekta ya utalii Afrika Mashariki ilishuhudia imariko la biashara ikilinganishwa na mwaka 2017 baada ya kutulia kwa mazingira ya kisiasa nchini Kenya. Matokeo ya kampuni mwaka 2018 yalikuwa ni ya kutia moyo kutokana na msaada kutoka vitengo vya masoko ya humu nchini na mikutano. Mchango huu uliongezewa nguvu na matokeo ya kufana kutoka masoko ya watalii wa mataifa ya kigeni nchini Kenya kuanzia mwezi Julai 2018.

Raslimali za Serena ukanda wa kaskazini nchini Tanzania zilifanya vyema kipindi cha mwaka 2018. Baada ya miaka miwili iliyoshuhudia matokeo duni kutokana na taharuki za mazingira ya kisiasa katika mji wa kale, Zanzibar Serena Hotel ilianza kufanya vyema mwaka 2018 na pole pole kurejesha nafasi yake ya soko.

Miaka 5 iliyopita imekuwa yenye changamoto kubwa kwa kampuni zinazoendesha shughuli zake za biashara ya utalii Afrika Mashariki na tuna furaha kutambua kwamba licha ya changamoto kama hizi, kampuni imedhihirisha '' kudumu'' kupitia kuzinduliwa kikamilifu kwa miundo ya kibiashara na mwito wa wafanyakazi wake wa '' kutimiza ahadi''. Mbele ya changamoto zinazokabili mazingira ya biashara, matokeo ya mwaka 2018 yanatia moyo.

Kuendelea kutengwa kwa mtaji na serikali za Kenya kwa sekta ya utalii unaohitajika kuimarisha mazingira ya biashara kwa kituo cha Kenya kumezaa matokeo mazuri. Juhudi hizi zimewezesha bidhaa nyinginezo na matoleo kwenye safari za kawaida za pwani na safari. Safari za ndege za moja kwa moja kutoka na kuingia jiji la New York, kurejeshwa kwa safari za ndege za shirika la Ufaransa jijini Nairobi, kuruhusiwa kuongezwa kwa safari za ndege mjini Mombasa kuanzia Julai 2018 hadi shirika la Ndege la Ethiopia na Qatar moja kwa moja kutoka Mombasa kuanzia Desemba 11, 2018 kunatarajiwa kuleta manufaa kwa ukuaji wa soko mwaka 2019. Ongezeko la safari za ndege mjini Mombasa ni ishara njema kwa mpango wa matoleo ulioanzishwa na serikali ya Kenya mwaka 2016. Maendeleo haya yatasaidia kukuza kitengo cha watalii kutoka mataifa ya kigeni mwaka 2019 na unatarajiwa kuleta athari njema kwa mbuga za Tsavo, Amboseli na hasa eneo la Mlima Kenya. Uimarishaji wa muundo msingi wa barabara na ujenzi wa reli ya kisasa (SGR) nchini Kenya umefungua nafasi mpya za biashara hasa kwenye kitengo cha safari za watalii wa humu nchini mwaka 2018. Hii inatarajiwa kuendelea mwakani 2019.

Mpango wa uimarishaji hoteli ya Nairobi Serena (NSH) umekuwa ukiendelea vyema kwa awamu ya pili huku ile ya awali ikikamilika mwezi Agosti mwaka 2018. Ukichochea na utamaduni wa afrika (Pan African) ambao ni muundo wa ndani wa kisasa na nje unaashiria athari za utajiri wa turathi za bara nzima. Ukiungwa mkono na huduma za hali ya juu, vifaa vya kisasa na utulivu wa kipekee, Hoteli ya Nairobi Serena inampa mteja hisia zisizo na kifani, zinazojumuisha na historia, utamaduni na hali ya maisha ya Wakenya kama kituo hivyo kumuandaa kimawazo kuhusu matarajio yake kwenye safari. Hii itasalia kuwa hisia ya kipekee ya muundo wa Nairobi Serena. Huku awamu ya mwisho ikikaribia kikomo mwezi Juni 2019, matokeo ya uimarishaji huu yatapekelea kuongezeka kwa matarajio ya wateja hivyo kuzalisha nafasi kwa mapato zaidi kutokana na kuanzishwa kwa vyumba vipya, ukumbi mpya wa maankuli na eneo la chumba cha kisasa. Uimarishaji huu utahitimisha maono ya halmashauri kuiweka hoteli miongoni mwa zile bora zaidi eneo hili.

Mazingira ya biashara nchini Uganda na Tanzania yalisalia kuwa tulivu huku kukiwa na nafasi finyu sana ya uwekezaji mpya kutoka mataifa ya kigeni. Huku ushindani ukiwa mkali sana Kampala na Dar es salaam kufuatia kufunguliwa kwa hoteli mpya, halmashauri na usimamizi zina imani ukarabati unaofanywa kwa wakati unaofaa kwenye hoteli zetu maeneo ya mijini umeziweka kwenye nafasi ya ukuaji mwaka 2019 na zaidi.

Kama ilivyoonyeshwa kupitia taarifa ya mwenyekti, bidhaa nyinginezo zinazoimarisha njia za mapato kwa kundi ni ukamilishaji wa hivi majuzi wa uwanja wa mchezo gofu wa 18-hole Golf Course katika Lake Victoria Serena Golf Resort & Spa na ufunguzi uliopangwa wa hoteli ya Goma Serena Hoteli katika awamu ya 3 mwaka 2019 chini ya kandarasi ya usimamizi.

Licha ya changamoto za kibiashara zilizotajwa kupitia taarifa ya mwenyekiti, TPSEAP ilisajili matokeo mema mwaka 2018. Matokeo haya yamepatikana kupitia kuangaziwa upya kwa mkakati wetu ili kuchochea ukuaji, kuongeza juhudi za kujihami dhidi ya mazingira makali ya masoko huku tukichukua tahadhari za kati za usimamizi.

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

Wakati huo,kundi lilizidi kutoa viwango vya juu vya bidhaa na huduma zinazotarajiwa kutoka Serena kudumisha nafasi yake kwenye soko na pia kuthibiti ushindani.

Wakati wa kipindi cha mwaka 2018, TPS Eastern Africa Plc ilisajili mapato ya jumla ya Kshs. 6.593 bilioni (2017 yalikuwa Kshs. 6.408 bilioni) faida baada ya ushuru ya Kshs. 179.01 milioni (2017 ilikuwa Kshs. 119.47 milioni) ambalo ni imariko la asilimia 49.8%.

Huku tukiwa na uwekezaji wa muda mrefu na kujitolea kwetu kwa kituo cha Afrika Mashariki, kwa karibu, usimamizi unachunguza shughuli za kampuni kuhakikisha kwamba tunachukua tahadhari zifaazo ikiwemo mawasiliano na wadau wa biashara kuhusu lini na wapi matarajio yasiyotarajiwa yatakapotokea. Usimamizi unazindua hatua za kudhibiti gharama ili kulinda faida huku likianzisha mbinu za mauzo na uvumishaji katika maeneo mapya ya biashara.

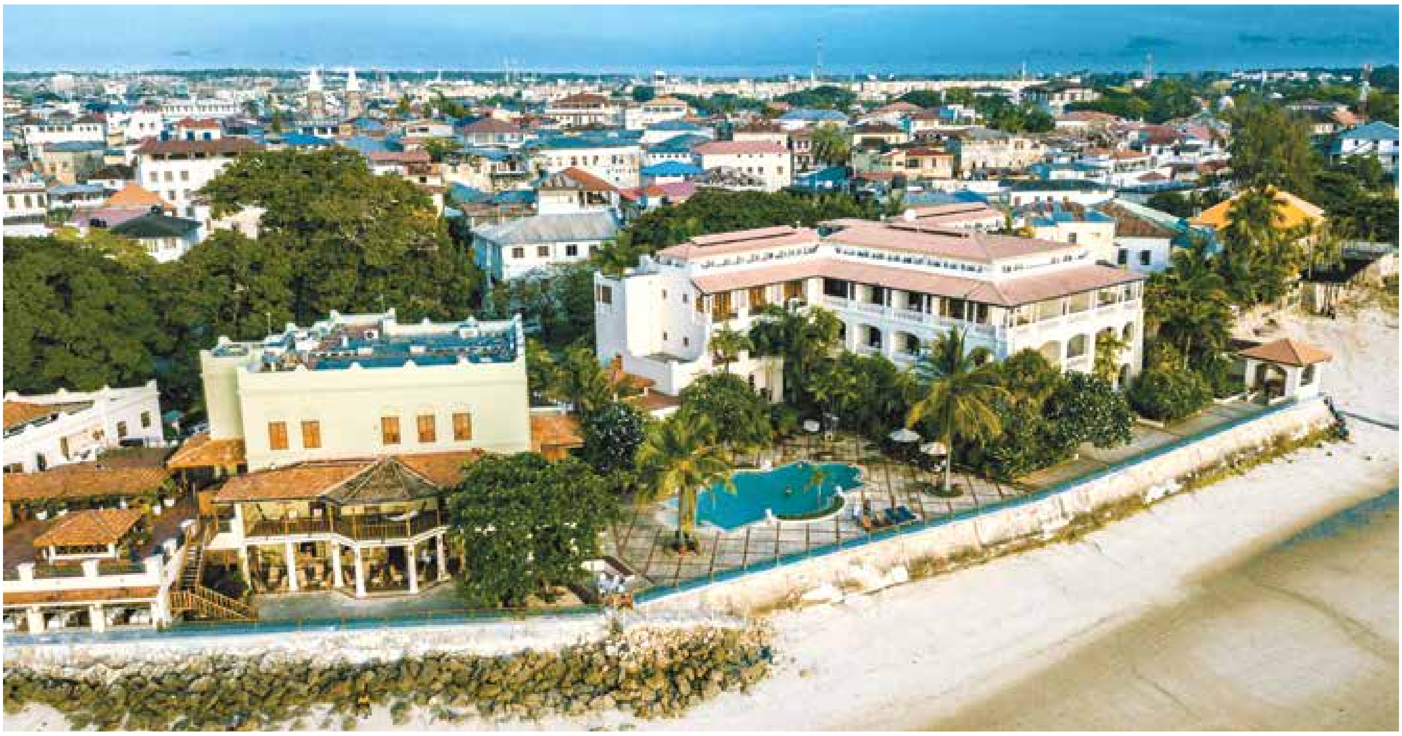
Wakati wa kipindi cha mwaka 2019, kundi litazidi kuendeleza uhusishaji kwenye kampeini na mauzo, kushiriki maonyesho ya mauzo, maonyesho barabarani na shughuli za matoleo pamoja na kujenga uzinduzi wa mkakati wake wa kidijiteli. Hoteli za Serena zina historia ya muda mrefu na utamaduni wa kuzalisha thamani kwa wageni wake. Vivutio zaidi vya wageni vinazidi kuzinduliwa na mara nyingine kupelekea wateja kuongeza muda wao kukaa kwenye raslimali za Kundi. Mikakati kama hii itakuwa muhimu ili; kufuatilia nafasi mpya za kibiashara, kusajili masoko mapya ya watalii, kuongeza upeo wa bidhaa na kuhamasisha urudiaji na ongezeko la biashara.

Nafasi ya kuzawadia taaluma, ukuaji, utoaji wa mafunzo ya hali ya juu na kuwapa mafunzo ya nje maafisa wa ngazi za juu kunahamasisha uwezo nafasi za utekendaji wa wafanyakazi wetu na utaendelea kupewa kipaumbele na hoteli za Serena mwaka 2019 na zaidi. Wakati wa kipindi cha mwaka 2018, mkakati wa kundi wa uimarishaji uzalishaji ulilenga shughuli zetu mataifa ya Kenya, Tanzania, Uganda, Rwanda na Msumbiji ili kutilia nguvu mafunzo na maendeleo kwa wafanyakazi/ Wasimamizi pamoja na miradi ya kijamii inayohusu ; mpango wa ndani wa ustawi wa maendeleo, mafunzo ya taaluma ya kiufundi, mafunzo ya upishi, mafunzo kwa wakufunzi, mafunzo ya uhasibu na mafunzo maalum ya utoaji huduma hadi kiwango cha leading Quality Assurance (LQA).

