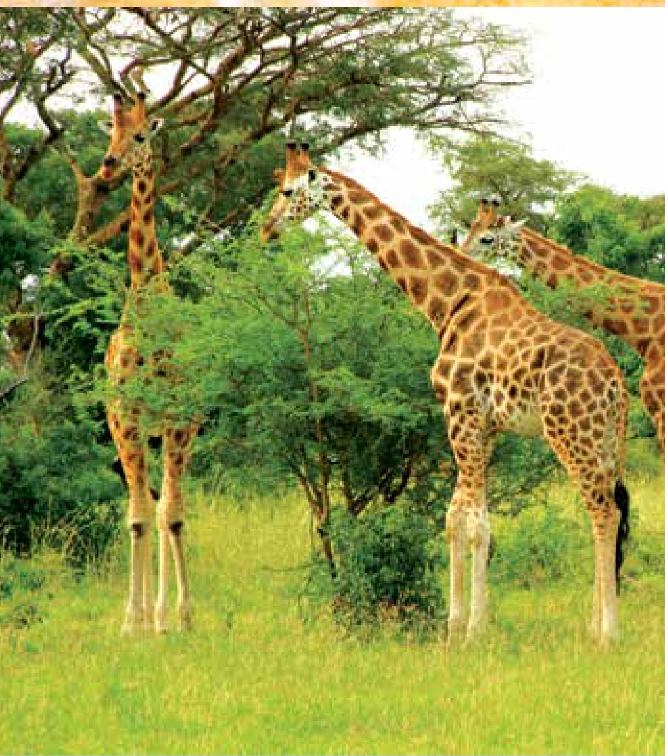
TPS EASTERN AFRICA LIMITED

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

2016
ANNUAL REPORT & FINANCIAL STATEMENTS


Content

Directors and Administration

BOARD OF DIRECTORS

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

BOARD AUDIT COMMITTEE

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

BOARD NOMINATION AND REMUNERATION COMMITTEE

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

*French ***Tanzanian

COMPANY SECRETARY

Dominic K. Ng'ang'a

Directors and Administration

PRINCIPAL OFFICERS

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

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

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

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

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

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

Paul Chaulo	General Manager	- Zanzibar Serena Hotel

TPS (UGANDA) LIMITED [TPS (U)]

Anthony Chege	General Manager	- Kampala Serena Hotel, Uganda

OTHER MANAGED PROPERTIES

Frankline Nyakundi	General Manager	- Lake Victoria Serena Resort, Uganda
Daniel Sambai	General Manager	- Kigali Serena Hotel, Rwanda
Duncan Lewa	Manager	- Lake Kivu Serena Hotel, Rwanda
Miguel dos Santos	General Manager	- Polana Serena Hotel, Mozambique
Rahim Azad	General Manager	- Dar es Salaam Serena Hotel, Tanzania

Operating Subsidiaries and Properties

TOURISM PROMOTION SERVICES (KENYA) LIMITED

Nairobi Serena Hotel

Serena Beach Resort and Spa, Mombasa

Amboseli Serena Safari Lodge

Mara Serena Safari Lodge

Kilaguni Serena Safari Lodge

Sweetwaters Serena Camp and Ol Pejeta House

Lake Elmenteita Serena Camp

TOURISM PROMOTION SERVICES (ZANZIBAR) LIMITED

Zanzibar Serena Hotel

OTHER PROPERTIES MANAGED BY SERENA

Lake Victoria Serena Resort - Uganda

Polana Serena Hotel - Mozambique

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

Lake Duluti Serena Hotel, Arusha

Mbuzi Mawe Serena Camp

Serena Mivumo River Lodge

Selous Serena Camp

TOURISM PROMOTION SERVICES (SOUTH AFRICA) (PROPRIETARY) LIMITED

Sales and Marketing office in Johannesburg, South Africa

TPS (UGANDA) LIMITED

Kampala Serena Hotel - Uganda

Wildlife and views from Lake Manyara Serena

Other Corporate Information

REGISTERED OFFICE
4th Floor, Williamson House
4th Ngong Avenue
P.O. Box 48690-00100
Nairobi, Kenya
Telephone 254 (20) 2842000
E-mail: admin@serena.co.ke
Website: www.serenahotels.com

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

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

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

Notice of Annual General Meeting

Notice is hereby given that the Forty Fifth Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 30th June 2017, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Forty Fourth Annual General Meeting held on 30th June 2016.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2016, together with the Directors' and Auditors' Reports thereon.
3. To approve payment of a final dividend for 2016 of KShs. 0.35 per share, subject to withholding tax, where applicable, to the Members on the Register at the close of business on 30th June 2017. Payment of the dividend to be made on or about 30th July 2017.
4. To elect Directors:
   (a) Mr. Guedi Ainache retires by rotation in accordance with Article No. 111,112 &113 of the Company's Articles of Association and being eligible, offers himself for re-election.

   (b) Mr. Ameer Kassim-Lakha, Mr. Jack Jacob Kisa and Mr. Jean-Louis Vinciguerra retire by rotation in accordance with Articles No. 111, 112 & 113 of the Company's Articles of Association. Special notices have been received by the Company pursuant to section 287 of the Companies Act 2015 and subject to section 131 of the Act that if thought fit, the following resolutions be passed

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

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

   "That Mr. Jean-Louis Vinciguerra (a Director retiring by rotation) who is over 70 years, be and is hereby re-elected as a Director of the Company".
5. To approve the Directors' remuneration for 2016.
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 2016 and to authorise the Directors to fix the Auditors' remuneration for 2017.
8. To appoint the Audit Committee members which comprises of 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.

SPECIAL BUSINESS

10. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:
    "THAT the name of the Company be and is hereby changed from TPS Eastern Africa Limited to TPS Eastern Africa Plc with effect from the date set out in the Certificate of Change of Name to be issued in that regard by the Registrar of Companies".

By Order of the Board.

Dominic K. Ng'ang'a
COMPANY SECRETARY

Dated at Nairobi this 26 April, 2017

NOTE:

A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. To be valid, a Form of Proxy which is provided with this Report must be duly completed and signed by the member and must be received at the registered offices of the Company's Registrars not later than 11.00 a.m. on 26 June 2017.

Notisi Kuhusu Mkutano Mkuu Wa Pamoja Wa Mwaka

Notisi inatolewa hapa kwamba mkutano wa 45 wa pamoja wa Mwaka wa kampuni utafanyika katika jumba la mikutano ya kimataifa la Kenyatta (Kenyatta International Conference Center-KICC) Nairobi Juni 30, 2017 kuanzia saa tano asubuhi ili kuangazia maswala yafuatayo ya kibiashara:

SHUGHULI ZA KAWAIDA

1) Kudhibitisha kumbukumbu za mkutano wa 44 wa pamoja wa Mwaka uliofanyika Juni 30, 2016.
2) Kupokea, kuzingatia na endapo itaonekana kuwa sawa kuidhinisha ripoti ya ukaguzi wa pesa ya kipindi cha mwaka uliomalizika Desemba 31, 2016 pamoja na ripoti kutoka kwa wakurugenzi na wakaguzi wa pesa.
3) Kuidhinisha malipo ya mwisho ya mgawo wa faida ya Mwaka 2016 ya Kshs. 0.35 kwa kila hisa kwa kutegemea ushuru inapohitajika kwa wanachama ambao watakuwa katika sajili ya wanachama ifikiapo Juni 30, 2017. Malipo ya mgawo wa faida yatatolewa kabla au ifikiapo Julai 30, 2017.
4) Kuwachagua wakurugenzi:
   (a) Bw. Guedi Ainache anastaafu kwa zamu kwa mujibu wa vifungu vya sheria nambari 111, 112 na 113 vya sheria za kampuni na kwa kuwa anastahili, amejitokeza ili kuchaguliwa tena.
   (b) Mabw. Ameer Kassim–Lakha, Jack Jacob Kisa na Jean-Louis Vinciguerra wanastaafu 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 kampuni ya mwaka 2015 na kwa mujibu wa sehemu ya 131 ya sheria na endapo itaonekana kuwa sawa, maazimio yafuatayo yapitishwe:

   '' Kwamba Bw. Ameer Kassim-Lakha (mkurugenzi anayestaafu kwa zamu) na aliyehitimu zaidi ya miaka 70 achaguliwe tena kwama mkurugenzi wa kampuni''

   '' Kwamba Bw. Jack Jacob Kisa (mkurugenzi anayestaafu kwa zamu) na aliyehitimu zaidi ya miaka 70 achaguliwe tena kwama mkurugenzi wa kampuni''

   '' Kwamba Bw. Jean-Louis Vinciguerra (mkurugenzi anayestaafu kwa zamu) aliyehitimu zaidi ya miaka 70 achaguliwe tena kama mkurugenzi wa kampuni.
5) Kuidhinisha marupurupu ya wakurugenzi ya mwaka 2016
6) Kuteua PricewaterhouseCopers kama wakaguzi wa pesa wa kampuni kwa mujibu wa sehemu ya 721 (2) ya sheria za makampuni ya mwaka 2015. PricewaterhouseCoopers wameonyesha nia ya kuendelea na jukumu lao.
7) Kuidhinisha marupurupu ya wakaguzi wa pesa na kuwaamuru wakurugenzi kuamua malipo yao ya mwaka 2017.
8) Kuteua kamati ya wanachama wa ukaguzi wa pesa ambayo itahusisha Bw. Ameer Kassim- Lakha, Bw. Mahmood Manji na Bw. Guedi Ainache kwa mjibu wa sehemu ya 769 (1) ya sheria za makampuni ya mwaka 2015.
9) Kutekeleza shughuli nyingine zozote za kawaida za mkutano mkuu wa pamoja wa Mwaka.

SHUGHULI MAALUMU

10. Kuzingatia na endapo itakubalika kupitisha azimio lifuatalo ambalo litachukuliwa kama azimio la kawaida:
    "KWAMBA jina la kampuni libadilishwe kutoka TPS Eastern Africa Limited na kuitwa TPS Eastern Africa Plc kutokea tarehe itakayowekwa kwenye cheti cha ubadilishanaji wa majina na ambacho kitakachotolewa kwa minajili hiyo na afisi ya usajili wa makampuni."

Kwa Amri ya Halmashauri

Dominic K. Ng'ang'a
KATIBU WA KAMPUNI

Aprili 26, 2017

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 26, 2017.

Chairman's Statement

MR. FRANCIS OKOMO-OKELLO
CHAIRMAN

It is my pleasure, honour, and privilege to present to you on behalf of the Board of Directors of TPS Eastern Africa Limited (TPSEAL/the Company/ the Group), the Annual Report and Financial Statements of the Company for the year ended 31st December 2016.

Despite the concerns due to a combination of factors beyond the Group's control as further detailed below, it has generally been acknowledged that the tourism sector in East Africa witnessed a slow but positive turnaround during the second half of 2016 with the traditional and new source international markets performing slightly better than year 2015. This was complemented by increased activity within the East African corporate sector and domestic market segment.

The Company continues to operate in rapidly changing business environments and is experiencing a "margin squeeze" resulting from overdevelopment around TPS's units, consumers shopping for lower prices on-line, whilst operating and maintenance costs keep rising. Other key concerns that continue to contribute towards a challenging business environment in East Africa are: the generally subdued global economic and business conditions; uncertainty caused by Brexit and US elections; changes in laws and regulations that affect the enabling environment; and significant currency and interest rate fluctuations.

In 2016, to mitigate the challenges as noted above, the Company took measures to safeguard shareholder value, meet its financial commitments, maintain market share, maintain the Company's assets in good physical condition and implemented efficiency measures to reduce energy, procurement and general operating costs without sacrificing operating standards of product.

A number of positive developments occurred in 2016 which augured well for the Company's business. The serious attention being paid to security issues in Kenya and the rest of the East African region, the rather slow but positive impact of the series of incentives provided by the Kenyan Government in 2016 to revive and make destination Kenya competitive relative to other safari destinations, and continuous efforts to improve international relations by the Government of Kenya has helped restore confidence among travellers, investors and East African citizens. Various global meetings with high profile events and the associated extensive media coverage of East Africa during the second half of 2016 has helped to provide a positive endorsement of destination East Africa.

Taking all factors into account, the Company's performance for the year 2016 recorded a positive turnaround compared to previous year. During the year under review, TPS Eastern Africa Limited (TPSEAL) achieved a turnover of KShs. 6.47 billion (2015: KShs. 6.19 billion), yielding an improvement of 4.5% and achieved a Profit Before Tax of KShs. 325 million (2015: Loss Before Tax of KShs. 211 million), a 254.2% improvement.

The Company and its subsidiaries contributed significantly to the revenues of the governments of Kenya, Tanzania and Uganda in 2016, as indeed has been the case in previous years. The Group paid, in aggregate, the equivalent of KShs. 1.615 billion (2015: KShs 1.505 billion) in direct and indirect taxes and the equivalent of KShs, 381 million (2015: KShs 191 million) to the revenues of counties and local authorities in royalties and rents in the various jurisdictions during 2016.

The Board of Directors is pleased to recommend for approval by the shareholders, a final dividend payment of KShs 0.35 per share for 2016 (2015: KShs 0.25 per share), subject to payment of withholding tax, where applicable. If approved, the dividend will be payable on or about July 30, 2017 to members on the Register at the close of business on June 30, 2017.

Current forecasts indicate that the outlook for 2017 for Serena Tanzania and Serena Uganda are promising and the gradual turnaround for tourism in destination Kenya for 2017 is expected to be more promising than year 2016.

Chairman's Statement (continued)

Based on the feedback received from the recently held World Travel Market (WTM) pre-sales meetings and main meetings and the USA road shows, there is increased interest in selling destination Kenya and East Africa. Interest in African tourism from the traditional and emerging source market travel agents and tour operators in 2017 seems to be increasing following travel related complications in other parts of the world. To this end Management feels confident that the business levels will improve for Serena Kenya and East Africa during year 2017.

Road infrastructure improvements are being implemented and the construction of Standard Gauge Railway initially in Kenya but with a hope of the line being extended to Uganda and Rwanda will create opportunities particularly on the domestic and international tourism front.

In line with the Group's policy to constantly improve existing products and services in order to meet the needs and exceed the expectations of the Company's clients and protect market share, during 2016 Management carried out, in a phased manner, spring cleaning and maintenance checks on all properties covering the bedrooms and public areas. In addition, Management made improvements, wherever possible and necessary, at every guest touch point and implemented measures to ensure that guests were aware that Serena Hotels continued to maintain its traditional high standards despite the challenges facing the tourism industry.

During 2016, Serena Hotels commenced the refurbishment of Nairobi Serena Hotel, extension of the Kampala Serena Hotel (to be completed in Q1 2017) and Dar es Salaam Serena Hotel (to be completed in Q1 2017) to upgrade these properties all in a phased manner. These developments are being carried out with minimal disruption to guest services. The investments are necessary to reposition the Company's City Hotels and enable the Hotels to increase their market share in the future, thus improving TPSEAL's consolidated profitability and shareholder returns in the medium- to long-term.

The Company will continue to implement refurbishment of the other properties, to maintain appropriate Human Resource Management (HRM) practices, and to promote sound Corporate Social Responsibility (CSR) programmes that complement its long-term business strategy. At the same time, the Company continues to pursue new business opportunities in line with its diversification policy and strategy. This will extend the marketing and sales outreach to non-traditional source markets. Additional details on the HRM and CSR programmes and initiatives are incorporated in the Managing Director's Statement included at pages 13 to 14 of this Annual Report.

During the year under review, Serena Hotels won a number of national and international awards and accolades, details of which are included at pages 30 & 31 of this Annual Report.

The Board and Management remain confident that, notwithstanding the challenging business environment, the Company has the inherent strength and business resilience to optimize the performance of its portfolio in 2017 and continue to focus on its long-term growth prospects, thus maintaining its market share and its leading position in the industry.

On behalf of the Board, I would like to congratulate and thank the Company's Management and Staff for their diligence and dedication during 2016 that have resulted in a turnaround of the Company's performance compared to previous year. 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 2016.

