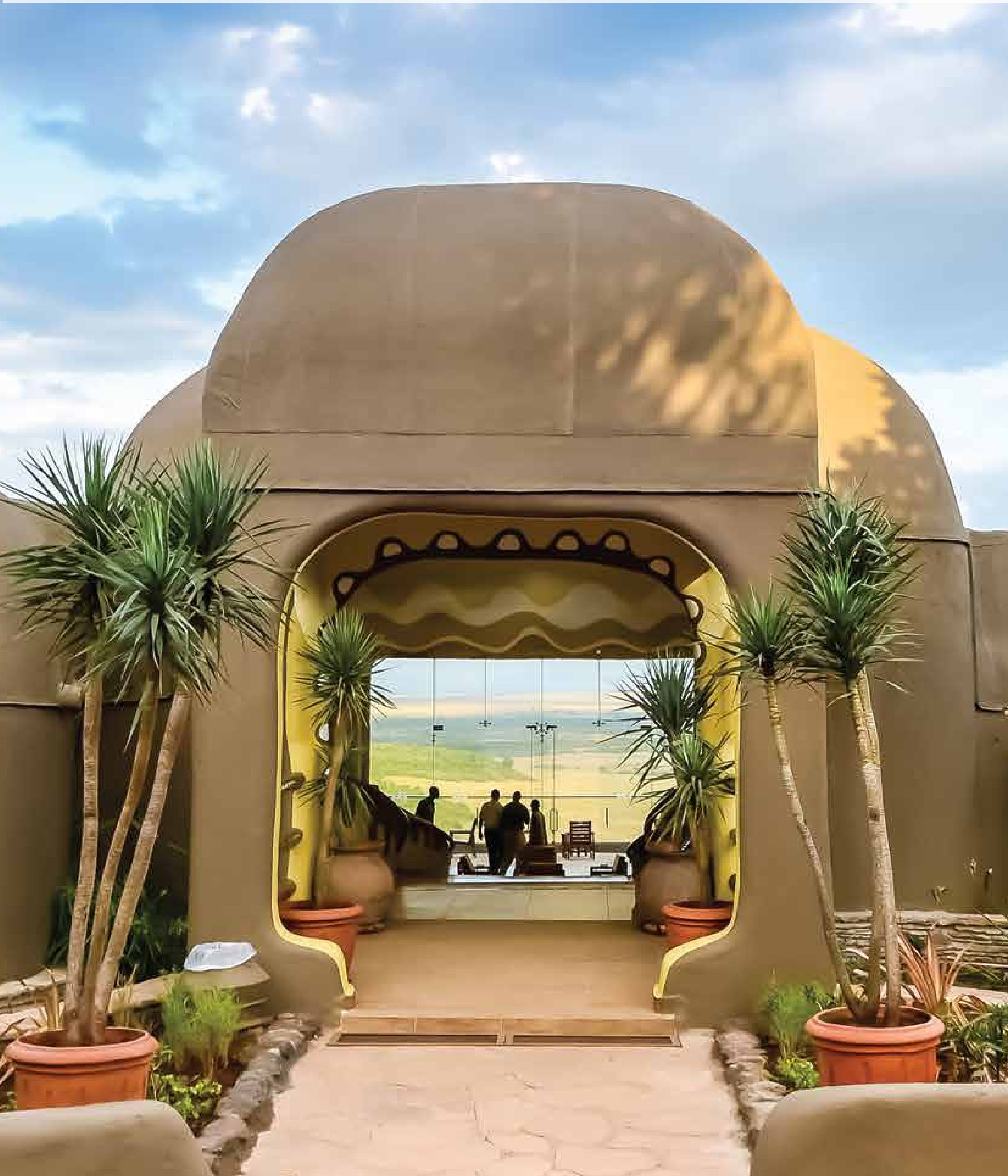
Annual Report and Accounts

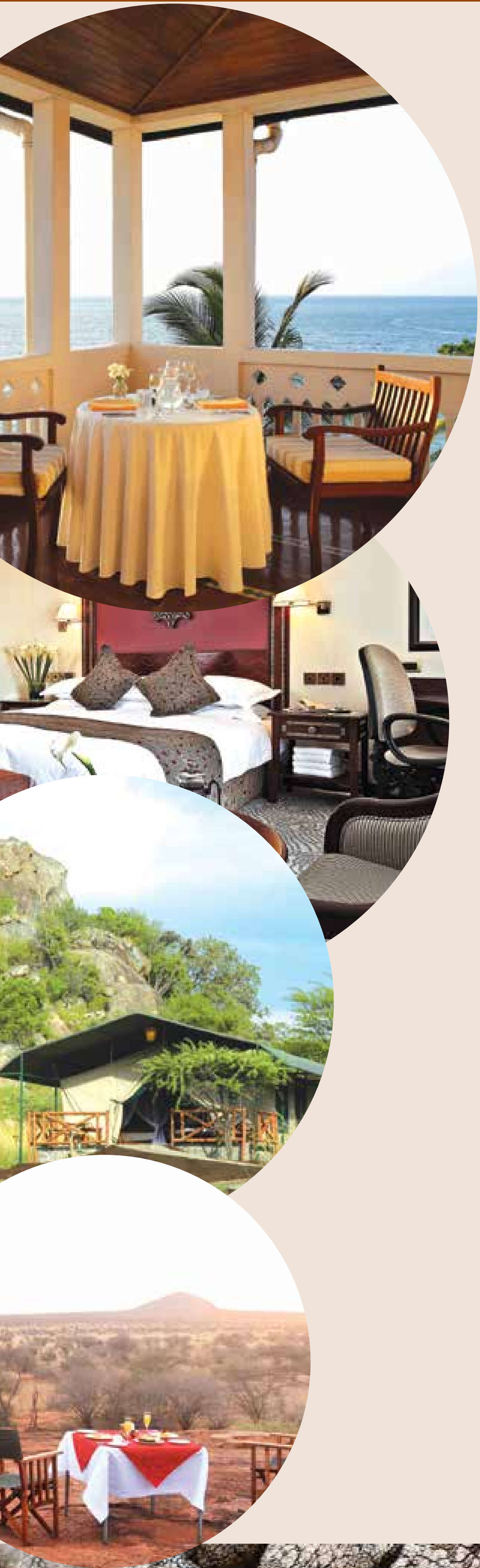
TPS

TPS EASTERN AFRICA LIMITED

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

2013





Contents

Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello (Chairman)
Mahmud Jan Mohamed (Managing Director)
Abdulmalek Virani (Finance Director)
Ameer Kassim-Lakha
Dr. Ramadhani Dau***
Jack Jacob Kisa
Jean-Louis Vinciguerra*
Mseli Abdallah*** (Alternate to Dr. Ramadhani Dau)
Kabir Hyderally**
Guedi Ainache*
Ashish Sharma*(Alternate to Jean-Louis Vinciguerra)
Mahmood Pyarali Manji (Resigned 15 May 2013)
Teddy Hollo Mapunda***(Mrs) (Appointed 15 April 2014)

BOARD AUDIT COMMITTEE

Ameer Kassim-Lakha (Chairman)
Jean-Louis Vinciguerra
Guedi Ainache
Mahmood Pyarali Manji (Resigned 15 May 2013)

BOARD NOMINATION AND REMUNERATION COMMITTEE

Jack Jacob Kisa (Chairman)
Dr. Ramadhani Dau
Kabir Hyderally
Guedi Ainache
Mahmood Pyarali Manji (Resigned 15 May 2013)

*French **Pakistani ***Tanzanian

COMPANY SECRETARY

Dominic K. Ng'ang'a

Watering Hole at Kilaguni Serena Safari Lodge

Directors and Administration

PRINCIPAL OFFICERS

Catherine Waruhiu (Mrs)	Director of Human Resources E.A.
Charles Ogada	Financial Controller E.A.
Killian Lugwe	Director of Operations, City Hotels E.A.
Mark Gathuri	Director of Operations, Kenya Lodges & Resorts E.A.
Rosemary Mugambi (M/s)	Director of Sales and Marketing E.A.
Salim Janmohamed	General Manager - TPS (T) and TPS (Z)
Surinder Sandhu	Director of Projects E.A.

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

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

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

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

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

Charles Mbuya	General Manager	- Zanzibar Serena Hotel

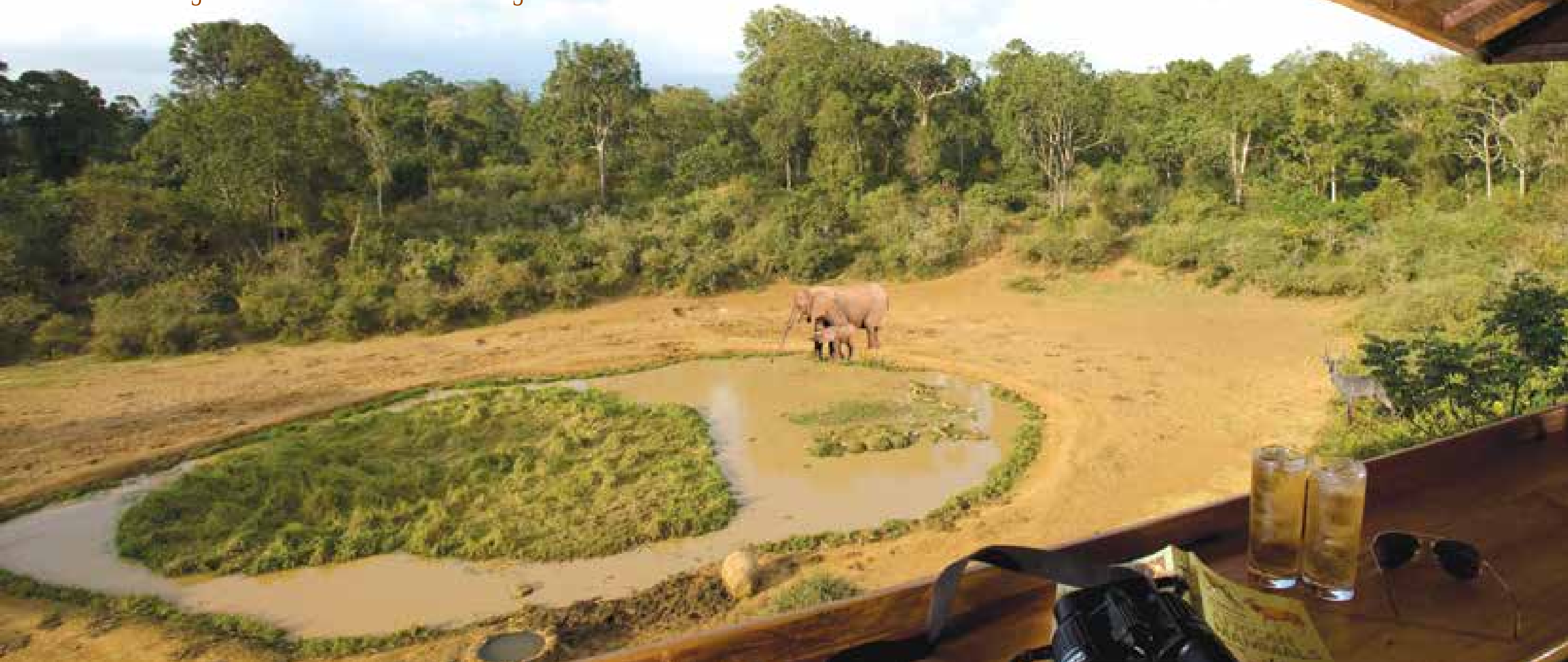
TPS (UGANDA) LIMITED [TPS (U)]

Anthony Chege	General Manager	- Kampala Serena Hotel, Uganda

OTHER MANAGED PROPERTIES

Wilfred Shirima	General Manager	- Lake Victoria Serena Resort, Uganda
Charles Muia	General Manager	- Kigali Serena Hotel, Rwanda
Duncan Lewa	Manager	- Lake Kivu Serena Hotel, Rwanda
Miguel Dos Santos	General Manager	- Polana Serena Hotel, Mozambique
Rahim Azad	General Manager	- Dar es Salaam Serena Hotel, Tanzania

Watering Hole at Serena Mountain Lodge



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 (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 (ZANZIBAR) LIMITED
Zanzibar Serena Hotel

OTHER PROPERTIES MANAGED BY SERENA
Lake Victoria Serena Resort - Uganda
Polana Serena Hotel - Mozambique

TOURISM PROMOTION SERVICES (SOUTH AFRICA) (PROPRIETARY) LIMITED
Sales and Marketing office in Johannesburg, South Africa

TPS (UGANDA) LIMITED
Kampala Serena Hotel - Uganda

Operating Associated Companies and Properties

MOUNTAIN LODGES LIMITED (30%)
Serena Mountain Lodge

TANRUSS INVESTMENT LIMITED / TPS (D) LIMITED (25%)
Dar es Salaam Serena Hotel

TOURISM PROMOTION SERVICES (RWANDA) LIMITED (20%)
Kigali Serena Hotel - Rwanda
Lake Kivu Serena Hotel - Rwanda

Other Corporate Information

REGISTERED OFFICE

4th Floor, Williamson House
4th Ngong Avenue
P.O. Box 48690-00100
Nairobi, Kenya
Telephone 254 (20) 2842000
Fax: 254(20) 2718100/1
E-mail: admin@serena.co.ke
Website: www.serenahotels.com

AUDITORS

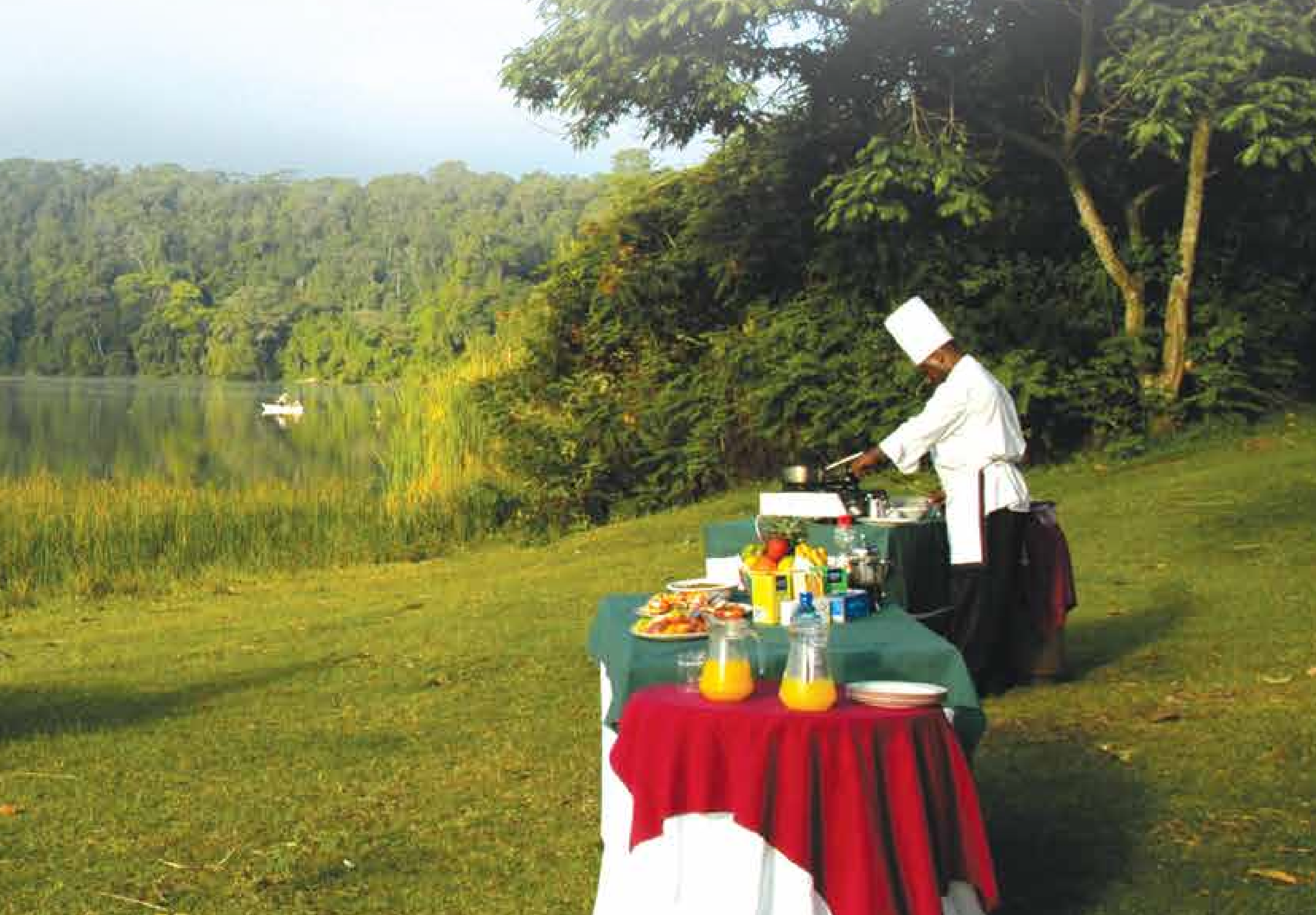
PricewaterhouseCoopers
Certified Public Accountants
PwC Tower
P.O. Box 43963-00100
Nairobi, Kenya

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 Second Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 28th May 2014, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Forty First Annual General Meeting held on 30th May 2013.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2013, together with the Directors' and Auditors' Reports thereon.
3. To approve payment of a final dividend for 2013 of Kshs. 1.35 per share, subject to withholding tax, where applicable, to the Members on the Register at the close of business on 28th May 2014. Payment of the dividend to be made on or about 20th June 2014.
4. To elect Directors:
   - Mrs. Teddy Mapunda was appointed on 15th April 2014 to fill a casual vacancy. She retires in accordance with Article No. 110 of the Company's Articles of Association and being eligible, offers herself for re-election.
   - 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.
   - Mr. Ameer Kassim-Lakha and Mr. Jack Jacob Kisa retire by rotation in accordance with Articles No. 111, 112 & 113 of the Company's Articles of Association. Special notices have been received by the Company pursuant to section 142 of the Companies Act (Cap 486) and subject to section 186 of the Act that if thought fit, the following resolutions be passed

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

     "That Mr. Jack Jacob Kisa (a Director retiring by rotation) who is over 70 years, be and is hereby re-elected as a Director of the Company".
5. To approve the Directors' remuneration for 2013.
6. To appoint PricewaterhouseCoopers, the Company's Auditors, in accordance with Section 159 (2) of the Companies Act (Cap.486). PricewaterhouseCoopers have indicated their willingness to continue in office.
7. To approve the Auditors' remuneration for 2013 and to authorise the Directors to fix the Auditors' remuneration for 2014.
8. To transact any other ordinary Business of an Annual General Meeting.

By Order of the Board.

Dominic K Ng'ang'a

COMPANY SECRETARY

Dated at Nairobi this 15th April, 2014

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 24th May 2014.

Notisi Kuhusu Mkutano Mkuu Wa Pamoja Wa Mwaka

NOTISI inatolewa hapa kwamba, mkutano mkuu wa 42 wa pamoja wa mwaka wa Kampuni utafanyika katika jumba la Kenyatta International Conference Center, Nairobi Mei 28, 2014 kuanzia saa tano asubuhi ili kuangazia maswala yafuatayo ya kibiashara:

Shughuli za Kawaida:

1. Kuthibitisha kumbukumbu za mkutano wa 41 wa pamoja wa mwaka uliofanyika Mei 30, 2013.
2. Kupokea, kuzingatia na endapo itakubalika , kupitisha hesabu ya mapato na matumizi ya pesa kwa kipindi cha mwaka uliomalizika Desemba 31, 2013 pamoja na ripoti kutoka kwa wakurugenzi na wakaguzi wa pesa
3. Kupitisha malipo ya mwisho ya mgawo wa faida ya mwaka 2013 wa Kshs. 1.35 kwa kila hisa kwa kutegemea ushuru ulioshikiliwa pale inapohitajika kwa wanachama ambao majina yao yatakuwa kwenye sajili kufikia Mei 28, 2014. Malipo ya mgawo wa faida yatatolewa kabla ya Juni 20, 2014.
4. Kuwachagua wakurugenzi:
    - Bi. Teddy Mapunda aliteuliwa Aprili 15, 2014 kujaza nafasi iliyokuwa wazi. Anastaafu kwamujibu wa kifungu nambari 110 cha sheria za Kampuni na kwa kuwa hali inamruhusu, amejitokeza tena kuchaguliwa.
    - Bw. Guedi Ainache anastaafu kwa zamu kwa mujibu wa vifungu vya sheria nambari 111, 112 na 113 vya sheria za makampuni na kwa kuwa anastahili anajitokeza ili kuchagulia tena.
    - Bw. Ameer Kassim- Lakha na Bw. Jacob Kisa wanastaafu kwa zamu kwa mujibu wa vifungu vya sheria nambari 111, 112 na 113 vya sheria za makampuni. Notisi maalumu imepokelewa na kampuni kwa mujibu wa sehemu ya 142 ya sheria za kampuni (cap 486) na kwa kutegemea sehemu ya 186 ya sheria na endapo itakubalika kupitisha azimio lifuatalo.