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

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.

Huku tunapopanga kujenga ukuaji na maendeleo yaliyoafikiwa mwaka 2018, usimamizi una imani ya kuweka pamoja thamani za bidhaa za Serena huku likiendelza uzinduzi wa mikakati ya muda mfupi na mrefu. Hili litahakikisha kwamba kundi limefanya hatua



Arieal view of Zanzibar Serena Hotel

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

zaidi za manufaa kudumisha na kupanua nafasi yake ya soko huku likilinda nafasi yake ya uongozi ili kuongeza matokeo ya bidhaa zake mwaka 2019 kwa kiwango kitakachowezekana.

Nachukua fursa hii, kwa niaba ya wafanyakazi na usimamizi kutoa shukrani zetu kwa Halmashauri ya wakurugenzi kwa mwongozo wao, msaada usio na kifani na himizo mwaka 2018. Pia, ningependa kutoa shukrani kwa wanahisa, halmashauri mbali mbali za uongozi na wadau wengine kwa kuendelea kutuunga mkono miaka iliyopita.

MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

New Ballroom at Nairobi Serena Hotel

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Board of Directors

MR. FRANCIS OKOMO-OKELLO – Chairman (1)

Mr. Okello (aged 69 yrs) is a qualified lawyer. He holds an LLB degree from the University of Dar-es-Salaam. He is an Albert Parvin Fellow of the Princeton University, Woodrow Wilson School of Public and International Affairs (USA) and a Fellow of The Kenya Institute of Bankers (FKIB). He is an independent Non-Executive Director of Absa Group Limited (formerly Barclays Africa Group Limited) and the immediate former Chairman of 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.

MR. MAHMUD JAN MOHAMED – Managing Director (2)

Mr. Jan Mohamed (aged 66 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).

MR. NOOREN HIRJANI - Chief Financial Officer (3)

Mr. Hirjani (Aged 52 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 CPA(K) and 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.

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

Mr. Vinciguerra (aged 75 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.

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

Mr. Kassim-Lakha (aged 85 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)

MR. MAHMOOD PYARALI MANJI - Non-executive Director 6

Mr Manji (aged 65 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.

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MR. GUEDI AINACHE - Non-executive Director 7

Mr. Guédi Aïnaché (aged 43 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.

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MRS. TEDDY HOLLO MAPUNDA – Non-Executive Director 8

Mrs. Mapunda (aged 44 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. She 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).

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MR. JEAN-BENOIT DU CHALARD – Non-Executive Director 9

Mr. Du Chalard (aged 39 yrs) is an MBA graduate from ESSEC Business School in Paris. He is currently the Regional Head of PROPARCO in East Africa. Previously, he served as a Financial Engineer in charge of municipal debt management then as a Project Finance Analyst on infrastructure at DEXIA Credit Local, a French-Belgian Bank. He joined the AFD Group in 2009 as an Investment Officer in charge of monitoring and supervising transactions in Asia. He also served in Bangladesh under the AFD Group as a Country Representative in charge of opening the Country's office and providing financial support to Bangladesh Government for the provision of water and sanitation services, power, transport and urban development.

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

Mr. Ng'ang'a (aged 44 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).

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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 application of 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, 2018. 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 is one executive director, i.e. the Managing Director. Re-election and appointment of directors are subject to the provisions of the Company's Articles of Association and CMA Guidelines. The directors have a wide range of business and professional skills and experience and each contributes independently 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 three (3) scheduled Board meetings in 2018 attended by directors as indicated below:

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

Notes:
1. Three (3) Board meetings were held in 2018.
2. Mr. Jean-Louis Vinciguerra was represented by his alternate Mr. Ashish Sharma in the three (3) Board meetings held during the year.
3. Mr. Jean-Benoit Du Chalard was appointed on 12.11.18 and thus he could only attend one (1) meeting.
4. Mr. Damien Braud resigned on 12.11.18.

Corporate Governance Statement (continued)

Management provides the directors with adequate notice for Board meetings and timely information so that they can be informed and contribute constructively at Board meetings. This also enables the directors to maintain effective oversight and control over strategic, financial, operational, and compliance issues. The separation of the Board's non-executive, independent Chairman's role from that of the Group's management obviates the possibility of conflict between the roles of the Chairman and those of the executive Managing Director. This segregation strengthens the Board's independence and further ensures in-built checks and balances. Consequently, the Board continued to maximize shareholders' value whilst maintaining the long-term sustainability of the TPS Group through active leadership during the year.

The Company's shareholders re-elected Messrs Mahmood Manji, Ameer Kassim-Lakha, and Jean-Louis Vinciguerra, as directors of TPSEAP Board at the last Annual General Meeting held on 26th June, 2018.

Given his relocation to Paris, France, Mr. Damien Braud resigned as a director of the Company with effect from 12th November, 2018. Mr. Braud had served the TPSEAP Board as a director for three (3) years.

In observing principles of good corporate governance and enhancing the capacity of TPSEAP directors, the TPSEAP directors continue to attend corporate governance trainings. one (1) such training on new International Financial Reporting Standards (IFRS 15 & 16) effective from 2018 and 2019 respectively was conducted by PricewaterhouseCoopers. Additional training and strategic sessions have been scheduled for 2019.

BOARD OF DIRECTORS OVERSIGHT ROLE

As noted above, the Board provides direction on policy and oversight in respect of the Group's internal controls, strategy, finance, operations, budgets and compliance matters in order to ensure sustainable returns to the shareholders. The Board, in collaboration with Management, carries out periodic reviews comparing actual performance with set targets and takes corrective measures where necessary, to ensure that the Company's business performance is as close as possible to the budgeted estimates. As at the date of this report, 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 plan and respond to the dynamic business environment and comply with the ever-changing relevant legislation and regulations. The Committees meet at least quarterly each calendar year as stipulated in their respective ToR.

BOARD AUDIT COMMITTEE

Members of this Committee comprised: Mr. Ameer Kassim-Lakha (Chairman), Mr. 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 sound, effectively administered and reviewed as necessary. During the year under review, the Committee reviewed significant audit findings identified by both internal and external auditors, and progressed implementation of necessary remedial, and continuous improvement actions.

The Board authorized the Committee, to seek directly from the Company's employees and independent professionals, whenever necessary, any information or advice on matters pertaining to its work. The Board reviewed the membership of the Committee during the year under review in accordance with the CMA Guidelines as well as the Committee's own ToR. The Committee held three (3) meetings during the year under review. External auditors and the Management Team attended the Committee's meetings as required to deal with and /or respond to specific issues. The Committee meets with the external auditors independently of the Management Team in assessing key audit and risk management matters.

The Board has adopted the Enterprise Risk Management Policy. This Policy is aimed at addressing inherent business risks given the Company's fast paced operating environment across East Africa. The Board and Management have rolled out a framework for the operationalization and implementation of the Policy and ensure its adherence.

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

Corporate Governance Statement (continued)

BOARD NOMINATION AND REMUNERATION COMMITTEE

The Committee's membership comprised: Mr. Guedi Ainache (Chairman), Mahmood Manji, and Mrs. Teddy Mapunda. The Board mandated the Committee to consult experts, where necessary, to evaluate the Company's organizational structure and staff establishments and recommend to the Board appropriate Human Resources policies, senior employee's remuneration scales and capacity enhancement. The Committee held two (2) scheduled meetings during 2018.

The Board mandates the Committee to propose nominees for appointment to the Board as may be required from time to time, and to assess the effectiveness of the Board, Committees of the Board, as well as individual directors and make necessary recommendations to the Board to enhance the effectiveness of the Board.

The Committee liaises with an external Consultant to ensure that a Board evaluation exercise is undertaken every two years to assess the performance of the Board, the Chairman, the Managing Director, individual directors and the Company Secretary. Any areas of improvement recommended as a consequence of the evaluation are carefully addressed with a view to improving the Board's overall performance. The next performance evaluation exercise is scheduled for May 2019.

INTERNAL CONTROLS

The Company has an organizational structure with appropriate segregation of duties and responsibilities. The structure is complemented by detailed policies and procedures manuals, which provide an effective and robust operational framework for the Management Team. The Company periodically updates its policies and procedures manuals to incorporate relevant changes for improvement and to ensure that they remain relevant to the Group's operational requirements. The Company held monthly credit control, sales and marketing, and finance review meetings focusing on critical aspects of the Company's operations. The internal control function is largely complemented by the Internal Audit function, which undertakes an independent appraisal and review of operations. Key findings and recommendations are discussed at various levels of the Group and adopted for continuous improvement as necessary. The Company invested in an audit software application – 'TeamMate Audit Management System' which helps in leveraging the existing audit expertise, harmonizing and strengthening the risk management function, and enhancing the effectiveness of internal control processes across the Group through automation.

COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

The Company is committed to ensuring that Management provides shareholders, securities & bond markets, and other stakeholders with accurate and timely information on the Company's performance. This is achieved by distributing the TPSEAP Annual Report at least 21 days before the Annual General Meeting, release of half-year and year-end financial results through print media and regulatory bodies, and issuing of monthly disclosures of shareholding statistics to the Nairobi Securities Exchange (NSE) and the Capital Markets Authority (CMA).

Shareholders and other stakeholders have direct access to the Company's information through the internet and Management responds to all such enquiries in a timely manner. Management also regularly updates the Company's website so as to provide current information regarding the Company's affairs. During the year under review, the Company complied with its obligations under the NSE Continuing Listing Rules and the CMA Act.

The Company ensures that enquiries from shareholders and other stakeholders are addressed expeditiously 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 2018 financial year amounted to KShs 1.159 Million (refer to Note 28) to the Financial Statements). Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement 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 2018 nor indeed in the previous financial year (2017). 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
Mahmud Jan Mohamed	6,720	0.0037

Corporate Governance Statement (continued)

CONFLICT OF INTEREST

In terms of the established corporate governance best practice within the Company, the Directors were required to disclose any areas of conflict of interest during the year 2018. Directors are also required to refrain from contributing to discussions and voting on matters in which they have, or could have any such conflict. In addition, the directors are required, on an ongoing basis, to notify the Company Secretary of and declare in advance, any potential conflicts of interest whether from other directorships, shareholdings, associations, and/or conflicts arising from any specific transactions. The Company Secretary maintains and updates a register of such interests as part of the Company's corporate records.

OTHER DISCLOSURES

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

The Company has an 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 which ensures best practice corporate governance practices in procurement risk management, and supply chain operations.

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

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

The Company has complied with most of the provisions under the new code of corporate governance save for a few areas which include for example; governance audit, and legal & compliance audits which are slated for implementation in 2019.

OTHER CORPORATE INFORMATION

The Company and its subsidiaries in Kenya, Uganda, Tanzania, Zanzibar and South Africa had a total of 2,759 employees. TPSEAP is a holding Company and did not own any land and buildings during the year under review.