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

FRANCIS OKOMO-OKELLO
CHAIRMAN

Taarifa ya Mwenyekiti

BW FRANCIS OKOMO-OKELLO
MWENYEKITI

Kwa niaba ya Halmashauri ya wakurugenzi wa TPS Eastern Africa Limited (TPSEAL/ Kampuni/ Kundi) ni furaha yangu, heshima na fursa kuwaletea ripoti ya mwaka na taarifa za matumizi ya pesa za Kampuni kwa kipindi cha mwaka uliomalizika Desemba 31, 2016.

Licha ya mchakato wa mambo mengi yaliyokuwa nje ya udhibiti wa Kundi kama itakavyoelezewa zaidi hapa chini, imefahamika wazi kwamba, sekta ya utalii kanda ya Afrika Mashariki ilishuhudia mabadiliko ya mwendo wa pole lakini ya manufaa kipindi cha pili cha mwaka 2016 huku masoko ya kawaida na mapya ya kimataifa yakifanya vyema kidogo ikilinganishwa na mwaka 2015. Matokeo haya yalichangiwa na ongezeko la shughuli za sekta ya mashirika Afrika Mashariki na kitengo cha soko la humu nchini.

Kampuni inazidi kutelekeza shughuli kupitia mazingira yanayobadilika haraka ya kibiashara na inashuhudia ''shinikizo kali'' kutokana na ongezeko la kasi la maendeleo kando mwa raslimali za TPS, wateja kugombea bei za chini kupitia mtandao huku ikitekeleza shughuli chini ya gharama za usimamizi zinazozidi kuongezeka. Maswala mengine muhimu yaliyochangia wasi wasi dhidi ya mazingira ya biashara yenye ushindani kanda ya Afrika Mashariki yalikuwa: kushuka kwa jumla kwa uchumi wa dunia na hali za biashara; taharuki zilizotokana na Brexit na uchaguzi wa wa taifa la marekani; mabadiliko ya sheria na kanuni zinazoathiri mazingira ya utendaji kazi na mabadiliko muhimu ya sarafu na viwango vya riba.

li kukabiliana na changamoto zilizotajwa hapo juu, mwaka 2016, kampuni ilichukua hatua kulinda thamani za mwanahisa, kuafikiana na mahitaji yake ya kifedha, kudhibiti nafasi yake katika soko, kudhibiti raslimali za kampuni kwa hali nzuri na kuzindua hatua za uimarishaji kazi ili kupunguza matumizi ya kawi, uagizaji na ununuzi wa bidhaa na gharama za jumla za utendaji kazi bila kuathiri viwango vya huduma na ubora wa bidhaa.

Mwaka huu ulishuduhia kutelekezwa kwa maendeleo muhimu ambayo yalikuwa na athari njema kwa biashara za kampuni. Swala lililopewa kipaumbele lilikuwa usalama nchini Kenya na eneo nzima la kanda ya Afrika Mashariki, athari njema lakini za mwendo wa pole za utoaji motisha na vishawishi kutoka serikali ya Kenya mwaka 2016 zenye lengo la kufufua kituo cha Kenya ili kukifanya kiwe na ushindani ikilinganishwa na vituo vingine vya safari na; juhudi zinazoendelea kuimarisha uhusiano wa kimataifa kutoka serikali ya Kenya ambazo zimesaidia kudumisha imani miongoni mwa wasafiri, wawekezaji na wananchi wa kanda ya Afrika Mashariki. Mikutano mbali mbali ya kimataifa ikiwa na matukio muhimu na uangaziwaji mkubwa wa vyombo vya habari eneo la Afrika Mashariki wakati wa kipindi cha pili cha mwaka 2016 ulisaidia kutoa ishara njema kwa kituo cha Afrika mashariki.

Kwa kuzingatia maswala yote kwa jumla, matokeo ya kampuni mwaka 2016 yaliashiria mabadliko mazuri ikilinganishwa na mwaka uliotangulia. Wakati wa kipindi cha mwaka unaoangaziwa, TPS Eastern Africa Limited (TPSEAL) iliandikisha matokeo ya jumla ya Kshs. 6.47 bilioni (2015 yalikuwa Kshs.bilioni 6.19) hili likiwa imariko la asilimia 4.5%. Kampuni ilipata faida kabla ya ushuru ya Kshs. milioni.

Kampuni na kampuni zake tanzu zilitoa mchango mkubwa kwa mapato ya serikali za Kenya, Tanzania na Uganda mwaka 2016 jinsi ambavyo imekuwa miaka iliyopita. Kundi lilitoa malipo ya kadri ambayo ni sawa na Kshs. 1.615 bilioni (mwaka 2015 yalikuwa Kshs. bilioni 1.505) kama malipo ya ushuru wa moja kwa moja au yasiyo ya moja kwa moja ya Kshs. milioni 381 (2015 yalikuwa kshs. milioni 191) kwa serikali za kaunti na halmashauri za mitaa kama malipo ya mrabaha/ ukodishaji katika maeneo mbali mbali ya utawala mwaka 2016.

Taarifa ya Mwenyekiti (kuendelea)

Baada ya kupata idhinisho kutoka kwa wanahisa, halmashauri ya wakurugenzi ina furaha kutoa pendekezo la malipo ya mwisho ya mgawo wa faida ya Kshs 0.35 kwa kila hisa mwaka 2016 (2015 yalikuwa Kshs. 0.25) kwa kutegemea ushuru ulioshilikiwa pale inapohitajika. Endapo yataidhinishwa, malipo ya mgawo wa faida yatatolewa kabla au ifikiapo Julai 30, 2017 kwa wanachama ambao majina yao yatakuwa katika sajili ya wanachama ifikiapo Juni 30, 2017.

Utabiri wa sasa unaonyesha kwamba mtazamo wa mwaka 2017 kwa Serena Tanzania na Serena Uganda ni wa kutia moyo na mabadiliko ya utalii katika nchini Kenya mwaka 2017 yanatarajiwa kuleta matumaini kuliko mwaka 2016.

Kwa mujibu wa majibu yaliyopokelewa kutokana na mkutano wa kimataifa wa Usafiri (world Travel Market-WTM) na mikutano mingine ya awali ya mauzo na mingine mikubwa na pia maonyesho ya barabarani nchini Marekani, kuna ongezeko la hamu kubwa la kuuza vituo vya Kenya na Afrika Mashariki. Hamu kutoka kwa mawakala wa zamani wa usafiri na utalii dhidi ya utalii wa Afrika mwaka 2017 inazidi kuongezeka kutokana na vikwazo vinavyohusiana na usafiri maeneo mengine ya ulimwengu. Kufikia sasa, usimamizi una imani kwamba viwango vya biashara vitaimarika katika Serena Kenya na Afrika Mashairki mwaka 2017.

Ustawi wa muundo msingi wa barabara unaendelea kuzinduliwa na ujenzi wa awali wa reli ya kisasa nchini Kenya unaendelea huku kukiwa na matumaini kwamba pindi itakapofika nchini Uganda na Rwanda itazalisha nafasi kubwa hasa kwa masoko ya humu nchini na jukwaa la kimataifa.

Kufungamana na sera za kampuni kuendelea kuimarisha bidhaa na huduma zilizoko ili kukidhi mahitaji na kuzidisha matarajio ya wateja wa kampuni na kulinda nafasi ya soko, mwaka 2016, usimamizi, kupitia mfumo wa awamu ulifanya zoezi la usafi na udumishaji kwenye raslimali zake zote katika vyumba vya kulala na maeneo ya umma. Zaidi ya hayo, usimamizi ulifanya imarisho pale ilipohitajika katika vituo vyote vya wageni na pia kuanzisha hatua kuhakikisha kuwa wageni walifahamu kuwa Serena Hotels walikuwa wakiendelea kudumisha viwango vyake vya tangu jadi vya hali ya juu licha ya changamoto zinazokumba sekta ya utalii.

Wakati wa mwaka 2016, Serena Hotels zilizindua ukarabati wa Nairobi Serena Hotel, upanuzi wa Kampala Serena Hotel (kukamilika miezi minne ya kwanza mwaka 2017) na Dar es Salaam Hotel (kukamilika miezi minne ya kwanza mwaka 2017) kuimarisha sura na viwango vya huduma za raslimali hizi kwa awamu. Maendeleo haya yanatekelezwa bila kuathiri huduma za wageni. Uwekezaji huu ni muhimu kuziwezesha hoteli za kampuni zilizoko maeneo ya miji kuongeza nafasi yao katika masoko siku za usoni hivyo kuimarisha

Lounge at Dar es Salaam Serena Hotel

Lounge at Ngorongoro Serena Safari Lodge

Taarifa ya Mwenyekiti (kuendelea)

faida za TPSEAL zilizojumuishwa pamoja na pia mapato kwa wanahisa ya muda wa kadri na mrefu.

Kampuni itaendelea mbele na uzinduzi wa ukarabati wa raslimali nyingine, kudumisha taratibu bora za usimamizi wa wafanyakazi (HRM) na kuunga mkono mipango ya shughuli za maslahi ya kijamii (CSR) ambayo inashamirisha mkakati wa muda mrefu wa biashara. Wakati huo, kampuni inaendelea kutafuta mbinu mpya za biashara kufungamana na sera zake za upanuzi na mkakati. Hali hii itapanua nafasi ya uvumishaji na mauzo kwa vituo vya masoko yasiyo ya kawaida. Maelezo zaidi kuhusu usimamizi wa wafanyakazi (HRM) na shughuli za mipango ya maslahi ya jamii (CSR) na mikakati zimeambatanishwa kupitia kurasa 15 hadi 17 za taarifa ya meneja mkurugenzi.

Wakati wa kipindi cha mwaka unaoangaziwa, hoteli za Serena zilipokea tuzo kadhaa na hadhi za kitaifa na kimataifa. Maelezo ya kina kuhusu tuzo hizi ni kupitia kurasa za 30 hadi 31 za ripoti hii ya mwaka.

Halmashauri na usimamizi zingali na matumaini kwamba, licha ya changamoto za mazingira ya kibiashara, kampuni ina uwezo na uthabiti wa kibiashara kuimarisha nafasi yake mwaka 2017 na kuendelea kuangazia matarajio yake ya muda mrefu wa ukuaji hivyo kudumisha nafasi yake ya uongozi kwenye biashara.

Kwa niaba ya halmashauri, ningependa kutoa shukrani kwa usimamizi wa kampuni na wafanyakazi kwa jitihada zao na kujitolea kwao mwaka 2016 ambako kumebadilisha matokeo ya kampuni ikilinganishwa na mwaka uliotangulia. Ningependa pia kutambua kwa dhati msaada usio na kifani ambao tunaendelea kupokea kutoka kwa wenzangu kwenye halmashauri na ambao umesaidia kuimarisha shughuli za biashara za kundi na pia kufanikisha mikakati yake mwaka 2016.

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

FRANCIS OKOMO-OKELLO
MWENYEKITI

Sundowner at Serengeti Serena Safari Lodge

Sunset at Kirawira Serena Camp

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
MANAGING DIRECTOR

During the year under review, the Company continued to implement its successful business model, took a balanced risk management approach with decisiveness and flexibility whilst monitoring the financial health of the Company to ensure that the Group continued to provide the highest standards of product and service while maintaining market share and competitive advantage. Despite a continuing degree of concerns as highlighted in the Chairman's Statement, the Company in 2016 recorded a positive performance compared to the previous year.

Business levels during the second half of 2016 gradually improved in the international leisure market segment which was complemented by increased activity in the resident and corporate sector. The significant increase in new developments within and outside the Kenyan parks/reserves has resulted in supply exceeding demand which has led to discounting of rates by other players in the industry.

On the other hand, despite the challenges associated with an underperforming economy and the introduction of 18% Value Added Tax on tourism services, Tanzania's performance was at satisfactory levels.

Compared to the first five months of the year (due to political uncertainty), the period July to December 2016 registered an encouraging shift in business levels for Kampala Serena Hotel and indications are that this encouraging trend is expected to continue in 2017.

Uncertainty in the World Economy continues to impact the Travel and Tourism industry on a number of fronts; however Serena's broad and diversified portfolio of 23 properties in Eastern Africa remains a key advantage in the current environment. With our solid brand reputation and extensive relationships, it is gratifying to note that TPSEAL has recorded satisfactory performance during the year 2016. The satisfactory performance has been achieved as a result of the combined effort of our Shareholders, the Board of Directors, our Staff, our suppliers of business at the various source markets and the Governments and Regulatory Authorities within the Eastern Africa region. For the year 2016 TPS Eastern Africa recorded turnover of KShs. 6.47 billion (2015: KShs. 6.19 billion), an improvement of 4.5% and Profit Before Tax of KShs. 325 million (2015: Loss Before Tax of KShs. 211 million), a 254.2% improvement.

Positive strides have been achieved by the government and a number of private investors to improve security and re-establish Kenya as a safe, attractive destination for visitors. This to some extent, continues to have a positive ripple effect in the entire East African region. The key to success for the tourism market in East Africa is ease of travel, as the region offers everything that a potential tourist would be looking for. The commissioning of the Standard Gauge Railway in Mid 2017 from Nairobi to Mombasa with various stop-overs to enable visitors to disembark for a visit at the National Parks will create opportunities particularly on the domestic and international tourism fronts. Whilst this is only the first part of a much larger project that is eventually expected to be linked to other major East African cities, Management urges the Governments within East Africa to ensure that this regional infrastructure is made a reality as this enabling factor will strengthen the economic growth, development and employment agenda for the region.

To complement the infrastructural development projects, as long-term investors, our commitment to improve destination East Africa will be demonstrated by the following:

(i) improving productivity and efficiency within existing units;
(ii) investing in existing assets to ensure that the properties remain ahead of new competition;
(iii) complete phase I renovation of Dar es Salaam Serena Hotel during Q1 2017 - this will enable Management to significantly improve room rates;
(iv) complete Kampala Serena Hotel bedroom extension in Q1 2017;

(v) continue with the Nairobi Serena Hotel extension and refurbishment in a phased manner; and

(vi) continue with systematic phased bedroom upgrade for lodges, camps and Serena Beach Resort and Spa based on availability of funds.

Serena will continue to focus on mitigating market risks affecting levels of business, capitalizing on its strengths and enhancing its resilience to optimize the performance of its portfolio in 2017. As expected, Management closely monitors the Company's operations to ensure that the Company takes pro-active mitigative steps/ actions in good time. Such steps/actions includes communication to suppliers of business as and when uncertain situations are likely to arise to avoid misconceptions about the region. In addition, Management is executing active cost management measures to protect the margins from the business realised while ensuring increased marketing efforts to drive volumes on the sales.

TPSEAL has increased its efforts to attract tourists from traditional source markets (United Kingdom, Germany, France, United States of America and Spain) just as it continues to canvass business from the non-traditional and emerging source markets - Middle East, India, China, Russia, Japan, South Korea, Brazil, Turkey and Africa. The Sales and Marketing team, engages actively by supporting Travel Agents and Operators on road shows, trade fairs and promotions. The Company will continue with its strategy of pursuing new business opportunities, enlisting new source markets, increasing the brand outreach, and driving repeat and incremental business. The Serena Loyalty Prestige Card continues to result in increased local and regional repeat business and the outreach has been strengthened by increased presence on social media platforms and marketing alliances with international airlines whose members can redeem points at Serena Hotels globally. In 2017, the Serena Hotels website will be further enhanced to make it even more dynamic and interactive, user friendly and responsive.

It has been rather difficult to forecast business due to sudden shifts in market sentiments and bookings at short notice. However, indications from suppliers of business are that, while international leisure bookings are at very short lead-times, the diversified revenue streams from the Serena portfolio is expected to be at positive levels during 2017. Whilst TPSEAL's portfolio in East Africa operates in a dynamic and challenging business environment, the Company is eager to capitalize on the positive developments that the tourism industry in the region has been witnessing since the second half of 2016 as reflected in the Chairman's Statement and the outlook for 2017 is expected to be more encouraging than year 2016. Management is cautiously optimistic that, with our tested and highly successful business model, to the extent possible the Company will be insulated from revenue erosion.