      '' Kwamba Bw. Ameer Kassim-Lakha (Mkurugenzi anayestaafu kwa zamu) na ambaye umri wake ni zaidi ya miaka 70 awe na aweze kuchaguliwa tena kama Mkurugenzi wa Kampuni''

      '' Kwamba Bw. Jack Jacob Kisa (Mkurugenzi anayestaafu kwa zamu) na ambaye umri wake ni zaidi ya miaka 70, awe na aweze kuchaguliwa tena kama Mkurugenzi wa Kampuni''.
5. Kupitisha marupurupu ya wakurugenzi ya mwaka 2014.
6. Kuteua PricewaterhouseCoopers kama wakaguzi wa pesa wa kampuni kwa mujibu wa sehemu ya 159 (2) ya sheria za makampuni (Cap 486). PricewatehouseCoopers wameonyesha nia yao ya kuendelea na jukumu lao.
7. Kupitisha ujira wa wakaguzi wa pesa kwa kipindi cha mwaka 2013 na kuwaruhusu wakurugenzi kuamua malipo yao ya mwaka 2014.
8. Kuendesha shughuli nyingine zozote zinazohusiana na mkutano mkuu wa pamoja wa mwaka.

Kwa Amri ya Halmashauri

Dominic K Ng'ang'a
KATIBU WA KAMPUNI

Imenukuliwa Nairobi Aprili 15, 2014.

MUHIMU:

Mwanachama aliye na ruhusa kuhudhuria mkutano na kupiga kura lakini akawa hawezi kufika, ana uhuru kumteua wakala kumwakilisha na kupiga kura kwa niaba yake. Si lazima kwa wakala kuwa mwanachama wa kampuni. Ili kuruhusiwa, ni lazima fomu ya uwakilishi iliyoambatanishwa na ripori hii kujazwa kikamilifu na kutiwa sahihi na mwanachama na kupokelewa kupitia ofisi ya msajili wa kampuni iliyosajiliwa kabla ya saa tano asubuhi Mei 24, 2014.

Chairman's Statement

MR. FRANCIS OKOMO-OKELLO
Chairman

On behalf of the Board of Directors of TPS Eastern Africa Limited (TPSEAL/the Company/ the Group), I am pleased to present to you the Annual Report and Financial Statements of the Company for the year ended 31st December 2013.

A number of events that occurred in 2013 adversely affected the Tourism Sector in Kenya. Among them were: (i) the uncertain political environment;(ii) the travel advisories and other forms of security alerts issued by some foreign governments in source markets; (iii) the pre-and post-2013 General Elections; (iv) the Jomo Kenyatta International Airport fire of 7th August; (v) the Westgate Mall (Nairobi) ordeal in September; and (iv) grenade attacks in Mombasa. However, on a positive note and despite these events, Serena Kenya's performance from July to September 2013 on the corporate front, was encouraging and the general elections proved peaceful.

The introduction of a 16% Value Added Tax (VAT) on tourism products and services in Kenya, including park entrance fees effective September 2013, made destination Kenya uncompetitive relative to other destinations. The tax resulted in an increase in the cost of safaris, business expenses and generally the cost of living. However the strengthening of the Serena Kenya safari circuit in July 2011 with the addition of Lake Elmenteita Serena Camp was well received and the property has recorded a fast growth in its repeat clientele base. I am pleased to report that the Lake Elmenteita Serena Camp continued to improve market share and performance in line with its turnaround targets.

In contrast to Kenya, Serena Tanzania performed well in 2013. The Northern Circuit Lodges still command a leadership advantage in market share in their respective regions and the outlook for the year 2014 is encouraging. The Selous properties (Southern Tanzania) continued to improve performance in line with its turnaround plan. In addition, the continuous improvements in quality and service and the review of price and product offerings have been well received in Dar es Salaam Serena Hotel [TPS (D)], an Associate of TPSEAL which continues to secure new corporate and leisure business and is gradually demonstrating the potential to become Dar es Salaam's hotel of choice. The introduction of Serena Brand into Dar es Salaam has resulted and continues to show increased business levels at the Northern and Southern Tanzania circuits, Zanzibar Serena Hotel, as well as the other Serena City Hotels. Feedback from suppliers of business is that with a decline in travelers generally and with the Serena Kenya Safari Product package price being almost at the same level with Tanzania, the consumers are opting for Tanzania which is still being viewed as a preferred and safer destination.

Serena Uganda recorded satisfactory performance during the period under review and Kampala Serena Hotel is positioned as the premier five-star hotel for corporate and leisure clientele in Uganda.

Focusing on the Company's long-term prospects while maintaining a balanced risk management approach, the Group's continuous expansion of its operations and geographically positioning itself in strategic locations in the East Africa region has resulted in the Company benefiting from cost and management synergies and economies of scale. The Company managed to meet its financial commitments, maintain market share, keep the assets in good condition so as to avoid compromising standards of product and service and have implemented efficiency measures to reduce energy, procurement and general operating costs without sacrificing operating standards.

During the year under review, the Group achieved a turnover of KShs. 6.8 billion (2012: KShs. 5.3 billion), an increase of 28% and achieved a Profit Before Tax of KShs. 973 million (2012: KShs. 722 million), a 34.9% growth. It is noteworthy that the total Management fees received by TPSEAL from Tourism Promotion Services (Rwanda) Limited, Tanruss

Chairman's Statement (continued)

Investment Limited (TIL) and Hoteis Polana S.A. for the Year 2013 was equivalent to KShs. 151.5 million (2012: KShs. 167.6 million - includes TPS (Uganda) Limited portion as it did not hold "Subsidiary Company" status). Taking all factors into account, the Company's performance for the year 2013 is salutary.

It is perhaps during such challenging times that the stakeholders of the Company would appreciate the significance of the strategic decisions made since year 2006 to regionalize and integrate the Group's business activities in the Eastern Africa Region, which has resulted in TPSEAL achieving positive financial results for the year 2013.

The Company continues to be a significant contributor to the revenues of the Governments of Kenya, Tanzania and Uganda. The Group paid, in aggregate, the equivalent of KShs. 1,599 million (2012: KShs. 1,369 million) in direct and indirect taxes and equivalent of KShs. 187 million (2012: KShs. 196 million) to local authorities in royalty/rent payments in the various jurisdictions during 2013.

In view of the favourable results, the Board of Directors is pleased to recommend for approval, the payment of a final dividend for year 2013 of KShs. 1.35 per share (2012: KShs. 1.30 per share) subject to payment of withholding tax, where applicable. The dividend will be payable on or about 20 June, 2014 to members on the Register at the close of business on 28 May, 2014.

The corporate business outlook for year 2014 for destination Africa is positive due to the robust investment opportunities. However, the international leisure market faces challenges as suppliers of business continue to question safety and security within the destinations.

We look ahead to 2014 and beyond with optimism and while the economic environment continues to search for more stable footing, the Board and Management are confident that our strong underlying competitive position and robust medium to long-term strategic plan will ensure that we are optimally positioned to take advantage of growth opportunities. Key concerns in 2014 continue to be: the generally subdued global economic and business conditions; the effects of excessive developments around our Units and the related pricing pressures; poaching; changes in laws and regulation; increase in maintenance and operating costs; currency and interest rate fluctuations; fragile security and political environments; travel advisories and other forms of security alerts issued by foreign government agencies and the fact that we operate in an un-level playing field.

In line with Serena Hotels policy to constantly improve our existing products and services in order to meet the needs and exceed expectations of our clients and protect market share, the Company in 2013 implemented phased bedroom upgrades, pro-active repairs and maintenance at our properties and completed the new public areas at the Mara Serena Safari Lodge (MSSL) and Sweetwaters Serena Camp (SWSC).

The official opening of the New Public areas at MSSL and SWSC took place on 9th October 2013 by the Governor of the Narok County and of the Laikipia County respectively in the presence of His Highness Prince Amyn Aga Khan.

Lake Victoria Serena Resort, Uganda.

Chairman's Statement (continued)

The new facilities at MSSL have been operational since July 2013 and includes a new reception, new bar lounge, new arrival lobby area which leads to a terrace that has sweeping views of the expansive Maasai Mara plains, new gift shop, public area washrooms, new buffet counters in the restaurant, extended lounge and dining area and a Serena Maisha Health Club and Spa. It is encouraging to note that the new facilities have been well received by suppliers of business and will position the Lodge as the best available in its category. Lodge Management did manage the construction phases extremely well as the disruption and services from temporary facilities (under canvas) did not result in significant loss of business or compensation claims from clients.

You will recall that the company began the first phase of refurbishment and extension of SWSC on 8th March 2012 and saw the opening of 11 new tents in July 2012, named the "Morani Wing" after "Morani-the Rhino". The second phase of the project, which began on 15th November 2012, saw the construction of a new building, the new public area with its reception, dining area, guest lounge, bar lounge, gift shop and kitchen, all of which have been fully operational since the end of September 2013 and are expected to further strengthen our market share in the region.

During the year under review, Serena Hotels are proud to have won a number of national and international awards and accolades details of which are included on Pages 32 & 33 of this Annual Report.

The Group continued to implement appropriate Human Resources Management (HRM) practices and sound Corporate Social Responsibility (CSR) programs that complement its long-term business strategy, just as it continues to pursue new business opportunities in line with its diversification policy and strategy. Additional details on the HRM and CSR programs and initiatives are incorporated in the Statement from the Managing Director which has been included on Pages 14 to 17 of this Annual Report.

As has been the case previously, the Board and Management remain confident that, notwithstanding the challenging business environment, the Group has the inherent strength and business resilience to continue to focus on its long-term growth prospects, thus maintaining its market share and its leading position in the industry.

The business operating environment in Kenya in terms of providing a conducive business and regulatory climate is at a slow pace which is a matter of concern. On behalf of the Board and Management I wish to plead to the Government of Kenya to formulate economic and fiscal policies for the short and medium term that will enable the tourism sector to 'bounce back' so as to realize its full potential. Tourism is emerging to be a significant lever towards the realization of economic growth & development and employment challenges. It is evident that the Tourism Sector is a leading Foreign Exchange earner and employment generator in the East African Region. The short to medium term policies should in our view embrace the following, among others: pro-actively communicate the security measures in place to the national and international media so as to regain confidence of Kenyan citizens and residents as well as potential tourists; give incentives to the charters so as to revive destination Mombasa which will cause a positive knock-on effect in terms of patronage to the National parks and reserves; give incentives to domestic, regional and international tourists to visit Kenya; improve tourism infrastructure and provide a level playing field among competing operators in the sector and undertake an aggressive global marketing campaign for image rebuilding and destination Kenya Tourism recovery.

On behalf of the Board, I would like to congratulate and thank the Company's Management and Staff for their continued diligence and dedication without which the commendable results realized during 2013 would not have been achieved. I would also like to acknowledge, with appreciation, the invaluable support which I continue to receive from my colleagues on the Board and which has helped to steer the Group's business activities and strategies successfully during year 2013.

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 also the various regulatory authorities as well as the 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

MR. FRANCIS OKOMO-OKELLO
Mwenyekiti

Kwa niaba ya Halimashauri ya Wakurugenzi ya TPS Eastern Africa Limited (TPSEAL/the Company/ the Group), nina furaha kuwasilisha kwenu Ripoti ya Mwaka na Taarifa za Kifedha za Kampuni kwa mwaka uliokamilika Desemba 31, 2013.

Msururu wa matukio katika mwaka 2013 yaliathiri pakubwa Sekta ya Utalii Kenya. Miongoni mwao ni: (i) hali isiyo na uhakika ya kisiasa; (ii) tahadhari za usafiri na zinginezo za usalama zilizotolewa na baadhi ya serikali za kigeni katika masoko ya watalii; (iii) hali kabla na baada ya Uchaguzi Mkuu wa 2013; (iv) moto katika uwanja wa kimataifa wa Jomo Kenyatta mnamo Agosti 7; (v) shambulizi la kigaidi la Westgate Mall mjini Nairobi mwezi Septemba; na (vi) mashambulizi ya guruneti mjini Mombasa. Hata hivyo, katika habari njema na licha ya matukio haya, matokeo ya hoteli ya Serena, Kenya kati ya Julai hadi Septemba miongoni mwa mashirika makubwa yalikuwa ya kutia moyo na uchaguzi mkuu ulitokea kuwa wa amani.

Tangazo la Ushuru wa Thamani (VAT) wa asilimia 16 kwa bidhaa na huduma za kitalii Kenya, ikiwemo ada za kiingilio katika mbunga kutozwa kuanzia Septemba 2013, kulifanya Kenya kudidimia katika ushindani ikilinganishwa na mataifa mengine yanayovutia watalii. Ushuru huo ulipelekea ongezeko la gharama za safari, biashara na kwa jumla gharama ya maisha. Hata hivyo, kuimarishwa kwa Safari za Utalii za Serena Kenya (Serena Kenya Safari Circuit) mnamo Julai 2011 kwa kuongezwa kwa kambi ya Lake Elmenteita Serena Camp kulipokewa vyema na hoteli hiyo imeandikisha ukuaji mkubwa katika idadi ya wateja wanaorudi kwake. Nina furaha kuripoti kuwa kituo cha Lake Elmenteita Serena Camp kimeendelea kujizolea mgawo wa soko na matokeo mazuri kuandamana na malengo yake ya mafanikio.

Tofauti na Kenya, Serena Tanzania ilifanya vyema mwaka 2013. Safari za Utalii za Northern Circuit Lodges zingali zaongoza katika mgawo wa soko katika maeneo yake husika na darubini ya mwaka 2014 yatia moyo. Selous Properties (Tanzania Kusini) zinaendelea kuimarika katika matokeo kuandamana na mpango wake wa mafanikio. Aidha, kuendelea kuimarika kwa ubora na huduma na vile vile kubadilishwa kwa bei na bidhaa zinazotolewa kumepokewa vyema katika Dar es Salaam Serena Hotel [TPS (D)], mshiriki wa TPSEAL inayoendelea kuunda mashirika mapya na sehemu za mapumziko na kudhihirisha uwezo wa kuibuka kuwa hoteli nambari moja mjini Dar es Salaam.

Kuingia kwa nembo ya Serena Brand mjini Dar es Salaam kumepelekea na kunaendelea kuonyesha ongezeko la biashara katika Safari za Utalii za Northern na Southern Tanzania Circuits, Zanzibar Serena Hotel, na miji mingine yenye hoteli za Serena. Majibu kutoka kwa wateja ni kwamba huku idadi ya wasafiri ikipungua nayo bei ya safari za Serena Kenya ikiwa karibu kiwango sawa na Tanzania, wateja wanachagua Tanzania ambayo bado inachukuliwa kama chaguo linalopendelewa na salama. Serena Uganda iliandikisha matokeo ya kuridhisha katika kipindi kinachozungumziwa na hoteli ya Kampala Serena imejiweka katika nafasi ya hoteli nambari moja ya kifahari – five-star – kwa mashirika na wanaotaka starehe nchini Uganda.

Kwa kuangazia matarajio ya muda mrefu ya Kampuni na wakati huo kuthibiti mtazamo sawa wa kukabiliana na hatari , upanuzi wa unaoendelea wa kundi na shughuli zake na kujiweka vyema kijegrofia kwenye nafasi bora eneo la Afrika Mashariki kumepelekea kampuni kufaidi kutokana na bei na usimamizi na viwango vya uchumi kwa utaratibu unaofaa. Hadi sasa, nina furaha kuripoti kwamba, kampuni iliweza kuafikia matakwa yake kifedha, kuthibiti nafasi yake katika soko, kuweka raslimali zake kwa njia inayofaa ili kujiepeusha kuathiri viwango vya bidhaa na huduma na wakati huo kuzindua hatua zinazofaa kupunguza kawi, uagizaji wa bidhaa na huduma na gharama za utekelezaji bila kuathiri viwango vya utekelezaji kazi.

Wakati wa kipindi hiki cha mwaka unaongaziwa, kampuni ilipata mapato ya jumla ya bilioni 6.8 (2012 ilikuwa Bilioni 5.3) hili likiwa ongezeko la asilimia 28 (28%) na kupata faida kabla ya ushuru ya Milioni 973 (2012 ilikuwa Kshs. 722) na kuwakilisha ukuaji wa asilimia 32 (32%). Ni muhimu kufahamu kwamba, ada zote za usimamizi zilizopokelewa na TPSEAL kutoka Tourism Promotion Services (Rwanda) Limited , Tanruss Investment Limited (TIL) na Hotels Polana S.A kipindi cha mwaka 2013 zilikuwa sawa na milioni 151.5 (2012 ilikuwa 167. 6 - ikiwemo sehemu ya TPS (Uganda) Limited kwani haikushikilia sehemu ya kampuni

Taarifa ya Mwenyekiti (kuendelea)

tanzu). Kwa kuzingatia vipengele vyote, matokeo ya Kampuni mwaka 2013 ni ya kuvutia. Pengine ni kutokana na nyakati za changamoto kama hizi kwamba washika dau wa kampuni watakumbatia umuhimu wa maamuzi ya mikakati yaliyofanywa mwaka 2006 kupanua shughuli za biashara eneo la Afrika Mashariki na kuziweka pamoja na kupelekea TPSEAL kupata matokeo ya kufana ya kifedha mwaka 2013.

Kutokana na matokeo haya ya kufana, Halmashauri ya wakurugenzi ina furaha kutangaza pendekezo la baada ya kuidhinishwa la malipo ya mwisho ya mgawo wa faida kwa mwaka 2013 wa Kshs. 1.35 kwa kila hisa kwa kutegemea malipo ya ushuru ulioshikiliwa pale inapohitajika. Malipo haya ya mgawo wa faida yatatolewa kabla au ifikiapo Juni 20 2014 kwa wanachama ambao watakuwa katika sajili ifikiapo Mei 28, 2014.

Mtazamo wa biashara kimashirika mwaka 2014 katika vituo vya Afrika ni mzuri kutokana na nafasi imara za uwekezaji. Hata hivyo, soko la starehe kimataifa linakumbwa na changamoto kwani waendeshaji biashara hii wanazidi kuwa na shaka ya usalama ndani ya maeneo yanayotembelewa.

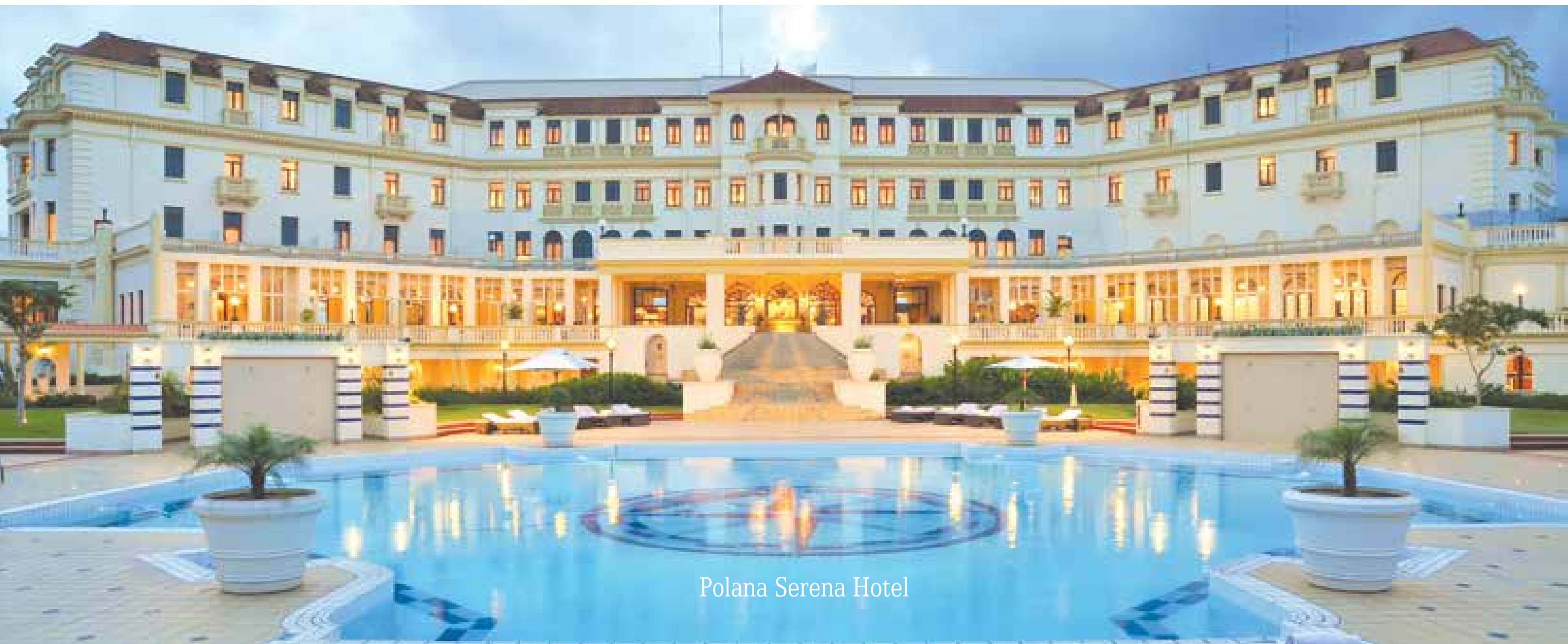
Tunaangazia mbele mwaka 2014 na zaidi tukiwa na matumaini huku mazingira ya kiuchumi yakizidi kutafuta njia thabiti, Halmashauri na usimamizi wana imani kwamba nafasi yetu imara ya ushindani na mkakati wetu thabiti wa mpango wa muda mfupi na mrefu zitatuhakikishia kwamba tumejiweka katika nafasi nzuri ya kutwaa nafasi za ukuaji. Maeneo muhimu yanayotia shaka mwaka 2014 yanaendelea kuwa: hali za jumla za ushindani wa kibiashara na kiuchumi; mabadiliko ya kanuni na sheria; kuongezeka kwa gharama za uthibiti na uendeshaji shughuli; mabadiliko ya sarafu na viwango vya riba; mazingira hafifu ya usalama na kisiasa; ushauri wa usafiri na hali nyingine za tahadhari za kiusalama kutoka kwa mawakala wa mataifa ya kigeni na hali kwamba tunatekeleza shughuli zetu katika majukwa yasiyo sawa.