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

Wildebeeste 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	5.98
4	The Jubilee Insurance Company of Kenya Limited	7,722,106	4.24
5	Industrial Promotion Services (Kenya) Limited	7,697,088	4.23
6	Craysell Investments Limited	7,421,132	4.07
7	Aga Khan University Foundation	6,851,000	3.76
8	PDM (Holdings) Limited	6,607,440	3.63
9	Executive Healthcare Solutions Limited	3,014,600	1.65
10	Kanchanben Ramniklal Khimji Shah	2,290,744	1.26
11	Others	35,158,072	19.29
		182,174,108	100.00

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2018

	NO. OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Less than 500 Shares	3,188	439,325	0.24
500 - 5000 shares	4,808	6,502,181	3.57
5001 - 10,000 shares	197	1,426,852	0.78
10,001 - 100,000	221	6,357,951	3.49
100,001 - 1,000,000	37	11,394,313	6.26
Over 1,000,000	15	156,053,486	85.66
	8,466	182,174,108	100.00

SHAREHOLDER CATEGORIES

	NO.OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Foreign Investors	162	122,417,087	67.20
Local Institutions	465	44,211,745	24.27
Local Individuals	7,839	15,545,276	8.53
	8,466	182,174,108	100.00

Corporate Social Responsibility

Programs and initiatives remain fully aligned to achieving the Sustainable Development Goals (SDGs) set out by the United Nations Development Programme and our efforts are aimed to inspire our various stakeholders to take a wider consideration encompassing a long-term view when making business decisions: 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 SIX YEAR DEVELOPMENT IMPACT

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

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

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

- Direct Impacts: This is the Local Economic Impacts generated by the operations of Serena Hotels in East Africa. It is measured through key indicators such as procurement; wages through direct employment; taxes; concession fees; park/conservancy fees; and capital expenditure.
- Indirect Impacts: This is related to Serena Hotels value chain in East Africa and is the result of expenses incurred by the Serena Hotels direct stakeholders (based on specific macroeconomic and socio-demographic ratios, and limited to the revenues generated from Serena Hotels value chain) which includes: Wages paid by suppliers; average guest spending in the local economies; consumption by Serena Hotels employees in the local economies and the related impact on employment and taxes.
- Induced Impacts: Multiplier effect as a result of expenses incurred and jobs created by the indirect impacts described above related to Serena Hotels.
- Spillover Effect: This is the result of the various rounds of 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)

Using the Development Impact Assessment system, the Total Local Economic Activity Generated in East Africa by Serena Hotels presence in Kenya, Tanzania, Zanzibar, Uganda and Rwanda over a six-year period (2013 to 2018) is equivalent to approximately USD 1,750 Million as tabulated below:

ECONOMIC IMPACT

Consolidated Economic Impact Summary for TPS Serena Hotels East Africa: Year 2013 to 2018 (Six Years)

	ECONOMIC IMPACT IN EAST AFRICA					
	Direct	Indirect	Induced	Spillover	TOTAL	Basis Used
Per Annum						
Jobs Created – per annum	3,813	12,710	4,216	1,305	22,044	Headcount expressed in Full time Equivalent (FTE) per annum.
Number of People Supported within the Households as a result of the Jobs Created – per annum	17,285	56,643	18,938	5,895	98,762	Headcount multiplied by the Country's average number of people per household.
6 Years						
TOTAL ECONOMIC IMPACT - Contribution to Gross Domestic Product in East Africa - $ Million (Note 1)	789	877	64	20	1,750	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	153	403	-	-	556	Value creation at Serena Hotels and non-hotel expenditure during their visit.
Payroll & Related - $ Million	140	190	64	20	414	Amounts paid to Serena Direct employees and all along the value chain.
Local Procurement (food, beverage, utilities, repairs & maintenance and other operating costs)- $ Million	304	-	-	-	304	Consumption of non-imported goods and services by Serena Hotels operations.
Direct & Indirect Taxes (includes park/ conservancy fees, visas) - $ Million	153	284	-	-	437	Taxes collected from Serena Hotels and indirect tax through Serena Hotels supply chain.
Capital Expenditure (renovations, expansions, improvements) - $ Million	39	-	-	-	39	Capital investments by Serena Hotels for renovations, expansions or improvements.

The Company continues to focus on innovation and programs that respond to the needs of the environment, economy and society/ communities. Over the years, Serena Hotels has embraced the ethos of aligning with the Circular Economy Model. With a focus on 'reducing, reusing, recycling and recovering' rather than 'take, make and dispose' (Linear Economy Model) we believe that we have had an impactful and innovative journey.

Our sustainability efforts on embracing of a circular economy we believe enhances food security, reduces health related problems and ensures that we create more 'green spaces' which acts as a catalyst for positive economic, social and cultural change.

Corporate Social Responsibility (continued)

PROTECTING A FRAGILE ENVIRONMENT

Serena Hotels remains 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. Our 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 for the year 2018. As data from other 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 2018	40.6		
	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

This analysis shows that the Serena properties in East Africa are close to the 'median' range of CO2 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

In the last 17 years, 6.7m trees have been planted and this helps to directly combat the effects of global warming, increase our forest cover and reduce our carbon footprint.

The Serena tree-planting commitment has been in place since 1991, with our initial success program in the Hombe Forest in the Mount Kenya National Park (UNESCO World Heritage Site) that suffered from the adverse effects of deforestation and at Amboseli National Park, where the destruction of forests by elephants is well on the way to being reversed as demonstrated in the photographs

Successful results of Serena's tree planting commitment at Amboseli Serena Safari Lodge over 20 years

Serena Hotels continue to increase its focus on planting fruit, vegetable and herbal trees within the local community and schools around our properties as appropriate.

Conservation of Energy and Water

Energy Conservation:

This has been achieved through: the installation of solar power plants; 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.

Kenya's First Fully Solar powered Lodge, Kilaguni Serena located in Tsavo West National Park was completed in June 2017, officially launched in 2018 and received a Global Best Practice Award.

The impact in the last 15 months is as below:

- 467 tons of carbon dioxide has been avoided.
- To extract this carbon dioxide from the environment naturally within 10 years 37,399 trees need to be planted.

Currently, Kilaguni Serena Safari Lodge and Amboseli Serena Safari Lodge are fully solar powered (off-grid solar system); Lake Elmenteita Serena Camp and Sweetwaters Serena Camp are on a hybrid solar system and four other Serena properties have a solar water heating system in place. Mara Serena Safari Lodge is expected to be fully solar powered by the third quarter of 2019.

Solar Power Plant at Kilaguni Serena Safari Lodge

Water Conservation:

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

Reducing and Recycling to the Extent Possible

Serena Hotels continue to implement sustainable solutions for waste management despite operating in countries where recycling and other waste management facilities are limited. As part of our goal to increase the amount of waste being recycled, we are working with multiple partners to develop and encourage the use of local recycling programs. Below are some of the main initiatives:

- 97 kg of discarded Guest Soap Bars was recycled and used to produce 190 pieces (500 grams each) of sanitized and fresh soap bars for School Children – serves as an enabling factor in the promotion of literacy and literate environments.
- The old hotel linen is used to make White School Shirts or used as bedsheets for school going children.
- Food waste is given to local farmers to be used as organic animal feed.
- Dar es Salaam Serena Hotel and Nairobi Serena Hotel have engaged a recycling solution company. Approximately 200,000 kilos from two properties is recycled per annum and this will grow as we roll-out this solution to other properties. Reports indicate that this effort saves the amount of CO_2 equivalent to the forest area of 201 football pitches.

Conscious efforts and initiatives to reduce single-use plastic consumption at Serena properties in Africa have been implemented in a phased manner since year 2016, thus further enhancing Serena Hotels commitment to reducing its environmental impact.

The environmental consequences of our societies 'addiction' to plastic are massive. Marine, birds and wildlife become entangled, or choke on our plastic waste, or mistake it for food. It eventually breaks down into tiny toxic particles, which are eaten by plankton and fish, entering our food chain.

Below are the initiatives that are being rolled out in a phased manner:

- Replaced single-use small guest amenities bottles in 13 of our 20 properties (Shampoo, Shower Gel, Lotion) in the guest bathrooms that would typically go to the landfills with refillable dispensers. Impact: Elimination of approximately 230,000 bottles per annum since 2017 from the landfills.
- In the process of removing single-use plastic water bottles from meeting rooms. Water is served in a Glass Carafe/Jar.
- Eliminated plastic straws.
- Use of alternative solutions in line with the "Ban on Plastic Bags" implemented.
- Introduced a "Buy Back" initiative - recycle plastic hangers for outsourced Laundry services provided by our City Hotels.
- Monthly clean ups – beach and National Park/Conservancy.

Species Conservation – Endangered Turtle, Butterfly & Colobus Monkey

The Serena Beach Resort & Spa (SBRS), Mombasa has been working for over 20 years to protect endangered species of sea turtles and has released about 58,017 hatchlings into the sea. In the process we turned fishermen from being poachers to protectors of turtle eggs.

Similarly, we breed 65 Species of butterflies in the Butterfly Conservation Sanctuary at SBRS and to date have released 376,882 butterflies in the coastal landscape.

Students learning how to recycle and sanitize soap under the Soap for Hope initiative

Colobus Monkeys safely translocated from the Nyandarua County to a new habitat within Soysambu Conservancy

60 endangered Colobus Monkeys were moved from the Nyandarua County to a new habitat within Soysambu Conservancy and not too far from Lake Elmenteita Serena Camp. Serena Hotels were partners in the project.

Architectural and Cultural Tour

The role of Architecture and Culture has many facets that one could look at. Serena Hotels has engaged with this from the heart of the planning and development exercise and it is part of our day-to-day operations. Serena Hotels believes that Architecture and Culture are our expression about pluralism, a major potential source for economic and social development and tends to anchor Civil Society.

Management have introduced an Architectural and Cultural tour as a guest activity at Serena Beach Resort & Spa, Mombasa and Kampala Serena Hotel. During 2019, a similar tour will be developed for Zanzibar Serena Hotel and Nairobi Serena Hotel.

COMMUNITY INVESTMENT, SUPPORT AND DEVELOPMENT

Guests engaged at Serena Beach Resort and Spa during the Architectural and Cultural Tour

Serena Hotels continues to give priority to the local communities living around our 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.

Serena Hotels procurement strategy thrives through local sourcing and 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 (248 performers from the local community are hired per annum). Other support initiatives includes provision of free medical consultation (approximately 2,000 persons from the local community benefit per annum), health outreach programs, safe drinking water for the local community (approximately 23,000

Artisans selling their crafts during a market day held at Amboseli Serena Safari Lodge

beneficiaries per annum) and their livestock (approximately 30,000 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.

Serena Hotels works with schools around its properties in various ways to ensure children have a conducive environment for learning. The Serena Hotels "Adopt a School" success stories includes: 28 children libraries with about 12,700 beneficiaries per annum; introduction of Eco-Clubs; planting of fruit and herb trees; health outreach programs through the Serena Wellness Program and infrastructure support (building of classrooms, ablution block, dorms, wheelchairs, mattresses and general repairs & maintenance).

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.

Through the Serena wellness program, champions, Serena clinic nurses, members of staff and the local community are continuously sensitized on various lifestyle induced illnesses with a special focus on cancers, diabetes and hypertension in partnership with various medical institutions. The program also incorporates guest speakers who address diverse topics including health matters, financial management and planning, goal-setting, stress management and family life skills.

Optical screenings at a health camp held by Lake Manyara Serena Lodge in partnership with Lions Club Arusha

National and International Awards and Accolades

During the year 2018, Serena Hotels are proud to have won a number of national and international awards and accolades details of which are below:

World Travel Awards 2018

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

- Uganda's Leading Hotel 2018: Kampala Serena Hotel
- Uganda's Leading Hotel Suite 2018: Presidential Suite at Lake Victoria Serena Golf Resort & Spa
- Kenya's Leading Safari Lodge 2018: Amboseli Serena Safari Lodge.

Corporate Governance Awards, Uganda 2018: Kampala Serena Hotel emerged first runners up under the Small & Medium Enterprises category.

Zanzibar Tourism Awards 2018: Zanzibar Serena Hotel was the only hotel to be recognized as runner-up for the "Best Destination Development Champion category". The award recognizes companies or individuals that have done the most to promote Zanzibar as a tourism destination over the years.

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.

Extraordinary Business Case and CSR award, at the Global Best Practice Awards 2018: Kilaguni Serena Safari Lodge won it for the Solar power plant by using eco-friendly practices in providing professional textile care through sustainable and energy efficient laundry services.

Eco-Warrior Award 2018

- Serena Beach Resort & Spa won the "Best in Protecting Marine Heritage" Award
- Amboseli Serena Safari Lodge won the "Best Accommodation Facility in Promoting Culture and Heritage" Award

Kilaguni Serena Safari Lodge was announced the 7th in the top voted hotels in **TripAdvisor website.**

Ostriches at Amboseli National Park

Directors' Report

The directors submit their report together with the audited financial of TPS Eastern Africa PLC (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2018 which disclose the state of affairs of the Company and the Group.