The provision of rewarding careers, personal growth, quality training and exposure to advanced leadership roles as well as capacity building for our employees remain a strategic priority for Serena Hotels. In this connection and in line with the Group's Productivity Improvement Strategy, during 2016, the Company in Kenya, Tanzania, Uganda, Rwanda, and Mozambique continued to embrace Staff/Management training, development and welfare programs, some of which include: the in-house Management Development Programme; soft and technical skills training; culinary skills enhancement and Lobster Ink Training benchmarked to Leading Quality Assurance (LQA) Standards.

The Group's CSR programs continue to focus on sustainable business practices that touch on eco-tourism; environmental conservation; education; public health and community development. For further details on the Group's CSR programs, please refer to pages 25 to 29 of this Annual Report.

I wish to recognize and thank the Governments within East Africa for the commendable efforts which were aimed at improving the supportive infrastructure and promoting East Africa as a must visit conference and tourist destination. It is appropriate to express the Company's appreciation of the governments within the East African Region for facilitating the increased resource allocation for maintanance of security. This is one of the key factors that will continue to restore confidence among the citizens, travelers as well as investors and will ensure the sustained growth of the tourism industry across the region. However on behalf of TPSEAL, I would like to appeal to the governments within the East African Region to continue with the mutually beneficial engagements with the tourism industry players through public/private partnerships and with the constant policy dialogue; commitment to increase resources so as to broaden destination marketing; eliminate adverse and sudden changes to tax policies; increase competitiveness by, for instance, intensifying efforts aimed at creating level playing fields; enhance the region's attractiveness; and ensure new developments in the fragile eco-systems in game reserves and National Parks are controlled.

Finally, may I, on behalf of the Staff and Management, express our gratitude and sincere appreciation to the Board of Directors for their guidance, diligence, invaluable support, and encouragement during the year 2016. I also wish to express my gratitude to the shareholders, customers, various regulatory authorities and other stakeholders for their continued support in the years gone by. We, at Serena, look forward to this continued support during the year 2017.

MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Taarifa Kutoka kwa Meneja Mkurugenzi

MR. MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Wakati wa kipindi cha mwaka unaoangaziwa, kampuni iliendelea na matumizi ya muundo mpya uliofaulu wa biashara zake. Pia ilichukua muundo wa kati wa usimamizi wa athari kwa njia makinifu bila kukaza kamba huku ikitathmini hali za kifedha za kampuni kuhakikisha kundi linazidi kutoa viwango vya juu vya bidhaa na huduma huku na likiendelea kuthibiti nafasi yake kwenye soko na kukabiliana na ushindani wenye manufaa. Licha ya kuwepo kwa maswala mbali mbali kama ilivyoelezewa kupitia taarifa ya mwenyekiti, kampuni iliandikisha matokeo ya kufana mwaka 2016 ikilinganishwa na mwaka uliotangulia.

Wakati wa kipindi cha pili cha mwaka 2016, viwango vya biashara viliimarika katika soko la kimataifa la starehe kutokana na kuongezeka kwa shughuli katika sekta za kibnafsi na kimashirika. Kuongezeka kwa ustawi mpya nje na ndani ya mbuga za wanyama pori nchini Kenya kumepelekea kuongezeka kwa utoaji wa huduma dhidi ya mahitaji hali ambayo imepelekea wadai wengine kwenye sekta hii kupunguza bei zao.

Kwa upande mwingine, licha ya changamoto zilizotokana na matokeo duni ya kiuchumi na kuanzishwa kwa utozwaji ushuru wa ziada wa asilimia 18% kwa huduma za kitalii nchini Tanzania, viwango vya matokeo vilikuwa ni vya kuridhisha.

Ikilinganishwa na miezi 5 ya kwanza (kutokana na taharuki za kisiasa) vipindi vya miezi ya Julai hadi Desemba 2016 viliandikisha mabadiliko ya kutia moyo ya viwango vya biashara katika hoteli ya Kampala Serena. Kuna ishara za kutia moyo kwamba hali hii inatarajiwa kuendelea mwaka 2017.

Taharuki kwenye soko la uchumi wa kimataifa inaendelea kuathiri sekta ya usafiri na utalii kwa njia mbali mbali; hata hivyo, raslimali 23 za Serena zilizoko eneo la Afrika Mashariki zingali kwenye nafasi bora kwenye mazingira ya sasa. Kutokana na sifa ya bidhaa zetu na uhusiano mkubwa, ni muhimu kufahamu kwamba, TPSEAL imeandikisha matokeo ya kufurahisha kipindi cha mwaka 2016. Matokeo haya ya kuridhisha yamepatikana kutokana na juhudi za pamoja kutoka kwa wanahisa wetu, halmashauri ya wakurugenzi, wafanyakazi wetu, wadau wetu wa biashara kutoka vituo mbali mbali, serikali na halmashauri za uthibiti kanda ya Afrika Mashariki. Mwaka 2016, TPS Eastern Africa iliandikisha faida ya jumla ya Kshs. 6.47 bilioni (2015 zilikuwa bilioni 6.19) hili likiwa imariko la asilimia 4.5% na faida kabla ya kutozwa ushuru ilikuwa Kshs. 325 milioni (2015 faida kabla ya ushuru ilikuwa Kshs. 211 milioni) hivyo kuwakilisha imariko la asilimia 254.2%.

Hatua za kuridhidha zimeafikiwa kupitia serikali na baadhi ya wawekezaji wa kibnafsi kuimarisha usalama na kuifanya Kenya kuwa kituo salama na kinachowavutia wageni. Kwa upeo fulani, hali hii inaendelea kutoa athari nzuri kanda nzima ya Afrika Mashariki. Msingi mahsusi wa ufanisi wa biashara ya utalii Afrika Mashariki ni usafiri rahisi kwani eneo lote lina vivutio muhimu vinavyomvutia mtalii. Kuzinduliwa kwa reli ya kisasa inayotoka Mombasa hadi Nairobi katikati mwa mwaka 2017 ikiwa na vituo mbali mbali vya kusimama kutawawezesha wageni kushuka katikati mwa mbuga za wanyama pori na kutatoa nafasi nzuri kwa utalii wa humu nchini na wa kimataifa. Hii ikiwa ni sehemu moja ya mradi mkubwa ambao hatimaye unatarajiwa kuunganisha miji mingine kanda ya Afrika Mashariki, usimamizi unazisihi serikali hizi kuhakikisha kwamba muundo msingi umefanywa kuwa wa kweli kwani hili litaimarisha ukuaji wa uchumi na maendeleo ya ajenda ya uajiri wa kazi katika kanda.

Katika kukamilisha miradi ya maendeleo ya muundo msingi , kama wawekezaji wa muda mrefu, uwajibikaji wetu kuimarisha kituo cha Afrika Mashariki kutadhihirika kupitia mambo yafuatayo:-

i) Kuimarisha uzalishaji na utendaji kazi katika hoteli zilizoko sasa
ii) Kuwekeza kwenye mali zilizoko ili kuhakikisha kwamba raslimali hizo zinasalia kuwa mbele ya washindani wapya
iii) Kukamilisha awamu ya kwanza ya ukarabati wa Dar es salaam Hotel kipindi cha miezi minne ya kwanza ya mwaka 2017- hali hii itauwezesha usimamizi kuimarisha

bei za vyumba.

iv) Kukamilisha upanuzi wa vyumba vya kulala kwenye Kampala Serena Hotel miezi minne ya kwanza ya mwaka 2017

v) Kuendelea na shughuli za upanuzi wa Nairobi Serena Hotel na ukarabati kwa mfumo wa awamu na;

vi) Kuendeleza uimarishaji wa sura ya vyumba vya kulala kwenye mahoteli, kampi na Serena Beach and Spa kwa kutegemea uwepo wa fedha

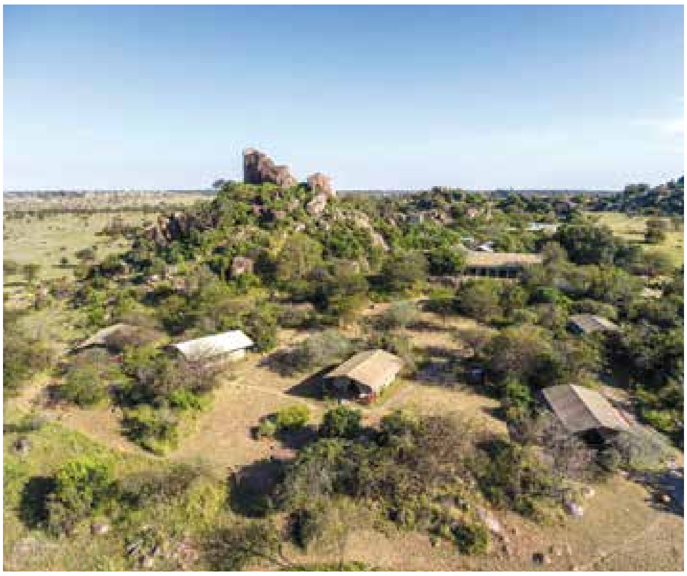
Serena itaendelea kuangazia hatua za kuthibiti athari kwenye viwango vya biashara, kutumia vyema uwezo wake na kuhamasisha nguvu zake ili kuimarisha matokeo ya biashara zake mwaka 2017. Kama ilivyotarajiwa, kwa karibu, usimamizi unafuatilia shughuli kuhakikisha kwamba kampuni inachukua hatua zinazofaa kujihami kwa wakati unaofaa. Hatua kama hizo zinahusu mawasiliano na wadau wa biashara, wakati na mahali hali zisizotarajiwa zinaweza kutokea ili kujiepusha na utoaji wa habari zisizo sahihi kuhusiana na kanda. Zaidi ya hayo, usimamizi unachukua hatua za kuthibiti gharama kulinda faida zilizopatikana kutokana na biashara huku ikihakikisha kwamba juhudi za uvumishaji zinainua viwango vya biashara.

TPSEAL imepanua juhudi zake kuwavutia watalii kutoka masoko ya zamani (Uingereza , Ujerumani, Ufaransa , Amerika na Uhispania) huku ikizidi kutafuta biashara kutoka masoko yasiyo ya kawaida na yale yanayoinukia ya Mashariki ya Kati , India, Uchina, Urusi , Ujapani, Korea ya kusini , Brazil, Uturuki na Afrika. Timu za mauzo na uvumishaji zinashirikiana kikamilifu na mawakala wa safari pamoja na wadau kwenye maonyesho ya barabarani, maonyesho ya kibiashara na matoleo. Kampuni itaendelea mbele na mkakati wake wa kutafuta nafasi mpya za kibiashara , kusajili masoko mapya, kuongeza ufahamu wa bidhaa zake na kuendesha marudio ya mara kwa mara na kuongeza viwango vya biashara. Kadi ya Serena Loyalty Prestige Card inaendelea kupelekea kuongezeka kwa urudiaji wa mara kwa mara wa biashara za humu nchini na kanda. Upeo wake umeongezewa nguvu na kuwepo kwenye mitandao ya kijamii na ushirikiano wa uvumishaji na mashirika ya kimataifa ya biashara za uchukuzi wa ndege ambayo wanachama wake wanaweza kutumia pointi zao kwenye hoteli za Serena kote ulimwenguni. Mwaka 2017, wavuti wa Serena Hotels utaimarishwa zaidi na kuufanya kuwa na nguvu kwenye majadiliano , wa kirafiki na wa kuvutia.

Imekuwa vigumu kutoa mtazamo wa biashara kutokana na mabadiliko ya ghafla ya masoko na maombi ya muda mfupi. Hata hivyo, ishara kutoka kwa wadau wa biashara ni kwamba, huku maombi ya nyumba kutoka masoko ya kimataifa yakiwa ni ya muda mfupi, mikondo ya mapato iliyosambaa ya raslimali nyingine za Serena inatarajiwa kuimarika vyema mwaka 2017.

Huku raslimali za TPSEAL Afrika mashariki zikiendeshwa chini ya mazingira magumu na yenye changamoto za kibiashara, kampuni ina hamu kutumia vyema maendeleo ya maana ambayo sekta ya utalii imekuwa ikishuhudia tangu kipindi cha pili cha mwaka 2016 kama ilivyoelezewa kupitia taarifa ya Mwenyekiti. Mtazamo wa mwaka 2017 unatarajiwa kuwa wa kutia moyo kuliko 2016. Usimamizi una imani kwamba huku tukiwa na muundo wa biashara uliofaulu na uliofanyiwa mtihani, ikiwezekana, kampuni itajihami kutokana na kupunguka kwa mapato.

Game drive experience at Lake Duluti Serena Hotel, Arusha



Aerial view of Mbuzi Mawe Serena Camp

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

Nafasi ya uzawadiaji taaluma, maendeleo ya kibnafsi, utoaji wa mafunzo ya hali ya juu na maandalizi ya mapema kwa majukumu ya uongozi pamoja na uimarishaji uwezo kwa wafanyakazi wetu umesalia kuwa mkakati uliopewa kipaumbele na hoteli za Serena. Kufungamana na hili na kwa mujibu wa mkakati wa kundi wa uimarishaji uzalishaji , wakati wa kipindi cha mwaka 2016, kampuni ilitoa mafunzo, maendeleo na mipango ya kimaslahi mataifa ya Kenya, Uganda, Rwanda na Msumbiji. Baadhi ya mafunzo hayo yalihusu, mpango wa utunzaji wa vyumba, mafunzo ya kiufundi na kompyuta, mafunzo ya upishi na mafunzo ya Lobster Ink Training yatakayowezesha kufikia viwango vya Leading Quality Assurance (LQA).

Mipango ya wajibu wa shirika kwa jamii (CSR) inaendelelea kuangazia taratibu za kudumu za kibiashara ambazo zinagusia utalii wa viumbe na mimea, uhifadhi wa mazingira, elimu, afya ya umma na ustawi wa jamii. Kwa maelezo zaidi kuhusu mipango ya kundi kwa maslahi ya jamii , tafadhali angalia kurasa 25 hadi 29 za ripoti hii ya mwaka.

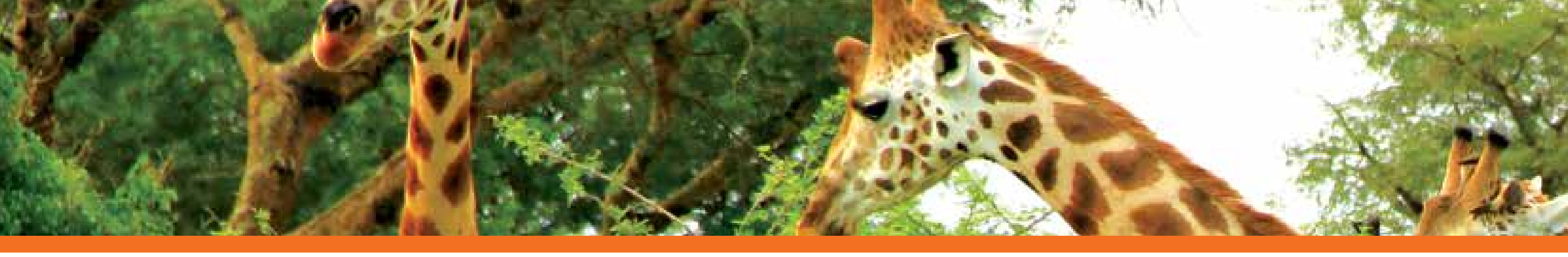
Ningependa kutambua serikali za mataifa ya Afrika Mashariki kutokana na juhudi zao ambazo zilinuiwa kuimarisha muundo msingi na kusaidia kanda ya Afrika Mashariki kuwa kituo cha lazima cha kutembelewa kwa mikutano na utalii. Ni vyema kutoa shukrani za kampuni kwa serikali za mataifa ya kanda ya Afrika Mashariki kwa kusimamia na kuongeza raslimali zao kuhifadhi usalama. Hii ni mojawapo wa mambo muhimu yatakayosaidia kurejesha imani miongoni mwa wakazi, wasafiri pamoja na wawekezaji na kuhakikisha kuwepo kwa uthabiti wa biashara ya utalii kanda nzima. Hata hivyo, kwa niaba ya TPSEAL ningependa kutoa mwito kwa serikali zilizoko kanda ya Afrika Mashariki kuendeleza uhusiano utakaonufaisha wote na wadau wa biashara ya utalii kupitia ushirikiano wa umma na kibnafsi na majadiliano ya kila mara ya sera; kuwajibika kuongeza raslimali ili kupanua uvumishaji; kuondoa mabadliko ya muda na ya ghafla ya sera za ushuru; kuongeza ushindani kupitia juhudi zinazonuiwa kubuni majukwaa sawa ya utekelezaji kazi; kuhamasisha vivutio vya kanda na kuhakikisha kuwa kuna uthibiti wa ustawi mpya katika mazingira hafifu ya mimea na wanyama kwenye pori na mbuga za kitaifa.

