TPS

TPS EASTERN AFRICA LIMITED

SERENA HOTELS

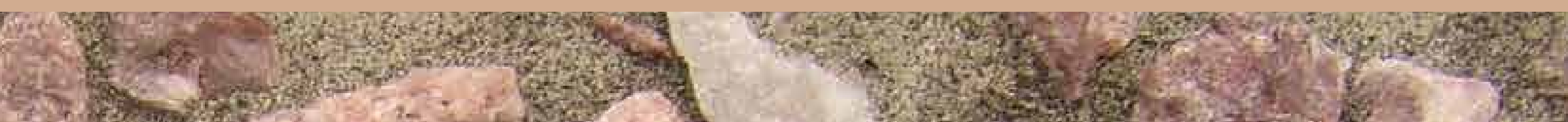
SAFARI LODGES AND CAMPS

HOTELS • RESORTS

2014

ANNUAL REPORT & FINANCIAL STATEMENTS

Content



Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello (Chairman)

Mahmud Jan Mohamed (Managing Director)

Abdulmalek Virani (Finance Director)

Ameer Kassim-Lakha

Dr. Ramadhani Dau***

Jack Jacob Kisa

Jean-Louis Vinciguerra*

Mseli Abdallah*** (Alternate to Dr. Ramadhani Dau)

Kabir Hyderally** (Deceased 01.03.15)

Guedi Ainache*

Ashish Sharma*(Alternate to Jean-Louis Vinciguerra)

Mahmood Pyarali Manji (Appointed 30.07.14)

Teddy Hollo Mapunda***(Mrs)

BOARD AUDIT COMMITTEE

Ameer Kassim-Lakha (Chairman)

Jean-Louis Vinciguerra*

Guedi Ainache*

Mahmood Pyarali Manji (Appointed 30.07.14)

BOARD NOMINATION AND REMUNERATION COMMITTEE

Jack Jacob Kisa (Chairman)

Dr. Ramadhani Dau***

Kabir Hyderally** (Deceased 01.03.15)

Guedi Ainache*

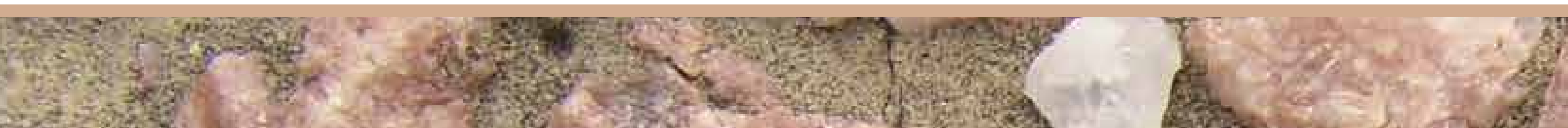
Mahmood Pyarali Manji (Appointed 30.07.14)

Teddy Hollo Mapunda***(Mrs) (Appointed 30.07.14)

*French **Pakistani ***Tanzanian

COMPANY SECRETARY

Dominic K. Ng'ang'a



Directors and Administration

PRINCIPAL OFFICERS

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

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

Daniel Kangu	General Manager	- Nairobi Serena Hotel
Tuva Mwahunga	General Manager	- Serena Beach Resort and Spa, Mombasa
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)]

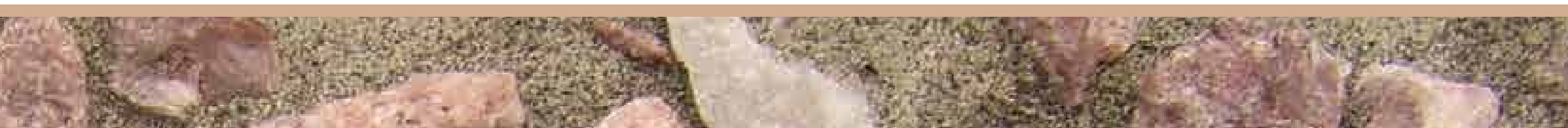
Charles Mbuya	General Manager	- Zanzibar Serena Hotel