Chini ya sera za Serena Hotels kuendelea kuimarisha bidhaa na huduma zetu kila mara ili kuafikiana na mahitaji na kuzidisha matarajio ya wateja wetu na kulinda nafasi ya soko letu, mwaka 2013 kampuni ilizindua uimarishaji wa vyumba vya kulala, ukaratabati na udumishaji wa raslimali zetu na kukamilisha maeneo mapya ya umma ya Mara Serena Safari Lodge (MSSL) na Sweetwaters Serena Camp (SWSC).

Ufunguzi rasmi wa maeneo mapya ya umma ya MSSL na SWSC ulifanyika Oktoba 9, 2013 na Gavana wa Kaunti ya Narok na yule wa Kaunti ya Laikipia mtawalia na kushuhudiwa na Mtukufu Prince Amyn Aga Khan.

Vifaa vipya katika MSSL vimekuwa vikitumika tangu Julai 2013 na vinahusu eneo jipya la kuwapokea wageni, ukumbi wa mpya wa baa, sebule ya wageni ambayo inaunganisha vyema upeo mzuri wa eneo tambarare la Maasai Mara, duka jipya la uuzaji bidhaa, eneo la umma kujisaidia, meza mpya katika ukumbi wa maankuli na Serena Maisha Health Club na Spa. Ni jambo la kuvutia kufahamu kwamba vifaa hivi vipya vimepokelewa vizuri na wahudumu wa biashara na vitaiweka hoteli kwenye nafasi njema kabisa katika kitengo chake. Usimamizi wa hoteli ulisimamia vyema ujenzi wa awamu kwani usumbufu na huduma kutoka vifaa vya muda (chini ya hema) haukupelekea kupatikana kwa hasara kubwa ya biashara au kutolewa ridhaa kwa wateja.

Mtakumbuka kwamba, SWSC ilianzisha awamu yake ya kwanza ya ukarabati na upanuzi Machi 8, 2012 na kushuhudia kufunguliwa kwa mahema mapya 11 Mwezi Julai 2012 kwa jina '' Morani Wing'' zilizopewa jina ya ''Morani – the Rhino''. Awamu ya pili ya mradi iliyoanza Novemba 15, 2012 ilishuhudia ujenzi wa jumba jipya, eneo jipya la umma lenye ukumbi wa kuwapokea wageni, ukumbi wa maankuli, sebule, baa, duka na jiko vyote ambavyo vimekuwa vikitumika tangu Septemba 2013 nakutarajiwa kuimarisha nafasi ya soko letu eneo la kanda na kubadili upya nafasi ya kampi.



Polana Serena Hotel

Taarifa ya Mwenyekiti (kuendelea)

Wakati wa kipindi cha mwaka unaoangaziwa, hoteli za Serena zimeshinda matuzo kadhaa ya kitaifa na kimataifa na sifa zote ambazo zimejuishwa kupitia ukurasa Page 32 hadi 33 wa ripoti hii ya mwaka.

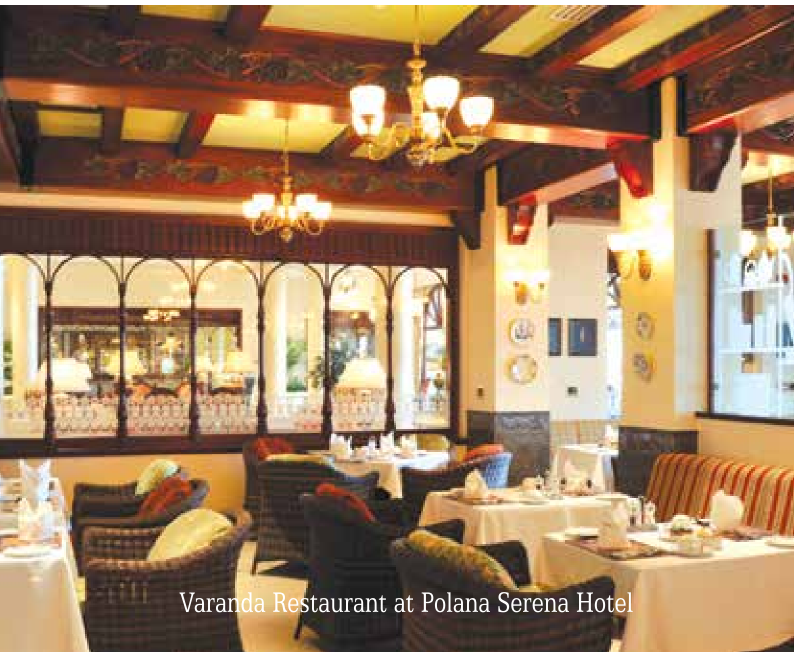
Kundi lilizidi kuzindua taratibu zinazofaa za usimamizi wa Wafanyakazi (HRM) na shughuli za wajibu wa shirika kwa jamii (CSR) ambazo zinaafiki mkakati wake wa muda mrefu wa biashara huku linapozidi kutafiti nafasi mpya za kibiashara kufungamana na sera zake za upanuzi na mkakati. Maelezo ya ziada kuhusu usimamizi wa wafanyakazi (HRM) na wajibu wa shirika kwa shughuli za jamii (CSR) na mikakati zimejumuishwa pamoja kupitia taarifa ya Meneja Mkurugenzi ambayo imechapishwa katika ukurasa wa 18 hadi 21 wa ripoti hii ya mwaka.Kama hali ilivyokuwa hapo awali, Halmashauri na usimamizi zina imani kwamba, licha ya kuhimili changamoto za mazingira ya kibiashara, kundi lina uwezo na uthabiti wa kibiashara kuendelea kuangazia matazamio yake ya muda mrefu ya ukuaji hivyo kudumisha nafasi ya uongozi wa biashara kwa niaba ya halmashauri.

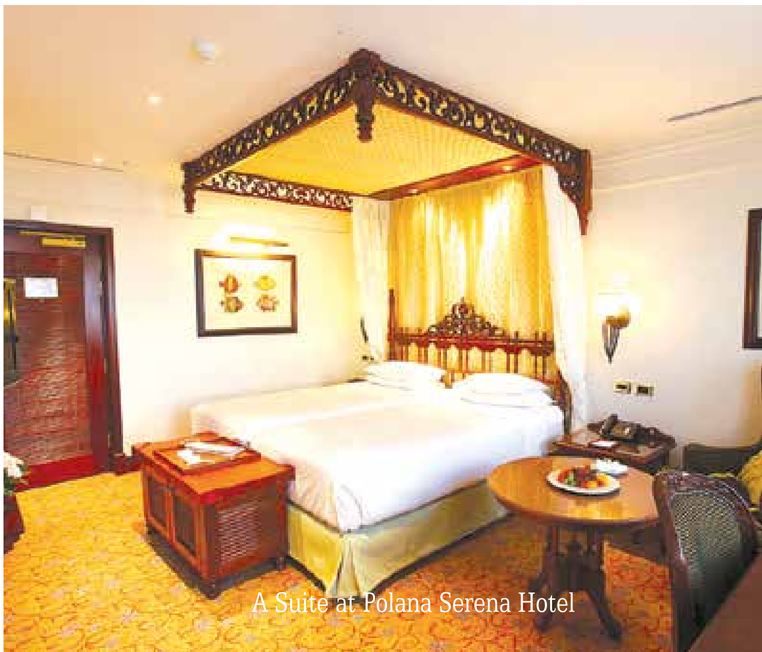
Mazingira ya utekelezaji biashara nchini Kenya, kuandaa mazingira bora ya biashara na ushauri yanaendelea kwa mwendo wa chini jambo ambalo linaleta shaka. Kwa niaba ya Halmashauri na usimamizi ningependa kuisihi serikali ya Kenya kubuni sera za kiuchumi na kifedha za muda mfupi na mrefu zitakazoiwezesha sekta ya utalii '' kunawili'' tena ili kuafikia manufaa yake kikamilifu. Utalii unainukia kuwa biashara yenye nguvu kuafikia ukuaji wa kiuchumi, maendeleo na changamoto za uajiri na hakuna ushindani wowote kwamba ni mojawapo wa sekta muhimu duniani zinazoongoza kwa uzalishaji wa kazi na kiongozi katika sekta ya uuzaji wa bidhaa kwenda nje kwani ni mojawapo wa wazalishaji wa juu. Kwa mtazamo wetu, sera za muda mfupi na wa kadri zinafaa kujumuishwa miongoni mwa mambo yafuatayo; kuangazia kwa kina hatua za kiusalama zilizowekwa kupitia vyombo vya habari vya humu nchini na kimataifa ili kurejesha imani miongoni mwa wakenya na raia pamoja na watalii; kutoa hamasisho kwa waendeshaji biashara Ili kufufua kituo cha Mombasa na kuchochea athari nzuri kuhusiana na utunzaji wa mbuga za kitaifa na hifadhi za wanyama pori; kutoa hamasisho kwa watalii wa humu nchini, kanda na mataifa ya kigeni kutembelea Kenya; kuimarisha miundo misingi ya kitalii na kuandaa mazingira sawa ya utekelezaji; na, kutekeleza kampeini thabiti ulimwenguni ili kujenga upya sura na kurejesha Kenya tena kama kituo cha watalii.

Kwa niaba ya halmashauri, ningependa kushukuru na kupongeza wasimamizi wa kampuni na wafanyakazi kutokana na bidii na kujitolea kwao ambapo bila wao matokeo yaliyopatikana mwaka 2013 hayangekuweko. Pia, ningependa kutambua na kushukuru mchango kutoka kwa wanahalmashauri wenzangu ambao umewezesha kuendeshwa kwa shughuli za biashara za kundi na kufaulu kwa mikakati wakati wa kipindi cha mwaka 2013.

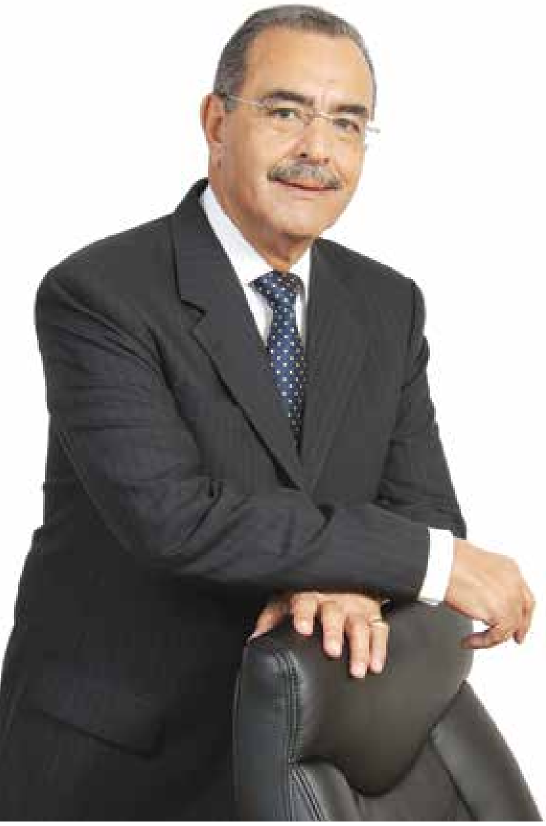
Ningependa kutambua kwa dhati mchango muhimu na uaminifu ambao tunazidi kupokea kutoka kwa wanahisa wetu, wateja na washika dau wengine kwenye biashara hii. Mwisho, ingawa kuna mengi ambayo yanastahili kufanywa kuimarisha miundo misingi inayosaidia na kuimarisha Afrika Mashariki kama kituo cha lazima 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 kote eneo hili.

Francis Okomo-Okello
MWENYEKITI


Varanda Restaurant at Polana Serena Hotel


A Suite at Polana Serena Hotel

The Managing Director's Report



MR. MAHMUD JAN MOHAMED
Managing Director

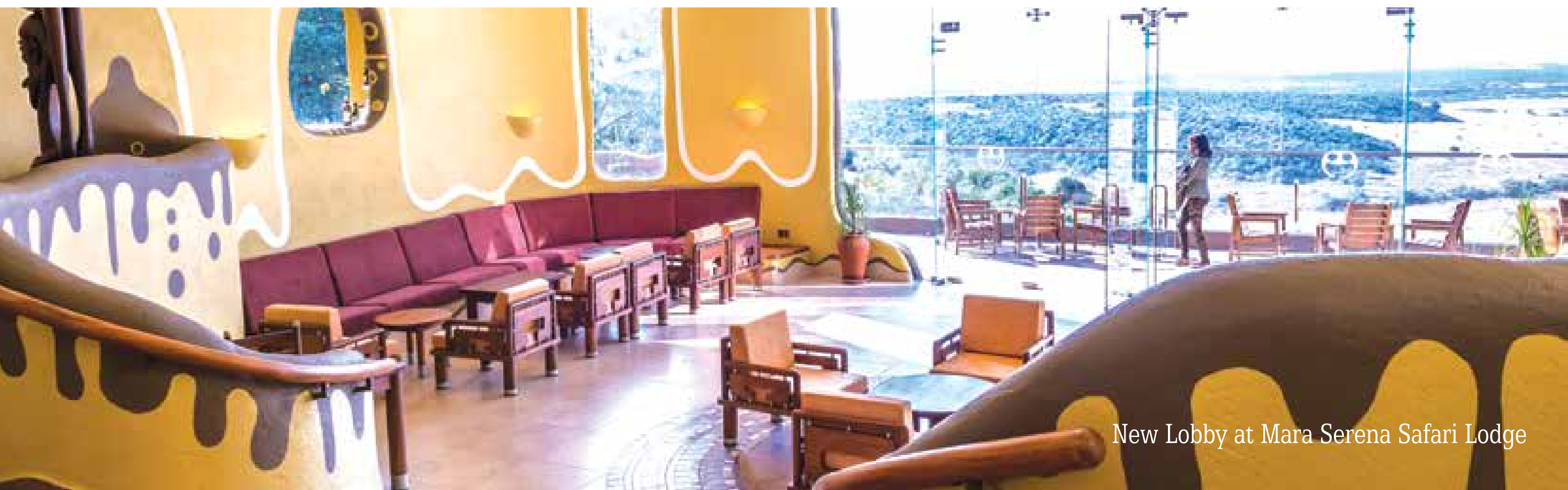
Uncertainty in the World Economy continues to impact the Travel and Tourism industry on a number of fronts; however Serena's broad and diversified portfolio of 23 properties in East Africa remains a key advantage in the current environment. While proud of where we are today, we are equally excited about the road ahead. With our solid reputation and extensive relationships, it is gratifying to note that TPS Eastern Africa Limited (TPSEAL/ the Company/ the Group) has recorded satisfactory performance during the year 2013. The satisfactory performance has been achieved as a result of the combined effort of our Shareholders, the Board of Directors, our Staff and the Governments and Regulatory Authorities within the Eastern Africa region that has enabled the Company to implement the strategic decisions made since year 2006 which saw the regionalization and integration of the Group's business activities in the Eastern Africa Region.

A strategic milestone achieved in 2013 was the integration of 65% of TPS (Uganda) Limited [TPS (U)] in the public company, thereby making TPS (Uganda) Limited a subsidiary of TPSEAL. This complements the Company's effort to diversify its revenue streams and has re-inforced TPSEAL's status as a truly East African holding company with interests in the East African countries. The regional investment has spread investor's risk and with the favorable projected performance of TPS (U), its acquisition is expected to improve TPSEAL's consolidated profitability and earnings-per-share in the medium to long-term and in the process afford TPSEAL's current and future shareholders higher returns.

Reports indicate that Tourism in Kenya is lagging behind in attainment of Vision 2030 goals. Tourism is expected to contribute more than 12% of GDP per annum by the year 2030 yet estimates by World Travel & Tourism Council (WTTC) project a contribution of 4.9% of GDP by the year 2023. TPS (K) and the Tourism Industry in Kenya have been battling to rebound from a series of setbacks since year 2013 as highlighted in the Chairman's Statement. The setbacks have contributed to negative publicity, challenges and concerns regarding Kenya as a tourism destination and most of these setbacks continue to negatively impact business levels in 2014.

The recent application of Value Added Tax (VAT) to a wider basket of tourism products and services (including park entrance fees) has made Kenya a more expensive tourism destination relative to other alternative destinations. Its impact has jeopardized the industry's growth at a time when a strong global marketing campaign is most needed in order to compensate for the decline in arrivals due to the events and security concerns experienced in 2013 and early 2014.

Mombasa, as a destination, continues to face serious challenges due to the significant reduction of charters from 37 in the year 2007 to 5 currently of which 70% of the passengers go to Zanzibar. Over the last 2-3 years, Zanzibar has been attracting more charter business and is proving to be an "emerging" competitive destination for Mombasa. Coast hotels that traditionally close for the low



New Lobby at Mara Serena Safari Lodge

season are likely to close for a longer period in 2014. The overall leisure numbers into Mombasa have dropped drastically and there is a scramble for the local and regional corporate markets both for conferences and corporate visits. The increased bed capacity in the region has forced the hoteliers to lower accommodation rates to unviable and unsustainable levels both for the foreign and domestic markets. The reduced business from the coast due to withdrawal of charters has also negatively impacted business levels at Amboseli and Tsavo National Parks.

Poaching remains a concern in Kenya and Tanzania. This does not augur well for the industry and conservation sustainability is threatened. Management and other stakeholders continue to put pressure on the Kenya and Tanzania Governments as well as Environmental Regulatory Authorities to mitigate the poaching challenge.

As mentioned in the Chairman's Statement, performance by Serena Tanzania and Serena Uganda was encouraging and this trend is expected to continue in year 2014.

As part of implementing the Company's long-term development strategy while maintaining a balanced risk management approach, the addition of Lake Elmenteita Serena Camp and the two properties in the Selous National Reserve (Southern Tanzania) continued to strengthen the Serena Safari Circuits. Whilst performance at the Units has improved, Management expects that the financial benefits will be realized over the medium to long term. The entry of the Serena Brand into Dar es Salaam in November 2011, the opening of the new "Morani Wing" at the Sweetwaters Serena Camp (SWSC) with additional 11 new tents have resulted in increased business levels while the opening of the public areas in MSSL and SWSC on 9th October 2013 have been well received by suppliers of business and is expected to further strengthen our market share in the region, re-position the properties and strengthen our Kenya and Tanzania Serena Safari Circuits. The new Serena Maisha Health Club and Spa at MSSL will result in longer guest stays as they take advantage of the Spa treatments which will add diversity to a typical safari holiday.

The measures implemented by the Company during 2013 bore fruit as TPSEAL's results for the year are considered satisfactory. For the year 2013, TPSEAL achieved a turnover of KShs. 6.8 billion (2012: KShs. 5.3 billion), a growth of 28% and a Profit Before Tax of KShs. 973 million (2012: KShs. 722 million), a 34.9% increase.

The Solar Water Heating Systems at Serena Beach Resort & Spa (SBRS), Kigali Serena Hotel (KiSH), Lake Kivu Serena Hotel (LKSH), Kampala Serena Hotel (KSH) and Lake Elmenteita Serena Camp (LESC) has, in year 2013, resulted in significant savings and complements the energy saving efforts that are in place at the Safari Lodges located within the National Parks where the dependency on generators has significantly been reduced over the years following the introduction of inverter systems which allows for optimum conservation of energy and minimum fuel-use, noise and air-pollution. In this connection, it is noteworthy that over a five year period (Year 2009 to 2013, both years included), the Company has saved approximately USD 1.8 million; 1.5 million litres of fuel and 51,762 generator hours (equivalent to 5.9 years of 24 hours generator usage) as a result of installation of the inverters at seven Lodges in Kenya and Tanzania.

The corporate business outlook for year 2014 for destination Africa is positive. However current forecasts mainly on the international leisure front indicate a rather challenging first half of year 2014. Whilst Management is hopeful for a "recovery" during the second half of year 2014 in destination Kenya, increased efforts to ensure that all operational and tactical strategies geared towards securing higher business levels and protecting top and bottom lines are in place. Serena will continue to capitalize on its strengths and resilience to maximize the performance of its portfolio in 2014.