Mwisho, kwa niaba ya wafanyakazi na usimamizi ningependa kutoa shukrani zetu kwa Halmashauri ya wakurugenzi kwa mwongozo wao, msaada usio na kifani na himizo mwaka 2016. Pia ningependa kutoa shukrani kwa wanahisa, halmashauri mbali mbali za uongozi na washika dau wengine kwa kuendelea kutuunga mkono miaka iliyopita. Sisi katika Serena tunatarajia kuendelea kupokea msaada huu mwaka 2017.

MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Poolside Dinner at Lake Manyara Serena Safari Lodge

Serena Mivumo River Lodge



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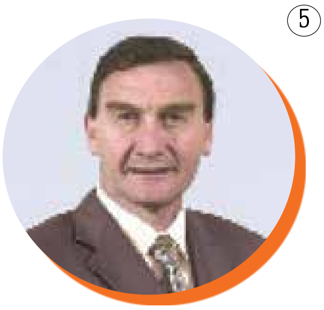

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Board of Directors

MR. FRANCIS OKOMO-OKELLO – Chairman (1)

Mr. Okello (aged 67 yrs) is a qualified lawyer. He holds an LLB degree from the University of Dar-es-Salaam. He is an Albert Parvin Fellow of the Princeton University, Woodrow Wilson School of Public and International Affairs (USA) and a Fellow of The Kenya Institute of Bankers (FKIB). He is an independent Non-Executive Director of Barclays Africa Group Limited and the immediate former Chairman of Barclays Bank of Kenya Limited. He is also a Director of the Nation Media Group Limited, among other Companies. He is a member of the Advisory Board of the Strathmore Business School, Strathmore University - Nairobi and also is a member of the Advisory Committee of the Aga Khan University, Faculty of Arts and Sciences – East Africa. He is currently the Executive Director in charge of Legal and Corporate Affairs at the Industrial Promotion Services Group.

MR. MAHMUD JAN MOHAMED – Managing Director (2)

Mr. Jan Mohamed (aged 64 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. ABDULMALEK JEEVAN VIRANI - Finance Director (3)

Mr. Virani (aged 66 yrs) holds a Bachelor of Commerce Degree. He is a Chartered Accountant and a CPA (K). He is currently the Finance Director of TPS Companies in Eastern Africa. He has been involved, over the years, in taking the TPS Group public and in structuring finance for acquisition and mergers of existing as well as green field projects for the Group.

MR. JACK JACOB KISA - Non-executive Director (4)

Mr. Kisa (aged 79 yrs) holds a B.Sc. (Economics) (London) Degree and M.P.A. (Harvard) Degree. He served as Principal Economist in Kenya's Ministry of Finance and Planning in the 1970s. In 1974, Mr. Kisa was appointed as the Director of the United Nations World Employment Programme for Africa, in which capacity he served until 1977. In 1978, he was appointed Senior Economist at the World Bank Headquarters in Washington, D.C. During the period 1986-1991, Mr. Kisa served as Economic Advisor to the Southern African Development Community on secondment from the World Bank.

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

Mr. Vinciguerra (aged 73 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 (6)

Mr. Kassim-Lakha (aged 83 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)

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MR. MAHMOOD PYARALI MANJI - Non-executive Director ⑦

Mr Manji (aged 63 yrs) is a Fellow of the Institute of Chartered Accountants in England and Wales and the Kenyan Institute of Bankers. He is the Chairman of Towertech Africa Limited and the Regional Chairman of the Aga Khan Education Services in East Africa. Mr Manji is a member of the International Who's Who of professionals. He is the former Chairman of The Diamond Trust Banks in East Africa and a Director of the Capital Markets Authority in Kenya. In December 2012, Mr Manji was awarded the Order of the Grand Warrior of Kenya (OGW) by His Excellency the President of the Republic of Kenya, in recognition of distinguished services rendered to the nation.

8


MR. GUEDI AINACHE - Non-executive Director ⑧

Mr. Guédi Aïnaché (aged 41 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 and, PROPARCO in Paris as Senior Investment Officer within the Corporate Division handling various large corporate financing transactions across various regions in Africa, Latin America & Asia and as an Associate Director with Crédit Agricole Corporate and Investment Bank in France.

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MRS. TEDDY HOLLO MAPUNDA – Non-Executive Director ⑨

Mrs. Mapunda (aged 42 yrs) is a graduate of Strategic Business Management from SIPU (Swedish Institute of Public Administration) in Sweden. She is also a graduate of Leadership and Management, from GIMPA University in Accra, Ghana. Holds a Postgraduate in Public Private Partnership and Diploma in Corporate Social Responsibility CSR – Copenhagen Denmark. Currently, she is the founder of Montage Limited a multi-dimensional consultancy and creative agency based in Dar-es-Salaam Tanzania. She is also a Board member of British American Tobacco (Kenya), Why Africa Now of USA, and Arusha International Conference Centre (AICC).

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MR. DAMIEN BRAUD – Non-Executive Director ⑩

Mr. Damien Braud (aged 38) holds a Masters Degree in International Finance from HEC Paris (France) and he is also a graduate of Telecom Engineering from Telecom Sud Paris (France). Currently he is PROPARCO's Regional Director for Eastern Africa based in Nairobi. He has preivously worked with PROPARCO in Paris as a Senior Investment Officer within the Private Equity Division handling various equity transactions across various regions in Africa, Latin America and Asia. Before Joining PROPARCO, Damien had worked for 6 years in Amundi Private Equity dealing with Private Equity Investments (Capital Expansion and buy-out) in France.

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

Mr. Ng'ang'a (aged 42 yrs) holds a Bachelor of Commerce (Accounting) Degree from KCA University. He is a CPA finalist and a Certified Public Secretary CPS (K). He is also a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).

Corporate Governance Statement

The Board of Directors of TPS Eastern Africa Limited (TPSEAL/ "the Company") is responsible for formulation of the Company's policies and oversight of implementation of those policies, overall management of 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 has built its business on strong corporate governance principles based on the application of high and consistent ethical standards in its relationship with its clients, employees, and other stakeholders. This is consistent with the TPS Group's core values of effective corporate governance that has led to a strong commitment to conduct business in accordance with best business practices based on the principles of 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 except for a few areas noted below. In this respect, the Directors of the Company have committed themselves to ensuring that the integrity of internal systems remains sound and a key pillar for enhancement of the Group's financial performance and sustainability.

THE BOARD OF DIRECTORS

The Board consisted of 10 substantive directors and 1 alternate director as at 31 December, 2016. 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 have been taken into consideration. There are two executive directors, i.e. the Managing Director and the Finance Director. Re-election and appointment of directors are subject to the provisions of the Company's Articles of Association and CMA Guidelines. The directors have a wide range of business and professional skills and experience and each contributes independently to the Board's deliberations. The directors meet at least four (4) times a year in accordance with the Board's Charter. In addition, the Board holds special meetings to deliberate on urgent issues of strategic importance, or as required by statute, or in compliance with the requirements of regulatory authorities.

The Board held six (6) scheduled Board meetings in 2016 attended by directors as indicated below:

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

Notes:
1. Six (6) Board meetings were held in 2016.
2. Mr. Jean-Louis Vinciguerra was represented by his alternate Mr. Ashish Sharma in five (5) of the Board meetings held during the year.

Corporate Governance Statement (continued)

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

The Company's shareholders re-elected Messrs Damien Braud,, Ameer Kassim-Lakha, Jean-Louis Vinciguerra, Mr. Jack Jacob Kisa, and Mrs. Teddy Mapunda as directors of TPSEAL Board at the last Annual General Meeting held on 30th June, 2016.

In observing principles of good corporate governance and enhancing the capacity of TPSEAL directors, the directors attended a corporate governance training conducted by Strathmore University's Business School in January 2016. Further training, and strategic sessions as well as retreats have been scheduled for 2017.

BOARD OF DIRECTORS OVERSIGHT ROLE

As noted above, the Board provides direction on policy and oversight in respect of the Group's internal controls, strategy, finance, operations, budgets and compliance issues in order to ensure sustainable returns to the Group's shareholders. The Board, in collaboration with Management, carries out reviews periodically comparing actual performance with set targets and takes corrective measures where necessary, so as to ensure that the Company's business performance is as close as possible to the budgeted estimates. The Company has no known trends that would have material effect on the financial position and operations of the Company in the future.

BOARD COMMITTEES

The Board has set up two main Committees (the Committees) and has delegated specific mandates to each one of them. The Committees, namely, Board Audit Committee and Board Nomination and Remuneration Committee, have been established under specific written Terms of Reference (ToR). The Board reviews the number of Committees and their respective ToR from time to time so as to respond to the dynamic business environment and to comply with the ever-changing relevant legislation and regulations. The Committees meet at least quarterly in a calendar year as provided in their respective ToR.

BOARD AUDIT COMMITTEE

Members of this Committee comprised: Mr. Ameer Kassim-Lakha (Chairman), Mr. Jean-Louis Vinciguerra, Mr. Guedi Ainache, and Mr. Mahmood Manji. The Committee works closely with the Internal Audit Department and External Auditors. It plays a critical role in reviewing financial information and ensuring that the system of internal controls is effectively administered and reviewed as appropriate. During the year under review, the Committee reviewed significant audit findings identified by the Group's internal and external auditors and followed up implementation of necessary actions.

The Board authorized the Committee, to seek directly from the Company's employees and independent professionals, whenever necessary, any information or advice on matters pertaining to its work. The Board reviewed the membership of the Committee during the year under review in accordance with the CMA Guidelines as well as the Committee's own ToR. The Committee held five (5) meetings during the year under review. External auditors and executive directors attended the Committee's meetings as required to deal with and or respond to specific issues. The Committee meets with the external auditors in the absence of executive directors and members of the management team.

The Board has adopted the Enterprise Risk Management Policy. The Policy is aimed at addressing business risks entailed in the dynamic operating environment. The Board and Management are working out a framework for the operationalization and implementation of the Policy and ensure its adherence. As recommended by the Committee, the Board has adopted a Whistle Blowing Protection and Fraud Prevention Policy to enhance accountability, transparency and ethical practices. Management circulated the Policy to all the employees and stakeholders. A copy of the Policy can be downloaded from the Company's website *www.serenahotels.com* .

BOARD NOMINATION AND REMUNERATION COMMITTEE

The Committee's membership comprised: Messrs Jack Kisa (Chairman), Guedi Ainache, Mahmood Manji, and Mrs. Teddy Mapunda. The Board mandated the Committee to consult experts, where necessary, to scrutinize the Company's organizational structure and staff establishments and to recommend to the Board appropriate Human Resources policies and capacity enhancement. The Committee held three (3) scheduled meetings during 2016.

Corporate Governance Statement (continued)

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

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

INTERNAL CONTROLS

The Company has an organizational structure with appropriate segregation of duties and responsibilities. The structure is complemented by detailed policies and procedures manuals, which provide an operational framework for the management team. The Company updates periodically its policies and procedures manuals to incorporate any subsequent changes to ensure that they remain relevant to the Group's operational requirements. The Company carried out a comprehensive review of the Financial and Information & Communication Technology policies and procedures manuals in 2014 to reflect with the changing business dynamics. To this end, the Company held monthly credit control, sales and marketing, and finance review meetings focusing on critical aspects of the Company's operations. The internal control function is largely complemented by the Internal Audit function, which is an independent appraisal and review function whose recommendations are discussed and adopted where necessary. The Company has invested in an audit software application – 'TeamMate Audit Management System' which helps in leveraging the existing audit expertise, harmonizing and strengthening the risk management function, and enhancing the effectiveness of internal control processes across the Group.

COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

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

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

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

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate emoluments paid to non-executive directors during the 2016 financial year amounted to KShs 2.240 Million (refer to Note 28{iii}) 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 2016 and the previous financial year (2015). However, some directors were minority shareholders of the Company as shown below:

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

Corporate Governance Statement (continued)

CONFLICT OF INTEREST

In terms of the established corporate governance and practices within the Company, the Directors were required to disclose their areas of conflict of interest during the year 2016. They were also required to refrain from contributing to discussions and voting on matters in which they had such conflicts. In addition, the directors were required, on an ongoing basis, to notify the Company Secretary of and declare in advance any potential conflicts of interest through other directorships, shareholdings, associations, and conflicts arising from 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 Manual & Procedures and Enterprise Risk Management System all of which a copy can be downloaded from the Company's website *www.serenahotels.com.*

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

Though insider dealings are illegal, there are no known insider dealings that the Board is aware of which pertains to the Company.

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 except for a few areas which include for example; governance audit, and legal & compliance audits. This will be implemented once a list of accredited institutions in Kenya is availed by the relevant professional bodies.

OTHER CORPORATE INFORMATION

The Company and its subsidiaries in Kenya, Uganda, Tanzania, Zanzibar and South Africa had a total of 2,803 employees. TPSEAL is a holding Company and did not own any land and buildings during the period under review.

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

Canoeing at Lake Duluti Serena Hotel, Arusha

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	11,960,400	6.57
3	Societe de Promotion et de'participation pour la Cooperation Economique (PROPARCO)	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	7,230,533	3.97
7	Aga Khan University Foundation	6,851,000	3.76
8	PDM (Holdings) Limited	6,607,440	3.63
9	Kanchanben Ramniklal Khimji Shah	2,290,744	1.26
10	Karim Jamal	2,264,100	1.24
11	Others	36,609,171	20.08
		182,174,108	100.00

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2016

	NO. OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Less than 500 Shares	3,106	448,053	0.25
500 - 5000 shares	4,995	6,787,380	3.73
5001 - 10,000 shares	213	1,537,325	0.84
10,001 - 100,000	237	6,947,031	3.81
100,001 - 1,000,000	45	14,650,826	8.04
Over 1,000,000	14	151,803,493	83.33
	8,610	182,174,108	100.00

SHAREHOLDER CATEGORIES

	NO.OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Foreign Investors	152	120,448,024	66.12
Local Institutions	480	44,304,580	24.32
Local Individuals	7,978	17,421,504	9.56
	8,610	182,174,108	100.00

Corporate Social Responsibility

At Serena Hotels, Corporate Social Responsibility (CSR) and Sustainability has become even more meaningfully integrated into our daily interactions, operations and business processes. This is seen in the manner in which the company manages its economic, social and environmental impact; how it handles responsibilities in the workplace, the marketplace, the supply chain; the community, and the realm of public policy. Additionally also, is the group's commitment to continuously contribute towards local economic development, environmental conservation, education, health & wellness and the maintenance of social justice in its areas of operation.

From a CSR, Environmental and Sustainability perspective, our material concerns have not changed significantly compared to year 2015, but our guiding principles and approach has continued to evolve in an ethical manner through various partnerships so as to widen our footprint with an increased emphasis on quality, value addition and visible measures of impact and success within the ecosystem and communities in which we operate.

Serena takes a long term, entrepreneurial approach to the issue of sustainability in all of its activities along the value chain so as to create shared value between our business and the communities/ eco-system in which we operate. This report demonstrates how we are continuing to meet the growing demands of our social responsibilities.