Business review

The principal activity of the Group continued to be 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 of Shs 243,449,000 (2017: Shs 260,747,000) was 6.6% lower than 2017. This was due to a 2.9% increase in revenue being offset by relatively higher inflationary operating costs despite lower financing costs than 2017. The ongoing extension and refurbishment of Nairobi Serena Hotel (NSH) continued to impact performance, despite phase one of the project being completed in Q4 2018. The NSH project is slated for completion by H1, 2019; and so bodes well for improved performance from H2, 2019.

The table below highlights some of the key performance indicators:

	2018 Shs 000	2017 Shs 000
Revenue	6,593,441	6,408,206
Profit before income tax	243,449	260,747
EBITDA* as a percentage of revenue	12%	13%
Profit before tax as a percentage of revenue	4%	4%
Earnings per share	0.69	0.36
Net assets	9,137,574	9,164,617

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

Dividend

The profit for the year attributable to equity shareholders of the Company of Shs 125,710,000 (2017: Shs 65,209,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 0.35 per share (2017: Shs 0.35) amounting to Shs 63,760,938 (2017: Shs 63,760,938).

Directors

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

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Nooren Hirjani***	(Chief Financial Officer)
Ameer Kassim-Lakha	
Jean-Louis Vinciguerra*	
Ashish Sharma	(Alternate to Jean-Louis Vinciguerra)
Guedi Ainache*	
Teddy Hollo Mapunda (Mrs)**	
Mahmood Pyarali Manji	
Damien Braud*	(Resigned on 12th November 2018)
Jean-Benoit Du Chalard *	(Appointed on 12th November 2018)

* 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 721 of the Kenyan Companies Act, 2015.

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

By order of the Board

DOMINIC NG'ANG'A
COMPANY SECRETARY
25th April, 2019

Directors' Remuneration Report

Information not subject to audit

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

- The Group's and Company's overall policy and strategy for remuneration of Directors aims to fairly and objectively reward performance in the medium and longer term interests of shareholders. The remuneration structure is designed to recognise the requisite skills, expertise and experience of Directors given market competitive forces and demand.
- Executive Directors remuneration primarily comprises fixed elements including: salary, 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 term 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 2018, 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.

- There were no significant changes during the year.

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

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

Information subject to audit

The following table shows a single figure remuneration for the Executive Directors, Non-Executive Chairman and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2018 together with the comparative figures for 2017. The aggregate Directors' emoluments are shown on page 86.

For the year ended 31 December 2018	Salary Shs 000	Fees Shs 000	Bonus Shs 000	Expense allow-ances Shs 000	Loss of office/ Termina-tion Shs 000	Pension Shs 000	Esti-mated value for non-cash benefits Shs 000	Total Shs 000
F. Okomo-Okello, Non-Executive Chairman	-	182	-	-	-	-	-	182
M. Janmohamed, Managing Director	41,969	-	-	-	-	2,056	3,885	47,910
N. Hirjani, Chief Financial Officer	28,324	-	-	-	-	1,320	82	29,726
A. Kassim-Lakha, Non-Executive Director	-	189	-	-	-	-	-	189
D. Braud, Non-Executive Director	-	110	-	-	-	-	-	110
J-L. Vinciguerra, Non-Executive Director	-	84	-	-	-	-	-	84
T. Mapunda (Mrs.) Non-Executive Director	-	154	-	-	-	-	-	154
M. Manji, Non-Executive Director	-	203	-	-	-	-	-	203
G. Ainache, Non-Executive Director	-	217	-	-	-	-	-	217
J-B Du Chalard, Non-Executive Director	-	20	-	-	-	-	-	20
	70,293	1,159	-	-	-	3,376	3,967	78,795

Directors' Remuneration Report (continued)

For the year ended 31 December 2017	Salary Shs 000	Fees Shs 000	Bonus Shs 000	Expense allow-ances Shs 000	Loss of office/ Termina-tion Shs 000	Pension Shs 000	Esti-mated value for non-cash benefits Shs 000	Total Shs 000
F. Okomo-Okello, Non-Executive Chairman	-	196	-	-	-	-	-	196
M. Jan Mohamed, Managing Director	41,969	-	-	-	-	2,056	3,646	47,671
N. Hirjani, Chief Financial Officer	11,845	-	-	-	-	603	8	12,456
A. Virani, Finance Director	22,749	-	-	-	-	993	1,060	24,802
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	-	-	-	3,652	4,714	86,267

Pension related benefits

	2018 Shs'000	2017 Shs'000
M. Jan Mohamed, Managing Director	2,056	2,056
N. Hirjani, Chief Financial Officer	1,320	603
A. Virani, Finance Director (Resigned 16th August 2017)	-	993
	3,376	3,652

On behalf of the Board

Mr. Nooren Hirjani
Director
25th April 2019

Statement of Directors' Responsibilities

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

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

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
ii. Selecting suitable accounting policies and then applying them consistently; and
iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Group's and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

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 25 April 2019 and signed on its behalf by:

Mr. Francis Okomo-Okello
DIRECTOR
25th April 2019

Mr. Nooren Hirjani
DIRECTOR
25th April 2019

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

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of TPS Eastern Africa Plc (the Company) and its subsidiaries (together, the Group) set out on pages 38 to 89, which comprise the consolidated statement of financial position at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of profit or loss and other comprehensive income, Company statement of financial position at 31 December 2018, the statement of changes in equity and statement of cash flows for the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of TPS Eastern Africa Plc give a true and fair view of the financial position of the Group and the Company at 31 December 2018 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 opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment As described in Note 19, the Group carries out a goodwill impairment assessment annually to determine if any impairment exists. The impairment assessment involves significant judgement and assumptions; EBITDA assumptions, long-term growth rates, discount rates and future cash flows. The future cash flows are based on management's assessment of the future profitability of the business and involve significant estimation uncertainty and judgement.	We evaluated and challenged the composition of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business and the macro economic outlook. We assessed the projected cash flows against the approved strategic and business plan of the cash generating unit. We reviewed the reasonableness of the forecast cash flows against historical performance and the approved financial budgets of the business. We assessed the reasonableness of management's assumptions in relation to the: - Long term growth rates by comparing them to economic forecasts - Pre-tax discount rate by assessing the cost of capital for the company as well as considering country specific factors - EBITDA assumptions by comparing them with historical revenue and expenditure performance and the approved financial budgets of the business We challenged management on the sensitivity of the assumptions used. We determined that the calculations were most sensitive to assumptions for gross margin and the pre-tax discount rates. We have reviewed the adequacy of the disclosures in Note 19 of the financial statements.

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

Other information

The other information comprises the Directors' report, Chairman's statement, Managing Director's statement, Directors' Remuneration report, Statement of directors' responsibilities and Principal shareholders and share distribution report which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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

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

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

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the directors' report on page 31 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 32 to 33 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PricewaterhouseCoopers

Certified Public Accountants
25 April, 2019
Nairobi

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

Consolidated Statement of Profit or Loss

	Notes	2018 Shs'000	2017 Shs'000
Revenue from contracts with customers	5	6,593,441	6,408,206
Other income		355,437	272,098
Inventory expensed		(1,123,363)	(1,116,544)
Employee benefits expense	7	(2,216,755)	(2,133,614)
Other operating expenses	8	(2,790,441)	(2,583,927)
Impairment losses	23	(23,208)	(14,694)
Profit before depreciation, finance costs/ (income), results of associates and income tax expense	5	795,111	831,525
Depreciation and amortisation of property and equipment	18	(408,248)	(406,496)
Finance income	9	7,101	14,425
Finance costs	9	(126,517)	(149,347)
Share of loss of associates accounted for using the equity method	21	(23,998)	(29,360)
Profit before income tax	6	243,449	260,747
Income tax expense	10	(64,444)	(141,282)
Profit for the year		179,005	119,465
Attributable to:			
Equity holders of the Company		125,710	65,209
Non-controlling interest	27	53,295	54,256
		179,005	119,465
Earnings per share attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	11	0.69	0.36

Consolidated Statement of Comprehensive Income

	Notes	2018 Shs'000	2017 Shs'000
Profit for the year		179,005	119,465
Other comprehensive income Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(142,287)	50,725
Total other comprehensive loss for the year		(142,287)	50,725
Total comprehensive income for the year		36,718	170,190
Attributable to:			
Equity holders of the Company		(16,577)	115,934
Non-controlling interest		53,295	54,256
Total comprehensive income for the year		36,718	170,190

Company Statement of Profit or Loss and Other Comprehensive Income

	Notes	2018 Shs'000	2017 Shs'000
Dividend income		85,190	94,451
Other operating expenses		(19,353)	(21,574)
Profit before income tax	6	65,837	72,877
Income tax expense	10	-	-
Total comprehensive income		65,837	72,877
Attributable to:			
Equity holders of the Company		65,837	72,877
Non-controlling interest		-	-
Total comprehensive income for the year		65,837	72,877

Consolidated Statement of Financial Position

	Notes	2018 Shs'000	2017 Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	13	182,174	182,174
Share premium	13	4,392,668	4,392,668
Revaluation reserve	14	2,423,447	2,480,830
Translation reserve		(1,161,317)	(1,019,030)
Retained earnings		2,434,571	2,315,239
Proposed dividends	12	63,761	63,761
		8,335,304	8,415,642
Non-controlling interest	27	802,270	748,975
Total equity		9,137,574	9,164,617
Non-current liabilities			
Borrowings	15	1,677,058	3,819,714
Deferred income tax liability	16	1,886,339	2,028,010
Retirement benefit obligations	17	22,081	22,097
Total non-current liabilities		3,585,478	5,869,821
Total equity and non-current liabilities		12,723,052	15,034,438
Non-current assets			
Land and buildings	18 (a)	11,189,812	8,766,817
Property and equipment	18 (b)	2,067,183	3,825,752
Intangible assets	19	1,274,154	1,274,154
Investment in associates	21	950,847	972,610
Deferred income tax asset	16	1,113	831
		15,483,109	14,840,164
Current assets			
Inventories	22	475,308	499,820
Receivables and prepayments	23	1,267,721	1,332,411
Current income tax		160,240	141,031
Cash and cash equivalents	24	211,745	674,409
		2,115,014	2,647,671
Current liabilities			
Trade and other payables	25	1,805,800	1,796,277
Borrowings	15	3,055,561	657,120
Current income tax		13,710	-
		4,875,071	2,453,397
Net current assets		(2,760,057)	194,274
		12,723,052	15,034,438

The financial statements on pages 38 to 89 were approved and authorised for issue by the board of directors on 25 April 2019 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mr. Nooren Hirjani
DIRECTOR

Company Statement of Financial Position

	Notes	2018 Shs'000	2017 Shs'000
Equity			
Share capital	13	182,174	182,174
Share premium	13	4,392,668	4,392,668
Retained earnings		873,925	871,849
Proposed dividends	12	63,761	63,761
Total equity		5,512,528	5,510,452
Non-current assets			
Investment in subsidiaries	20	4,231,797	4,231,797
Investment in associates	21	840,330	840,330
		5,072,127	5,072,127
Current assets			
Receivables and prepayments	23	444,108	431,981
Cash and cash equivalents	24	356	10,553
		444,464	442,534
Current liabilities			
Trade and other payables	25	4,063	4,209
Net current assets		440,401	438,325
		5,512,528	5,510,452

The financial statements on pages 38 to 89 were approved and authorised for issue by the board of directors on 25 April 2019 and signed on its behalf by:

Francis Okomo-Okello
DIRECTOR

Mr. Nooren Hirjani
DIRECTOR

Consolidated Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Reval-uation reserves Shs'000	Trans-lation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 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		-	-	(76,193)	-	76,193	-	-	-
Deferred income tax on transfer	16	-	-	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	27	-	-	-	-	-	-	(309,329)	(309,329)
Dividends:									
- final for 2016 paid	12	-	-	-	-	-	(63,761)	-	(63,761)
- proposed for 2017	12	-	-	-	-	(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

Consolidated Statement of Changes in Equity (continued)