New Gym & Spa at Mara Serena Safari Lodge

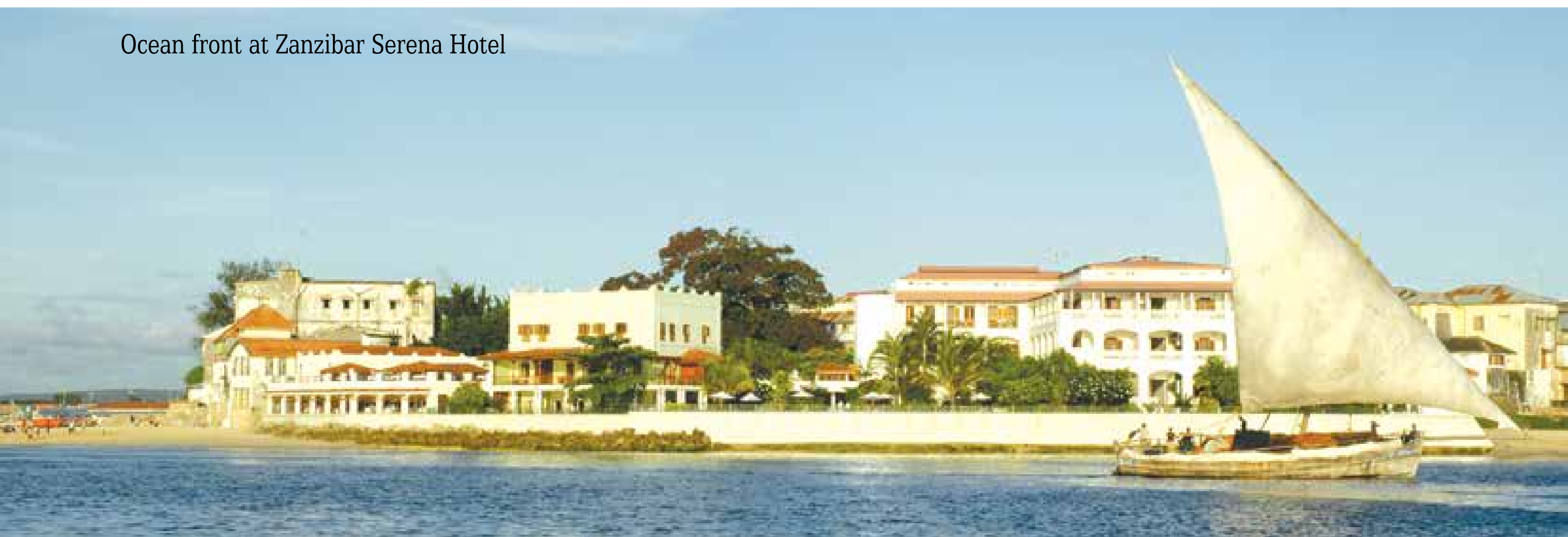
The Managing Director's Report (continued)

Management expects that during year 2014, concentration will be on improving productivity and efficiency within existing Units; invest in existing assets to ensure that the properties remain ahead of new competition as this will enhance our ability to grow market share during the industry recovery and shift business mix to higher rate segments as hotels replace discount business with premium customers and seek opportunities to invest in assets which we would term as "low hanging fruits" that provide a quick and healthy return on investment and customer satisfaction as further highlighted in the paragraph below.

In addition to the expected "organic growth" of the Company, the following developments are expected to contribute positively towards TPSEAL's overall results for the year 2014 and beyond: introduction of conference "under canvas" facilities at Lake Elmenteita Serena Camp and Sweetwaters Serena Camp; completion of further additional 6 new bedrooms in the "Morani Wing" at Sweetwaters Serena Camp; continued phased bedroom upgrade for lodges, camps and resorts based on availability of funds; review the existing product at Lake Manyara Serena Safari Lodge and Lake Duluti Serena Hotel, Arusha in view of the recent market study that Management commissioned; commence phase I renovation of Dar es Salaam Serena Hotel as this will enable Management to significantly improve room rates; complete the master plan for Kampala Serena Hotel for future hotel extension and commercial development; continuous diversification of source markets and products; continuous product and service improvement and operating cost reduction without compromising on standards.

As you may be aware, the City of Nairobi has and continues to experience development of a number of executive and fully serviced apartments and entrants of new international Hotel brands offering competitive products. With the changing perceptions of Africa as an attractive investment destination, a robust portfolio of investment opportunities in Kenya including infrastructure projects aimed at making Kenya a Regional Business Hub and with a rising middle class and increased consumer spending, Management and the Board of Directors will review the Company's mid and long term strategy in relation to the Nairobi Serena Hotel during year 2014 so as to preserve its competitive edge.

During the year 2014, the Company will continue to carry out Sales and Marketing campaigns, participate in trade fairs and road trips and promotional activities with special packages being developed to increase occupancies from various source markets. A more creative and pro-active sales and marketing strategy in response to the rapid changes in the market dynamics and trends of customers' preferences will be implemented so as to pursue new business opportunities, enlist new source markets, increase the brand outreach and drive repeat and incremental business coupled with efficient yield management to ensure that the Company optimises on every opportunity. The Company will continue to diversify and make concerted efforts in the domestic market, by engaging local and international tour operators while also focusing on the new and emerging markets in line with the "Alternative Markets Strategy" adopted at the beginning of 2012. The strategy extends the marketing and sales outreach to the Middle East, India, China, Russia, Japan, Korea, Brazil, Turkey and Africa to bridge the drop in bookings from the traditional source markets comprising United Kingdom, Germany, France, United States of America and Spain. Other initiatives in place on the Sales and Marketing front include: appointment of the Marketing Representative in China; translation of the Serena Hotels website and other marketing promotional items into Chinese (Mandarin) as of 21st January 2014 which can be accessed through the language option at the top right of the Serena Hotels website (www.serenahotels.com); impressive growth in online bookings; presence on social



Ocean front at Zanzibar Serena Hotel

The Managing Director's Report (continued)

media platforms as a key marketing tool; and increased Serena Loyalty Prestige Card membership that has resulted in repeat business and customer loyalty to the Serena brand.

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

Tourism's transformative power resides in its ability to spur economic growth by creating and sustaining jobs. Serena continues to believe that its employees constitute a key determinant for the long-term sustainable success, growth and reputation of the Company. With the changing nature of guest expectations, Serena continues to validate its belief that it is indeed the quality of service that will continue to determine the destination choices which customers make. In this connection and in line with the Group's Productivity Improvement Strategy, substantial resources are invested in Staff/Management training, development and welfare programs, some of which include: the in-house Management Development Programme; soft and technical skills training; and culinary skills enhancement. Thus, the provision of rewarding careers, personal growth, quality training and exposure towards advanced leadership roles as well as capacity building remains a strategic priority for Serena Hotels. In 2013, the Company in Kenya, Tanzania, Uganda, Rwanda, Mozambique entered into a contract with Lobster Ink, a South African based Company specializing in training staff on service delivery in the hospitality industry benchmarked to Leading Quality Assurance (LQA) Standards. Students from selected hospitality colleges/learning institutions are also given the opportunity to attend the hospitality skills training courses conducted at Serena Hotels and during the last half of Year 2013, Serena Hotels trained about 200 students. I would like to take this opportunity to personally congratulate each member of the Serena team for the continuous support and exemplary dedication they have shown to Serena in 2013.

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 28 to 31 of this Annual Report.

I would like to appeal to the Governments within the East African Region to provide the Tourism Industry with an enabling environment and to commit increased resources to broaden destination marketing. I would also appeal to them to ensure that new developments in the fragile eco-systems in game reserves and National Parks are controlled, that infrastructure improvements are implemented at a faster pace and that political stability and security are enhanced to restore confidence to the citizens, travelers and investors. I would also urge the Governments within the East Africa Region to engage with players within the Tourism Industry prior to implementing drastic taxes and levies as the players make commitments to suppliers of business a year or two in advance and it is difficult to reopen contracts so as to review such commitments.

Finally, may I, on behalf of the Staff and Management, express our gratitude and sincere appreciation to the Board of Directors for their guidance, diligent and invaluable support and encouragement during the year 2013. I also wish to express my gratitude to the shareholders, customers and various stakeholders for their continued support in the years gone by. We at Serena look forward to this continued support during the year 2014.

Mahmud Jan Mohamed
MANAGING DIRECTOR

Sundowner at Amboseli Serena Safari Lodge

Taarifa Kutoka kwa Meneja Mkurugenzi

MR. MAHMUD JAN MOHAMED
Meneja Mkurugenzi

Kama inavyotarajiwa Uchumi wa Kimataifa unazidi kuathiri sekta ya Utalii kwa mambo kadhaa; hata hivyo Halmashauri ya Serena pamoja na kampuni zake 23 katika eneo la Afrika Mashariki inasalia kupata matokeo mema katika mazingira ya sasa. Huku tukifurahia mahali tulipofika sasa, tunazidi kuwa na matarajio ya siku zijazo. Kutokana na jina letu njema hali kadhalika husiano kadha tulizo nazo, tuna furaha kutangaza kuwa Kampuni ya TPS Eastern Africa (TPSEAL/Kampuni/kundi) ilirekodi matokeo mema mwaka wa 2013. Matokeo haya ya kuridhisha yametokana na jitihada za washikadau, Bodi ya Wakurugenzi, Wafanyakazi wetu pamoja na Serikali hali kadhalika Halmashauri za kudhibiti sekta hii eneo la Afrika Mashariki, jambo ambalo limeisaidia Kampuni kutekeleza uamuzi uliobuniwa tangu mwaka wa 2006 na ambao ulipelekea ukamilifu wa shughuli zake katika eneo la Afrika Mashariki.

Matokeo makuu yaliyoshuhudiwa mwaka wa 2013 yalikuwa ni kujumuisha pamoja asilimia 65% ya Kampuni ya TPS (Uganda) chini ya Kampuni ya umma na hivyo kuifanya TPS (Uganda) kuwa kampuni tanzu ya TPSEAL. Hii inaimarisha jitihada za Kampuni hii kuongeza mapato na hivyo kuidhibitisha TPSEAL kama mshikadau wa Afrika Mashariki na kampuni iliyo na ushirika katika Mataifa ya Afrika Mashariki. Uwekezaji katika eneo hili umeimarisha matarajio ya matokeo mema ya TPS (U) huku utwaaji wake ukitarajiwa kuongeza faida na mapato ya TPSEAL kwa kila hisa na kuwaletea wenyehisa wa TPSEA faida siku zijazo.

Ripoti zaonyesha kuwa sekta ya Utalii nchini Kenya iko nyuma kwenye harakati za kutimiza malengo ya Ruwaza 2030. Utalii unatarajiwa kuchangia zaidi ya asilimia 12% ya jumla ya pato la Taifa (GDP) kwa mwaka ifikiapo mwaka 2030. Hata hivyo Baraza la Utalii na Usafiri ulimwenguni (WTTC) linatabiri mchango wa asilimia 4.9% atika ukuaji wa taifa (GDP) ifikiapo mwisho wa mwaka 2023. TPS (K) pamoja na sekta ya Utalii nchini Kenya zimekuwa zikijitahidi kujikwamua kutokana changamoto kadha zilizoshuhudiwa mwaka wa 2013 kama zilivyoangaziwa kupitia taarifa ya Mwenyekiti. Changamoto hizi zimesababisha picha mbaya na wasiwasi kuhusu Kenya kama taifa mwafaka la watalii. Changamoto hizi zimezidi kuathiri viwango vya biashara mwaka wa 2014.

Ongezeko la hivi majuzi la ushuru wa ziada (VAT) kwa bidhaa na huduma za utalii (ikiwa ni pamoja na ada ya kuingia mbugani), limepelekea Kenya kuorodheshwa eneo lenye gharama za juu za utalii ikilinganishwa na sehemu zingine, na hivyo kuathiri ukuaji wa sekta hii hasa wakati ambapo kampeni ya uuzaji ulimwenguni zinahitajika kukabiliana na upungufu wa watalii wanaowasili kutokana na matukio na hali ya ukosefu wa usalama kama ilivyoshuhudia mwaka wa 2013 na mapema mwaka wa 2014.

Mombasa kama eneo la utalii linazidi kukumbwa na changamoto kutokana na upungufu wa safari za moja kwa moja za ndege kutoka 37 mwaka 2007 hadi 5 sasa, ambapo asilimia 70% ya abiria wanaamua kuzuru Zanzibar. Kwa kipindi kati ya miaka 2-3, Zanzibar imekuwa kivutio cha biashara nyingi za ndege za usafiri wa moja kwa moja na kutoa ushindani mkali kwa Mombasa. Hoteli za Pwani ambazo kwa kawaida hufunga kutokana na msimu wa chini wa idadi ya watalii wanaowasili, huenda zikashuhudia hali hii kwa muda mrefu mwaka wa 2014. Kwa ujumla, idadi ya watalii wanaowasili mjini Mombasa imepungua maradufu na kumekuwa na ushindani mkali wa kuvutia soko ya humu nchini huku kukiwa na upungufu wa mikutano ya mashirika inayoandaliwa. Ongezeko la vyumba vya kulala limepepelekea hoteli nyingi kupunguza bei za huduma hii kwa soko za humu nchini na kimataifa. Upungufu wa biashara eneo la Pwani kutokana na kutupiliwa mbali kwa safari za ndege za moja kwa moja, pia kumeathiri biashara katika mbuga za kitaifa za Amboseli na Tsavo.

Uwindaji haramu unazidi kuzua wasiwasi nchini Kenya na Tanzania. Hii imeathiri pakubwa sekta hii na uhifadhi umo hatarini. Wasimamizi na washikadau wengine wanazidi kushurutisha serikali za Kenya na Tanzania pamoja na Halmashauri za kudhibiti mazingira kukabiliana na changamoto za uwindaji haramu.

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

Kama ilivyotajwa katika taarifa ya Mwenyekiti, matokeo ya Kampuni za Serena Tanzania na Serena Uganda yalikuwa ya kutia moyo, jambo ambalo linatarajiwa kuendelea mwaka wa 2014.

Kama mbinu ya kutekeleza mipango ya kampuni ya kudumu huku ikipunguza hatari, kuongezwa kwa kambi ya Lake Elmenteita Serena na mali zingine kwenye mbuga ya wanyama ya Selous National Reserve (Kusini mwa Tanzania) imeendelea kuongeza mali ya kampuni ya Serena Safari huku matokeo yake yakiimarika, Usimamizi unatarajia kuwa manufaa ya kifedha yatashuhudiwa baadaye. Kuingia kwa kampuni ya Serena mjini Dar es Salaam, Novemba 2011, ufunguzi wa sehemu mpya ya "Morani Wing" katika kambi ya Sweetwaters Serena (SWSC) pamoja na kuongezwa kwa mahema 11 mapya zaidi, kumeongeza viwango vya biashara huku uzinduzi wa maeneo ya umma katika Mara Serena Safari Lodge (MSSL) na SWSC, Oktoba 9, 2013, ukikaribishwa na wafanyabiashara na unatarajiwa kuimarisha mgao wa soko katika eneo hili, kuzindua upya mali na kudhibitisha kampuni tanzu za Serena Safari nchini Kenya na Tanzania. Kituo kipya cha Serena Maisha Health Club na Spa katika MSSL kitapelekea wageni kuishi kwa muda mrefu na hivyo kuongeza mahitaji ya huduma za matibabu ya Spa ambazo bila shaka zitaongeza hamu ziara za wageni.

Hatua zilizotekelezwa na Kampuni mwaka 2013 zilizaa matunda huku matokeo ya TPSEAL yakiwa ya kuridhisha. Katika kipindi cha mwaka wa 2013, TPSEAL ilipokea mauzo ya kima cha KShs. 6.8 bilioni (2012: KShs. 5.3 bilioni), ongezeko la 28% na faida kabla ya ushuru ya KShs. 973 milioni (2012: KShs. 722 milioni) na kuwakilisha ongezeko la 34.9%.

Mfumo wa kuchemsha maji kwa miyale ya jua katika Tawi la Hoteli ya Serena Beach & Spa (SBHS), Hoteli ya Kigali Serena (KiSH), Hoteli ya Lake Kivu Serena (LKSH), Hoteli ya Kampala Serena (KSH) na Kambi ya Lake Elmenteita Serena (LESC) mwaka wa 2013, umesababisha fedha nyingi kuokolewa huku ikipunguza kiwango cha kawi kinachohitajika katika Hoteli za Safari Lodges zilizoko Mbuga za Kitaifa za Wanyama, ambapo utegemezi wa jenereta umepungua miaka ya hivi karibuni kufuatia kuzinduliwa kwa mtambo wa kubadili mkondo wa umeme (inverter) unaosaidia kwa uhifadhi wa kawi na hivyo kupunguza matumizi ya mafuta , makelele na uchafuzi wa mazingira. Kutokana na haya, katika kipindi cha miaka mitano (2009 hadi 2013), Kampuni imeokoa takriban dola Milioni 1.8m; lita milioni 1.5 za mafuta na masaa 51,762 ya matumizi ya jenereta (sawa na miaka 5.9 ya masaa 24 ya matumizi ya jenereta) kutokana na kuwekwa kwa mtambo wa inverter katika hoteli saba nchini Kenya na Tanzania.

Matarajio ya kibiashara mwaka wa 2014 barani Afrika kama sehemu ya Utalii ni mema. Hata hivyo, utabiri wa sasa hasa katika biashara ya kimataifa unaonyesha kuwa kutakuwa na changamoto miezi sita ya kwanza ya mwaka wa 2014. Huku usimamizi ukitarajia kuwa mambo yatakuwa mema kipindi cha miezi sita ya mwisho wa mwaka wa 2014 nchini Kenya kama sehemu ya kitalii, jitihada zaidi kuhakikisha kuwa mbinu za kuimarisha biashara ziko mbioni. Serena itazidi kutegemea nguvu na ukakamavu wake kuimarisha matokeo yake mwaka wa 2014.

Usimamizi unatarajia kuwa mwaka 2014, umakinifu utaimarisha faida na utendakazi katika vyumba vya malazi; Uwekezaji katika rasilimali zilizopo kuhakikisha kuwa kuna ushindani mkali na hivyo kuongeza uwezo wetu wa kukuza mgao wa soko na kuimarisha biashara ili kuafikia kiwango cha juu, huku hoteli zikichukua nafasi za biashara zilizo na wateja wenye thamani ya juu; kuzidi kutafuta fursa za kuwekeza katika raslimali zinazoleta faida ya haraka huku zikiwaridhisha

Swimming Pool at Polana Serena Hotel

Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

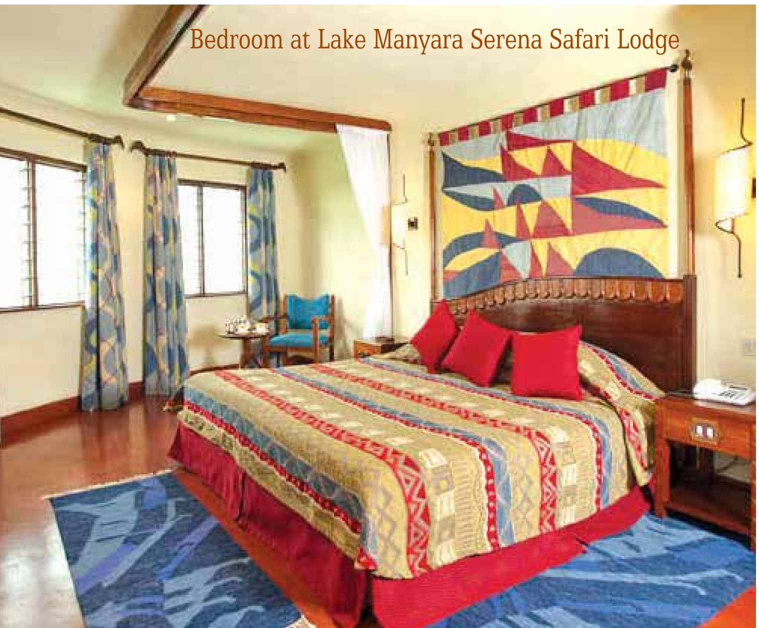
wateja kama zilivyoangaziwa hapa chini.

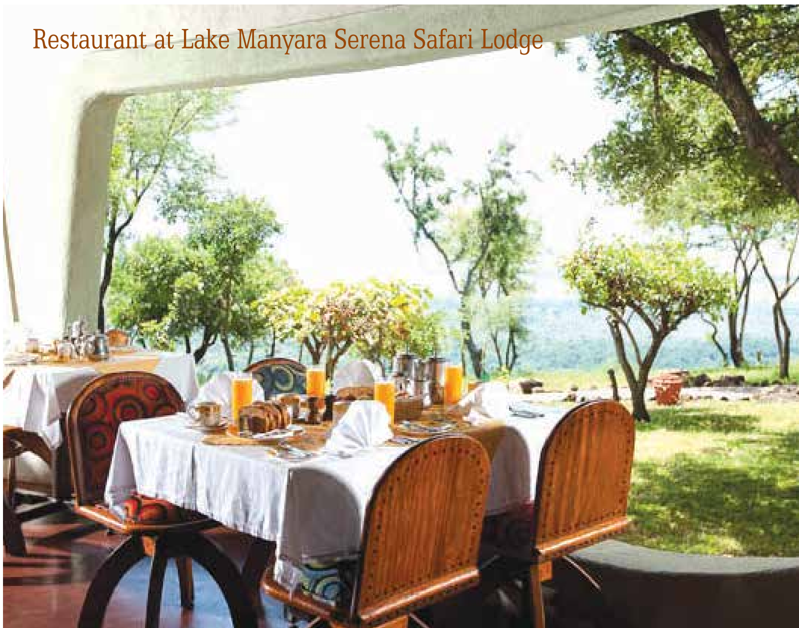
Kadhalika, ili kuimarisha ukuaji wa Kampuni, yafuatayo yanatarajiwa kuchangia kwa matokeo ya jumla ya TPSEAL kwa mwaka wa 2014 na zaidi: Kuzinduliwa kwa vifaa vya mikutano katika mahema katika Kambi za Lake Elmenteita Serena na Sweetwaters Serena Camp; Kukamilika kwa vyumba sita vingine katika "Morani Wing" katika Kambi ya Sweetwaters Serena Camp; ukarabati wa vyumba vya kulala, kambi na sehemu zingine za kitalii kutokana na kuwepo kwa fedha; kuchunguzwa kwa maeneo mengine katika hoteli za Lake Manyara Serena Safari Lodge na Lake Duluti Serena, Arusha kuambatana na utafiti wa hivi karibuni wa soko ulioidhinishwa na usimamizi; kuanza kwa awamu ya kwanza ya kukarabati Hoteli ya Dar es Salaam Serena Hotel, kwani hili litauwezesha usimamizi kuimarisha bei ya kukodisha vyumba; kukamilika kwa mpango mkuu wa Hoteli ya Kampala Serena ili kuwezesha mipango ya siku zijazo ya kupanua hoteli na kuimarisha ustawi; Upanuzi wa soko tanzu na bidhaa; kuimarisha bidhaa na huduma na kupunguza gharama pasipo kuathiri ubora.