COMMUNITY INVESTMENT, SUPPORT AND DEVELOPMENT

Economic Sustainability

Serena Hotels continues to give priority to the local communities living around our areas of operation so as to ensure economic independence. Below are some of the initiatives that are in place:

- In line with the Company's procurement strategy, fresh food stuff is purchased from local farmers and companies that support small scale producers and dis-advantaged groups. Our suppliers are informed of the Serena standard of quality and cleanliness expected of them, and if a gap is identified offers training to the local entrepreneurs. In the last 3 years, Serena has assisted some women groups on how to strengthen their business skills, record keeping, setting up a bank account and how to acquire working capital to bridge credit periods. Suppliers are also encouraged to reduce packaging or package in recyclable/ biodegradable material and comply with international human rights and labor standards.

One of the beneficiaries from the Kimana Womens Group

All the efforts are geared towards empowering benefits of long-run income, food security and improved health and nutrition to more households thus improving the quality of life. Eradicating poverty which is one of the Sustainable Development Goals (SDG) by the United Nations Development Programme (UNDP) is the greatest global challenge and an indispensable requirement for sustainable development - Serena Hotels continues to play its part.

- The Serena gift shops includes artifacts and handicrafts from various local community groups and the Company continues to hire local performers to entertain guests through dance, song, musical and theatrical displays. This enhances guest experience by exposing them to the diverse range of local cultures and ethnic groups whilst economically empowering the local people. Within the twenty-three Serena properties in East Africa (Kenya, Rwanda, Tanzania and Uganda), approximately 100 local performers are hired in a year.

Serena Maasai Market at Ngorongoro Serena Safari Lodge

Corporate Social Responsibility (continued)

Educational Sustainability

Serena Hotels has, in the last decade, worked with schools around our 24 properties in East Africa and Mozambique in various ways to ensure children have a conducive environment for learning. This is through its "Adopt a School" aegis that has seen initiatives that influences positive attributes on a child, thus having a holistic positive impact on a child's upbringing and development that will in the medium to long-term assist to gradually transform the quality of life for generations to come. The Serena Hotels "Adopt a School" initiatives includes: setting up of children libraries; introduction of Eco-Clubs; planting of fruit and herb trees; health outreach programs through the Serena Wellness Program; infrastructure support and its "Light Up a Life' Christmas program.

Reading for Children Library Launched in Rwanda

Commitment to Promote Reading and Literacy in East Africa

In year 2016, Serena Hotels together with its partners, Aga Khan Foundation (AKF), Madrasa Early Childhood Program (MECP) and Lions International built on the reading and literacy milestones achieved in 2015. The initiative that continues to teach and create awareness amongst the rural community (parents, community leaders and teachers) about the importance of early childhood development and reading which would help to develop children's language, literacy, critical thinking and communication, social and emotional skills, has been well received.

To date, Serena Hotels has launched 45 libraries (28 community libraries and 17 staff libraries) across Kenya, Tanzania, Uganda and Rwanda with over 20,000 beneficiaries. Over 90 Serena staff members were trained to become Reading for Children facilitators who have conducted sensitization workshops for the communities on the importance of Early Childhood Development, language development and storytelling.

Along with our partners, three children's storybooks (books titled **'We all went to Serena, What is it?** and **Life History of a Butterfly**) have been developed and are sold in all Serena Hotels gift shops. The proceeds from the sales of these books are directly invested into sustaining, expanding and launching more libraries.

Serena Hotels in partnership with the Global Business Coalition – Education; Kidogo; Conrad N. Hilton Foundation; Daraja; Aga Khan Foundation; Aga Khan University held round table deliberations on the role of Private Sector in relation to Early Childhood Development, (ECD) a crucial National Agenda and a contributing factor towards a number of Sustainable Development Goals by the United Nations Development Programme (UNDP). Serena Hotels showcased its business model and the rationale towards ensuring that our efforts are impact-driven and not just a one off activity on the ECD front. Serena realizes that literacy is widely acknowledged as a key factor for ensuring sustained human development and enhancing quality of life which in turn affects the human resources that we take in our businesses. An erudite cohort of employees is every companies wish but has to start from somewhere, thus complementing the government's effort to build an eco-system that supports literacy is equally important for the Private Sector as it contributes to economic growth and the overall investment climate for the Region. We ensure that we are helping communities in a way that we create independence with various educational resources partners.

CHARITABLE DONATIONS

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

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

Serena Hotels, for the fourth year running, had a Christmas Season of global goodwill that glittered with the joy of giving. Working with selected children's homes, schools and hospitals from the communities that surround our properties in Africa, about 1,500 children received gifts at a Serena Christmas party ranging from school bags, toys, school uniforms and shoes. Their wishes, were hung on 25 Serena Christmas trees as 'wish tags'. Each child's wish was fulfilled through Serena Hotels internally generated funds and the funds pledged by our guests, staff and business supporters which is gratifying.

Corporate Social Responsibility (continued)

Light up a Life Christmas Program - Serengeti Serena Safari Lodge

Mizizi Tree Planting Program and Eco-Club

PROTECTING A FRAGILE ENVIRONMENT

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

In year 2016, Serena Hotels are taking its commitment to creating a long-term environmental impact to the next level. MIZIZI, meaning "roots" in Kiswahili, and under the slogan "Join us and together, let us build the roots for a greener tomorrow" is an initiative by Serena aimed at engaging communities and other stakeholders so as to create awareness on the importance of planting trees and monitoring their impact, as well as widening our footprint on our existing environmental initiatives.

Serena Tree Planting Commitment

Our major success stories have been in the Hombe Forest within 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. Serena Hotels have tree and shrub nurseries at all its properties.

In year 2016, Serena Hotels increased its focus on planting fruit, vegetable and herbal trees within the local community and schools around our properties in Kenya and Rwanda. Whilst contributing towards the climate change agenda, it is hoped that this will enhance food security, reduce health related problems and ensure that we create more 'green spaces' which acts as a catalyst for positive economic, social and cultural change. To complement our efforts, Serena has initiated eco-clubs where students are encouraged to become environmentally conscious from a young age, whilst indirectly influencing their character into being a more responsible global citizen.

Turtle Conservation

The Serena Beach Resort & Spa (SBRS), Mombasa has been working for over 20 years to protect sea turtles and has released about 44,000 hatchlings into the sea. About 2 decades ago, marine ecological reports indicated that sea turtles face extinction within the next 50 years if action is not taken. This indication necessitated the Convention on International Trade in Endangered Species (CITES) to list sea turtles in the region of Mombasa, Kenya as critically endangered. This initiative saw the establishment of a turtle nest

Corporate Social Responsibility (continued)

protection programme, where turtle eggs around the Shanzu Bay, Mtwapa, Kikambala and Kenamai beaches are protected and hatched. Insecure nest sites found in these habitats are brought to SBRS for protection and hatching and are kept in the 3 mesh-cages found along the SBRS beach lawn.

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

The releasing of the hatchlings into the ocean is complemented with weekly interactive talks at SBRS in order to educate guests and the local community about the role that sea turtles play in our eco-system, the threat of extinction, and how individuals can play a role in conserving sea turtles. Serena Hotels is currently working on taking this project to the next level, by getting various partners involved to raise awareness and increase its impact on the conservation of sea turtles globally.

Sea Turtle Hatcheries at the Serena Beach Resort & Spa

Butterfly Conservation

Serena Beach Resort & Spa (SBRS) Mombasa in year 2003 established a Butterfly Conservation Sanctuary at its premises. This decision was taken under the backdrop that Butterflies have a unique role in the environment, the first of which is that they are conservational as they not only pollinate the wild flowering plants as they feed on the nectar, but also serves to enhance the biodiversity by maintaining ecological balance. Due to the radical shrinkage of forests, reports indicated that most of the butterflies had largely disappeared from Kenya's coast and this necessitated the launch of the Butterfly Conservation Sanctuary by SBRS and the indigenous butterfly species are re-introduced by our guests to the coastal landscape. To date 67 species are bred and over 275,000 butterflies have in the last 14 years been released.

Conservation of Energy and Water

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

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

Amboseli Serena waste water treatment plant program

Waste Management

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

One successful initiative that was implemented in year 2015 was a partnership with The Recycler, a professional waste management and recycling solutions company based in Dar-es-Salaam. Dar

Corporate Social Responsibility (continued)

es Salaam Serena Hotel (DSH) is playing its part in taking steps towards a cleaner and greener Tanzania – in year 2016, DSH was able to successfully recycle over 12.4 tons of waste. This includes 639kg of white paper, 6,538kg of cardboard, 2,080kg of plastic bottles and nylon, 82kg of cans/tins and 3,045kg of glass.

In year 2016, with the support of SealedAir, Serena Hotels launched the "Soap for Hope" campaign at a school supported by Lake Elmenteita Serena Camp called The Kiboko Primary School in the Soysambu Conservancy (Naivasha). During the Serena launch, 32 Kilograms of our discarded guest soap bars was recycled and used to create sanitized and fresh soap bars using a specially customized cold-press method that requires no electricity for use by the school, in order to enhance their hygiene and sanitation. Serena Hotels will in a phased manner roll out the "Soap for Hope" campaign in the Schools and Communities that we support around our properties across East Africa during year 2017, thus allowing us to repurpose this common hotel waste which is in line with our Sustainable and Environmental Business Practices.

"Soap for Hope" Program Launched at the Lake Elmenteita Serena Camp

Other Conservation Initiatives

- The Hot springs, produced through geothermal heated groundwater, are found in the extreme southern end of Lake Elmenteita in Nakuru, Kenya. It is a resource that plays a vital role to both the local community and the lake system. To help create awareness, Lake Elmenteita Serena Camp (LESC) staff in conjunction with Soysambu Wildlife Conservancy, Kenya Wildlife Service (KWS), as well as local communities held joint litter collection exercises in 2016. It is noteworthy that all the Serena properties carry out a joint litter collection on a regular basis around the areas that we exist.
- In 2016, Serena Hotels was featured on the weekly Kenyan segment known as NTV Wild Talk. Along with other corporates, the Managing Director of Serena Hotels was interviewed to discuss the corporate players role in wildlife and conservation issues. Serena Hotels shared its various success stories as it finds it critical to play a role in order to continue seeing the environment, communities and wildlife around them exist and grow.
- Earth Hour and Earth Day was celebrated with Serena Hotels carrying out a number of Conservation initiatives.

HEALTH, SAFETY AND WELLBEING

The Serena Employee Wellness Program that began in 2001 is supported by 159 internal Wellness Champions and the Unit Clinic Nurses who continue to sensitize our staff and the local community on health related aspects. We believe the health, safety and wellbeing of our staff and guests is critical to our success and the vitality of our local communities.

During the year 2016, the activities revolved around prevention, care and treatment of common communicable infections; counseling and screening (cancer, diabetes); vaccinations; blood donations; HIV/AIDS testing and counseling; maternal child care in collaboration with the respective Ministries of Health in the East African region.

National and International Awards and Accolades

World Travel Awards 2016:

During the year 2016, Serena Hotels are proud to have won a number of national and international awards and accolades details of which are below:

World Travel Awards 2016:

Voted for by travel and tourism professionals worldwide which recognises commitment to excellence. Serena Hotels won a total of 12 awards that included the top Accolade for Africa's Leading Hotel Brand amongst others which included:

- Africa's Leading Green Hotel 2016: Nairobi Serena Hotel, Kenya
- Kenya's Leading Business Hotel 2016: Nairobi Serena Hotel
- Tanzania's Leading Hotel 2016: Dar es Salaam Serena Hotel
- Tanzania's Leading Hotel Suite 2016: Presidential Suite at Dar es Salaam Serena Hotel
- Tanzania's Leading Boutique Hotel 2016: Zanzibar Serena Hotel
- Zanzibar's Leading Hotel 2016: Zanzibar Serena Hotel
- Uganda's Leading Hotel 2016: Kampala Serena Hotel
- Uganda's Leading Hotel Suite 2016: Presidential Suite at Lake Victoria Serena Resort
- Rwanda's Leading Hotel 2016: Kigali Serena Hotel
- Mozambique's Leading Hotel 2016: Polana Serena Hotel
- Mozambique's Leading Hotel Suite 2016: Presidential Suite at Polana Serena Hotel

African Leadership Awards, Uganda 2016:

TPS (Uganda) received the distinctive Africa Leadership Award - Hospitality Sector. This is the second time the Ugandan Chapter is holding the Awards Ceremony.

The Africa Leadership Awards highlights, recognizes and rewards the ability to steer businesses through turbulent times, applying the best of business modules to manage and keep their missions afloat. Over 20 categories recognize the achievements made by selected high profile corporate business leaders in Africa and honor their great contributions towards the country's post-recession economic development.

Eco Tourism Kenya Awards 2016:

Serena Beach Resort and Spa attained the Gold Level Eco-rating Certification after an assessment carried out by Ecotourism Kenya and the Eco-rating Technical Committee. This is the third Serena Unit in Kenya to be eco-rated. Through a vigorous re-assessment, Sweetwaters Serena Camp has for its second consecutive year retained its Gold level Eco-rating certification and Lake Elmenteita Serena Camp also holds the Gold Level Eco-rating certification.

Ecowarrior Awards 2016:

It recognizes innovations and leadership in responsible tourism. Finalists consist of tourism initiatives from within Kenya that enhance social-cultural, economic and ecological sustainability in their operations.

- Winner Eco-rated Hotel of the year: Serena Beach Resort and Spa
- First runners up Eco-rated Camp of the year: Sweetwaters Serena Camp

World Luxury Spa Awards 2016:

Nairobi Serena Hotel won the World Luxury Spa Awards under the following categories:

- Maisha Spa, Continent winner in the following category: Best Fitness Spa
- Maisha Spa, Country winner in the following category: Best Spa Manager

Chefs Delight Award 2016:

Nairobi Serena Hotel won 3 awards at the Chef's Delight 2016 Awards:

- The Mandhari restaurant: Best fine dining restaurant in a Hotel
- Aksum Bar: Best cocktail lounge in a Hotel
- Chef Roy: Most innovative chef in a Hotel

World Barista Competition:

Denis Agaba the Ssese Pastry shop barista at Kampala Serena Hotel and the Ugandan Champion 2016/2017 represented Uganda in the World Barista Competitions both in Dublin and China. His presentation was impeccable stirring a twitter conversation on the World Coffee Events official page that was streaming the event live across the world. He returned with great enthusiasm and has transformed the coffee products as well as service especially for the Peal of Africa Restaurant at Kampala Serena Hotel.

Booking.com

The world's #1 accommodation site awarded Serena Beach Resort & Spa, Zanzibar Serena Hotel, Kampala Serena Hotel and Polana Serena Hotel with a Certificate of excellence.

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

National and International Awards and Accolades

Trip Advisor:

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

View at Kirawira Serena Camp

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of TPS Eastern Africa Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2016. The annual report and the financial statements have been prepared in accordance with Sections 147 to 163 of the repealed companies Act-Cap 486, which remain in force under the transition rules contained in the Sixth Schedule, the Transitional and Saving Provisions of the Companies Act 2015.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The profit for the year attributable to equity holders of the Company of Shs 98,303,000 (loss in 2015: Shs 296,571,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 63,760,938 (2015: Shs 45,543,527).

DIRECTORS

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

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Abdulmalek Virani	(Finance Director)
Ameer Kassim-Lakha	
Jack Jacob Kisa	
Jean-Louis Vinciguerra*	
Ashish Sharma*	(Alternate to Jean-Louis Vinciguerra)
Guedi Ainache*	
Teddy Hollo Mapunda (Mrs) **	
Mahmood Pyarali Manji	

* French ** Tanzanian

AUDITOR

The Company's auditor PricewaterhouseCoopers has expressed willingness to continue in office in accordance with section 719 (2) of the Kenyan Companies Act 2015.

By order of the Board

DOMINIC NG'ANG'A
COMPANY SECRETARY

26 April, 2017

Statement Of Directors' Responsibilities

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

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

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

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

iii. Making judgements and accounting estimates that are reasonable in the circumstances

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and Company at 31 December 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015.