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Trans-lation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non-controlling interest Shs'000	Total Shs'000
Year ended 31 December 2018									
At start of year		182,174	4,392,668	2,480,830	(1,019,030)	2,315,239	63,761	748,975	9,164,617
Comprehensive income for the year									
Profit for the year		-	-	-	-	125,710	-	53,295	179,005
Other comprehensive income:									
Currency translation differences		-	-	-	(142,287)	-	-	-	(142,287)
Transfer of excess depreciation to retained earnings		-	-	(81,976)	-	81,976	-	-	-
Deferred income tax on transfer	16	-	-	24,593	-	(24,593)	-	-	-
Total other comprehensive income		-	-	(57,383)	(142,287)	57,383	-	-	(142,287)
Total comprehensive income for the year		-	-	(57,383)	(142,287)	183,093	-	53,295	36,718
Transactions with owners									
Dividends:									
- final for 2017 paid	12	-	-	-	-	-	(63,761)	-	(63,761)
- proposed for 2018	12	-	-	-	-	(63,761)	63,761	-	-
		-	-	-	-	(63,761)	-	-	(63,761)
At end of year		182,174	4,392,668	2,423,447	(1,161,317)	2,434,571	63,761	802,270	9,137,574

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 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	12	-	-	-	(63,761)	(63,761)
- proposed for 2017	12	-	-	(63,761)	63,761	-
		-	-	(63,761)	-	(63,761)
At end of year		182,174	4,392,668	871,849	63,761	5,510,452

Company Statement of Changes in Equity (continued)

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

Consolidated Statement of Cash Flows

	Notes	2018 Shs'000	2017 Shs'000
Operating activities			
Cash generated from operations	26	820,356	910,127
Interest received		7,101	11,387
Income tax paid		(188,184)	(123,376)
Net cash generated from operating activities		639,273	798,138
Investing activities			
Purchase of property, plant and equipment	18	(1,287,506)	(1,899,040)
Proceeds from disposal of property and equipment		4,413	1,363
Acquisition of non-controlling interest	27	-	(309,329)
Net cash used in investing activities		(1,283,093)	(2,207,006)
Financing activities			
Proceeds from long term borrowings		341,745	1,201,311
Payments of long term borrowings		(421,697)	(528,034)
Interest paid		(126,066)	(149,347)
Dividends paid to Company's shareholders	12	(63,761)	(63,761)
Net cash (used in)/generated from financing activities		(269,779)	460,169
Net decrease in cash and cash equivalents		(913,599)	(948,699)
Movement in cash and cash equivalents			
At start of year		611,779	1,425,891
Decrease		(913,599)	(948,699)
Effect of currency translation differences		121,257	134,587
At end of year	24	(180,563)	611,779

Company Statement of Cash Flows

	Notes	2018 Shs'000	2017 Shs'000
Profit before income tax		65,837	72,877
Adjustments for:			
Changes in working capital			
- receivables and prepayments		(12,127)	(1,656)
- payables and accrued expenses		(146)	2,132
Net cash generated from operating activities		53,564	73,353
Financing activities			
Dividends paid to shareholders	12	(63,761)	(63,761)
Net cash used in financing activities		(63,761)	(63,761)
Net (decrease)/increase in cash and cash equivalents		(10,197)	9,592
Movement in cash and cash equivalents			
At start of year		10,553	961
(Decrease)/increase		(10,197)	9,592
At end of year	24	356	10,553

Notes

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 2018:

IFRS 9 'Financial instruments'

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

From 1 January 2018, to comply with IFRS 9, which replaced IAS 39, provisions have been made for either 12-month or lifetime expected credit losses (ECLs) for all financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income. The directors have opted to apply the simplified approach for trade receivables whereby lifetime ECL are provided for from inception.

The application of the standard, retrospectively, in the current year has not had a material impact on the financial position or financial performance of the Group, and a prior period adjustment has, therefore, not been required.

2. Summary of significant accounting policies (continued)

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Group	IAS 39		IFRS 9	
Financial assets	**Category**	**Carrying amount Shs '000'**	**Category**	**Carrying amount Shs '000'**
Cash and cash equivalents	Loans and receivables measured at amortised cost	674,409	Financial assets measured at amortised cost	674,409
Receivables		1,332,411		1,332,411

Company	IAS 39		IFRS 9	
Financial assets	**Category**	**Carrying amount Shs '000'**	**Category**	**Carrying amount Shs '000'**
Cash and cash equivalents	Loans and receivables measured at amortised cost	10,553	Financial assets measured at amortised cost	10,553
Receivables		431,981		431,981

There were no changes to the principles of classification and measurement for financial liabilities.

The total re-measurement at 1 January 2018 was deemed immaterial and not adjusted for.

Group Financial assets	IAS 39 at 31-Dec-17 Shs '000'	IFRS 9 re-measurement adjustment Shs '000'	IFRS 9 at 1-Jan-18 Shs '000'
Cash and cash equivalents	674,409	-	674,409
Trade Receivables	1,332,411	-	1,332,411
Total	2,006,820	-	2,006,820

Company Financial assets	IAS 39 at 31-Dec-17 Shs '000'	IFRS 9 re-measurement adjustment Shs '000'	IFRS 9 at 1-Jan-18 Shs '000'
Cash and cash equivalents	10,553	-	10,553
Receivables	431,981	-	431,981
Total	442,534	-	442,534

2. Summary of significant accounting policies (continued)

IFRS 15 'Revenue from Contracts with Customers'

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Effective 2018, IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The standard is applicable to customer contracts, except for contracts within the scope of the standards on financial instruments, leases and insurance contracts.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

An assessment was carried out by the Group to determine the impact of IFRS 15. The Group reviewed the contracts with customers that are within the scope of this standard and concluded that the adoption of IFRS 15 did not materially impact the Group's revenue recognition criteria and there were therefore no transition adjustments required.

(ii) New standards and interpretations that are not yet effective

Several new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except IFRS 16 as set out below:

IFRS 16 'Leases'

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

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 includes costs directly related to entering 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.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of Shs 173.5 million (2017: Shs 188.7 million) (see Note 30).

Based on the management's preliminary assessment, right of use assets of Shs 217.3 million and lease liabilities of Shs 217.3 million will have to be recognised in the Company's statement of financial position at 1 January 2019.

On transition, IFRS 16 allows entities not to restate its comparatives. The Group will therefore adopt IFRS 16 on 1 January 2019 using a modified retrospective approach. As such, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

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

(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.

2. Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies. Acquisition of entities under common control is accounted for using predecessor accounting.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

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.

2. Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(iv) Associates (continued)

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.

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

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

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

(vi) Separate financial statements

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

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

(c) Functional currency and 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.

2. Summary of significant accounting policies (continued)

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

(iii) Group companies

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM who makes strategic decisions and who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Managing Director.

(e) Revenue recognition

The Group recognises revenue for direct sales of goods and rendering of services. Revenue is recognised as and when the Group satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognised is the amount the Group expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax (VAT).

Room revenue is recognised on occupancy. Food and beverage revenue is recognized on billing, following consumption whereas gift shop sales are recognized on transfer of goods. Revenue from other sources such as gym, bird walks, archery etc. is recognised based on the performance of the service.

For each of the revenue streams, the Group recognises revenue over time or at a point in time specifically after the performance obligation of transfer of goods or service to the customer has been fulfilled.

The Group policy is to allocate the total transaction price to the performance obligations in the product offer / contract by reference to their relative stand-alone selling prices, e.g. for Food & Beverage at standard cost price grossed up for industry margins. Where such a stand-alone selling price is not directly observable, e.g. Bird Walks, Archery etc., the Group undertakes reasoned standard estimates based on cost plus a margin.

Interest income is recognised using the effective interest method.

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

(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.

2. Summary of significant accounting policies (continued)

(f) Property and equipment (continued)

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.

(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.

2. Summary of significant accounting policies (continued)

(h) Impairment of non-financial assets (continued)

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 Instruments

(i) Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

(ii) Classification

The Group classifies its financial instruments into the following categories:

a) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

b) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.

c) All other financial assets are classified and measured at fair value through profit or loss.

d) Financial liabilities that are held for trading, financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

e) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Trade and other receivables were classified as at amortised cost.
- Trade and other liabilities were classified as at amortised cost.

(iii) Initial measurement

On initial recognition:

- Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
- Trade receivables are measured at their transaction price.
- All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

(iv) Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income, and exchange gains and losses are recognised in profit or loss.

Fair value is determined as set out in Note 4(e), Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(v) Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset).

All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

2. Summary of significant accounting policies (continued)

(i) Financial Instruments (continued)

(v) Impairment (continued)

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(vi) Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

(vii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset. Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

(viii) Offsetting

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

Comparative accounting policies for financial assets and liabilities

The IAS 39 related accounting policies below are provided because financial instruments comparative balances were recognised and measured under this standard.

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group or Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss

(ii) Payables

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

(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.

Notes to Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(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) 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.

(m) 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.

(n) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 2(i) for further information about the Group's accounting for trade receivables and note 4 for a description of the group's impairment policies.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(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.

2. Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) Current and deferred income tax

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

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

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

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

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

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

3. Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

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

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 19).

Impairment losses on financial assets

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

3. Critical accounting estimates and judgements (continued)

Impairment losses on financial assets (continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for the definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL; and

Significant debtors, mainly relating to related party balance are assessed for impairment on an individual basis.
As at 31 December 2018, certain key judgements and estimations were made regarding the above items, as they relate to the determination of expected credit losses on financial assets.

Fair value of property

The determination of the carrying value and the related depreciation of property requires use of judgements and assumptions. These are further disclosed in Note 18.

Income taxes

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

Useful lives of property, plant and equipment

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

(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 adverse effects on its financial performance within the options available in East Africa to hedge against such risks.

Financial risk management is carried out by Management under the guidance of the Board of Directors. Board of directors identifies, evaluates and hedges financial risks. The Board of Directors provides guidance on principles for overall risk management covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Group aims to minimise volatility arising from fluctuations in exchange rates by adopting natural hedges such as holding cash balances in foreign currencies to hedge against any foreign currency denominated amounts payable.

The Group manages foreign exchange risk by converting its foreign currency collections into local currency on an ongoing basis to cater for its operational requirements. As a result, the Group does not hold large amounts of foreign currency deposits. In addition, the Group receives its collections in foreign currency and therefore any future foreign currency commercial transactions are settled in the same currency to avoid the effect of swinging currency exchange rates.

Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2018, if the Kenya Shilling had weakened/strengthened by 1% against the US Dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 11,870,092 (2017: profit for the year of Shs 8,877,450) higher/lower, mainly as a result of US dollar receivables, payables, bank balances and borrowings.

4. Financial risk management (continued)

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2018 (2017: nil).

(iii) Interest rate risk

The Group has borrowings at variable rates. The Group does not hedge itself against interest rate risk. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. At 31 December 2018, an increase/decrease of 1% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 4,460,084 (2017: profit of Shs 5,425,858).

(iv) Fair value risk

The Group does not have any significant assets subject to fair value risk as at 31 December 2018 (2017: nil).

Credit risk

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

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

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

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

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

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

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

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

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Trade receivables	826,684	733,734	-	-
Expected credit losses	(61,033)	(37,825)	-	-
Carrying amount	765,651	695,909	-	-
Past due but not impaired:				
- by 31 to 60 days	113,361	101,268	-	-
- by 61 to 90 days	73,509	109,618	-	-
- by over 90 days	127,565	118,155	-	-
Total past due but not impaired	314,435	329,041	-	-
Impaired and fully provided for	61,033	37,825	-	-

The Company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables.