Kama mnavyojua, Jiji la Nairobi linazidi kushuhudia ongezeko la vyumba vya kifahari na pia hoteli mpya za kimataifa hivyo kutoa ushindani mkali. Huku dhana kuhusu bara la Afrika ikizidi kubadilika hasa eneo hili kama sehemu ya kuwavutia watalii, kumekuwa na ongezeko la fursa za kuwekeza nchini Kenya ikiwa ni pamoja na miradi ya miundo misingi inayonuia kuifanya Kenya kuwa eneo mwafaka la kibiashara kanda hii. Na huku viwango vya maisha vikizidi kuongezeka na pia uwezo wa wateja kutumia pesa ukizidi kupanuka, Bodi ya Usimamizi itachunguza mipango ya muda ya Kampuni kulingana na Hoteli ya Nairobi Serena kwa mwaka 2014 ili kudumisha ushindani wake.

Kwa mwaka 2014, Kampuni itazidi kuendeleza kampeni za mauzo, kushiriki kwenye maonyesho ya kibiashara kupitia usafiri wa barabara huku bidhaa mpya zikizinduliwa kuimarisha biashara katika masoko kadhaa. Mbinu mpya ya mauzo kuambatana na mahitaji ya wateja itatekelezwa ili kupata fursa mpya za kibiashara, kuorodhesha soko jipya, kufanyia mauzo bidhaa mpya na kuhakikisha kuwa kampuni inatumia kila fursa inayopata. Kampuni itazidi kupanua na kufanya jitihada ya kunasa soko la eneo hili, kujadiliana na wafanyabiashara wa safari za utalii huku ikizingatia pia soko jipya kuambatana na "Mbinu Mbadala za Mauzo" zilizoanza kutekelezwa mwanzo wa mwaka 2012. Mbinu hizi zinapanua njia za mauzo eneo la Mashariki ya Kati, India, Uchina, Urusi, Japan, Korea, Brazil, Uturuki na Afrika ili kukabiliana na upungufu wa idadi ya vyumba vinayokodiwa kutoka soko la kawaida ikiwa ni pamoja na Uingereza, Ujerumani, Ufaransa, Amerika na Uhispania. Hatua zingine ambazo zimechukuliwa ili kuimarisha mauzo ni pamoja na: Kuteuliwa kwa Mwakilishi wa Mauzo nchini Uchina; Ufasiri wa tovuti ya Hoteli za Serena na bidhaa zingine za kuimarisha mauzo kwa lugha ya Kichina (Mandarin) kuanzia Januari 21, 2014, ambazo zaweza patikana kupitia lugha mbadala katika sehemu ya juu ya tovuti ya Hoteli za Serena (www.serenahotels.com); Kuimarika kwa idadi ya watu wanaokodi vyumba kupitia mtandao; kuwepo kwa mitandao ya kijamii kama silaha ya mauzo; na ongezeko la wanachama wa Serena Loyalty Prestige Card. Haya yote yamepelekea kuongezeka kwa wateja wenye imani na bidhaa za Serena.

Ili kuzuia ushindani mkali wa Kapmuni hii na kadhalika mgao wake kwa soko, Usimamizi unazidi kutambua umuhimu wa kutekeleza mbinu mwafaka za kibiashara kuambatana na Usimamizi bora wa Wafanyakazi (HRM), hali kadhalika kujishughulisha na mambo


Bedroom at Lake Manyara Serena Safari Lodge


Restaurant at Lake Manyara Serena Safari Lodge

Taarifa kutoka kwa Meneja Mkurugenzi (kuendelea)

yanayohakikisha Uwajibikaji wa Kijamii (CSR), na hivyo kufanikisha ziara za wageni na wakati huo huo kuimarisha matokeo ya kifedha.

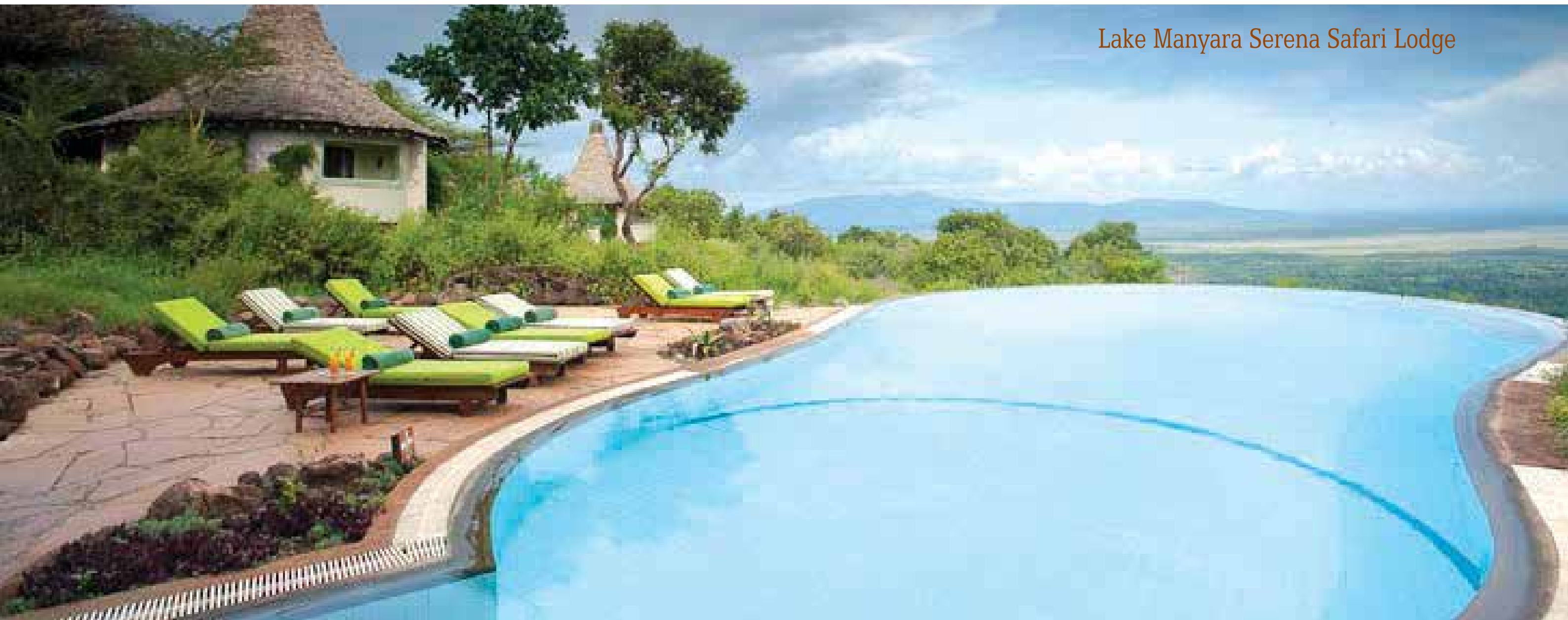
Uwezo wa kubadili utalii unategemea nguvu za kuimarisha uchumi kwa kuongeza na kudumisha nafasi za kazi. Serena inazidi Kumauni kuwa wafanyakazi wanachangia pakubwa ustawi wa kibiashara halikadhalika kuimarisha picha ya Kampuni. Huku kukiwa na mabadiliko ya kila mara kuhusu matarajio ya wageni, Serena inazidi kuthibitisha imani kuwa ubora wa huduma utachangia pakubwa chaguo la wateja hasa kuambatana na maeneo ya kuzuru. Kutokana na haya na pia kuambatana na mpango wa Kampuni wa kuimarisha mapato, raslimali kuu zimewekezwa kutoa mafunzo ya ziada kwa Wafanyakazi/Usimamizi, kuanzishwa kwa mipango ya heri njema, ambazo ni pamoja na: Mpango wa ndani wa Kuimarisha Usimamizi, mafunzo ya ziada ya kiufundi, kuimarisha ujuzi wa mapish hivyo kutoa fursa ya kuimarika kitaaluma, mafunzo bora ili kuimarisha nafasi za uongozi na kutoa nafasi. Hizi zote zinazidi kuwa katika orodha ya juu ya Hoteli za Serena. Mwaka wa 2013, Kampuni za Kenya, Tanzania, Uganda, Rwanda, Mozambique ziliweka mkataba na Lobster Ink, Kampuni yenye makao yake nchini Afrika Kusini na ambayo inahusika na utoaji mafunzo ya huduma na ukarimu kuambatana na ubora (LQA). Wanafunzi kutoka vyuo na taasisi za mafunzo zilizochaguliwa pia wanapewa fursa ya kuhudhuria mafunzo yanayotolewa na Hoteli za Serena. Katika kipindi cha miezi sita ya mwisho wa mwaka wa 2013, Hoteli za Serena zilitoa mafunzo kwa takriban wanafunzi 200. Ningependa kuchukua fursa hii kupongeza kila mmoja anayejumuisha Kampuni ya Serena kwa kujitolea kama ilivyoshuhudiwa mwaka wa 2013.

Shughuli za Kampuni kwa wajibu wa shirika kwa jamii (CSR) zinazidi kumakinika na mbinu za kibiashara zinazohusiana na utalii maeneo asilia; uhifadhi wa mazingira; afya ya umma na ustawi wa kijamii. Kwa maelezo zaidi kuhusu shughuli za CSR za Kampuni tafadhali rejelea kurasa 28 hadi 31 za Taarifa hii ya Mwaka.

Ningependa kuomba Serikali za nchi za Afrika Mashariki kuandaa mazingira mwafaka kwa sekta ya Utalii, halikadhalika kuimarisha raslimali za kufanya mauzo ya kitalii. Ningependa kutoa mwito kwao kuhakikisha kwamba mabadiliko mapya sehemu asilia zilizo hatarini na katika Mbuga za Wanyama zinakabiliwa, kuhakikisha kwamba miundomisingi na mazingira ya kisiasa zinaimarishwa haraka , kuimarishwa kwa usalama ili kurejesha imani ya wananchi, wasafiri na wawekezaji. Ningependa pia kutoa mwito kwa Serikali za mataifa ya Afrika Mashariki kujadiliana na washikadau katika sekta ya utalii kabla ya kutekeleza mabadiliko kuambatana na ushuru kwani wahusika hutoa ahadi kwa wasambazaji bidhaa kabla ya mwaka mmoja au miwili na hivyo kufanya iwe vigumu kufungua upya mikataba kufanyia mabadiliko ahadi hizo.

Mwisho, kwa niaba ya wafanyakazi na Usimamizi ningependa kutoa shukrani kwa Bodi ya Wakurugenzi kwa uongozi wao, uangalifu na usaidizi mwaka wa 2013. Pia ningependa kutoa shukrani kwa wanahisa, wateja na washikadau mbali mbali kutokana na usaidizi ambao wamekuwa wakidhihirisha kwetu kwa miaka. Sisi katika Kampuni ya Serena tunatarajia kuendelea kushuhudia usaidizi huo mwaka 2014.

Mahmud Jan Mohamed
MENEJA MKURUGENZI



Lake Manyara Serena Safari Lodge

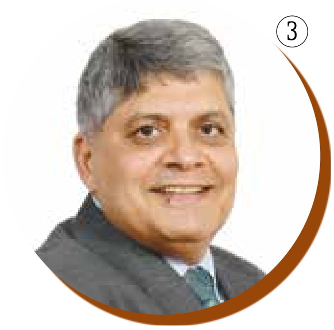
Board of Directors

MR. FRANCIS OKOMO-OKELLO – Chairman (1)

Mr. Okello (aged 64 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 and a Fellow of The Kenya Institute of Bankers (FKIB). He is the Chairman of Barclays Bank of Kenya Limited, 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 61 yrs) has vast experience in the hotel industry in Europe, USA and Africa. He is the Chief Executive, TPS Group of Companies in Eastern Africa. He is a Director of British America Tobacco, TPS Central Asia, Mountain Lodges Limited and Air Uganda Limited. 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 63 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.

DR. RAMADHANI DAU - Non-executive Director (4)

Dr. Dau (aged 55 yrs) holds a PhD in marketing from the Victoria University of Wellington, New Zealand, an MBA from the American University of Cairo and a Bachelor of Commerce Degree, Marketing option, from the University of Dar-es-Salaam. He is a Director of The Jubilee Holdings Limited and Jubilee Insurance Company of Tanzania Limited among others. He is currently the Director General of NSSF, Tanzania.

MR. JACK JACOB KISA - Non-executive Director (5)

Mr. Kisa (aged 76 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.

Board of Directors (continued)

MR. JEAN-LOUIS VINCIGUERRA - Non-executive Director 6

Mr. Vinciguerra (aged 70 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.

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MR. AMEER KASSIM-LAKHA - Non-executive Director 7

Mr. Kassim-Lakha (aged 80 yrs) is a Fellow of the Institute of Chartered Accountants in England and Wales and The Institute of Certified Public Accountants of Kenya and an Associate Member of the Chartered Institute of Arbitrators and OPM (Harvard). He is a past Chairman of the Institute of Certified Public Accountants of Kenya and The Association of Professional Societies in East Africa. He is a past Vice-Chairman of The Professional Centre. He is a current Trustee of KCA University.

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MR. KABIR HYDERALLY - Non-executive Director 8

Mr. Hyderally (aged 66 yrs) holds a Bachelor of Commerce Degree and is a Fellow of the Institute of Chartered Accountants. He is currently a Director of Industrial Promotions Services (Tanzania) Limited and previously served as the General Manager, Finance at The Jubilee Insurance Company of Kenya Limited.

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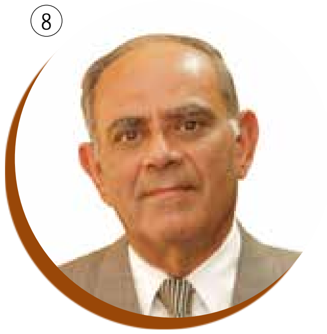

MR. GUEDI AINACHE - Non-executive Director 9

Mr. Guédi Aïnaché (aged 38 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 PROPARCO's Regional Director for Eastern Africa, based in Nairobi. He has previously worked with PROPARCO in Paris as Senior Investment Officer within the Corporate Division handling various large corporate financing transactions across various regions in Africa, Latin America & Asia and as an Associate Director with Crédit Agricole Corporate and Investment Bank in France.

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MRS. TEDDY HOLLO MAPUNDA – Non-Executive Director 10

Mrs. Mapunda (aged 39 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 Managing Director of Montage Limited in Tanzania. She is also a Board Director of Mpingo Conservation and Tanzania Tourist Board.

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

Mr. Ng'ang'a (aged 39 yrs) holds a Bachelor of Commerce (Accounting) Degree from KCA University. He is a CPA finalist and a Certified Public Secretary CPS (K). He is also a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).

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Corporate Governance Statement

The Board of TPS Eastern Africa Limited (TPSEAL/ "the Company") is responsible for the overall management, strategic direction and governance of TPSEAL and its subsidiaries ("TPS Group") and is accountable to the shareholders for ensuring that the Company complies with the provisions of the law. To this end, the TPS Group has remained committed to ensuring continuous adherence to the highest standards of corporate governance and business ethics in the interest of the shareholders and other stakeholders at large. The Company has complied with Nairobi Securities Exchange (NSE) Continuing Listing Obligations and the Guidelines on good Corporate Governance Practices by Public Listed Companies in Kenya as issued by the Capital Markets Authority (CMA) (the CMA Guidelines). In this respect, the directors have committed to ensuring that integrity of internal systems continues to be a key pillar in the enhancement of the Group's financial performance and sustainability.

THE BOARD OF DIRECTORS

As at 31 December, 2013, TPSEAL Board consisted of 9 substantive directors and 2 alternate directors. The Chairman is a non-executive director. A majority of the directors are non-executive and independent. There are two executive directors, i.e. the Managing Director and the Finance Director. Re-election and appointment of directors is 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 times a year.

With regards to the period under review, 4 Scheduled Board meetings were held. Special Board meetings are held to deliberate on urgent issues of strategic importance, or as required under the statute, or in compliance with the requirements of regulatory authorities. The directors are given adequate notice for the meetings and timely information so that they can meaningfully contribute at the Board Meetings and thus maintain an effective oversight and control over strategic, financial, operational and compliance issues. The Board's independence from the Group's management function has been achieved by separating the functions of the non-executive Chairman and the executive Managing Director, which has resulted in creating in-built checks and balances and balancing the exercise of authority over the Group's affairs. By taking an active leadership role, the Board aims at maximizing shareholders' value and ensuring long-term sustainability of the TPS Group as a whole.

During the year Mr. Mahmood Manji resigned as a director of the Company to avoid a possible conflict of interest as he was a director serving on CMA Board.

DEVELOPMENT AND GROWTH OF THE COMPANY

The Board primarily provides direction on the general policy and oversight in respect of the Group's overall internal controls, strategy, finance, operations, budgets and compliance issues. Reviews are done periodically to compare performance against set targets and corrective measures undertaken.

COMMITTEES OF THE BOARD

Currently the Board has set up two main committees and has delegated specific mandates to each one of them. The two committees namely; Board Audit Committee and Nomination and Remuneration Committee have been established under formal written terms of reference (ToR) as set out by the Board. The number of Committees and the respective ToR are reviewed from time to time so as to respond to the dynamic business environment and comply with the ever-changing Legislation and Regulations. The Committees meet regularly as provided in their respective ToR.

BOARD AUDIT COMMITTEE

Members of this Committee comprise Mr. Ameer Kassim-Lakha (Chairman), Mr. Jean-Louis Vinciguerra and Mr. Guedi Ainache. 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. Significant audit findings identified by the Group's internal and external auditors are also reviewed by the Committee and followed up to their logical conclusion.

The Committee is authorized by the Board, within its ToR, to directly seek from the Company employees any information on any matters and to seek independent professional advice whenever necessary. The Board reviews the membership of the Board Audit Committee annually in accordance with CMA

Guidelines and the Committee's own ToR. The Committee held two (2) meetings in the year. The external auditors and executive directors attend the Committee's meetings as required. The Committee has initiated further strengthening of the Group's risk assessment processes aimed at mitigating and reducing the various business risks. The ultimate aim is to formalize the Enterprise Risk Management Policy which is to be finalized by the Committee for formal adoption by the Board in due course. The exercise is aimed at harmonizing the Policy to suit the increasingly risk prone current dynamic business environment.

NOMINATION AND REMUNERATION COMMITTEE

The Committee's membership consists of Mr. Jack Kisa (Chairman), Mr. Guedi Ainache, Dr. Ramadhani Dau and Mr. Kabir Hyderally. By its own ToR, the Committee is mandated to consult experts, scrutinize and advise the Board on the organizational structure and staff establishments and to recommend to the Board appropriate Human Resources policies and capacity enhancement. The Committee held two (2) scheduled meetings during 2013.

The Committee is further mandated to propose new nominees to the Board as may be required from time to time and to assess the effectiveness of the Board as a whole, the committees of the Board, as well as each individual director and make the necessary recommendations to the Board on enhancing the overall level of effectiveness of the Board.

After every two (2) years, the Committee conducts a performance evaluation exercise aimed at evaluating the performance of the Board, the Chairman, the Managing director and individual directors.

INTERNAL CONTROLS

The Company has a well-defined organizational structure with appropriate segregation of duties and responsibilities. This is complemented by detailed policy and procedure manuals which provides an operational framework for the Management team. The policy and procedures manuals are updated periodically to incorporate any subsequent changes and ensure that they remain relevant to the Group's operational requirements. Monthly Credit Control, Sales and Marketing, and Finance meetings are held to review these 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.

COMMUNICATION WITH SHAREHOLDERS

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

Shareholders and other stakeholders have a direct access to the Company's information through the internet and all enquiries are responded to in a timely manner. The Serena website is updated regularly so as to provide current information on the Company's affairs. In this regard, the Company complies with its obligations contained in the NSE Continuing Listing Rules and the CMA Act.

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

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to non-executive directors during the 2013 financial year amounted to KShs 1.010 Million (refer to Note 28 (iv) of the Financial Statements). Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the TPS Group was a party whereby directors might have acquired benefits to facilitate the acquisition of the Company's shares by such directors. There were no non-executive directors' loans during the year.

Corporate Governance Statement (continued)

DIRECTORS' INTEREST

During the year ended 31st December 2013 and the previous financial year (2012) there has been no material contracts involving directors' interests, however some directors are minority shareholders of the Company as detailed below;

Name of Director	No of Shares	% Shareholding
Francis Okomo-Okello	1,456	0.0008
Ameer Kassim-Lakha	1,456	0.0008
Abdulmalek Virani	1,456	0.0008
Mahmud Jan Mohamed	6,720	0.0037

CONFLICT OF INTEREST

The Directors are required to disclose their areas of conflict of interest at least once a year. In terms of the established practice, they are also required to refrain from contributing to and abstain from voting on matters on which they have such a conflict. On an ongoing basis, the directors are required to notify the Company Secretary in advance of any potential conflicts of interest through other directorships or shareholdings or associations or conflicts arising from specific transactions. A register of such interests is maintained by the Company Secretary as part of the Corporate Records.

OTHER CORPORATE INFORMATION

TPSEAL and its subsidiaries in Kenya, Uganda, Tanzania and Zanzibar have a total number of 3,427 employees. The Company is a holding Company and does not own any Land and Buildings.

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).