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

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

Approved by the board of directors on 26 April 2017 and signed on its behalf by:

Mr. Francis Okomo-Okello
CHAIRMAN

26 April, 2017

Mr. Mahmud Jan Mohamed
MANAGING DIRECTOR

26 April, 2017

Report Of The Independent Auditor To The Members Of TPS Eastern Africa Limited

Report on the audit of the consolidated financial statements

Our opinion

We have audited the accompanying consolidated financial statements of TPS Eastern Africa Limited (the Company) and its subsidiaries (together, the Group) set out on pages 37 to 81, which comprise the consolidated statement of financial position at 31 December 2016, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, together with the separate statement of financial position of the Company at 31 December 2016 and the statement of changes in equity of 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 financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2016 and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015.

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment As described in Note 19, the Group carries out an impairment assessment annually to establish whether goodwill at each CGU should continue to be recognised or if any impairment exists. The assessment is based on value-in-use calculations about the future financial performance of the business and the discount rates applied. The estimation of future cashflows and the level to which they are discounted is inherently uncertain and requires significant judgement. The future cashflows are also prone to bias because they are based on management's assessment of the future profitability of the Cash Generating Units (CGUs).	We evaluated and challenged the composition of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business, industry-specific reports and the macro economic outlook. We assessed the projected cash flows against the approved strategic and business plan of the cash generating unit. We reviewed the reasonableness of the forecast cash flows against historical performance and the approved short-term financial budgets of the business. We also challenged management's assumptions in relation to the: - Long term growth rates by comparing them to economic and industry forecasts - Pre-tax discount rate by assessing the cost of capital for the company and comparable organisations, as well as considering country specific factors We challenged management on the sensitivity of the assumptions used. 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.

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

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Revaluations of Land and buildings (properties) During the year, the Group revalued its land and buildings (properties) as disclosed in Note 17. The revaluations were carried out by external professional valuers using the earnings approach and replacement cost method. The earnings approach used to value property involve significant judgements about future performance of the properties and discount rates.	We assessed the competence, qualification and independence of the expert. We held discussions with the valuation expert in order to understand the methodology and results of the valuation. We obtained the future cash flow forecasts and the underlying assumptions given to the expert by management and checked the accuracy of the inputs. We also assessed the reasonableness of the growth rates, profit margins and discount rates applied. We evaluated and challenged the future forecasts based on the historical performance of the properties, industry-specific reports and the macro economic outlook. We reviewed the adequacy of disclosures made in Note 17 of the financial statements.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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 legal requirements

As required by the Kenyan Companies Act 2015 we report to you, based on our audit, that:

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

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

iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Bernice Kimacia No. P/1457.

PricewaterhouseCoopers

Certified Public Accountants
26 April, 2017
Nairobi

Consolidated Income Statement

for the Year ended 31 December 2016

	Notes	2016 Shs'000	2015 Shs'000
Revenue	5	6,468,803	6,189,360
Other income		349,657	161,446
Inventory expensed		(1,194,034)	(1,097,956)
Employee benefits expense	7	(2,048,130)	(1,988,941)
Other operating expenses		(2,592,656)	(2,712,417)
Profit before depreciation, interest and income tax expense		983,640	551,492
Depreciation and amortisation of property, plant and equipment and intangible assets	17b	(538,333)	(426,566)
Finance income	8	63,001	10,207
Finance costs	8	(184,112)	(356,005)
Share of profit of associates	21	1,105	9,896
Profit/ (loss)before income tax	6	325,301	(210,976)
Income tax expense	9	(195,973)	(69,637)
Profit/ (loss)for the year (Profit of Shs 140,023,000 (2015: Shs 120,060,000) has been dealt with in the accounts of the Company)		129,328	(280,613)
Attributable to:			
Equity holders of the Company		98,303	(296,571)
Non-controlling interest	27	31,025	15,958
		129,328	(280,613)
Earnings per share attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	10	0.54	(1.63)

Consolidated Statement of Comprehensive Income

for the Year ended 31 December 2016

	Notes	2016 Shs'000	2015 Shs'000
Profit/ (loss) for the year		129,328	(280,613)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(255,717)	(482,295)
Revaluation gain	17a	284,661	402,436
Deferred tax on revaluation	15	(232,458)	(120,731)
Total other comprehensive loss for the year		(203,514)	(200,590)
Total comprehensive loss for the year		(74,186)	(481,203)
Attributable to:			
Equity holders of the Company		(48,059)	(595,223)
Non-controlling interest		(26,127)	114,020
Total comprehensive income/(loss) for the year		(74,186)	(481,203)

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 Shs'000	2015 Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	12	182,174	182,174
Share premium	12	4,392,668	4,392,668
Revaluation reserve	13	2,534,165	2,446,956
Translation reserve		(1,069,084)	(813,367)
Retained earnings		2,366,122	2,309,434
Proposed dividends	11	63,761	45,544
		8,469,806	8,563,409
Non-controlling interest	27	1,095,815	1,121,942
Total equity		9,565,621	9,685,351
Non-current liabilities			
Borrowings	14	3,187,561	1,968,217
Deferred income tax liability	15	2,157,622	1,907,410
Retirement benefit obligations	16	21,891	20,496
Total non-current liabilities		5,367,074	3,896,123
Total equity and non-current liabilities		14,932,695	13,581,474
Non-current assets			
Property and equipment	17a	11,156,265	10,976,209
Intangible assets	19	1,274,154	1,324,154
Investment in associates	21	1,001,972	1,000,867
Deferred income tax asset	15	188,044	189,982
		13,620,435	13,491,212
Current assets			
Inventories	22	490,885	451,324
Receivables and prepayments	23	1,158,746	1,170,619
Current income tax		261,426	270,223
Cash and cash equivalents	24	1,451,623	432,422
		3,362,680	2,324,588
Current liabilities			
Trade and other payables	25	1,534,800	1,625,407
Borrowings	14	515,620	608,919
		2,050,420	2,234,326
Net current assets		1,312,260	90,262
		14,932,695	13,581,474

The financial statements on pages 37 to 81 were approved and authorised for issue by the board of directors on 26 April 2017 and signed on its behalf by:

Mr. Francis Okomo-Okello
CHAIRMAN
26 April, 2017

Mr. Mahmud Jan Mohamed
MANAGING DIRECTOR
26 April, 2017

Company Statement of Financial Position

for the Year ended 31 December 2016

	Notes	2016 Shs'000	2015 Shs'000
Share capital	12	182,174	182,174
Share premium	12	4,392,668	4,392,668
Retained earnings		862,733	786,471
Proposed dividends	11	63,761	45,544
Total equity		5,501,336	5,406,857
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	430,325	336,471
Cash and cash equivalents	24	961	574
		431,286	337,045
Current liabilities			
Trade and other payables	25	2,077	2,315
		2,077	2,315
Net current assets		429,209	334,730
		5,501,336	5,406,857

The financial statements on pages 37 to 81 were approved for issue by the board of directors on 26 April 2017 and signed on its behalf by:

Mr. Francis Okomo-Okello
CHAIRMAN

26 April, 2017

Mr. Mahmud Jan Mohamed
MANAGING DIRECTOR

26 April, 2017

Consolidated Statement in Changes of Equity

As at 31 December

	Notes	Share capital	Share premium	Reval-uation reserves	Trans-lation reserves	Retained earnings	Proposed dividends	Non-con-trolling interest	Total
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2015									
At start of year		182,174	4,392,668	2,310,907	(331,072)	2,603,955	245,935	1,007,922	10,412,489
Comprehensive income for the year									
Loss for the year		-	-	-	-	(296,571)	-	15,958	(280,613)
Other comprehensive income:									
Currency translation differences		-	-	-	(482,295)	-	-	-	(482,295)
Revaluation gain		-	-	262,348	-	-	-	140,088	402,436
Deferred tax on revaluation	15	-	-	(78,705)	-	-	-	(42,026)	(120,731)
Transfer of excess depreciation to retained earnings		-	-	(62,358)	-	62,358	-	-	-
Deferred income tax on transfer		-	-	14,764	-	(14,764)	-	-	-
Total other comprehensive income		-	-	136,049	(482,295)	47,594	-	98,062	(200,590)
Total comprehensive income for the year		-	-	136,049	(482,295)	(248,977)	-	114,020	(481,203)
Transactions with owners									
Dividends:									
- final for 2014 paid	11	-	-	-	-	-	(245,935)	-	(245,935)
- proposed for 2015	11	-	-	-	-	(45,544)	45,544	-	-
		-	-	-	-	(45,544)	(200,391)	-	(245,935)
At end of year		182,174	4,392,668	2,446,956	(813,367)	2,309,434	45,544	1,121,942	9,685,351

Consolidated Statement of Changes in Equity (continued)

for the Year ended 31 December 2016

	Notes	Share capital	Share premium	Reval-uation reserves	Translation reserves	Retained earnings	Proposed dividends	Non-con-trolling interest	Total
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2016									
At start of year		182,174	4,392,668	2,446,956	(813,367)	2,309,434	45,544	1,121,942	9,685,351
Comprehensive income for the year									
Profit for the year		-	-	-	-	98,303	-	31,025	129,328
Other comprehensive income:									
Currency translation differences		-	-	-	(255,717)	-	-	-	(255,717)
Revaluation gain		-	-	284,661	-	-	-	-	284,661
Deferred tax on revaluation		-	-	(175,306)	-	-	-	(57,152)	(232,458)
Transfer of excess depreciation to retained earnings		-	-	(69,453)	-	69,453	-	-	-
Deferred income tax on transfer	15	-	-	47,307	-	(47,307)	-	-	-
Total other comprehensive income		-	-	87,209	(255,717)	22,146	-	(57,152)	(203,514)
Total comprehensive income for the year		-	-	87,209	(255,717)	120,449	-	(26,127)	(74,186)
Transactions with owners									
Dividends:									
- final for 2015 paid	11	-	-	-	-	-	(45,544)	-	(45,544)
- proposed for 2016	11	-	-	-	-	(63,761)	63,761	-	-
		-	-	-	-	(63,761)	18,217	-	(45,544)
At end of year		182,174	4,392,668	2,534,165	(1,069,084)	2,366,122	63,761	1,095,815	9,565,621

Company Statement of Changes in Equity

for the Year ended 31 December 2016

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2015						
At start of year		182,174	4,392,668	711,955	245,935	5,532,732
Comprehensive income for the year						
Profit for the year		-	-	120,060	-	120,060
Total comprehensive income for the year		-	-	120,060	-	120,060
Transactions with owners						
Dividends:						
- final for 2014 paid	11	-	-	-	(245,935)	(245,935)
- proposed for 2015	11	-	-	(45,544)	45,544	-
		-	-	(45,544)	(200,391)	(245,935)
At end of year		182,174	4,392,668	786,471	45,544	5,406,857

Company Statement of Changes in Equity (continued)

for the Year ended 31 December 2016

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

Consolidated Statement of Cash Flows

for the Year ended 31 December 2016

	Notes	2016 Shs'000	2015 Shs'000
Operating activities			
Cash generated from operations	26	913,074	523,558
Interest received		11,443	10,207
Income tax paid		(150,512)	(149,781)
Net cash generated from operating activities		774,005	383,984
Investing activities			
Purchase of property, plant and equipment	17	(563,345)	(350,340)
Proceeds from disposal of property, plant and equipment		14,777	8,219
Net cash used in investing activities		(548,568)	(342,121)
Financing activities			
Repayments of commercial paper	14	(50,000)	(250,000)
Proceeds from long term borrowings		1,537,597	1,390,978
Payments of long term borrowings		(291,187)	(454,804)
Interest paid		(184,111)	(234,439)
Dividends paid to Company's shareholders	11	(45,544)	(245,935)
Net cash generated from financing activities		966,755	205,800
Net increase in cash and cash equivalents		1,192,192	247,663
Movement in cash and cash equivalents			
At start of year		283,382	(88,587)
Increase		1,192,192	247,663
Effect of currency translation differences		(49,683)	124,306
At end of year	24	1,425,891	283,382

Notes to Financial Statements

1. General information

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

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

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

For the 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

(a) New standards, amendments and interpretations adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016

Amendments to IAS 1, Presentation of financial statements disclosure initiative. In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to IAS 27, Separate financial statements' on equity accounting. In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

Amendment to IFRS 11, Joint arrangements' on acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets. (Postponed, initially 1 January 2016). The effective date has been postponed. The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Notes to Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(a). Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendment to IAS 12 – Income taxes. The amendments were issued to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Application of this standard is required for financial years commencing on or after 1 January 2017.

Amendment to IAS 7 – Cash flow statements. In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. Application of this standard is required for financial years commencing on or after 1 January 2017.

IFRS 15 Revenue from Contracts with Customers - Mandatory for financial years commencing on or after 1 January 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. Management is currently assessing the impact of the new rules.

b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

Acquisition-related costs are expensed as incurred.

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies.

Acquisition of entities under common control is accounted for using predecessor accounting.

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

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

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.

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

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

(v) Joint arrangements

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. IFRS GAAP plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

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

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

(vi) Separate financial statements

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

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

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(iii) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
(ii) income and expenses for each income statement amount are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income in the currency translation reserve.

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

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

(d) Segment reporting

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

(e) Revenue recognition

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

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

(e) Revenue recognition (continued)

Revenue is recognised as follows:

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

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

(f) Property and equipment

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

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

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

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

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

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

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

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in profit or loss. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(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.

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

(g) Intangible assets (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use- are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

(i) Classification

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

Loans and receivables

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

(ii) Offsetting financial instruments

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

(iii) Impairment of financial assets

Assets carried at amortised cost

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

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

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

(j) Accounting for leases

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

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

(k) Inventories

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

(l) Receivables

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

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

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

(m) Payables

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

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

(n) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(o) Cash and cash equivalents

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

(p) Employee benefits

(i) Retirement benefit obligations

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

The Group operates a defined contribution post-employment benefit scheme for all its permanent employees after their first year of employment. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the group and the employees. The Group and all its permanent employees also contribute to the statutory National Social Security Funds, which are defined contribution schemes. The Group's contributions to both these defined contribution schemes are charged to the income statement in the year in which they fall due. The Group has no further obligation once the contributions have been paid.

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(q) Current and deferred income tax

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

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

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

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

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

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

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which they are declared. Dividends are declared upon approval at the annual general meeting. Proposed dividends are disclosed separately within equity until declared.

(t) Comparatives

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

3. Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

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

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(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).

Fair value of property

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

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

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

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

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

(ii) Critical judgements in applying the Group's accounting policies
In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether financial and non-financial assets are impaired.
- the recoverability of deferred tax assets

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

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

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

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

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

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

At 31 December 2016, if the Kenya Shilling had weakened/strengthened by 5% against the US Dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 5,355,969 (2015: loss for the year of Shs 7,863,939) higher/lower, mainly as a result of US dollar receivables, payables and bank balances.

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2016 (2015: nil).

(iii) Cash flow and fair value interest rate risk

The Group has borrowings at variable rates. The Group does not hedge itself against interest rate risk. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. At 31 December 2016, an increase/decrease of 10% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 33,883,908 (2015: loss of Shs 22,746,492).

Credit risk

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

The credit controller is responsible for managing and analysing credit risk for each new customer before standard payment and delivery terms are offered. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. The Group does not have any significant concentrations of credit risk.

For banks and financial institutions, only reputable well established financial institutions are accepted. For trade receivables, the credit controller assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

The maximum exposure for credit risk equals the third party and related party receivables disclosed in Note 23.