4. Financial risk management (continued)

Credit risk (continued)

Other receivables	Group 2018 Shs'000	Group 2017 Shs'000	Company 2018 Shs'000	Company 2017 Shs'000
Related parties receivables				
Trade receivables	11,226	5,007	-	-
Advances to related companies	386,303	404,981	444,108	416,185
	397,529	409,988	444,108	416,185
Cash at bank	211,745	674,409	356	10,553

Liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. A major portion of the Company's funds are held in cash and cash equivalents which are readily available to meet expected operational expenses, including the servicing of financial obligations.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(a) Group	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2018:				
- borrowings and interest	3,478,542	627,404	967,997	519,281
- trade and other payables	1,805,800	-	-	-
	5,284,342	627,404	967,997	519,281
At 31 December 2017:				
- borrowings and interest	929,420	905,340	2,568,662	876,665
- trade and other payables	1,796,277	-	-	-
	2,725,697	905,340	2,568,662	876,665

(b) Company	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2018:				
- trade and other payables	4,063	-	-	-
At 31 December 2017:				
- trade and other payables	4,209	-	-	-

See further disclosures in relation to borrowings under Note 15

4. Financial risk management (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt. During 2018 the Group's strategy, which was unchanged from 2017, was to maintain a gearing ratio below 40%.The gearing ratios at 31 December 2018 and 2017 as follows:

	2018 Shs'000	2017 Shs'000
Total borrowings (Note 15)	4,812,959	4,476,835
Less: cash and bank balances (Note 24)	(211,745)	(674,409)
Net debt	4,601,214	3,802,426
Total equity	9,137,574	9,164,617
Total capital	13,738,788	12,967,043
Gearing ratio	33%	29%

Fair value estimation

The different level of fair value measurement hierarchy is described as follows:

- Quoted prices (unadjusted) in active markets for identical assets (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

  Inputs for the asset that are not based on observable market data (that is, unobservable data) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the year-end date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as discounted cash flow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Land and buildings under property and equipment disclosed under Note 18 represent the fair value estimation in these financial statements. Their fair valuation is determined using level 3 data.

4. Financial risk management (continued)

Financial instruments not measured at fair value

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value:

	Carrying Value		Fair Value	
	2018 Shs 000	2017 Shs 000	2018 Shs 000	2017 Shs 000
Financial assets				
Receivables and prepayments	1,267,721	1,332,411	1,267,721	1,332,411
Cash and cash equivalents	211,745	674,409	211,745	674,409
	1,479,466	2,006,820	1,479,466	2,006,820
Financial liabilities				
Borrowings	4,732,619	4,476,834	4,732,619	4,476,834
Trade and other payables	1,805,800	1,796,277	1,805,800	1,796,277
	6,538,419	6,273,111	6,538,419	6,273,111
Company				
Financial assets				
Receivables and prepayments	444,108	431,981	444,108	431,981
Cash and cash equivalents	356	10,553	356	10,553
	444,464	442,534	444,464	442,534
Financial liabilities				
Trade and other payables	4,063	4,209	4,063	4,209

5 Segment information

Management has determined the operating segments based on the reports reviewed by the Managing Director that are used to make strategic decisions.

The Managing Director considers the business from both a geographic and product perspective. Geographically, management considers the performance in Kenya, Uganda and Tanzania as the key operating segments. Zanzibar and Mangapwani are included within the Tanzania segment as they have similar economic characteristics and are managed jointly.

The reportable operating segments derive their revenue primarily from accommodation, food and beverage sales.

The Managing Director assesses the performance of the operating segments based on profits before depreciation and amortisation, interest and tax, which is a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). The measure also excludes the effects of unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The revenue from external parties reported to the Managing Director is measured in a manner consistent with that in the income statement. Segment assets are apportion on a contractual basis. The measurement basis applied is consistent with Group accounting policies.

Intersegmental sales relate to management fee charged by TPS (M) Limited and are eliminated on consolidation.

Notes to Financial Statements (continued)

5 Segment information (continued)

Entity wide information

The Group derives revenue from transfer of goods and services at a point in time in the following categories:

	2018 Shs'000	2017 Shs'000
Room revenue	3,177,657	3,075,437
Food	2,330,527	2,253,145
Beverage	428,546	381,528
Others	656,711	698,096
	6,593,441	6,408,206
Timing of revenue recognition - Over time Room revenue	3,177,657	3,075,437
At a point in time - Food	2,330,527	2,253,145
- Beverage	428,546	381,528
- Others	656,711	698,096
	3,415,784	3,332,769

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2018 is as follows:

	Kenya Hotels and Lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotels Shs '000	All other segments Shs '000	Total Shs '000
Revenue	2,847,663	2,135,000	1,610,778	337,702	6,931,143
Less inter segmental sales	-	-	-	(337,702)	(337,702)
Net revenue from third parties (all recognized at a point in time)	2,847,663	2,135,000	1,610,778	-	6,593,441
EBITDA	52,404	468,900	298,639	(24,832)	795,111
Depreciation and amortisation	(186,160)	(117,121)	(102,009)	(2,958)	(408,248)
Income tax credit/(expense)	117,380	(104,371)	(66,765)	(10,688)	(64,444)
Share of loss from associate	-	-	-	(23,998)	(23,998)
Investment in associate	-	-	-	950,847	950,847
Additions to non-current assets	976,558	61,622	247,752	1,574	1,287,506
Total assets	9,618,510	3,045,069	3,268,684	1,665,860	17,598,123
Total liabilities	(5,139,411)	(1,957,488)	(1,327,184)	(36,466)	(8,460,549)
Goodwill	324,643	683,218	266,293	-	1,274,154

5 Segment information (continued)

The segment information for the year ended 31 December 2017 is as follows:

	Kenya Hotels and Lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotels Shs '000	All other segments Shs '000	Total Shs '000
Revenue	2,558,929	2,083,152	1,691,748	336,084	6,669,913
Less inter segmental sales	-	-	-	(261,707)	(261,707)
Net revenue from third parties (all recognized at a point in time)	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 credit/(expense)	98,811	(122,370)	(105,214)	(12,509)	(141,282)
Share of (loss)/ profit from associate	(7,917)	-	-	(21,443)	(29,360)
Investment in associate	(2,234)	-	-	974,844	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	1,626,167	17,487,835
Total liabilities	(4,663,764)	(2,232,497)	(1,392,783)	(34,174)	(8,323,218)
Goodwill	324,643	683,218	266,293	-	1,274,154

The company has disclosed EBITDA because the management believes that this measure is relevant to a better understanding of the financial performance. EBITDA is not a defined performance measure in IFRS. The Company's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities. This disclosure is provided for illustrative purposes only.

EBITDA is calculated by adjusting profit from the continuing operations to exclude share of associate results, the impact of taxation, net finance costs, depreciation, amortisation, impairment losses and reversals related to goodwill, intangible assets and property, plant and equipment. A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2018 Shs'000	2017 Shs'000
EBITDA	795,111	831,525
Depreciation and amortisation	(408,248)	(406,496)
Finance costs – net	(119,416)	(134,922)
Share of loss of associates accounted for using the equity method	(23,998)	(29,360)
Profit before tax	243,449	260,747

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	
	2018 Shs'000	2017 Shs'000
Employee benefit expense (Note 7)	2,216,755	2,133,614
Heat, light, power and water (Note 8)	593,115	537,772
Advertising and promotion expenses (Note 8)	501,252	470,396
Repairs and maintenance of property and equipment	388,731	341,333
Net finance costs (Note 9)	119,416	134,922
Receivables – provision for impairment losses (Note 23)	23,208	14,694
Auditors' remuneration (Company: 2018: Shs 2,949,767 (2017: Shs 2,891,929))	18,362	17,512
Profit on disposal of property, plant and equipment	(2,149)	(2,505)

7. Employee benefits expense

	2018 Shs'000	2017 Shs'000
Salaries, wages and other staff costs	2,082,203	2,002,013
Retirement benefits costs:		
- Defined benefit scheme (Note 17)	1,291	1,012
- Defined contribution scheme	48,142	49,487
- National Social Security Funds	85,119	81,102
	2,216,755	2,133,614

	2018	2017
Average number of employees	2,759	2,817

8. Other operating expenses

Group	2018 Shs'000	2017 Shs'000
Advertising and promotions	501,252	470,396
Heat, light, power and water	593,115	537,772
Insurance premiums	151,896	141,067
Operating supplies	196,574	184,923
Royalties and fees	523,475	554,529
Rent	220,331	200,375
Security	76,068	72,281
Repairs and maintenance	388,731	341,333
Other expenses	138,999	81,251
	2,790,441	2,583,927
Company		
Annual General Meeting expenses	7,038	10,543
Registry expenses	3,812	2,843
Directors expenses	3,221	2,145
Audit fees	2,950	2,891
Trade publications	983	610
Other expenses	1,349	2,542
	19,353	21,574

9. Finance income and costs

Interest income:	2018 Shs'000	2017 Shs'000
- Fixed and call deposits	6,425	10,519
- Staff loans	676	868
Net foreign currency exchange gain on borrowings	-	3,038
Finance income	7,101	14,425
Interest expense:		
Interest expense on borrowings	(126,066)	(149,347)
Net foreign currency exchange loss on borrowings	(451)	-
Finance costs	(126,517)	(149,347)
Net finance costs	(119,416)	(134,922)

10. Income tax expense

	2018 Shs'000	2017 Shs'000
Current income tax	181,741	233,960
Deferred income tax (Note 16)	(117,297)	(92,678)
Income tax expense	64,444	141,282

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	
	2018 Shs'000	2017 Shs'000
Profit before income tax	243,449	260,747
Tax calculated at domestic rates applicable to profits in the respective countries at 30% (2017 : 30%)	73,035	78,224
Tax effect of:		
Income not subject to tax	15,157	6,433
Expenses not deductible for tax purposes	21,492	25,160
Under provision of deferred income tax in prior year	(45,240)	31,465
Income tax expense	64,444	141,282

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

11. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018 Shs'000	2017 Shs'000
Profit attributable to equity holders of the Company (Shs 000s)	125,710	65,209
Weighted average number of ordinary shares in issue (thousands)	182,174	182,174
Basic earnings per share (Shs)	0.69	0.36

There were no potentially dilutive shares outstanding at 31 December 2018 or 31 December 2017. Diluted earnings per share are therefore the same as basic earnings per share.

12. Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. Qualifying shares for 2018 were 182,174,108 shares (2017: 182,174,108 shares). A dividend in respect of qualifying shares for the year ended 31 December 2018 of Shs 0.35 per share (2017: Shs 0.35) amounting to Shs 63,760,938 (2017: 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.

13. Share capital

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

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 2017, 31 December 2017 and 31 December 2018	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 (2017: 182,174,108) shares are issued and are fully paid.

14. Revaluation reserve

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

15. Borrowings

	Group		Company	
The borrowings are made up as follows:	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Non-current				
Term Loans	1,677,058	3,819,715	-	-
Current				
Bank overdraft	392,308	62,360	-	-
Term Loans	2,663,253	594,760	-	-
	3,055,561	657,120	-	-
Total borrowings	4,732,619	4,476,835	-	-

Reconciliation of liabilities arising from financing activities

Year ended 31 December	2018 Shs'000	2017 Shs'000
At start of year	4,414,475	3,703,181
Interest payable	126,066	149,347
Foreign exchange loss	5,788	38,017
Cash flows:		
Interest paid	(126,066)	(149,347)
Proceeds from borrowings	341,745	1,201,311
Repayments of borrowings	(421,697)	(528,034)
At end of year exclusive of bank overdrafts	4,340,311	4,414,475

Bank loans and overdrafts are secured by legal charges over certain land, buildings and other assets of the Group and a certificate of shares in the name of TPS Eastern Africa Limited for Tourism Promotion Services (Kenya) Limited in addition to a floating debenture over all assets of Tourism Promotion Services (Kenya) Limited, Tourism Promotion Services (Tanzania) Limited and Tourism Promotion Services (Zanzibar) Limited. The PROPARCO loans are guaranteed by TPS Eastern Africa Limited, the parent Company.