SHAREHOLDERS' PROFILE AS AT 31 DECEMBER 2013

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Aga Khan Fund for Economic Development, S.A	82,048,626	45.04
2	Standard Chartered Nominees - Non resident A/C 9287P	12,750,043	7.00
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	Aga Khan University Foundation	6,851,000	3.76
7	PDM (Holdings) Limited	6,607,440	3.63
8	Craysell Investments Limited	4,148,133	2.28
9	Kanchanben Ramniklal Khimji Shah	2,290,744	1.26
10	Standard Chartered Nominees - Non resident A/C 9230	2,270,658	1.25
11	Others	38,895,370	21.33
		182,174,108	100

Corporate Governance Statement (continued)

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2013

	NO. OF SHAREHOLDER	NO OF SHARES	% SHAREHOLDING
Less than 500 Shares	3,038	446,187	0.24
500 - 5000 shares	5,399	7,353,585	4.04
5001 - 10,000 shares	241	1,718,588	0.94
10,001 - 100,000	270	8,392,050	4.61
100,001 - 1,000,000	71	17,472,497	9.59
Over 1,000,000	12	146,791,201	80.58
	9,031	182,174,108	100

SHAREHOLDER CATEGORIES

	NO.OF SHAREHOLDER	NO OF SHARES	% SHAREHOLDING
Foreign Investors	143	117,734,138	64.63
Local Institutions	668	50,232,856	27.57
Local Individuals	8,220	14,207,114	7.80
	9,031	182,174,108	100

Corporate Social Reponsibility

At Serena Hotels, Corporate Social responsibility (CSR) means corporate culture, a culture which holds the Company's responsibility not only for making profit, but also for the conditions under which profits are made. Finding a balance between financial success, social responsibility and protecting the environment is a fundamental approach that lies at the heart of Serena Hotels corporate culture and is reflected in our corporate values. Serena takes a long term, entrepreneurial approach to the issue of sustainability in all of its activities along the value chain. All operational and functional areas ensure that sustainability issues are integrated into business processes and take strong pride in the relationships it has built for over four decades with its broad range of stakeholders, including our staff, customers, shareholders, financial partners, suppliers of business, the environment, Governments and the local communities within which we operate. And it is committed to seeing these relationships grow towards responsible travel and sustainable tourism.

As a result of Serena Hotels sustainable programs on the Corporate Social Responsibility and Environmental front, the Company through various partnerships continues to widen its foot print focused on quality, value addition, visible measures of success, integrated ethical approach to issues and sustainability.

Our guiding principles in managing our economic, social and environmental commitments remain unchanged and this report demonstrates how we are continuing to meet the growing demands of our social responsibilities across many dimensions.

COMMUNITY INVOLVEMENT, INVESTMENT, SUPPORT AND DEVELOPMENT

Economic Empowerment

Involving the local communities by respecting society, culture and the needs of the local population living around our properties has enabled them to participate in developing tourism and has led to economic benefits. All our properties have gift shops where we stock local supplies and artifacts from various community welfare groups and we encourage our guests to purchase such artifacts from the communities. All our properties continue to hire local performers to entertain guests, thus exposing our guests to the local culture while economically empowering the people.

We continue to give priority to local suppliers around our units to provide us with fresh food and other supplies and in some cases training is given to the local entrepreneurs to produce and package their wares in an internationally acceptable manner, thus building capacity and improving their market.

The Company through its efforts continues with sustainable means of providing economic empowerment and opportunities to the local communities living around our properties.

In year 2014 the company will be implementing an energy saving Jiko project that will involve empowering a number of people within the community around our Units through training/skill development which in turn will help provide an

Dar es Salaam Serena Hotel staff and children from Pastoral Activities and Services for people with AIDS- Dar es Salaam (PASADA)

Corporate Social Reponsibility (continued)

alternative source of livelihood as they will be able to train other people, install Jiko's for them and earn an income from it. This project will complement Serena's re-afforestation program that has existed for over two decades as the project aims to ensure more trees planted survive through increased use of energy saving Jikos, it will help lower deforestation levels and ultimately have an improved forest cover and an improved ecosystem.

Educational Support

One of Serena's key priority areas is support for youth through the building of education and recreation facilities and the provision of career training opportunities. Through Serena's environmental and community outreach programmes, both property managers and on-site naturalists often visit the local schools in order to more closely engage with the community. We encourage the youth from the local community to explore the hospitality industry by taking up on-the-job training and internship opportunities at all our properties.

In 2013, Serena Hotels entered into contract with a Company specializing in training staff on service delivery in the hospitality industry benchmarked to Leading Quality Assurance (LQA) standards. In addition to the Serena staff, 200 students from selected hospitality collages/learning institutions during the year were given the opportunity to attend the hospitality skills training courses conducted at Serena Hotels.

Serena Hotels, in partnership with Aga Khan Foundation (AKF) and Lions International will in the next three years roll out in a phased manner a children book development project and a reading for children project that will involve setting up 115 children libraries across Serena properties, the communities around the properties and Lions International supported schools in East Africa. The main objective of these projects is to: encourage and provide opportunities for parents and caregivers to read with their children and to increase access to locally affordable illustrated story books, especially in relevant local languages in schools, homes and communities. The Company continues to support Schools around the Units through providing building material (for schools, classrooms, teachers office and houses, our maintenance department building pit latrines etc), computers, desks and text books. Our Units reward the younger students who perform well and in some of the Units, we have staff members who have 'adopted' children by providing education support.

Provision of clean water and access to quality health care

Serena continues to provide free medical consultations and subsidized medication to the local communities at all our Units clinics while our Wellness Educators spread the word about optimized healthy living to the staff and the communities living near the Units. Our lodges provide safe clean drinking water to the local communities thus reducing the exposure to a wide range of water-borne diseases. This has helped

Nairobi Serena Hotel hosted children from Cottolengo Center- (L) Mrs. Azmina Jan Mohamed and (R) M/s Rosemary Mugambi-The Regional Sales and Marketing Director

Corporate Social Reponsibility (continued)

improve the overall health of the people around us, our staff and their families.

The successful implementation of the Serena Employee Wellness Program that begun in 2001 has resulted to an internal resource of 261 Wellness Champions in East Africa which is supported by the Unit Nurses who address the more technical health aspects. Through the Serena wellness program champions, members of staff and the local community are sensitized on various lifestyle induced illnesses with a special focus on cancers, diabetes and hypertension in partnership with various medical institutions. The program also incorporates guest speakers who address diverse topics including health matters, financial management and planning, goal-setting, stress management and family life skills.

Workplace health and safety is one of the pillars of the Serena Employee Wellness Program and by enhancing conformity to safe work practices, the program seeks to reduce and where possible eliminate occupational accidents, injuries and illnesses. It perceives employee participation and ownership as a more sustainable approach to ensure conformance and success of the safety agenda at the workplace.

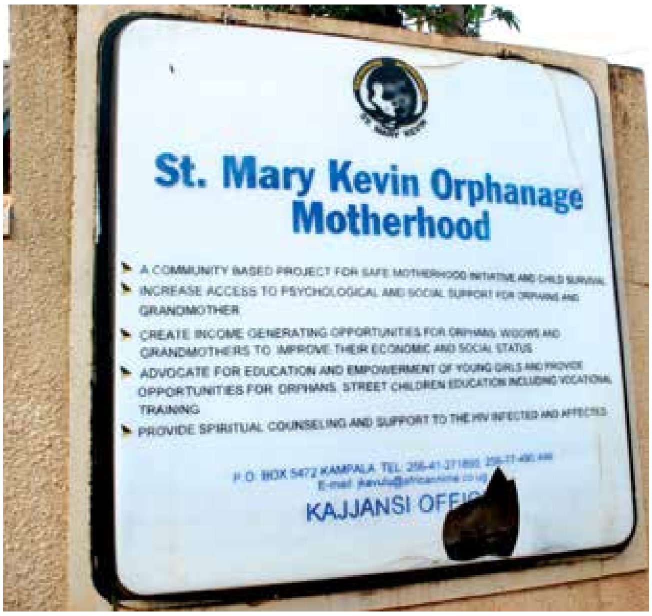
Charitable Donations

Serena and its staff continue to support a broad range of charitable causes and community initiatives by means of corporate donations, donation of goods or by means of sponsorship. Recipients of such support were: a broad range of schools, orphanages, HIV/AIDS support centres, homes for the physically or mentally challenged and other disadvantaged groups.

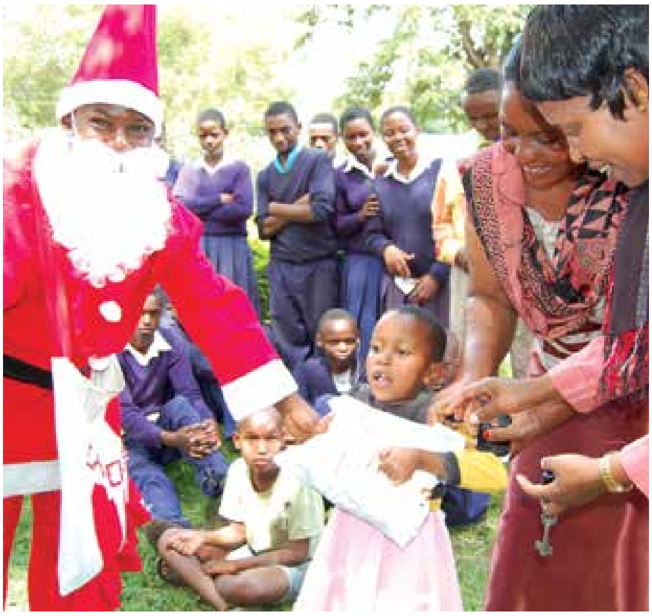
Serena Hotels in 2013 implemented a special Christmas Tree campaign, "Light Up a Life, Not a Tree" at all the properties that saw 1,538 children receive a gift on Christmas day. The idea was to do away with the commercial tree and public area decorations and dedicate the decoration costs to making a less fortunate childs' dreams come true for Christmas 2013 and participation of our guests, staff and business supporters was indeed gratifying. The Serena Christmas Tree display was decorated with paper wraps in the form of little scrolls which had the "wish" and photograph of a child from a charitable organization that each property identified to support such as a school or children's home. The initiative recevied tremendous support from our clients and staff and every wish was fulfilled.

PROTECTING A FRAGILE ENVIRONMENT

Serena is fully aware that it is dependent upon the rich natural resources and unique landscapes at the destinations that it has presence within and thus has the responsibility to minimize the negative impact of our business on the environment. Serena in a sustainable manner focuses on concrete actions and projects related to climate change, water protection, air pollution, biodiversity as well as facilitating the transfer of knowledge on environmental management to our guests, communities and various stakeholders. The Company's developments and operations are guided by an eco-policy that is aimed at conserving the environment.



Kampala Serena Hotel, supported St. Mary Kevin Orphanage



Lake Duluti Serena Hotel staff and children of Patandi Primary School.

Corporate Social Reponsibility (continued)

Turtle Conservation Project at Serena Beach Resort & Spa (SBRS)

Our turtle conservation project which protects the nesting sites of Green, Olive Ridley and Hawksbill Turtles continues to grow significantly benefiting not just the turtles but also the local fishermen. The fishermen are encouraged to participate with a financial incentive scheme, for reporting any threatened turtle nests and eggs.

Butterfly Conservation Project at Serena Beach Resort & Spa (SBRS)

Kenya boasts some 870 species of butterfly, 35% of which are to be found in the Coastal forests. However, due to the radical shrinkage of these forests, most of the butterflies had largely disappeared from Kenya's coast and this necessitated the launch of the project in 2002 where we breed and re-introduce indigenous butterfly species to the coastal landscape.

Re-afforestation Programme

Serena Hotels have established tree and shrub nurseries at all its properties. Over 10 million trees have been planted over the last 13 years through the Companies various programs (at our lodges, forests, schools and communities). In 2014, each Serena Staff in Kenya is expected to plant 50 trees as Kenya celebrates 50 years of Independence.

Our major success stories have been in the Hombe Forest in the Mount Kenya National Park (UNESCO World Heritage Site) that suffered from the adverse effects of deforestation and to date over 5 million trees have been planted; and at Amboseli National Park where the destruction of forests by elephants is well on the way to being reversed. Our activities are also spread to the Nderit Forest in the Mau and Nairobi City Park. Over the years our re-afforestation program has grown to see a wholesome transformation of the environment around the Serena properties. With a bigger focus which is now conservation of the ecosystem, there is notable improvement not just in forest cover but also in the abundant wildlife that ultimately depends on the environment.

Conservation of Energy and Water

We have continued with our energy and water conservation efforts across all Serena properties. This has mainly been achieved through the installation of solar water heating systems at 5 of the Serena City Hotels and Resorts, invertor systems at the Lodges for optimum energy consumption and reduced usage of the generator thus reduction in fuel usage and usage of energy saving bulbs.

Water Consumption is closely monitored at the properties. Serena has an extensive range of water saving measures in place and the Company continues in a phased manner to invest 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.

Mr. Paul Chaulo, Mara Serena Safari Lodge Manager, presents a gift to a pupil of Isokon Primary School

Ngorongoro Serena Safari Lodge staff, clients from Tauck Travel and children of Oloirobi Primary school

National and International Awards and Accolades

During the year 2013, Serena Hotels are proud to have won a number of national and international awards and accolades details of which are below:

World Travel Awards 2013: Voted for by travel and tourism professionals worldwide which recognises commitment to excellence. Serena Hotels won the below categories:

- Africa's Leading Hotel Brand: Serena Hotels
- Africa's Leading Eco Hotel: Amboseli Serena Safari Lodge
- Kenya's Leading Business Hotel 2013: Nairobi Serena Hotel, a Member of The Leading Hotels of the World
- Uganda's Leading Hotel 2013: Kampala Serena Hotel, a Member of *The Leading Hotels of the World*
- Tanzania's Leading Hotel 2013: Dar es Salaam Serena Hotel
- Rwanda's Leading Hotel 2013: Kigali Serena Hotel

Africa Travel Awards, 2013 (African Travel Market of West Africa - AKWAABA): Serena Hotels was awarded 'Best Africa Hotel Chain'.

Gold List for China Tourism: Initiated by National Geographic China, Serena Beach Resort & Spa was awarded the 'Best Overseas Hotel'.

World Luxury Spa Awards' 2013: Serena Hotels' Maisha Spas were finalists under the 'Best Luxury Hotel' Category.

2013 Virgin Holidays: Serena Beach Resort & Spa received the Silver Award for 'Best Hotel Chain in Africa'.

Gold List 2013 Best Places on Earth: Kirawira Serena Camp, Western Serengeti was rated 172/182 in the Gold List 2013 Best Places on Earth. The gold list serves as a unique source of the top travel destinations, hotels, cruises and airlines worldwide.

Top 25 Resorts and Safari Camps in Africa by Condé Nast Traveller Readers' Choice Awards:

From Left Mark Gathuri, Anthony Chege, Killian Lugwe, Kobyi Kihara, Mahmud Jan Mohamed, Rosemary Mugambi, Daniel Kangu, Joyce Wangui, Rahim Azad, Charles Muia and Julie Pollman during the presentation of the 2013 World Travel Awards, Africa.

National and International Awards and Accolades (continued)

- Kirawira Serena Camp, Western Serengeti: Rated 10th
- Amboseli Serena Safari Lodge: Rated 14th
- Serengeti Serena Safari Lodge: Rated 15th
- Mara Serena Safari Lodge: Rated 18th

Total Eco-Challenge Awards: Lake Elmenteita Serena Camp won the Bronze award for its commitment to protect and conserve the natural environment whilst promoting responsible tourism practices.

Master Bar Academy: Lake Elmenteita Serena Camp Barman was the winner of the Master Bar Tender in the Nakuru region.

Trip Advisor: Serena Beach Resort & Spa, Kampala Serena Hotel and Polana Serena Hotel received the "Certificate of Excellence" from Trip Advisor for the exceptional feedback earned from travellers over the past year. The accolade which honours hospitality excellence is given only to organisations that consistently achieve traveller's reviews on TripAdvisor 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.

Kenya National Barista Championships: An employee of Serena Hotels was the Winner of the Championships organized by the Kenya Coffee Traders Association under the auspices of the African Fine Coffees Association and sanctioned by the World Barista Championships.

National Social Security Fund (NSSF): Serena Hotels Tanzania received the NSSF Best Employer Award.

Ngorongoro Serena Safari Lodge received a certificate of appreciation from the Ngorongoro District Council for its contribution and support to improve education, community livelihoods and conservation in Ngorongoro District, Tanzania.

Tanzania Society of Travel Agents (TASOTA): Awarded Serena Hotels as the 'Best Corporate Hotel in Tanzania' for its continued exemplary product and service delivery in the Tanzania market.

Serena Hotels Team, From Left, Rosemary Mugambi - Regional Sales & Marketing Director, Mahmud Janmohamed- Managing Director, AKWAABA Organizer - Mr. Ikechi Uko and Denise Omany - Country Sales Manager Serena Rwanda during the presentation of the 2013 Africa World Travel Awards.

Six Awards won by Serena Hotels at the 2013 World Travel Awards, Africa

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2013 in accordance with Section 157 of the Kenya Companies Act (Cap 486 of the laws of Kenya), which disclose the state of affairs of TPS Eastern Africa Limited (the "Company") and its subsidiaries (together the "Group").

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The profit for the year attributable to equity holders of the Company of Shs 628,944,000 (2012: Shs 533,683,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 245,935,046 (2012: Shs 192,673,832).

DIRECTORS

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

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Abdulmalek Virani	(Finance Director)
Ameer Kassim-Lakha	
Dr. Ramadhani Dau	
Jack J Kisa	
Jean-Louis Vinciguerra	
Mseli Abdallah	(Alternate to Dr. Ramadhani Dau)
Kabir Hyderally	
Ashish Sharma	(Alternate to Jean-Louis Vinciguerra)
Guedi Ainache	
Mahmood Pyarali Manji	(Resigned 15 May 2013)
Teddy Hollo Mapunda (Mrs)	(Appointed 15 April 2014)

AUDITOR

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with Section 159(2) of the Kenya Companies Act (Cap 486 of the laws of Kenya).

By order of the Board

Dominic K Ng'ang'a
COMPANY SECRETARY

15th April, 2014

Statement of Directors' Responsibilities

The Kenyan Companies Act (Cap 486 of the laws of Kenya) requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the Group's profit or loss. It also requires the directors to ensure that the Company and its subsidiaries keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

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

(ii) Selecting and applying appropriate accounting policies;

(iii) Making accounting estimates and judgements 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 the company at 31 December 2013 and of the group 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.

Nothing has come to the attention of the Directors to indicate that the company and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 15th April, 2014 and signed on its behalf by:

Francis Okomo-Okello
CHAIRMAN

15th April, 2014

Mahmud Jan Mohamed
MANAGING DIRECTOR

15th April, 2014

Report of the Independent Auditor

to the Members of TPS Eastern Africa Limited

Report on the financial statements

We have audited the accompanying financial statements of TPS Eastern Africa Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 37 to 84. These financial statements comprise the consolidated statement of financial position at 31 December 2013 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 December 2013 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2013 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 Kenyan Companies Act.

Report on other legal requirements

The Kenya Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Richard Njoroge – P/No 1244

PricewaterhouseCoopers

Certified Public Accountants

15th April, 2014
Nairobi.