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

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

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Past due but not impaired:				
- by 31 to 60 days	107,827	77,217	-	-
- by 61 to 90 days	61,715	43,824	-	-
- by over 90 days	133,613	46,430	-	-
Total past due but not impaired	303,155	167,471	-	-
Impaired and fully provided for	98,035	152,249	-	-

Liquidity risk

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

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Notes to Financial Statements (continued)

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(a) Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2016:				
- borrowings and interest	515,620	740,129	1,368,083	1,079,349
- trade and other payables	1,534,800	-	-	-
At 31 December 2015:				
- borrowings and interest	968,820	517,300	1,140,347	674,512
- trade and other payables	1,625,407	-	-	-

(b) Company				
At 31 December 2016:				
- trade and other payables	2,077	-	-	-
At 31 December 2015:				
- trade and other payables	2,315	-	-	-

Capital risk management

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

During 2016 the Group's strategy, which was unchanged from 2015, was to maintain a gearing ratio below 40%. The gearing ratios at 31 December 2016 and 2015 as follows:

	2016 Shs'000	2015 Shs'000
Total borrowings	3,703,181	2,577,136
Less: cash and bank balances	(1,425,891)	(432,422)
Net debt	2,277,290	2,144,714
Total equity	9,565,620	9,685,351
Total capital	11,842,910	11,830,065
Gearing ratio	19%	18%

5 Segment information

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

The Managing Director considers the business from both a geographic and product perspective. Geographically, management considers the performance in Kenya, Uganda and Tanzania. Kenya is further segregated into hotels and lodges.

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

Notes to Financial Statements (continued)

5.Segment information (continued)

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

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2016 is as follows:

	Kenya Hotels and lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotel Shs '000	All other segments Shs '000	Total Shs '000
Revenue	2,915,699	1,850,260	1,631,399	318,318	6,729,612
Less inter segmental sales	-	-	-	(246,873)	(246,873)
Net revenue from third parties	2,915,699	1,850,260	1,631,399	71,445	6,468,803
EBITDA	242,156	327,276	414,725	(517)	983,640
Depreciation and amortisation	(210,914)	(182,275)	(142,048)	(3,100)	(538,333)
Income tax credit/(expense)	25,971	(87,866)	(123,426)	(10,652)	(195,973)
Share of (loss)/ profit from associate	(9,329)	-	-	10,434	1,105
Investment in associate	5,684	-	-	996,288	1,001,972
Additions to non-current assets	182,488	95,596	275,621	9,641	563,346
Total assets	6,388,405	4,351,165	3,553,508	2,690,037	16,983,115
Goodwill	320,152	683,218	266,293	4,491	1,274,154

The segment information for the year ended 31 December 2015 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	2,752,403	1,767,137	1,612,276	310,828	6,442,644
Less inter segmental sales	-	-	-	(253,284)	(253,284)
Net revenue from third parties	2,752,403	1,767,137	1,612,276	57,544	6,189,360
EBITDA	189,559	(137,097)	485,926	13,104	551,492
Depreciation and amortisation	-	(143,013)	(85,496)	(8,908)	(426,566)
Income tax credit/(expense)	(189,149)	116,321	(119,864)	(7,732)	(69,637)
Share of (loss)/ profit from associate	(58,362)	-	-	21,123	9,896
Investment in associate	-	-	-	985,855	1,000,867
Additions to non-current assets	(11,227)	25,636	62,540	2,324	350,340
Total assets	15,012	4,223,691	2,893,080	2,607,141	15,815,800
Goodwill	259,840	733,218	266,293	4,491	1,324,154

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

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

Notes to Financial Statements (continued)

5.Segment information (continued)

	2016 Shs'000	2015 Shs'000
EBITDA	983,640	551,492
Depreciation and amortisation	(538,333)	(426,566)
Share of profit from associates	1,105	9,896
Finance costs – net	(121,111)	(345,798)
Profit/ (loss) before tax	325,301	(210,976)

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

6. Profit/ (loss) before tax

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

	Group	
	2016 Shs'000	2015 Shs'000
Profit on disposal of property, plant and equipment	(6,255)	(6,200)
Net finance costs (Note 8)	121,111	345,798
Receivables – provision for impairment losses (Note 23)	(54,214)	124,287
Auditors' remuneration (Company: 2016: Shs 2,754,218 (2015: Shs 2,623,064))	19,766	17,358
Employee benefit expense (Note 7)	2,048,130	1,988,941
Repairs and maintenance of property and equipment	223,888	173,797
Goodwill impairment (Note 17b)	50,000	-

7. Employee benefits expense

	Group	
	2016 Shs'000	2015 Shs'000
Salaries, wages and other staff costs	1,904,734	1,851,541
Retirement benefits costs:		
- Defined benefit scheme (Note 16)	34,983	32,062
- Defined contribution scheme	34,981	32,461
- National Social Security Funds	73,432	72,877
	2,048,130	1,988,941

Notes to Financial Statements (continued)

8. Finance income and costs

Interest income:	Group 2016 Shs'000	Group 2015 Shs'000
- fixed and call deposits	10,876	1,309
- staff loans	567	719
- related party loans	-	8,179
Net foreign currency exchange gain on borrowings	51,558	-
Finance income	63,001	10,207
Interest expense:		
Interest expense on borrowings	(184,112)	(234,439)
Net foreign currency exchange loss on borrowings	-	(121,566)
Finance costs	(184,112)	(356,005)
Net finance costs	(121,111)	(345,798)

9. Income tax expense

	Group 2016 Shs'000	Group 2015 Shs'000
Current income tax	159,317	-
Deferred income tax (Note 15)	36,656	69,638
Income tax expense	195,973	69,638

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 2016 Shs'000	Group 2015 Shs'000
Profit/ (loss) before income tax	325,305	(210,976)
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2015 - 30%)	97,592	(63,293)
Tax effect of:		
Income not subject to tax	(2,717)	(6,532)
Expenses not deductible for tax purposes	42,790	34,799
Unrecognised deferred tax asset	31,938	50,268
Under provision of deferred income tax in prior year	26,370	54,396
Income tax expense	195,973	69,638

10. Earnings per share

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

	Group	
	2016 Shs'000	2015 Shs'000
Profit/ (loss) attributable to equity holders of the Company (Shs 000s)	98,303	(296,571)
Weighted average number of ordinary shares in issue (thousands)	182,174	182,174
Basic earnings per share (Shs)	0.54	(1.63)

There were no potentially dilutive shares outstanding at 31 December 2016 or 2015. Diluted earnings per share are therefore the same as basic earnings per share.

11. Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. Qualifying shares for 2016 were 182,174,108 shares (2015: 182,174,108 shares). A dividend in respect of qualifying shares for the year ended 31 December 2016 of Shs 0.35 per share (2015: Shs 0.25) amounting to Shs 63,760,938 (2015: Shs 45,543,527) is to be proposed at the forthcoming annual general meeting.

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

12. Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 2015 and 31 December 2015 & 2016	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 (2015: 182,174,108) shares are issued at a par value of Shs 1.00 per share and are fully paid.

13. Revaluation reserve

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

14. Borrowings

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
The borrowings are made up as follows:				
Non-current				
Borrowings	3,187,561	1,968,217	-	-
Current				
Bank overdraft	25,732	149,040	-	-
Bank borrowings	489,888	409,879	-	-
Commercial paper	-	50,000	-	-
	515,620	608,919	-	-
Total borrowings	3,703,181	2,577,136	-	-

The borrowings comprise secured liabilities (bank borrowings and overdraft) in a total amount of Shs 3,703,181,000 (2015: Shs 2,527,136,000), PROPARCO loan Shs. 2,034,884,000 (2015: Shs 512,750,000) and commercial paper Nil (2015: Shs 50,000,000). Bank loans and overdrafts are secured by legal charges over certain land, buildings and other assets of the Group and a certificate of shares in the name of TPS Eastern Africa Limited for Tourism Promotion Services (Kenya) Limited in addition to a floating debenture over all assets of Tourism Promotion Services (Kenya) Limited, Tourism Promotion Services (Tanzania) Limited and Tourism Promotion Services (Zanzibar) Limited. The PROPARCO loan is guaranteed by TPS Eastern Africa Limited, the parent Company.

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

	Group	
	2016 Shs'000	2015 Shs'000
Kenya		
- bank borrowings : Kenya Shillings	13.37%	13.37%
- commercial paper: Kenya Shillings	-	23.00%
- related party borrowings : US Dollars (Note 28 viii)	4.75%	4.75%
Tanzania		
- bank overdrafts: US Dollars (3.25% above 3-month LIBOR)	4.25%	3.52%
- bank borrowings: US Dollars (3.25% above 3-month LIBOR)	4.25%	4.52%
- bank borrowings: Tanzania Shillings Barclays Bank of Tanzania	12.50%	12.50%
Zanzibar		
- bank overdrafts and bank borrowings: Tanzania Shillings	12.50% 13.50%	12.50% 13.50%
Uganda		
- bank borrowings : US Dollars	4.00%	4.00%
- related party borrowings : US Dollars (Note 28 viii)	4.75%	-

14. Borrowings (continued)

The carrying amounts of short-term borrowings approximate to their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the balance sheet date.

It is impracticable to assign fair values to the Group's long term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

None of the above borrowings was in default at any time in the year.

Borrowings in respective currencies were as follows:

	Group	
	2016 Shs'000	2015 Shs'000
Currency		
US Dollars	2,823,514	1,389,050
Kenya Shillings	873,360	1,111,606
Tanzania Shillings	6,307	76,480
	3,703,181	2,577,136

15. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2015: 30%). The movement on the deferred income tax account is as follows:

	Deferred tax liability Shs'000	Deferred tax asset Shs'000	Total Shs'000
Year ended 31 December 2015			
At start of year	1,773,493	(190,855)	1,582,638
Charge to profit or loss (Note 9)	68,765	873	69,638
Charge to other comprehensive income	65,152	-	65,152
At end of year	1,907,410	(189,982)	1,717,428
Year ended 31 December 2016			
At start of year	1,907,410	(189,982)	1,717,428
Charge to profit or loss (Note 9)	37,072	(416)	36,656
Charge to other comprehensive income	213,140	2,354	215,494
At end of year	2,157,622	(188,044)	1,969,578

15. Deferred income tax (continued)

Year ended 31 December 2016	1.1.2016 Shs'000	Charge/(credit) to profit or loss Shs'000	Charged/(credit) to equity Shs'000	31.12.2016 Shs'000
Deferred income tax liabilities				
- on historical cost	1,360,376	7,229	-	1,367,605
- on revaluation surplus	822,162	-	232,458	1,054,620
Unrealised exchange gains	117,029	12,909	-	129,938
Other deductible temporary differences	(66,911)	(41,203)	-	(108,114)
Currency translation difference	(42,575)	-	(16,964)	(59,539)
	2,190,081	(21,065)	215,494	2,384,510
Deferred income tax assets				
Tax losses carried forward	(458,003)	48,808	-	(409,195)
Provisions	(14,650)	8,913	-	(5,737)
	(472,653)	57,721	-	(414,932)
Net deferred income tax liability	1,717,428	36,656	215,494	1,969,578

Year ended 31 December 2015	1.1.2015 Shs'000	Charge/(credit) to income statement Shs'000	Charge/(credit) to OCI Shs'000	31.12.2015 Shs'000
Deferred income tax liabilities				
- on historical cost	1,305,240	55,136	-	1,360,376
- on revaluation surplus	714,435	-	107,727	822,162
Unrealised exchange gains	128,330	(11,301)	-	117,029
Other deductible temporary differences	(39,035)	(27,876)	-	(66,911)
Currency translation difference	-	-	(42,575)	(42,575)
	2,108,970	15,959	65,152	2,190,081
Deferred income tax assets				
Tax losses carried forward	(507,215)	49,212	-	(458,003)
Provisions	(19,117)	4,467	-	(14,650)
	(526,332)	53,679	-	(472,653)
Net deferred income tax liability	1,582,638	69,638	65,152	1,717,428

Upekee Lodge Limited is a subsidiary where TPS EA has 51% interest and has been in operation for 7 years. Given its subdued past performance, it has recognised deferred tax asset of Shs 187 million arising from accumulated. Management has projected future taxable profits and therefore continue to recognise the asset.

16. Retirement benefit obligations

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

	Group	
	2016 Shs'000	2015 Shs'000
At start of year	20,496	65,019
Charge to income statement (Note 7)	34,983	32,062
Benefits paid/ transferred to pension scheme	(33,588)	(76,585)
At end of year	21,891	20,496

The principal actuarial assumptions used were as follows:

	2016	2015
- discount rate	18.9%	15.5%
- future salary increases	8.0%	8.0%

Under IAS 19 revised, actuarial gains and losses are recognised in the other comprehensive income. Consistent with prior year, actuarial losses are charged to income statement on the basis of materiality. The charge to profit or loss in 2016 is made up of interest charge and current service cost.

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

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

The Kenyan Company ceased operating the unfunded gratuity scheme and transferred the amount held to a pension scheme in 2015.

Notes to Financial Statements (continued)

17a. Property and equipment - Group

	Land & buildings Shs'000	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2015					
At cost or revaluation	12,037,530	3,451,850	327,373	426,452	16,243,205
Accumulated depreciation	(2,215,374)	(1,924,348)	(243,065)	-	(4,382,787)
Translation differences	(624,306)	(21,222)	(25,088)	(3,172)	(673,788)
Net book amount	9,197,850	1,506,280	59,220	423,280	11,186,630
Year ended 31 December 2015					
Opening net book amount	9,197,850	1,506,280	59,220	423,280	11,186,630
Additions	77,843	155,904	10,686	105,907	350,340
Disposals	-	(2,019)	-	-	(2,019)
Transfers	4,246	33,620	-	(37,866)	-
Depreciation charge	(211,420)	(195,021)	(20,125)	-	(426,566)
Revaluation	402,436	-	-	-	402,436
Translation differences	(446,794)	(79,240)	(1,341)	(7,237)	(534,612)
Closing net book amount	9,024,161	1,419,524	48,440	484,084	10,976,209
At cost or revaluation	12,522,055	3,639,355	338,059	494,493	16,993,962
Accumulated depreciation	(2,426,794)	(2,119,369)	(263,190)	-	(4,809,353)
Translation differences	(1,071,100)	(100,462)	(26,429)	(10,409)	(1,208,400)
Net book amount	9,024,161	1,419,524	48,440	484,084	10,976,209

17a. Property and equipment - Group

	Land & buildings Shs'000	Operating equipment Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2016					
At cost or revaluation	12,522,055	3,639,355	338,059	494,493	16,993,962
Accumulated depreciation	(2,426,794)	(2,119,369)	(263,190)	-	(4,809,353)
Translation differences	(1,071,100)	(100,462)	(26,429)	(10,409)	(1,208,400)
Net book amount	9,024,161	1,419,524	48,440	484,084	10,976,209
Year ended 31 December 2016					
Opening net book amount	9,024,161	1,419,524	48,440	484,084	10,976,209
Additions	35,649	154,657	19,459	353,581	563,346
Disposals	(5,138)	(3,461)	-	(960)	(9,559)
Transfers	-	8,973	44	(9,017)	-
Depreciation charge	(219,246)	(245,162)	(23,925)	-	(488,333)
Revaluation	284,661	-	-	-	284,661
Translation differences	(133,950)	(17,000)	(238)	(18,871)	(170,059)
Closing net book amount	8,986,137	1,317,531	43,780	808,817	11,156,265
At 31 December 2016					
At cost or revaluation	12,837,227	3,799,524	357,562	838,097	17,832,410
Accumulated depreciation	(2,646,040)	(2,364,531)	(287,115)	-	(5,297,686)
Translation differences	(1,205,050)	(117,462)	(26,667)	(29,280)	(1,378,459)
Net book amount	8,986,137	1,317,531	43,780	808,817	11,156,265

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. At 31 December 2016, if each of the above assumptions had increased/decreased by 1% with other variables held constant, the valuation results would not have changed significantly.

Revaluations of properties in Tanzania were based on sales comparable method by 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.

Notes to Financial Statements (continued)

17a. Property and equipment - Group

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	
	2016 Shs'000	2015 Shs'000
Cost	5,489,617	8,590,676
Accumulated depreciation	(1,614,292)	(2,797,796)
Net book amount	3,875,325	5,792,880

17b. Depreciation and Amortisation

	2016 Shs'000	2015 Shs'000
Depreciation (Note 17a)	488,333	426,566
Goodwill impairment (Note 19)	50,000	-
Closing accumulated impairment	538,333	426,566

18. Non-current receivable

	Company and Group	
	2016 Shs'000	2015 Shs'000
At start of the year	-	51,397
Repayment	-	(51,397)
At end of year	-	-

19. Intangible assets

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

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

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

19. Intangible assets (continued)

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

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

Tourism Promotion Services (Kenya) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2016 by Shs 108 million

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITA margin used in the value-in-use calculation had been 1% lower than the management estimates at 31 December 2016 with all other assumptions in the table above unchanged, the group would have to recognise an impairment of Shs 215 million at 31 December 2016.