15. Borrowings (continued)

Financial Institution Tanzania	Currency	Facility	Interest %	Effective	Maturity Date	2018 Shs'000	2017 Shs'000
Barclays Bank of Tanzania - Overdraft	US$	700,000	4.55%	21/09/2018	21/09/2019	49,354	47,602
Barclays Bank of Tanzania - Term Loan	US$	4,000,000	5.55%	17/05/2015	(Note iv) 01/06/2020	152,829	256,569
Barclays Bank of Tanzania - Term Loan	US$	1,500,000	4.52%	25/08/2018	(Note iv) 25/03/2021	85,245	-
Bank M Tanzania Ltd - Term Loan	US$	2,750,000	6.25%	22/04/2014	29/10/2019	51,519	114,898
Bank M Tanzania - Overdraft facility	US$	200,000	6.75%	01/04/2016	(Note i)	11,118	16,418
AKFED	US$	2,000,000	0.00%	30/04/2016	(Note ii)	229,244	203,636
AKFED	US$	500,000	0.00%	30/04/2016	(Note ii)	63,101	51,646
DTB Tanzania Ltd - Overdraft facility	TShs	100,000	12.50%	31/12/2018	29/12/2019	2,014	-
Kenya							
Bank overdraft - Barclays Bank Kenya Ltd	KShs	150,000	12.95%	26/01/2018	25/01/2019	156,493	-
Bank overdraft - Stanbic Bank Kenya Ltd	KShs	100,000	12.95%	9/08/2018	8/08/2018	100,000	-
PROPARCO - Long Term Loan	US$	20,000,000	5.76%	24/08/2015	(Note iii) 01/08/2026 29/12/2022	2,038,000	2,066,000
BBK Limited - Term Loans	KShs	970,000	12.87%	13/02/2015	(Note iv)	554,287	692,858
AKFED	US$	6,000,000	0.00%	30/07/2017	(Note ii)	611,396	309,856
Stanbic Bank Kenya Ltd - Term loan	KShs	65,000	14.00%	30/05/2015	30/04/2019	6,704	25,368
Uganda							
Bank overdraft	US$	1,000,000	4.00%	3/12/2018	02/12/2019	73,329	-
PROPARCO - Long Term Loan	US$	8,000,000	5.20%	15/06/2017	15/06/2023	547,986	691,984
						4,732,619	4,476,835

The fair values are based on discounted cash flows using a discount rate based upon prevailing market rate on borrowing that directors expect would be available to the Group at the balance sheet date.

15. Borrowings (continued)

Notes

(i) Awaiting take over by Barclays Bank of Tanzania.

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

(iii) As at 31 December 2018, the Group was in breach of certain PROPARCO loan covenants. The breach arose due to the delayed completion of Nairobi Serena Hotel extension and refurbishment project. The project is now planned for completion in Q2, 2019. Consequently, it has been necessary to reclassify the long term PROPARCO borrowings of Shs 2,038,000,000 as current liabilities in the financial statements, in order to comply with the requirements of the IAS 1. Subsequent to the year end, the Group has received a waiver from PROPARCO in relation to this breach; and so the parties are progressing discussions to reschedule the repayments of the PROPARCO loan in 2019

(iv) As at 31 December 2018, the Group was in breach of certain loan covenants on loans borrowed from Barclays Bank of Kenya and Barclays Bank of Tanzania. The lenders issued waivers by 31 December 2018 in relation to the breaches. Further, subsequent to year-end, Barclays Bank of Kenya approved the deferral of four quarterly loan repayments that were due to be made starting May 2019. No such deferral was required, nor therefore requested, from Barclays Bank of Tanzania.

Borrowings in respective currencies were as follows:

	Group	
Currency	2018 Shs'000	2017 Shs'000
US Dollars	3,301,724	3,448,752
Kenya Shillings	1,428,880	1,028,083
Tanzania Shillings	2,015	-
	4,732,619	4,476,835

16. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2017: 30%). The movement on the deferred income tax account is as follows:

Deferred income tax asset	2018 Shs'000	2017 Shs'000
At start of year	(831)	(765)
Charge to profit or loss (Note 10)	(58)	78
Charge to other comprehensive income	(224)	(144)
At end of year	(1,113)	(831)
Deferred income tax liability		
At start of year	2,028,010	2,157,625
Charge to profit or loss (Note 10)	(117,239)	(92,756)
Charge to other comprehensive income	(24,432)	(36,859)
At end of year	1,886,339	2,028,010

16. Deferred income tax (continued)

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

Deferred income tax liabilities	1.1.2018 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/ (credit) to equity Shs'000	31.12.2018 Shs'000
Property, plant & equipment				
- on historical cost	647,339	633,569	-	1,280,908
- on revaluation surpluses	1,199,020	(18,136)	(818)	1,180,066
Unrealised exchange gains	370,588	(283)	-	370,305
	2,216,947	615,150	(818)	2,831,279
Deferred tax assets				
Provisions	598	(10,602)	-	(10,004)
Tax losses carried forward	(39,268)	(664,703)	-	(703,971)
Under provision prior year	172	(57,084)	-	(56,912)
Other temporary differences	(150,439)	-	(23,614)	(174,053)
	(188,937)	(732,389)	(23,614)	(944,940)
Net deferred tax liability	2,028,010	(117,239)	(24,432)	1,886,339

Deferred income tax of Shs 145,855,000 is anticipated to be utilised in the next 12 months in relation to tax losses.

16. Deferred income tax (continued)

Deferred tax liabilities	1.1.2017 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/ (credit) to equity Shs'000	31.12.2017 Shs'000
Property, plant & equipment				
- on historical cost	197,998	17,804	-	215,802
- on revaluation surpluses	360,365	-	2,715	363,080
	558,363	17,804	2,715	578,882
Deferred tax assets				
Tax losses carried forward	(283,251)	(55,276)	-	(338,527)
Other temporary differences	(275,877)	37,550	(2,859)	(241,186)
	(559,128)	(17,726)	(2,859)	(579,713)
Net deferred tax asset	(765)	78	(144)	(831)

Deferred income tax liabilities	1.1.2017 Shs'000	Charge/(credit) to profit or loss Shs'000	Charge/ (credit) to equity Shs'000	31.12.2017 Shs'000
Property, plant & equipment				
- on historical cost	617,041	30,298	-	647,339
- on revaluation surpluses	1,219,220	(20,200)	-	1,199,020
Unrealised exchange gains	382,179	(11,591)	-	370,588
	2,218,440	(1,493)	-	2,216,947
Deferred tax assets				
Provisions	(5,735)	6,333	-	598
Tax losses carried forward	61,340	(100,608)	-	(39,268)
Under provision prior year	(2,840)	3,012	-	172
Other temporary differences	(113,580)	-	(36,859)	(150,439)
	(60,815)	(91,263)	(36,859)	(188,937)
Net deferred tax liability	2,157,625	(92,756)	(36,859)	2,028,010

17. Retirement benefit obligations

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

Provision for employees' entitlement to gratuity is based on the number of years worked by individual employees up to the reporting date. The movement during the year is as follows:

	Group	
	2018 Shs'000	2017 Shs'000
At start of year	22,097	21,891
Charge to income statement (Note 7)	1,291	1,012
Benefits paid / transfered to pension scheme	(1,307)	(806)
At end of year	22,081	22,097

The scheme was last valued by an independent actuary as at 31 December 2016. The significant actuarial assumptions were as follows;

	2018 Shs'000
- discount rate	18.9%
- future salary increases	8.0%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is not significant for 2018 and 2017.

Under IAS 19 revised, actuarial gains and losses are recognised in the other comprehensive income. Consistent with prior year, actuarial losses are charged to income statement on the basis of materiality. The charge to profit or loss is made up of interest charge and current service cost.

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

In the opinion of the Directors, the provision for gratuity entitlement for employees fairly reflects the Group's future obligation under the terms of the Collective Bargaining Agreement. The scheme has no dedicated assets.

A slight increase or reduction in the actuarial assumptions does not result in a material change in the liability and the Group adopted the most conservative resultant liability

18. (a) Land & buildings - Group

	2018 Shs'000	2017 Shs'000
At 1 January		
At cost or revaluation	12,882,624	12,837,227
Accumulated depreciation	(2,862,964)	(2,646,040)
Translation differences	(1,252,843)	(1,205,050)
Net book amount	8,766,817	8,986,137
Year ended 31 December		
Opening net book amount	8,766,817	8,986,137
Additions	160,256	15,353
Transfers from work in progress	2,639,133	30,044
Depreciation charge	(224,914)	(216,924)
Translation differences	(151,480)	(47,793)
Closing net book amount	11,189,812	8,766,817
At 31 December		
At cost or revaluation	15,682,013	12,882,624
Accumulated depreciation	(3,087,878)	(2,862,964)
Translation differences	(1,404,323)	(1,252,843)
Net book amount	11,189,812	8,766,817

18 (b) Property and equipment - Group

Group	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2017				
At cost	3,799,524	357,562	838,097	4,995,183
Accumulated depreciation	(2,364,531)	(287,115)	-	(2,651,646)
Translation differences	(117,462)	(26,667)	(29,280)	(173,409)
Net book amount	1,317,531	43,780	808,817	2,170,128
Year ended 31 December 2017				
Opening net book amount	1,317,531	43,780	808,817	2,170,128
Additions	230,171	-	1,653,516	1,883,687
Disposals	(528)	-	-	(528)
Transfers	-	-	(30,044)	(30,044)
Depreciation charge	(172,389)	(17,183)	-	(189,572)
Depreciation on disposal	1,670	-	-	1,670
Translation differences	(7,383)	(357)	(1,849)	(9,589)
Closing net book amount	1,369,072	26,240	2,430,440	3,825,752
At 31 December 2017				
At cost	4,029,167	357,562	2,461,569	6,848,298
Accumulated depreciation	(2,535,250)	(304,298)	-	(2,839,548)
Translation differences	(124,845)	(27,024)	(31,129)	(182,998)
Net book amount	1,369,072	26,240	2,430,440	3,825,752

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

18 (b) Property and equipment - Group (continued)

Group	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2018				
At cost	4,029,167	357,562	2,461,569	6,848,298
Accumulated depreciation	(2,535,250)	(304,298)	-	(2,839,548)
Translation differences	(124,845)	(27,024)	(31,129)	(182,998)
Net book amount	1,369,072	26,240	2,430,440	3,825,752
Year ended 31 December 2018				
Opening net book amount	1,369,072	26,240	2,430,440	3,825,752
Additions	111,045	-	1,016,205	1,127,250
Disposals	(3,858)	-	-	(3,858)
Transfers	211,774	-	(2,850,907)	(2,639,133)
Write off	-	-	(10,754)	(10,754)
Depreciation charge	(170,481)	(12,853)	-	(183,334)
Depreciation on disposal	1,586	-	-	1,586
Translation differences	(23,773)	(476)	(26,077)	(50,326)
Closing net book amount	1,495,365	12,911	558,907	2,067,183
At 31 December 2018				
At cost	4,348,128	357,562	616,113	5,321,803
Accumulated depreciation	(2,704,145)	(317,151)	-	(3,021,296)
Translation differences	(148,618)	(27,500)	(57,206)	(233,324)
Net book amount	1,495,365	12,911	558,907	2,067,183

Borrowing costs of Shs 127,976,611 relating to the Proparco loan have been capitalised in the year (2017: Shs 81,343,734).

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.

Revaluations of properties in Kenya and Zanzibar were made on the basis of earnings for existing use. The assumptions applied were as follows;
Discount rate – 14%
Growth rate – 6%
Kenya's EBITDA margin – 21%
Zanzibar's EBITDA margin – 16%
Cost of construction in Tanzania – Shs 40,700 per square meters

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

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

18 (b) Property and equipment - Group (continued)

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

As at 31 December 2016, if the gross margin rate had decreased / increased by 1% with all other variables held constant, the valuation would have been higher / lower by Shs 80,588,000.

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

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

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

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

	Group	
	2018 Shs'000	2017 Shs'000
Cost	8,319,050	5,519,661
Accumulated depreciation	(2,020,599)	(1,644,205)
Net book amount	6,298,451	3,875,456

19. Intangible assets - Goodwill

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

	Kenya	Tanzania	Uganda	Total
At start of year	324,643	683,218	266,293	1,274,154

The directors monitor goodwill impairment at the segment level, being the cash generating unit (CGU). The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. The Managing Director considers the business from a geographic perspective. Geographically, management considers the performance in Kenya, Uganda and Tanzania.

2018	Tanzania	Uganda	Kenya
Budgeted average EBITDA margin (%)	24%	29%	23%
Long term growth rate (%)	6%	6%	6%
Pre-tax discount rate (%)	16%	15%	15.5%
Annual capital expenditure as a % of revenue	4%	4%	4%
2017			
Budgeted average EBITDA margin (%)	21%	31%	19%
Long term growth rate (%)	6%	6%	6%
Pre-tax discount rate (%)	16%	15%	15.5%
Annual capital expenditure as a % of revenue	4%	4%	4%

Notes to Financial Statements (continued)

19. Intangible assets - Goodwill (continued)

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.