Consolidated Income Statement

for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 Shs'000	2012 Shs'000
Sales	5	6,841,420	5,343,960
Other operating income		435,835	393,724
Inventory expensed		(1,252,449)	(1,130,794)
Employee benefits expense	7	(1,996,218)	(1,636,436)
Other operating expenses		(2,560,773)	(1,805,628)
Profit before depreciation, interest and income tax expense		1,467,815	1,164,826
Depreciation on property, plant and equipment	18	(388,246)	(303,694)
Finance income	8	49,322	17,496
Finance costs	8	(177,435)	(199,934)
Share of profit of associates	22	21,791	42,822
Profit before income tax	6	973,247	721,516
Income tax expense	9	(304,717)	(227,928)
Profit for the year (Shs 248,605,000 (2012: Shs 199,384,000) has been dealt with in the accounts of the Company)		668,530	493,588
Attributable to:			
Equity holders of the Company		628,943	533,683
Non controlling interest	27	39,587	(40,095)
		668,530	493,588
Earnings per share for profit attributable to the equity holders of the Company - basic and diluted (Shs per share)	10	3.45	3.60

Consolidated Statement of Comprehensive Income
As at 31 December 2013

	Year ended 31 December	
	2013 Shs'000	2012 Shs'000
Profit for the year	668,530	493,588
Other comprehensive income:		
Items net of tax		
Currency translation differences	97,745	(166,328)
Total comprehensive income for the year	766,275	327,260
Attributable to:		
Equity holders of the Company	726,688	367,355
Non controlling interest	39,587	(40,095)
Total comprehensive income for the year	766,275	327,260

Consolidated Statement of Financial Position

For the year ended 31 December 2013

	Notes	2013 Shs'000	2012 Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	12	182,174	148,211
Share premium	12	4,392,668	3,032,431
Revaluation reserve	13	2,339,823	2,370,118
Translation reserve		(159,176)	(256,921)
Retained earnings		3,051,440	2,638,137
Proposed dividends	11	245,935	192,674
		10,052,864	8,124,650
Non controlling interest	27	979,413	56,760
Total equity		11,032,277	8,181,410
Non-current liabilities			
Borrowings	14	872,193	1,326,720
Deferred income tax liability	15	1,933,099	1,783,363
Retirement benefit obligations	16	156,618	146,622
Total non-current liabilities		2,961,910	3,256,705
Total equity and non-current liabilities		13,994,187	11,438,115
Non-current assets			
Property, plant and equipment	18	11,295,582	9,090,486
Intangible assets	20	1,309,947	1,057,861
Investment in associates	22	954,993	933,202
Non-current receivable	19	68,317	115,497
Deferred income tax asset	15	236,219	216,753
		13,865,058	11,413,799
Current assets			
Inventories		506,857	369,306
Receivables and prepayments	23	1,592,704	1,443,766
Cash and cash equivalents	24	275,259	257,205
		2,374,820	2,070,277
Current liabilities			
Trade and other payables	25	1,208,417	1,258,031
Current income tax		75,517	16,010
Borrowings	14	889,757	771,920
		2,245,691	2,045,961
Net current assets		129,129	24,316
		13,994,187	11,438,115

The financial statements on pages 37 to 84 were approved and authorised for issue by the board of directors on 15th April, 2014 and signed on its behalf by:

Francis Okomo-Okello
CHAIRMAN
15th April, 2014

Mahmud Jan Mohamed
MANAGING DIRECTOR
15th April, 2014

Consolidated Statement of Financial Position

	Notes	As at 31 December 2013 Shs'000	2012 Shs'000
Equity			
Share capital	12	182,174	148,211
Share premium	12	4,392,668	3,032,431
Retained earnings		625,333	622,663
Proposed dividends	11	245,935	192,674
Total equity		5,446,110	3,995,979
Non-current assets			
Investment in subsidiaries	21	4,217,590	2,799,623
Investment in associates	22	840,330	840,330
Non-current receivable	19	68,317	115,497
		5,126,237	3,755,450
Current assets			
Receivables and prepayments	23	323,638	242,337
Cash and cash equivalents	24	2,163	572
		325,801	242,909
Current liabilities			
Trade and other payables	25	5,928	2,380
Current income tax		-	-
		5,928	2,380
Net current assets		319,873	240,529
		5,446,110	3,995,979

The financial statements on pages 37 to 84 were approved and authorised for issue by the board of directors on 15th April, 2014 and signed on its behalf by:

Francis Okomo-Okello
CHAIRMAN

15th April, 2014

Mahmud Jan Mohamed
MANAGING DIRECTOR

15th April, 2014

Consolidated Statement of Changes in Equity

	Note	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non controlling interest Shs'000	Total Shs'000
Year ended 31 December 2012									
At start of year		148,211	3,032,431	2,404,495	(90,593)	2,262,751	192,674	96,855	8,046,824
Comprehensive income for the year									
Profit for the year		-	-	-	-	533,683	-	(40,095)	493,588
Other comprehensive income:									
Currency translation differences		-	-	-	(166,328)	-	-	-	(166,328)
Transfer of excess depreciation to retained earnings		-	-	(49,111)	-	49,111	-	-	-
Deferred income tax on transfer	15	-	-	14,734	-	(14,734)	-	-	-
Total other comprehensive income		-	-	(34,377)	(166,328)	34,377	-	-	(166,328)
Total comprehensive income for the year		-	-	(34,377)	(166,328)	568,060	-	(40,095)	327,260
Transactions with owners		-	-	-	-	-	-	-	-
Dividends:									
- final for 2011 paid	11	-	-	-	-	-	(192,674)	-	(192,674)
- proposed for 2012	11	-	-	-	-	(192,674)	192,674	-	-
		-	-	-	-	(192,674)	-	-	(192,674)
At end of year		148,211	3,032,431	2,370,118	(256,921)	2,638,137	192,674	56,760	8,181,410

Consolidated Statement of Changes in Equity (continued)

	Note	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non controlling interest Shs'000	Total Shs'000
Year ended 31 December 2013									
At start of year		148,211	3,032,431	2,370,118	(256,921)	2,638,137	192,674	56,760	8,181,410
Comprehensive income for the year									
Profit for the year		-	-	-	-	628,943	-	39,587	668,530
Other comprehensive income:									
Currency translation differences		-	-	-	97,745	-	-	-	97,745
Transfer of excess depreciation to retained earnings		-	-	(43,876)	-	43,876	-	-	-
Deferred income tax on transfer	15	-	-	13,581	-	(13,581)	-	-	-
Total other comprehensive income		-	-	(30,295)	97,745	30,295	-	-	97,745
Total comprehensive income for the year		-	-	(30,295)	97,745	659,238	-	39,587	766,275
On acquisition, investment by minority shareholder	27	-	-	-	-	-	-	883,066	883,066
Transactions with owners									
Issue of shares	12	33,963	1,360,237	-	-	-	-	-	1,394,200
Dividends:									
- final for 2012 paid	11	-	-	-	-	-	(192,674)	-	(192,674)
- proposed for 2013	11	-	-	-	-	(245,935)	245,935	-	-
		33.963	1,360,237	-	-	(245,935)	53,261	-	1,201,526
At end of year		182,174	4,392,668	2,339,823	(159,176)	3,051,440	245,935	979,413	11,032,277

Company Statement of Changes in Equity

	Note	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2012						
At start of year		148,211	3,032,431	615,953	192,674	3,989,269
Comprehensive income for the year						
Profit for the year		-	-	199,384	-	199,384
Total other comprehensive income		-	-	199,384	-	199,384
Transactions with owners						
Dividends:						
- final for 2011 paid	11	-	-	-	(192,674)	(192,674)
- proposed for 2012	11	-	-	(192,674)	192,674	-
		-	-	(192,674)	-	(192,674)
At end of year		148,211	3,032,431	622,663	192,674	3,995,979

	Note	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2013						
At start of year		148,211	3,032,431	622,663	192,674	3,995,979
Comprehensive income for the year						
Profit for the year		-	-	248,605	-	248,605
Total other comprehensive income		-	-	248,605	-	248,605
Transactions with owners						
Issue of shares		33,963	1,360,237			1,394,200
Dividends:						
- final for 2012 paid	11	-	-	-	(192,674)	(192,674)
- proposed for 2013	11	-	-	(245,935)	245,935	-
		-	-	(245,935)	53,261	(192,674)
At end of year		182,174	4,392,668	625,333	245,935	5,446,110

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 Shs'000	2012 Shs'000
Operating activities			
Cash generated from operations	26	1,262,096	1,472,310
Interest paid		(177,435)	(172,057)
Interest received		32,613	17,496
Income tax paid		(168,301)	(137,997)
Net cash generated from operating activities		948,973	1,179,752
Investing activities			
Purchase of property, plant and equipment	18	(562,738)	(748,445)
Proceeds from disposal of property, plant and equipment		1,374	2,463
Investment in associates	22	-	(203,372)
Short-term bank deposits - net		-	145,279
Cash inflow on acquisition	17	45,567	-
Non-current receivable	19	47,180	(115,497)
Net cash used in investing activities		(468,617)	(919,572)
Financing activities			
(Payment)/proceeds from short term borrowings		(50,000)	200,000
Long-term borrowings - net		(476,300)	(373,911)
Dividends paid to Company's shareholders	11	(192,674)	(192,674)
Net cash (used)/ generated from financing activities		(718,974)	(366,585)
Net (decrease)/increase in cash and cash equivalents		(238,618)	(106,405)
Movement in cash and cash equivalents			
At start of year		47,650	194,765
Decrease in cash		(238,618)	(106,405)
Effect of currency translation differences		72,497	(40,710)
At end of year	24	(118,471)	47,650

Notes to the Financial Statements

1 GENERAL INFORMATION

TPS Eastern Africa Limited is incorporated in Kenya under the Companies Act (Cap 486 of the Laws of Kenya) as a public limited liability company and is domiciled in Kenya. The address of its registered office is:

Williamson House
4th Ngong Avenue
P. O. Box 48690
00100 NAIROBI
KENYA

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

- The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to IAS 1, 'Presentation of Financial Statements ' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment only affects presentation on the face of the statement of comprehensive income.

IAS 19, (Amendment) 'Employee benefits': the key amendments include the elimination of the "corridor approach", modification of accounting for termination payments, and changes to the disclosure requirements for defined benefit plans.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The impact has been increased disclosure in the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the company until 1 January 2014.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Annual improvements 2010-2012 and 2011-2013 cycles – These are collections of 7 and 4 amendments to standards respectively as part of the IASB's programme to annual improvements. The amendments are all effective for annual periods beginning on or after 1 July 2014 and the directors are currently assessing the impact of these improvements on their financial statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.
Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The Group uses the acquisition method of accounting 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 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.
If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through 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 the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement .

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through 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 the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries 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.

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

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

(iii) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

(b) Consolidation (continued)

(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 by the equity method of accounting. Under the equity method, the investments are 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 the income statement.

The Group's share of its associates' post-acquisition profits or losses 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 an associate' 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 from investments in associates are recognised in the income statement.

(v) 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.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Transactions and balances (continued)

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

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

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

(iii) Group companies

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

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

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

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

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

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

d) Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition

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

Revenue is recognised as follows:

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

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

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

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

(f) Property, plant and equipment

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

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

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

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

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

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

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

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

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

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

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

(h) Impairment of non-financial assets

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

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

(i) Financial assets

(i) Classification

The Group classifies its financial assets under loans and receivables and available-for-sale financial assets. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company has transferred substantially all risks and rewards of ownership. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised profit or loss when the Group's and Company's right to receive payments is established.

(iii) 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.

(iv) 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 or held-to-maturity investment 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.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Accounting for leases

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

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

(k) Inventories

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

(l) Receivables

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

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

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

(m) Payables

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

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

(n) Share capital

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

(o) Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Retirement benefit obligations

For unionised employees, 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. Any increase or decrease in the provision other than benefits paid is taken to the profit or loss.

The Group in Kenya operates a defined contribution post-employment benefit scheme for all its permanent non-unionised 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.

(ii) Other entitlements

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

(iii) 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.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax (continued)

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 shown as part of retained earnings until declared.

(t) Comparatives

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Critical accounting estimates and assumptions

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

Impairment of goodwill

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

Income taxes

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

Gratuity scheme obligations

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

Notes to the Financial Statements (continued)

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 2013, if the 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 14,724,043 (2012: Shs 5,335,969) higher/ lower, mainly as a result of US dollar receivables, payables and bank balances.

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2013 (2012: 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 2013, an increase/decrease of 10% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 14,774,186 (2012: 5,000,397).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

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

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

The maximum exposure for credit risk equals the amounts disclosed on the statement of financial position in 2013 and 2012.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Group		Company	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Past due but not impaired:				
- by up to 30 days	492,204	515,016	-	-
- by 31 to 60 days	92,895	184,346	-	-
- by 61 to 90 days	18,345	9,517	-	-
- by over 90 days	43,695	4,226	-	-
Total past due but not impaired	647,140	713,105	-	-
Impaired and fully provided for	32,251	41,675	-	-

Liquidity risk

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

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

(a) Group	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2013:				
- borrowings and interest	1,045,385	497,858	491,241	-
- trade and other payables	1,280,417			
At 31 December 2012:				
- borrowings and interest	939,782	531,239	973,819	-
- trade and other payables	1,258,031	-	-	-
(b) Company				
At 31 December 2013:				
- trade and other payables	5,928	-	-	-
At 31 December 2012:				
- trade and other payables	2,380	-	-	-

Notes to the Financial Statements (continued)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

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

During 2013 the Group's strategy, which was unchanged from 2012, was to maintain a gearing ratio between 25% and 40%. The gearing ratios at 31 December 2013 and 2012 as follows:

	2013 Shs'000	2012 Shs'000
Total borrowings	1,761,950	2,098,640
Less: cash and cash equivalents	(275,259)	(257,205)
Net debt	1,486,691	1,841,435
Total equity	11,032,277	8,181,410
Total capital	12,518,968	10,022,845
Gearing ratio	12%	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 and tanzania. kenya is further segregated into hotels and lodges.

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

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

Notes to the Financial Statements (continued)

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2013 is as follows:

	Kenya Hotels Shs '000	Kenya Lodges Shs '000	Tanzania Lodges Shs '000	Uganda Hotels Shs '000	All other segments Shs '000	Total Shs '000
Revenue	1,943,157	1,237,014	2,155,610	1,444,278	331,145	7,111,204
Less inter segmental sales	-	-	-	-	(269,784)	(269,784)
Net revenue from third parties	1,943,157	1,237,014	2,155,610	1,444,278	61,361	6,841,420
EBITDA	330,248	157,221	624,284	361,803	(5,741)	1,467,815
Depreciation and amortisation	(87,556)	(82,046)	(144,498)	(72,678)	(1,468)	(388,246)
Income tax expense	(38,850)	(35,032)	(147,493)	(70,480)	(12,862)	(304,717)
Share of (loss)/profit from associate	-	(2,658)		-	24,449	21,791
Investment in associate	-	32,140	-	-	922,853	954,993
Additions to non-current assets	76,853	188,509	132,504	163,486	1,386	562,738
Total assets	3,912,454	2,087,642	4,968,383	2,600,349	2,671,050	16,239,878
Goodwill	230,152	90,000	733,218	252,086	4,491	1,309,947

The segment information for the year ended 31 December 2012 is as follows:

	Kenya Hotels Shs '000	Kenya Lodges Shs '000	Tanzania Lodges Shs '000	All other segments Shs '000	Total Shs '000
Revenue	1,983,127	1,155,607	2,103,622	317,827	5,560,183
Less inter segmental sales	-	-	-	(216,223)	(216,223)
Net revenue from third parties	1,983,127	1,155,607	2,103,622	101,604	5,343,960
EBITDA	376,839	185,685	579,891	22,411	1,164,826
Depreciation and amortisation	(79,596)	(72,390)	(150,266)	(1,442)	(303,694)
Income tax expense	(65,066)	(39,002)	(106,001)	(17,859)	(227,928)
Share of (loss)/profit from associate	-	(176)	-	42,998	42,822
Investment in associate	-	34,798	-	898,404	933,202
Additions to non-current assets	346,217	311,164	122,652	246,370	1,026,403
Total assets	3,938,297	1,955,136	4,873,525	2,717,118	13,484,076
Goodwill	230,152	90,000	733,218	4,491	1,057,861

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

5 SEGMENT INFORMATION (CONTINUED)

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

	2013 Shs'000	2012 Shs'000
EBITDA	1,467,815	1,164,826
Depreciation	(388,246)	(303,694)
Share of profit from associate	21,791	42,822
Finance costs – net	(128,113)	(182,438)
Profit before tax	973,247	721,516

The entity is domiciled in Kenya. Its revenue from customers in Kenya is Shs 3,180,170,000 (2012: Shs 3,240,338,000), and the total of revenue from external customers from other countries is Shs 3,661,250,000 (2012: Shs 2,103,622,000). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

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

6 EXPENSES BY NATURE

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

	Group	
	2013 Shs'000	2012 Shs'000
Loss on disposal of property, plant and equipment	681	2,671
Net finance cost	(128,113)	(182,438)
Receivables – provision for impairment losses (Note 23)	(16,971)	(22,692)
Auditors' remuneration (Company: 2013: Shs 2,498,157 & 2012: Shs 2,379,196)	15,352	12,732
Employee benefit expense (Note 7)	1,996,218	1,636,436
Repairs and maintenance of property, plant and equipment	162,363	108,818

7 EMPLOYEE BENEFITS EXPENSE

	Group	
	2013 Shs'000	2012 Shs'000
Salaries, wages and other staff costs	1,870,296	1,534,708
Retirement benefits costs:		
- Gratuity charge (Note 16)	17,060	23,360
- Defined contribution scheme	35,812	33,394
- National Social Security Funds	73,050	44,974
	1,996,218	1,636,436

8 FINANCE INCOME AND COSTS

	Group	
	2013 Shs'000	2012 Shs'000
Interest income:		
- fixed and call deposits	582	264
- staff loans	1,822	8,441
- related party loans	30,209	8,791
Net foreign currency exchange gain on borrowings	16,709	-
Finance income	49,322	17,496
Interest expense:		
- bank borrowings	(177,435)	(172,057)
Net foreign currency exchange loss on borrowings	-	(27,877)
Finance costs	(177,435)	(199,934)
Net finance costs	(128,113)	(182,438)

9 INCOME TAX EXPENSE

	Group	
	2013 Shs'000	2012 Shs'000
Current income tax	227,808	144,422
Deferred income tax (Note 15)	76,909	83,506
Income tax expense	304,717	227,928

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	
	2013 Shs'000	2012 Shs'000
Profit before income tax	973,247	721,516
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2012-30%)	291,974	216,455
Tax effect of:		
Income not subject to tax	(7,685)	(12,206)
Expenses not deductible for tax purposes	19,982	16,954
Under provision of deferred income tax in prior year	446	6,725
Income tax expense	304,717	227,928

Notes to the Financial Statements (continued)

10 EARNINGS PER SHARE

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

	2013	2012
Profit attributable to equity holders of the Company (Shs 000s)	628,943	533,683
Weighted average number of ordinary shares in issue (thousands)	182,174	148,211
Basic earnings per share (Shs)	3.45	3.60

There were no potentially dilutive shares outstanding at 31 December 2013 or 2012. 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 2013 were 182,174,108 shares (2012: 148,210,640 shares). A dividend in respect of qualifying shares for the year ended 31 December 2013 of Shs 1.35 per share (2012: Shs 1.30) amounting to Shs 245,935,046 (2012: Shs 192,673,832) 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 2012 and 31 January 2012	148,211	148,211	3,032,431
Issued in 2013	33,963	33,963	1,360,237
Balance at 31 December 2013	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 (2012: 148,210,640) 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.

Notes to the Financial Statements (continued)

14 BORROWINGS

	Group		Company	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
The borrowings are made up as follows:				
Non-current				
Bank borrowings	872,193	1,326,720	-	-
Current				
Bank overdraft	393,730	209,555	-	-
Bank borrowings	346,027	362,365	-	-
Commercial paper	150,000	200,000	-	-
	889,757	771,920	-	-
Total borrowings	1,761,950	2,098,640	-	-

The borrowings include secured liabilities (bank borrowings and overdraft) in a total amount of Shs 1,211,950 (2012: Shs 1,498,640,000), commercial paper Shs 150,000,000 (2012: 200,000,000) and long term notes Shs 400,000,000 (2012: 400,000,000). Bank loans and overdrafts are secured by legal charges over certain land, buildings and other assets of the Group, 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.

	Group	
	2013	2012
The effective interest rates at the year-end were as follows:		
Kenya		
- Bank borrowings : Kenya Shillings	11.65%	16.00%
- Long term notes : Kenya Shillings	11.50%	11.50%
- Commercial paper: Kenya Shillings	11.91%	10.14%
Tanzania		
- Bank overdrafts: US Dollars (3.25% above 3-month LIBOR)	3.53%	3.72%
- Bank borrowings: US Dollars (2% above 3-month LIBOR)	3.53%	2.47%
: Tanzania Shillings – National Bank of Commerce Tanzania Limited	-	-
: Tanzania Shillings – Barclays Bank of Tanzania Limited (existing)	11.50%	16.00%
: Tanzania Shillings – Barclays Bank of Tanzania Limited (new)	11.00%	13.50%
Zanzibar		
- Bank overdrafts and bank borrowings: Tanzania Shillings (existing)	12.50%	12.50%
- Bank overdrafts and bank borrowings: Tanzania Shillings (new)	13.50%	13.50%
Uganda		
- Bank borrowings : US Dollars	2.90%	-

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.

15 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2012: 30%). The movement on the deferred income tax account is as follows:

	Movement in deferred tax liability Shs'000	Movement in deferred tax asset Shs'000	Total Shs '000
Year ended 31 December 2012			
At start of year	1,678,659	(143,000)	1,535,659
Income statement charge/(credit) (Note 9)	128,471	(44,965)	83,506
Credit to equity	(23,767)	(28,788)	(52,555)
At end of year	1,783,363	(216,753)	1,566,610
Year ended 31 December 2013			
At start of year	1,783,363	(216,753)	1,566,610
On acquisition (Note 17)	48,374	-	48,374
Income statement charge/(credit) (Note 9)	95,482	(18,573)	76,909
Translation difference	5,880	(893)	4,987
At end of year	1,933,099	(236,219)	1,696,880

Deferred income tax – Group

Consolidated deferred income tax assets and liabilities, deferred income tax charge/(credit) in the income statement, and deferred income tax charge/(credit) in equity are attributable to the following items:

Year ended 31 December 2013	1.1.2013 Shs'000	On acquisition Shs'000	Charge/ (credit) to is Shs'000	Credit to equity Shs'000	31.12.2013 Shs'000
Deferred income tax liabilities					
- on historical cost	608,832	160,169	31,067	-	800,068
- on revaluation surplus	1,262,651	-	(11,183)	-	1,251,468
Unrealised exchange gains	117,506	13,584	5,040	-	136,130
Accelerated tax depreciation	40,606	-	-	-	40,606
Other deductible temporary differences	(34,178)	-	2,926	4,987	(26,265)
	1,995,417	173,753	27,850	4,987	2,202,007

Notes to the Financial Statements (continued)

15 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax – Group (continued)

Deferred income tax assets					
Tax losses carried forward	(379,859)	(124,751)	47,265	-	(457,345)
Provisions	(48,946)	(628)	1,794	-	(47,780)
Under provision in the year	(2)	-	-	-	(2)
	(428,807)	(125,379)	49,059	-	(505,127)
Net deferred income tax liability	1,566,610	48,374	76,909	4,987	1,696,880

Deferred income tax – Group

Consolidated deferred income tax assets and liabilities, deferred income tax charge/(credit) in the income statement, and deferred income tax charge/(credit) in equity are attributable to the following items:

Year ended 31 December 2012	1.1.2012 Shs'000	Charge/ (credit) to IS Shs'000	Credit to equity Shs'000	31.12.2012 Shs'000
Deferred income tax liabilities				
- on historical cost	529,212	79,620	-	608,832
- on revaluation surplus	1,277,384	(8,941)	(5,792)	1,262,651
Unrealised exchange gains	105,158	12,348	-	117,506
Accelerated tax depreciation	40,657	(51)	-	40,606
Other deductible temporary differences	11,803	782	(46,763)	(34,178)
	1,964,214	83,758	(52,555)	1,995,417
Deferred income tax assets				
Tax losses carried forward	(387,835)	7,976	-	(379,859)
Provisions	(40,718)	(8,228)	-	(48,946)
Under provision in the year	(2)	-	-	(2)
	(428,555)	(252)	-	(428,807)
Net deferred income tax liability	1,535,659	83,506	(52,555)	1,566,610

Deferred income tax of Shs 13,581,000 (2012: Shs 14,734,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on their historical cost.