If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher than the management estimates at 31 December 2016 with all other assumptions in the table above unchanged, the head room would have increased by Shs 486 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the group would have to recognise an impairment of Shs 324 million at 31 December 2016.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the recoverable value would have exceeded the carrying net asset amount including goodwill of the CGU at 31 December 2016 by Shs 749 million.

TPS (Uganda) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2016 by Shs 706 million

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITA margin used in the value-in-use calculation had been 1% lower than the management estimates at 31 December 2016 with all other assumptions in the table above unchanged, the recoverable value would have exceeded the carrying net asset amount including goodwill of the CGU at 31 December 2016 by Shs 529 million. If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher than the management estimates at 31 December 2016 with all other assumptions in the table above unchanged, the head room would have increased by Shs 883 million.

The 1% change in forecast EBITA margins represents a reasonably possible reduction in sales prices and/or increase in production and other costs over the 5 year forecast period which would yield the same average EBITDA margin as achieved on average over the last 4 years to 31 December 2016.

Notes to Financial Statements (continued)

19. Intangible assets (continued)

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the recoverable value would have exceeded the carrying net asset amount including goodwill of the CGU at 31 December 2016 by Shs 299 million.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the recoverable value would have exceeded the carrying net asset amount including goodwill of the CGU at 31 December 2016 by Shs 1,214 million.

Tourism Promotion Services (Tanzania) Limited goodwill

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 31 December 2016 by Shs 183 million

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITA margin used in the value-in-use calculation had been 1% lower than the management estimates at 31 December 2016 with all other assumptions in the table above unchanged, the group would have had to recognise an impairment of Shs 11 million. If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher than the management estimates at 31 December 2016 with all other assumptions in the table above unchanged, the head room would have increased by Shs 195 million.

The 1% change in forecast EBITA margins represents a reasonably possible reduction in sales prices and/or increase in production and other costs over the 5 year forecast period which would yield the same average EBITDA margin as achieved on average over the last 4 years to 31 December 2016.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the group would have to recognise an impairment of Shs 50 million at 31 December 2016.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the headroom would have increased by Shs 285 million.

Tourism Promotion Services (Zanzibar) Limited goodwill

Based on the above assumptions, the carrying net asset amount (including the goodwill) exceeded the recoverable value of the CGU at 31 December 2016 by Shs 50 million. As a result, the Company recognised an impairment provision to that extent.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted EBITA margin used in the value-in-use calculation had been 1% lower than the management estimates at 31 December 2016 with all other assumptions in the table above unchanged, the group would have had to recognise an impairment of Shs 81 million. If the budgeted EBITDA margin used in the value-in-use calculation had been 1% higher than the management estimates at 31 December 2016 with all other assumptions in the table above unchanged, group would have had to recognise an impairment of Shs 27 million

The 1% change in forecast EBITA margins represents a reasonably possible reduction in sales prices and/or increase in production and other costs over the 5 year forecast period which would yield the same average EBITDA margin as achieved on average over the last 4 years to 31 December 2016.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management estimates and all other assumptions in the table above unchanged, the group would have to recognise an impairment of Shs 104 million at 31 December 2016.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the group would have to recognise an impairment of Shs 7 million at 31 December 2016.

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

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

19. Intangible assets (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.

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:

	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 2015	828,621	1,487,783	437,423	45,795	1	-	1,432,174	4,231,797
Addition during the year	-	-	-	-	-	-	-	-
At 31 December 2015 and 2016	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 – 2015 and 2016	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 (51% subsidiary of TPS(T)) which owns two properties; Serena Mivumo River Lodge and Selous Serena Camp situated in the Selous Game Reserve in Southern Tanzania.

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

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

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

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

21. Investment in associates

	Group	
	2016 Shs'000	2015 Shs'000
At start of the year	1,000,867	990,971
Share of associate results before tax	12,874	24,138
Share of tax	(11,769)	(14,242)
Net share of results after tax	1,105	9,896
At end of year	1,001,972	1,000,867

	Company	
	2016 Shs'000	2015 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.

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

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

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	Profit/ (loss) Shs'000
2016					
Mountain Lodges Limited	29.90	142,143	136,736	41,726	(31,201)
Tourism Promotion Services (Rwanda) Limited	20.15	2,145,348	593,697	1,412,362	79,905
TPS (D) Limited	25.10	3,638,010	1,553,581	1,094,612	(22,855)
		5,925,501	2,284,014	2,548,700	25,849
2015					
Mountain Lodges Limited	29.90	130,480	93,871	38,255	(37,547)
Tourism Promotion Services (Rwanda) Limited	20.15	2,455,686	728,792	1,588,687	120,043
TPS (D) Limited	25.10	3,648,033	1,723,161	1,232,023	(12,219)
		6,234,199	2,545,824	2,858,965	70,277

22. Inventory

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Food, beverage and consumables	245,927	227,519	-	-
Other stock	244,958	223,805	-	-
	490,885	451,324	-	-

23. Receivables and prepayments

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Trade receivables – third parties	796,321	869,907	-	-
Less: provision for impairment of receivables	(98,035)	(152,249)	-	-
Trade receivables – other related companies (Note 28)	1,623	14,098	-	-
Net trade receivables	699,909	731,756	-	-
Prepayments	120,040	113,586	13,164	13,165
Advances to related companies (Note 28)	288,202	208,462	412,994	319,136
Other receivables	50,595	116,815	4,167	4,170
	1,158,746	1,170,619	430,325	336,471

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

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
At start of year	152,249	27,962	-	-
Provision in the year	41,313	133,029	-	-
Unused amounts reversed	(95,527)	(8,742)	-	-
At end of year	98,035	152,249	-	-

23. Receivables and prepayments (continued)

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	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
US Dollar	395,243	487,519	-	-
Euro	1,222	1,222	-	-
Sterling Pound	468	256	-	-
Kenya Shillings	339,033	554,391	430,325	336,471
Tanzania Shillings	225,446	95,039	-	-
Uganda Shillings	197,334	32,192	-	-
	1,158,746	1,170,619	430,325	336,471

24. Cash and cash equivalents

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Cash at bank and in hand	1,451,623	432,422	961	574
	1,451,623	432,422	961	574

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

	Group	
	2016 Shs'000	2015 Shs'000
Cash and bank balances as above	1,451,623	432,422
Bank overdrafts (Note 14)	(25,732)	(149,040)
	1,425,891	283,382

25. Payables and accrued expenses

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Trade payables	742,599	908,622	-	-
Trade payables – related companies (Note 28)	6,356	5,572	-	-
Advances from related companies (Note 28)	208,023	100,042	-	-
Accrued expenses and other payables	577,822	611,171	2,077	2,315
	1,534,800	1,625,407	2,077	2,315

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	
	2016 Shs'000	2015 Shs'000
Profit/ (loss)before income tax	325,301	(210,976)
Adjustments for:		
Interest expense (Note 8)	184,111	234,439
Interest income (Note 8)	(11,443)	(10,207)
Depreciation and amortisation (Note 17b)	538,333	426,566
Profit on sale of property, plant and equipment	(5,218)	(6,200)
Share of profit from associates (Note 20)	(1,105)	(9,896)
Changes in working capital		
- receivables and prepayments	11,868	150,508
- inventories	(39,561)	44,920
- payables and accrued expenses	(90,607)	(51,073)
- provisions for liabilities and charges	1,395	(44,523)
Cash generated from operations	913,074	523,558

Notes to Financial Statements (continued)

27. Non-controlling interest

	Group	
	2016 Shs'000	2015 Shs'000
At start of the year	1,121,942	1,007,922
Share of profit for the year	31,025	15,958
Share of revaluation surplus	-	140,088
Share of deferred tax on revaluation	(57,152)	(42,026)
At end of year	1,095,815	1,121,942

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

28. Related party transactions

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

The following transactions were carried out with related parties:

i) Sale of goods and services to:

	Group	
	2016 Shs'000	2015 Shs'000
Mountain Lodges Limited	2,618	3,701
Diamond Trust Bank Kenya Limited	3,175	2,554
The Jubilee Insurance Company of Kenya Limited	4,913	6,491
Tourism Promotion Services (Rwanda) Limited	35,440	36,196
Hoteis Polana, S.A.	23,512	24,018
Nation Media Group	7,384	5,313
Industrial Promotion Services (Kenya) Limited	1,153	1,234
The Jubilee Insurance Company of Uganda Limited	1,545	1,664
Diamond Trust Bank of Uganda Limited	3,506	2,520
Tanruss Investment Limited	108,295	102,377
African Broadcasting (Uganda) Limited	21,510	24,305
Monitor Publication Limited	4,953	2,817
Aga Khan University Hospital (Kenya & Uganda)	-	21,637
Aga Khan Foundation	-	799
Aga Khan Health Services	-	162
Air Uganda	-	97
Aga Khan Education Services (Kenya)	-	756
Aga Khan Development Network (Uganda)	-	7,872
Frigoken Limited	479	-
	218,483	244,513

28. Related party transactions (continued)

ii). Purchase of goods and services from:

	Group	
	2016 Shs'000	2015 Shs'000
Farmer's Choice Limited	39,069	61,604
The Aga Khan Hospital (Tanzania) Limited	2,063	1,028
Diamond Trust Bank Tanzania Limited	3,869	3,843
Serena Tourism Promotion Services, S.A.	76,674	68,657
Nation Media Group	1,828	1,156
The Jubilee Insurance Company (Tanzania) Limited	49	15
The Jubilee Insurance Company of Uganda Limited	27,048	17,434
Monitor Publication Limited	3,754	4,732
	154,354	158,469

iii). Key management compensation

	Group	
	2016 Shs'000	2015 Shs'000
Salaries and other short-term employment benefits	168,847	177,738
Fees for services as a non-executive director	2,240	2,503
Emoluments to executive directors (included in key management compensation above)	72,808	73,371
Total remuneration of directors of the Company and Group	75,048	75,874

28. Related party transactions (continued)

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

	Group	
	2016 Shs'000	2015 Shs'000
Trade receivables from related parties		
Industrial Promotion Services (Kenya) Limited	496	325
Nation Media Group	-	784
The Jubilee Insurance Company of Kenya Limited	-	1,163
The Jubilee Insurance Company of Uganda Limited	93	-
Aga Khan Development Network (Uganda)	-	1,547
Aga Khan Education Services (Uganda)	-	193
Aga Khan University Hospital (Kenya & Uganda)	-	7,174
African Broadcasting Services	368	1,590
Monitor Publications	516	1,322
PDM(U) Diamond Trust Properties Limited	149	-
	1,623	14,098
Other receivables from related parties		
Mountain Lodges Limited	103,732	73,118
Hoteis Polana, S.A.	49,034	37,600
Tourism Promotion Services (Rwanda) Limited	33,289	26,598
Pearl Development Group Limited	40,011	13,175
Serena Tourism Promotion Services, S.A.	-	300
Tanruss Investment Limited	60,897	57,671
TPS (Cayman) Limited	1,239	-
	288,202	208,462
	246,701	222,560

28. Related party transactions (continued)

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

	Company	
	2016 Shs'000	2015 Shs'000
Other receivables from related parties		
Tourism Promotion Services (Kenya) Limited	274,043	212,224
Tourism Promotion Services (Tanzania) Limited	103,698	63,880
Tourism Promotion Services (Zanzibar) Limited	865	-
Tourism Promotion Services (Rwanda) Limited	5,791	-
TPS (D) Limited	4,059	-
Tourism Promotion Services (Management) Limited	5,108	-
Tanruss Investment Limited	19,427	43,032
	412,991	319,136

	Group	
	2016 Shs'000	2015 Shs'000
Trade payables to related parties		
Farmer's Choice Limited	5,201	4,379
Air Uganda	-	125
Diamond Trust Bank (U) Limited	7	-
Monitor Publications	1,148	1,068
	6,356	5,572
Other payables to related parties		
Mountain Lodges Limited	-	-
Hoteis Polana, S.A.	533	15,136
Tourism Promotion Services (Rwanda) Limited	7,897	3,088
Tanruss Investment Limited	19,827	61,574
Pearl Development Group Limited	2,669	1,761
Serena Tourism Promotion Services, S.A.	32,892	18,483
Aga Khan Development Network	144,205	-
	208,023	100,042
	214,379	105,614

28. Related party transactions (continued)

vi) Loans to directors of the Company

	2016 Shs'000	2015 Shs'000
At start of year	-	1,602
Loans advanced	-	-
Loan repayments received	-	(1,602)
At end of year	-	-

No provisions for impairment losses have been required in 2015 and 2016 for any related party receivables.

vii) Guarantees

TPS Eastern Africa Limited has provided a 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 (2015: 407,700,000) which was obtained to settle loans to the previous owners and to fund capital expenditure.

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

viii) Loans from related party

The Company has long term borrowing from Societe De Promotion Et De Participation Pour La Cooperation Economique (PROPARCO) of Shs 2,034,884,000 (2015; Shs 512,750,000) as disclosed in Note 14.

29. Contingent liabilities

At 31 December 2016, Tourism Promotion Services (Kenya) Limited had given guarantees amounting to Shs 7,800,000 (2015: Shs 7,800,000) to banks on behalf of third parties for supply of goods and services.

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

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

Notes to Financial Statements (continued)

30. Commitments

Capital commitments

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

	Group	
	2016 Shs'000	2015 Shs'000
Property, plant and equipment	366,058	388,985

Operating lease commitments

	Group	
	2016 Shs'000	2015 Shs'000
Not later than 1 year	17,991	17,861
Later than 1 year and not later than 5 years	35,572	27,557
Later than 5 years	141,123	147,123
	194,686	192,541

Notes

Proxy

TPS EASTERN AFRICA LIMITED

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 Friday 30th June 2017 at 11:00 a.m. and at any adjournment thereof.

No. of shares held: ____________________ Account number: ____________________

Signed this ____________________ day of ____________________ 2017

Signature: ____________________

Signature: ____________________

NOTES:

1. If you so wish you may appoint the Chairman of the meeting as your proxy.
2. To be valid, this Form of Proxy MUST be returned to the Company's Share Registrars, Image Registrars, 5th floor, Barclays Plaza, Loita Street, P. O. Box 9287-00100, GPO, Nairobi, Kenya, not later than 26th June, 2017 at 11.00 a.m.
3. A person appointed as a proxy need not be a member of the Company.
4. In the case of a member being a limited liability Company/ Corporation, this Form of Proxy MUST be completed under its seal or under the hand of an officer or attorney duly authorized in writing.
5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated.

Fomu ya Uwakilishi

Mimi/ sisi ____

Kama mwanachama/ wanachama wa kampuni iliyotajwa hapo juu, namteua/Twamteua ____________________

Kutoka ____________________ na akikosa kufika ____________________

Kutoka ____________________ kama wakala wangu/wetu kupiga kura kwangu/kwetu na kwa niaba yangu/ sisi wakati wa mkutano wa pamoja wa mwaka wa kampuni utakaofanyika Juni 30 2017 kuanzia saa tano au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ____________________ nambari ya akaunti

Imetiwa sahihi ____________________ Tarehe ____________________ 2017

Sahihi ____________________

Sahihi ____________________

MUHIMU

1) Kwa hiari yako unaweza kumteua Mwenyekiti wa Mkutano kuwa wakala wako
2) Ili kuwa halali, fomu hii ya uwakilishi LAZIMA irudishwe kwa msajili wa hisa za kampuni, Image Registrars, orofa ya tano Jumba la Barclays Plaza, barabara ya Loita Street SLP 9287-00100, GPO, Nairobi,Kenya kabla ya Juni 26 2017 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

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