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

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

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

20. Investment in subsidiaries (at cost)

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

The movement in investments in the year is as follows:

Group	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 2017	828,621	1,487,783	437,423	45,795	1	-	1,432,174	4,231,797
Addition during the year	-	-	-	-	-	-	-	-
At 31 December 2017 and 2018	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 – 2017 and 2018	100.00%	100.00%	100.00%	100.00%	100.00%	75.00%	65.19%	

Other indirect subsidiaries include JAJA Limited, which owns Lake Elementaita Serena Camp, and TPS (OP) Limited which owns Sweetwaters Tented Camp and Ol Pejeta House, both of which are 100% subsidiaries of TPS(K), and Upekee Lodges Limited (100% subsidiary of TPS(T)) which is dormant.

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

Subsidiaries with significant non-controlling interest

The key financial data as at year end for TPS (Uganda) Limited incorporated in Uganda, is summarised below;

	% interest held	Non-current assets Shs'000	Current assets Shs'000	Total assets Shs'000	Non-current liabilities Shs'000	Current liabilities Shs'000	Total liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000
2018									
TPS (Uganda) Limited	65	2,785,807	691,494	3,477,271	811,473	515,711	1,327,184	1,616,175	153,102
2017									
TPS (Uganda) Limited	65	2,734,955	809,432	3,544,387	976,355	416,428	1,392,783	1,691,748	256,248

Cash Flow

	2018 Shs'000	2017 Shs'000
Cash flows from operating activities	300,517	362,557
Cash flows from investing activities	(329,349)	(568,304)
Cash flows from financing activities	(120,274)	(215,745)
Net decrease in cash and cash equivalents	(149,106)	(421,492)

21. Investment in associates

	Group	
	2018 Shs'000	2017 Shs'000
At start of the year	974,845	1,004,205
-		
Share of associate results before tax	(15,967)	(32,224)
Share of tax	(8,031)	2,864
Net share of results after tax	(23,998)	(29,360)
At end of year	950,847	974,845

	Company	
	2018 Shs'000	2017 Shs'000
At start and end of year	840,330	840,330

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

21. Investment in associates (continued)

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	Current Assets Shs'000	Non-current Assets Shs'000	Current Liabilities Shs'000	Non-current Liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000
2018							
Mountain Lodges Limited	29.90	19,768	96,969	155,957	2,800	76,558	(20,950)
TPS (Rwanda) Limited	20.15	412,071	1,263,266	352,783	175,439	1,123,963	(173,529)
TPS (D) Limited	25.10	215,371	3,616,773	592,347	827,232	1,116,200	43,696
		647,210	4,977,008	1,101,087	1,005,471	2,316,721	(150,783)
2017							
Mountain Lodges Limited	29.90	30,290	100,777	152,137	-	63,746	(26,477)
TPS (Rwanda) Limited	20.15	543,386	1,433,315	412,170	204,078	1,023,942	(102,028)
TPS (D) Limited	25.10	221,951	3,772,500	683,230	906,250	1,111,921	(3,330)
		795,627	5,306,592	1,247,537	1,110,328	2,199,609	(131,835)

22. Inventory

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Food, beverage and consumables	209,957	226,197	-	-
Other stock	265,351	273,623	-	-
	475,308	499,820	-	-

Inventory is stated at cost. The cost of inventories recognised as an expense and included in 'inventory expensed" amounted to Shs 1,123,363,000 (2017: Shs 1,116,544,000).

23. Receivables and prepayments

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Trade receivables – third parties	815,458	728,727	-	-
Less: provision for impairment of receivables	(61,033)	(37,825)	-	-
Trade receivables – other related companies (Note 28)	11,226	5,007	-	-
Net trade receivables	765,651	695,909	-	-
Prepayments	71,841	92,068	-	11,629
Advances to related companies (Note 28)	386,303	404,981	444,108	416,185
Other receivables	43,926	139,453	-	4,167
	1,267,721	1,332,411	444,108	431,981

23. Receivables and prepayments (continued)

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

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
At start of year	37,825	98,035	-	-
Provision in the year	25,447	17,455	-	-
Receivables written off during the year	-	(74,904)	-	-
Unused amounts reversed	(2,239)	(2,761)	-	-
At end of year	61,033	37,825	-	-

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	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
US Dollar	409,905	517,583	-	-
Euro	1,255	1,715	-	-
Sterling Pound	1,279	1,191	-	-
Kenya Shillings	542,060	505,155	444,108	431,981
Tanzania Shillings	125,326	157,051	-	-
Uganda Shillings	187,896	149,716	-	-
	1,267,721	1,332,411	444,108	431,981

24. Cash and cash equivalents

Cash at bank and in hand	211,745	674,409	356	10,553

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

	Group	
	2018 Shs'000	**2017 Shs'000**
Cash and bank balances as above	211,745	674,409
Bank overdrafts (Note 15)	(392,308)	(62,630)
	(180,563)	611,779

25. Payables and accrued expenses

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Trade payables	982,329	967,389	-	-
Trade payables to related parties (Note 28(v))	6,140	5,088	-	-
Advances from related parties (Note 28(v))	98,615	127,685	-	-
Accrued expenses and other payables	718,716	696,115	4,063	4,209
	1,805,800	1,796,277	4,063	4,209

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

26. Cash generated from operations

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

	Group	
	2018 Shs'000	2017 Shs'000
Profit before income tax	243,451	260,747
Adjustments for:		
Interest expense (Note 9)	126,066	149,347
Interest income (Note 9)	(7,101)	(11,387)
Depreciation and amortisation (Note 18)	408,248	406,496
Profit on sale of property, plant and equipment	(2,138)	(2,505)
Work in progress write offs	10,753	-
Share of loss / (profit) from associates (Note 21)	23,998	29,360
Changes in working capital		
- receivables and prepayments	(15,651)	(173,665)
- inventories	24,513	(8,936)
- payables and accrued expenses	9,524	261,477
- provisions for liabilities and charges	(1,307)	(807)
Cash generated from operations	820,356	910,127

27. Non-controlling interest

	Group	
	2018 Shs'000	2017 Shs'000
At start of the year	748,975	1,004,048
Share of profit for the year	53,295	54,256
On acquisition of EHL shareholding	-	(309,329)
At end of year	802,270	748,975

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

28. Related party transactions

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

The following transactions were carried out with related parties:

	Group	
i) Sale of goods and services to:	2018 Shs'000	2017 Shs'000
Mountain Lodges Limited	90,365	2,356
Diamond Trust Bank Kenya Limited	1,898	2,955
The Jubilee Insurance Company of Kenya Limited	2,698	5,778
Tourism Promotion Services (Rwanda) Limited	40,528	42,101
Hoteis Polana, S.A.	29,056	28,207
Nation Media Group	4,897	4,542
Industrial Promotion Services (Kenya) Limited	326	1,308
The Jubilee Insurance Company of Uganda Limited	2,554	2,403
Diamond Trust Bank of Uganda Limited	3,269	3,033
Tanruss Investment Limited	87,024	86,066
African Broadcasting (Uganda) Limited	30,094	21,203
Monitor Publication Limited	2,551	3,097
Frigoken Limited	227	-
	295,487	203,049

28. Related party transactions (continued)

ii) Purchase of goods and services from:	Group 2018 Shs'000	Group 2017 Shs'000
Farmer's Choice Limited	82,809	66,572
The Aga Khan Hospital (Tanzania) Limited	305	1,689
Diamond Trust Bank Tanzania Limited	779	3,046
Serena Tourism Promotion Services, S.A.	141,025	138,989
Nation Media Group	1,399	900
The Jubilee Insurance Company (Tanzania) Limited	4,444	2,199
The Jubilee Insurance Company of Uganda Limited	36,696	33,857
Monitor Publication Limited	1,196	3,655
	268,653	250,007

iii) Key management compensation	2018 Shs'000	2017 Shs'000
Salaries and other short term employment benefits	164,542	174,846
Pension	6,062	6,383
	170,604	181,229
iv) Directors' remuneration		
Fees for services as a non-executive director	1,159	1,338
Emoluments to executive directors (included in key management compensation above)	77,636	84,929
Total remuneration of directors of the Company and Group	78,795	86,267

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

Trade receivables from related parties	Group 2018 Shs'000	Group 2017 Shs'000
African Broadcasting Services	2,031	-
Aga Khan Education Services (Uganda)	24	-
Aga Khan Foundation	818	-
Aga Khan Health Services	-	70
Aga Khan University Hospital (Kenya & Uganda)	4,140	396
Diamond Trust Bank Kenya Limited	567	-
I.P.S. (Kenya)	472	-
Monitor Publications	438	-
Nation Media Group	1,667	4,541
The Jubilee Insurance Company Limited	561	-
The Jubilee Insurance Company of Uganda Limited	508	-
	11,226	5,007

Notes to Financial Statements (continued)

28. Related party transactions (continued)

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

	Group	
Other receivables from related parties	**2018 Shs'000**	**2017 Shs'000**
Hoteis Polana, S.A.	116,894	91,834
Mountain Lodges Limited	103,624	115,530
Pearl Development Group Limited	11,987	32,464
Serena Tourism Promotion Services, S.A.	40	-
Tanruss Investment Limited	117,663	108,160
Tourism Promotion Services (Rwanda) Limited	34,452	55,550
TPS (Cayman) Limited	1,643	1,443
	386,303	404,981
	397,529	409,988

	Company	
Other receivables from related parties	**2018 Shs'000**	**2017 Shs'000**
Tourism Promotion Services (Kenya) Limited	326,977	239,716
Tourism Promotion Services (Tanzania) Limited	96,631	143,062
Tourism Promotion Services (Rwanda) Limited	-	5,935
Tourism Promotion Services (Management) Limited	-	5,108
Tanruss Investment Limited	20,500	22,364
	444,108	416,185

	Group	
Trade payables to related parties	**2018 Shs'000**	**2017 Shs'000**
Diamond Trust Bank (U) Limited	363	-
Farmer's Choice Limited	5,501	5,088
Monitor Publications	276	-
	6,140	5,088

Notes to Financial Statements (continued)

28. Related party transactions (continued)

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

	Company	
Other payables to related parties	2018 Shs'000	2017 Shs'000
Hoteis Polana, S.A.	16,723	3,852
Mountain Lodges Limited	-	215
Pearl Development Group Limited	4,712	904
Serena Tourism Promotion Services, S.A.	64,466	80,163
Tanruss Investment Limited	3,688	33,202
Tourism Promotion Services (Rwanda) Limited	9,026	9,199
	98,615	127,535
	104,755	132,623

vi) Guarantees

TPS Eastern Africa Limited 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 (2017: 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 2,585,986,000 (2017; Shs 2,757,984,000) as disclosed in Note 15.

29. Contingent liabilities

Tourism Promotion Services (Kenya) Limited is a defendant in various legal actions and claims made by third parties. In the opinion of the directors, after taking appropriate legal and other advice, no material liabilities are expected to crystallise from these claims. Consequently no provision has been set against the claims in the books of accounts.

There are some open tax issues with tax authorities and local authorities in respect of a subsidiary and an associate. The view of directors is that no additional liabilities will arise from these matters.

30. Commitments

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

	Group	
	2018 Shs'000	2017 Shs'000
Property, plant and equipment	1,912,596	1,176,026
Operating lease commitments		
Not later than 1 year	18,289	18,635
Later than 1 year and not later than 5 years	29,080	36,911
Later than 5 years	126,129	133,127
	173,498	188,673

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 25 June 2019 at 11.00 a.m. and at any adjournment thereof.

No. of shares held: ______________________________ Account number: ______________________________

Signed this ______________________________ day of ______________________________ 2019

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 21st June, 2019 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 25 2019 kuanzia saa tano au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ______________________________ nambari ya akaunti

Imetiwa sahihi ______________________________ Tarehe ______________________________ 2019

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 21 2019 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