Notes to the Financial Statements (continued)

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	
	2013	2012
	Shs'000	Shs'000
At start of year	146,622	131,689
Charge to income statement (Note 7)	17,060	23,360
Benefits paid	(7,064)	(8,427)
At end of year	156,618	146,622

The amounts recognised in the consolidated income statement for the year are as follows:

	Group	
	2013	2012
- discount rate	13.0%	12.0%
- 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 have been charged to income statement on the basis of materiality.

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.

17 BUSINESS COMBINATIONS

On 1 January 2013, the Group acquired 65.19% of the share capital of TPS (Uganda) Limited through a share swap. The acquired business contributed revenues of Shs 1,444,278,000 and net profit of Shs 149,116,258 to the Group for the year. Details of net assets acquired and goodwill are as follows:

Purchase consideration:	1 January
	Shs '000
– Cash paid	23,767
– Share issued	1,394,200
Total purchase consideration	1,417,967
Fair value of net assets acquired	(1,165,881)
Goodwill (Note 20)	252,086

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after

Notes to the Financial Statements (continued)

17 BUSINESS COMBINATIONS (CONTINUED)

the Group's acquisition of TPS (Uganda) Limited.

The fair value of the shares issued was based on the average price of shares as at 1 January 2013

The assets and liabilities as of 1 January 2013 arising from the acquisition are as follows:

Purchase consideration:

	Fair value (1 January Shs'000	Acquiree's carrying amount Shs'000
Cash and cash equivalents	69,334	69,334
Property, plant and equipment (Note 18)	2,030,625	2,030,625
Inventories	125,873	125,873
Trade and other receivables	270,998	270,998
Trade and other payables	(287,786)	(287,786)
Dividend payable	(45,946)	(45,946)
Borrowings	(326,289)	(326,289)
Deferred tax liabilities (Note 15)	(48,374)	(48,374)
Net assets	1,788,435	1,788,435
Net assets acquired (65.19%)	1,165,881	
Purchase consideration settled in cash		(23,767)
Cash and cash equivalents in subsidiary acquired		69,334
Cash inflow on acquisition		45,567

There were no other acquisitions in the year ended 31 December 2013.

18 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs '000
At 1 January 2012					
At cost or revaluation	9,505,754	2,391,487	270,404	277,080	12,444,725
Accumulated depreciation	(1,629,300)	(1,450,613)	(184,697)	-	(3,264,610)
Translation differences	(354,060)	24,184	(21,686)	489	(351,073)
Net book amount	7,522,394	965,058	64,021	277,569	8,829,042
Year ended 31 December 2012					
Opening net book amount	7,522,394	965,058	64,021	277,569	8,829,042
Additions	271,172	232,498	11,128	275,761	790,559
Disposals	-	(43,042)	(4,206)	-	(47,248)
Transfers	56,132	3,052	-	(59,184)	-
Depreciation charge	(164,373)	(122,640)	(16,681)	-	(303,694)
Translation differences	(151,830)	(22,181)	(2,310)	(1,852)	(178,173)
Closing net book amount	7,533,495	1,012,745	51,952	492,294	9,090,486

Notes to the Financial Statements (continued)

18 PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTINUED)

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 31 December 2012					
At cost or revaluation	9,833,058	2,583,995	277,326	493,657	13,188,036
Accumulated depreciation	(1,793,673)	(1,573,253)	(201,378)	-	(3,568,304)
Translation differences	(505,890)	2,003	(23,996)	(1,363)	(529,246)
Net book amount	7,533,495	1,012,745	51,952	492,294	9,090,486

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	
At 1 January 2013					
At cost or revaluation	9,833,058	2,583,995	277,326	493,657	13,188,036
Accumulated depreciation	(1,793,673)	(1,573,253)	(201,378)	-	(3,568,304)
Translation differences	(505,890)	2,003	(23,996)	(1,363)	(529,246)
Net book amount	7,533,495	1,012,745	51,952	492,294	9,090,486
Year ended 31 December 2013					
Opening net book amount	7,533,495	1,012,745	51,952	492,294	9,090,486
On acquisition of TPS (Uganda) Limited	1,725,813	262,848	2,574	39,390	2,030,625
Additions	277,754	236,596	4,845	43,543	562,738
Disposals	-	(2,055)	-	-	(2,055)
Transfers	93,416	55,722	2,986	(152,124)	-
Depreciation charge	(203,800)	(160,052)	(24,394)	-	(388,246)
Translation differences	3,426	(1,246)	(229)	83	2,034
Closing net book amount	9,430,104	1,404,558	37,734	423,186	11,295,582
At 31 December 2013					
At cost or revaluation	11,930,041	3,137,106	287,731	424,466	15,779,344
Accumulated depreciation	(1,997,473)	(1,733,305)	(225,772)	-	(3,956,550)
Translation differences	(502,464)	757	(24,225)	(1,280)	(527,212)
Net book amount	9,430,104	1,404,558	37,734	423,186	11,295,582

Notes to the Financial Statements (continued)

18 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

In the opinion of the directors, there is no impairment of property, plant and equipment. Land and buildings for Tourism Promotion Services (Kenya) Limited, Tourism Promotion Services (Tanzania) Limited & Tourism Promotion Services (Zanzibar) Limited were all revalued on 31 December 2010 by independent professional valuers, C.P.Robertson-Dunn for Kenya and H & R Consultancy Limited in Tanzania. Valuations were made on the basis of earnings for existing use.

The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluation surplus in shareholders' equity.

Capital work in progress is mainly in relation to capital projects being undertaken with respect to Kenyan and Tanzanian lodges.

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

	Group	
	2013 Shs'000	2012 Shs'000
Cost	8,414,303	6,410,737
Accumulated depreciation	(2,368,328	(2,200,042)
Net book amount	6,045,975	4,210,695

19 NON-CURRENT RECEIVABLES

	Company and Group	
	2013 Shs'000	2012 Shs'000
At start of the year	188,996	-
Advanced during the year	-	188,996
Repayment	(65,959)	-
At end of year	123,037	188,996
Current	54,720	73,499
Non-current	68,317	115,497
	123,037	188,996

Non-current receivables relate to a loan advanced in the year to Tanruss Investment Limited in the year,an associate company of the Group, repayable in 36 instalments commencing November 2012 at an interest rate of 3-month LIBOR + 3.6%. Effective interest rate at the end of the year was 3.946%. The current portion of the loan is included under Current Assets of the Group and of the Company, classified as 'Receivables from related companies'.

Notes to the Financial Statements (continued)

20 INTANGIBLE ASSET - GROUP

Goodwill	Group 2013 Shs'000	Group 2012 Shs'000
Cost	1,329,955	1,077,869
Accumulated impairment	(20,008)	(20,008)
Net book amount	1,309,947	1,057,861

Impairment tests for goodwill

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

An entity-level summary of the goodwill allocation is presented below:

	2013 Shs'000	2012 Shs'000
Tourism Promotion Services (Kenya) Limited	324,643	324,643
Tourism Promotion Services (Tanzania) Limited	576,345	576,345
Tourism Promotion Services (Zanzibar) Limited	154,671	154,671
Tourism Promotion Services (Mangapwani) Limited	2,202	2,202
TPS (Uganda) Limited	252,086	-
	1,309,947	1,057,861

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

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

Key assumptions used for value-in-use calculations:

	Kenya	Tanzania	Zanzibar
EBITDA margin[1]	23%	37%	37%
Growth rate[2]	2%	2%	2%
Discount rate[3]	12.3%	12.5%	12.5%

[1] Budgeted EBITDA margin

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

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

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.

Notes to the Financial Statements (continued)

21 INVESTMENT IN SUBSIDIARIES (AT COST)

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

The movement in investments in the year is as follows:

	TPS(K) Shs'000	TPS(T) Shs'000	TPS(Z) Shs'000	TPS(Mgp) Shs'000	TPS(SA) Shs'000	TPS(M) Shs'000	TPS(U) Shs'000	Total Shs'000
At 1 January & 31 December 2012	828,621	1,487,783	437,423	45,795	1	-	-	2,799,623
Addition during the year	-	-	-	-	-	-	1,417,967	1,417,967
At 31 December 2013	828,621	1,487,783	437,423	45,795	1	-	1,417,967	4,217,590
Country of Incorporation	Kenya	Tanzania	Tanzania	Tanzania	South Africa	Kenya	Uganda	
% interest held	100.00%	100.00%	100.00%	100.00%	100.00%	75.00%	65.19%	

Other indirect subsidiaries include Jaja Limited, which owns Lake Elmenteita Serena Camp, and TPS (OP) Limited which owns Sweetwaters Serena Camp (SWSC) 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 Shs'000
2013					
Upekee Lodges Limited	51	850,405	353,754	64,670	(81,711)
TPS (Uganda) Limited	65	2,600,349	536,103	1,444,278	228,741
		3,450,754	889,857	1,508,948	147,030
2012					
Upekee Lodges Limited	51	850,754	801,744	56,588	(81,827)

Notes to the Financial Statements (continued)

22 INVESTMENT IN ASSOCIATES

	Group	
	2013 Shs'000	2012 Shs'000
At start of the year	933,202	687,008
Additional investment during the year [1]	-	203,372
Share of associate results before tax	31,300	60,059
Share of tax	(9,509)	(17,237)
Net share of results after tax	21,791	42,822
At end of year	954,993	933,202

	Company	
	2013 Shs'000	2012 Shs'000
At start of the year	840,330	636,958
Additional investment during the year [1]	-	203,372
At end of year	840,330	840,330

[1] On 1 November 2011, the Company acquired 20% 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. In 2012, TPS Eastern Africa Limited purchased an additional 5.1% in TPS(D) Limited bringing the total shareholding to 25.1%.

Notes to the Financial Statements (continued)

22 INVESTMENT IN ASSOCIATES (CONTINUED)

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

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	Profit Shs'000
2013					
Mountain Lodges Limited	29.90	133,605	40,608	69,415	(8,891)
Tourism Promotion Services (Rwanda) Limited	20.15	2,255,408	839,139	1,306,228	53,514
TPS (D) Limited	25.10	4,020,470	2,057,524	1,278,345	54,446
		6,409,483	2,937,271	2,653,988	99,069

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	Profit Shs'000
2012					
Mountain Lodges Limited	29.90	152,675	45,827	81,126	(590)
Tourism Promotion Services (Rwanda) Limited	20.15	2,272,424	839,591	1,312,946	40,803
TPS (D) Limited	20.00	4,007,562	2,112,295	1,147,806	141,550
		6,432,661	2,997,713	2,541,878	181,763

23 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Trade receivables – third parties	769,186	972,259	-	-
Less: provision for impairment of receivables	(32,251)	(41,675)	-	-
Trade receivables – other related companies (Note 28)	5,622	558	-	-
Net trade receivables	742,557	931,142	-	-
Prepayments	276,955	99,636	-	-
Advances to related companies (Note 28)	377,321	281,382	318,213	238,075
Other receivables	195,871	131,606	5,425	4,262
	1,592,704	1,443,766	323,638	242,337

23 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	Group		Company	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
At start of year	41,675	64,367	-	-
On acquisition	7,547	-	-	-
Provision in the year	4,027	5,118	-	-
Unused amounts reversed	(20,998)	(27,810)	-	-
At end of year	32,251	41,675	-	-

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	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
US Dollar	340,221	486,070	-	-
Euro	4,124	3,407	-	-
Sterling Pound	6,905	3,336	-	-
Kenya Shillings	725,805	711,213	323,638	242,337
Tanzania Shillings	293,596	239,740	-	-
Uganda Shillings	222,053	-	-	-
	1,592,704	1,443,766	323,638	242,337

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Cash at bank and in hand	275,259	257,205	2,163	572
Short term bank deposits	-	-	-	-
	275,259	257,205	2,163	572

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

	Group	
	2013 Shs'000	2012 Shs'000
Cash and bank balances as above	275,259	257,205
Bank overdrafts (Note 14)	(393,730)	(209,555)
	(118,471)	47,650

25 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Trade payables	543,520	528,633	-	-
Trade payables – related companies (Note 28)	5,701	4,820	-	-
Advances from related companies (Note 28)	37,711	174,240	-	-
Accrued expenses and other payables	693,485	550,338	5,928	2,380
	1,280,417	1,258,031	5,928	2,380

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	
	2013 Shs'000	2012 Shs'000
Profit before income tax	973,247	721,516
Adjustments for:		
Interest expense (Note 8)	177,435	172,057
Interest income (Note 8)	(32,613)	(17,496)
Depreciation (Note 18)	388,246	303,694
Loss on sale of property, plant and equipment	681	2,671
Share of profit from associates (Note 22)	(21,791)	(42,822)
- receivables and prepayments	122,060	192,461
- inventories	(11,677)	6,282
- payables and accrued expenses	(343,488)	119,014
- provisions for liabilities and charges	9,996	14,933
Cash generated from operations	1,262,096	1,472,310

27 NON CONTROLLING INTEREST

	Group	
	2013 Shs'000	2012 Shs'000
At start of the year	56,760	96,855
On investment by minority shareholder[1]	260,512	-
On acquisition of TPS (Uganda) Limited	622,554	-
Share of profit/(loss) for the year	39,587	(40,095)
At end of year	979,413	56,760

Notes to the Financial Statements (continued)

27 NON CONTROLLING INTEREST (CONTINUED)

[1]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 Serena Camp and Serena Mivumo River Lodge which are both situated in the Selous Game Reserve in Southern Tanzania.

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	
	2013 Shs'000	2012 Shs'000
Mountain Lodges Limited	6,994	8,008
Diamond Trust Bank Kenya Limited	3,194	4,573
The Jubilee Insurance Company of Kenya Limited	5,382	3,293
TPS (Uganda) Limited	-	45,764
Tourism Promotion Services (Rwanda) Limited	39,120	34,993
Hoteis Polana, S.A.	25,956	26,523
Nation Media Group	4,895	7,640
Industrial Promotion Services (Kenya) Limited	2,811	672
Directors and key Management	2,486	2,392
The Jubilee Insurance Company of Uganda Limited	201	-
Diamond Trust Bank of Uganda Limited	2,599	-
Tanruss Investment Limited	97,307	-
African Broadcasting (Uganda) Limited	17,306	-
Monitor Publication Limited	4,810	-
Aga Khan Development Network (Kenya)	126	-
Aga Khan Estates (Kenya)	33	-
Aga Khan University Hospital (Kenya & Uganda)	1,136	-
Aga Khan Foundation	2,408	-
Aga Khan Health Services	320	-
Air Uganda	3,351	-
Aga Khan Education Services (Kenya)	56	-
Aga Khan Development Network (Uganda)	3,422	-
	223,913	133,858

Notes to the Financial Statements (continued)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

	Group	
ii) Purchase of goods and services from:	2013 Shs'000	2012 Shs'000
Farmer's Choice Limited	42,843	81,694
The Aga Khan Hospital (Tanzania) Limited	1,154	1,948
The Jubilee Insurance Company of Kenya Limited	5,957	6,226
Diamond Trust Bank Tanzania Limited	9,019	6,388
Serena Tourism Promotion Services, S.A.	84,647	75,091
Nation Media Group	1,189	968
The Jubilee Insurance Company (Tanzania) Limited	2,042	-
The Jubilee Insurance Company of Uganda Limited	30,193	-
Monitor Publication Limited	4,072	-
Air Uganda	2,365	-
	183,481	172,315
iii) Key management compensation		
Salaries and other short-term employment benefits	193,377	196,734
iv) Directors' remuneration		
Fees for services as a non-executive director	1,010	1,070
Emoluments to executive directors (included in key management compensation above)	74,837	76,903
Total remuneration of directors of the Company	75,847	77,973

	Group	
v) Outstanding balances arising from sale and purchase of goods/services from related parties	2013 Shs'000	2012 Shs'000
Trade receivables from related parties		
Industrial Promotion Services (Kenya) Limited	423	98
Nation Media Group	211	355
The Jubilee Insurance Company of Kenya Limited	906	105
Aga Khan Estates (Kenya)	34	-
Aga Khan Development Network (Kenya)	3	-
Aga Khan Development Network (Uganda)	12	-
Aga Khan Education Services (Uganda)	24	-
Aga Khan University Hospital (Kenya & Uganda)	269	-
Air Uganda	712	-
The Jubilee Insurance Company of Uganda Limited	106	-
Monitor Publications	2,922	-
	5,622	558

Notes to the Financial Statements (continued)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Group	
Other receivables from related parties		
Mountain Lodges Limited	2,895	2,219
TPS (Uganda) Limited	-	1,977
Hoteis Polana, S.A.	43,308	76,160
Tourism Promotion Services (Rwanda) Limited	46,255	20,120
Pearl Development Group Limited	26,790	-
Serena Tourism Promotion Services S.A.	1,467	356
Tanruss Investment Limited	254,251	178,200
TPS (D) Limited	2,355	2,350
	377,321	281,382
	382,943	281,940

	Company	
Other receivables from related parties		
Tourism Promotion Services (Kenya) Limited	107,206	43,722
Tourism Promotion Services (Tanzania) Limited	102,866	75,449
Tourism Promotion Services (Zanzibar) Limited	33,306	30,463
Tourism Promotion Services (Management) Limited	-	20
Tourism Promotion Services (South Africa) (Pty) Limited	-	6,388
Tanruss Investment Limited	74,835	82,033
	318,213	238,075

Notes to the Financial Statements (continued)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Group	
	2013 Shs'000	2012 Shs'000
Trade payables to related parties		
Farmer's Choice Limited	4,583	4,369
The Jubilee Insurance Company Limited	-	451
Air Uganda	849	-
African Broadcasting (Uganda) Limited	67	-
Aga Khan University Hospital (Kenya & Uganda)	199	-
Aga Khan Education Services (Uganda)	3	-
	5,701	4,820
Other payables to related parties		
Mountain Lodges Limited	1,244	30,012
TPS (Uganda) Limited	-	98,436
Hoteis Polana, S.A.	10,395	19,723
Tourism Promotion Services (Rwanda) Limited	12,874	17,351
Ol Pejeta Ranching Limited	55	-
Tanruss Investment Limited	5,249	3,876
TPS (D) Limited	1,346	3,666
Tourism Promotion Services (Burundi) Limited	-	1,176
Pearl Development Group Limited	4,624	-
Serena Tourism Promotion Services S.A.	1,924	-
	37,711	174,240
	43,412	179,060

vi) Loans to directors of the Company

	2013 Shs'000	2012 Shs'000
At start of year		
Loans advanced	-	408
Loan repayments received	-	9
	-	(417)
At end of year	-	-

No provisions for impairment losses have been required in 2012 and 2013 for any related party receivables.

vii) TPS Eastern Africa Limited has provided a corporate guarantee to the lenders of Tanruss Investment Limited, the owner of Dar es Salaam Serena Hotel, for an amount of Shs Shs 817,000,000 (2012: 1,701,400,000) which was obtained to settle loans to the previous owners.

The Company has also provided corporate guarantee of Shs 400,000,000 each on the long term notes and commercial papers issued by Tourism Promotion Services (Kenya) Limited.

Notes to the Financial Statements (continued)

29 CONTINGENT LIABILITIES

At 31 December 2013, Tourism Promotion Services (Kenya) Limited had given guarantees amounting to Shs 7,320,000 (2012: Shs 5,209,000) 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.

30 COMMITMENTS

Capital commitments

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

	Group	
	2013 Shs'000	2012 Shs'000
Property, plant and equipment	202,889	107,757

Operating lease commitments

	Group	
	2013 Shs'000	2012 Shs'000
Not later than 1 year	18,145	8,364
Later than 1 year and not later than 5 years	27,993	19,993
Later than 5 years	175,119	180,117
	221,257	208,474

Notes

Notes

Proxy Form

TPS
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 Wednesday 28th May 2014 at 11:00 a.m. and at any adjournment thereof.

No. of shares held: ______________________ Account number: ______________________

Signed this ______________________ day of ______________________ 2014

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 24th May, 2014 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 Mei 28 2014 kuanzia saa nane unusu au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ______________________ nambari ya akaunti

Imetiwa sahihi ______________________ Tarehe ______________________ 2014

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 Mei 24 2014 saa tano asubuhi.
3) Si lazima kwa mtu aliyeteuliwa kama wakala kuwa mwanachama wa kampuni
4) Endapo mwanachama atakuwa kampuni/shirika, fomu hii ya uwakilishi LAZIMA ijazwe na kupigwa mhuri wake rasmi na afisa au kutiwa sahihi na wakili aliyeruhusiwa kwa njia ya kuandika.
5) Endapo umiliki utakuwa wa pamoja, sahihi ya mmoja wao itatosha lakini majina ya wamiliki wote yaonyeshwe.

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS

FOLD 1 / KUNJA 1

Please afix
Stamp here

Bandika
Stampu Hapa

IMAGE REGISTRARS

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

FOLD 2 / KUNJA 2

SERENA HOTELS
SAFARI LODGES AND CAMPS
HOTELS • RESORTS