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



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

TOURISM PROMOTION SERVICES (SOUTH AFRICA) (PROPRIETARY) LIMITED

Sales and Marketing office in Johannesburg, South Africa

OTHER PROPERTIES MANAGED BY SERENA

Lake Victoria Serena Resort - Uganda
Polana Serena Hotel - Mozambique

TPS (UGANDA) LIMITED

Kampala Serena Hotel - Uganda

Operating Associated Companies And Properties

MOUNTAIN LODGES LIMITED (30%)

Serena Mountain Lodge

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

Dar es Salaam Serena Hotel

TOURISM PROMOTION SERVICES (RWANDA) LIMITED (20%)

Kigali Serena Hotel - Rwanda
Lake Kivu Serena Hotel - Rwanda

Other Corporate Information

REGISTERED OFFICE

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

AUDITORS

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

PRINCIPAL BANKERS

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

REGISTRAR

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

Notice Of Annual General Meeting

Notice is hereby given that the Forty Third Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 29th June 2015, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Forty Second Annual General Meeting held on 28th May 2014.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2014, together with the Directors' and Auditors' Reports thereon.
3. To approve payment of a final dividend for 2014 of Kshs. 1.35 per share, subject to withholding tax, where applicable, to the Members on the Register at the close of business on 29th June 2015. Payment of the dividend to be made on or about 29th July 2015.
4. To elect Directors:
   a. Mr. Mahmood Manji was appointed on 30th July 2014 to fill a casual vacancy. He retires in accordance with Article No.110 of the Company's Articles of Association and being eligible, offers himself for re-election.

   b. Mr. Ameer Kassim-Lakha, Mr. Jack Jacob Kisa and Mr. Jean-Louis Vinciguerra retire by rotation in accordance with Articles No. 111, 112 & 113 of the Company's Articles of Association. Special notices have been received by the Company pursuant to section 142 of the Companies Act (Cap 486) and subject to section 186 of the Act that if thought fit, the following resolutions be passed

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

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

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

   c. Mr. Francis Okomo-Okello 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.
5. To approve the Directors' remuneration for 2014.
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 2014 and to authorise the Directors to fix the Auditors' remuneration for 2015.
8. To transact any other ordinary Business of an Annual General Meeting.

SPECIAL BUSINESS

9. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:
   "THAT the Company's 25% (twenty five percent) equity participation in TPS (D) Limited be and is hereby ratified".

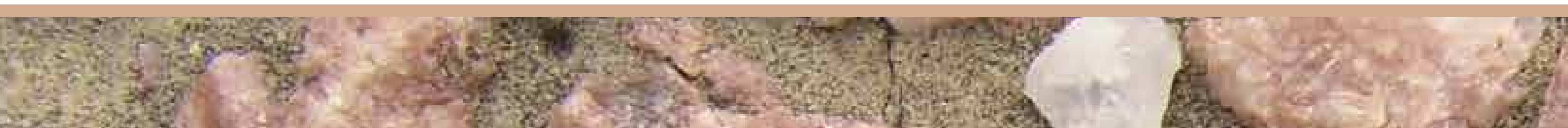
By Order of the Board.

Dominic K. Ng'ang'a
COMPANY SECRETARY

Dated at Nairobi this 28th April, 2015

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 25th June 2015.



Notisi Kuhusu Mkutano Mkuu Wa Pamoja Wa Mwaka

Notisi inatolewa hapa kwamba, mkutano mkuu wa 43 wa pamoja wa mwaka wa Kampuni utafanyika katika jumba la Kenyatta International Conference Center, Nairobi Juni 29, 2015 kuanzia saa tano asubuhi ili kuangazia maswala yafuatayo ya kibiashara:

SHUGHULI ZA KAWAIDA:

1. Kuthibitisha kumbukumbu za mkutano wa 42 wa pamoja wa mwaka uliofanyika Mei 28, 2014.
2. Kupokea, kuzingatia na endapo itakubalika , kupitisha hesabu ya mapato na matumizi ya pesa kwa kipindi cha mwaka uliomalizika Desemba 31, 2014 pamoja na ripoti kutoka kwa wakurugenzi na wakaguzi wa pesa.
3. Kupitisha malipo ya mwisho ya mgawo wa faida ya mwaka 2014 wa Kshs. 1.35 kwa kila hisa kwa kutegemea ushuru ulioshikiliwa pale inapohitajika kwa wanachama ambao majina yao yatakuwa kwenye sajili kufikia Juni 29, 2015. Malipo ya mgawo wa faida yatolewe kabla ya Julai 29, 2015.
4. Kuwachagua wakurugenzi:
   a. Bw. Mahmood Manji aliteuliwa Julai 30, 2014 kujaza nafasi isiyo rasmi anastaafu kwa mujibu wa kipengele cha sheria nambari 110 cha sheria za kampuni na kwa kuwa anastahili, amejitokeza ili kuchaguliwa tena.
   b. Mabw. Ameer Kassim- Lakha, Jack Jacob Kisa na Jean- Louis Vinciguerra wanastaafu kwa zamu kwa mujibu wa vipengele nambari 111, 112 na 113 vya sheria za makampuni. Notisi maalumu imepokelewa na kampuni kwa mujibu wa sehemu ya 142 ya sheria za kampuni (sehemu ya 486) na kwa kutegemea sehemu ya 186 ya sheria na endapo itaonekana kuwa sawa, azimio lifuatalo lipitishwe.

   '' kwamba Bw. Ameer Kassim-Lakha (ambaye ni Mkurugenzi anayestaafu kwa zamu) ambaye ana umri uliozidi miaka 70 achaguliwe tena kama Mkurugenzi wa Kampuni''.

   '' kwamba Bw. Jack Kisa (ambaye ni Mkurugenzi anayestaafu kwa zamu) ambaye ana umri uliozidi miaka 70 achaguliwe tena kama Mkurugenzi wa Kampuni''.

   '' Kwamba Bw. Jean-Louis Vinciguerra (ambaye ni mkurugenzi anayestaafu kwa zamu) ambaye ana umri uliozidi miaka 70 achaguliwe tena kama mkurugenzi wa Kampuni''.

   c. Bw. Francis Okomo - Okello anastaafu kwa zamu kwa mujibu wa vipengele nambari 111, 112 na 113 vya sheria za kampuni na kwa kuwa anastahili amejitokeza ili kuchaguliwa tena.
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 2014 na kuwaruhusu wakurugenzi kuamua malipo yao ya mwaka 2015.
8. Kuendesha shughuli nyingine zozote zinazohusiana na mkutano mkuu wa pamoja wa mwaka.

SHUGHULI MAALUMU

9. Kuzingatia na endapo itakubalika kupitisha azimio lifuatalo ambalo litachukuliwa kama azimio la kawaida.

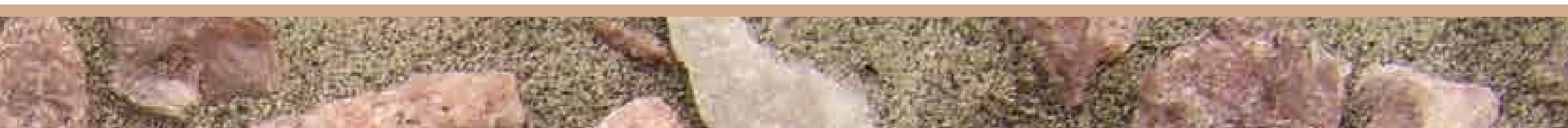
'' KWAMBA ushiriki wa mtaji wa asilimia ishirini na tano wa hisa katika TPS (D) Limited upitishwe rasmi ".

D.K Ng'ang'a
KATIBU WA KAMPUNI

Imenukuliwa Nairobi Aprili 28, 2015.

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 mnamo Juni 25, 2015.



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 2014.

During the year 2014, the Company faced a challenging business landscape in Kenya, which to some extent caused a ripple effect in the entire East African Region. Foreign leisure and to a lesser extent, corporate business segments took a cautious approach due to the elevated travel advisories and other forms of security alerts issued by governments of main source markets. The advisories, coupled with negative international media reports since year 2013, growing threat of terrorism and local security incidents cumulatively led to a significant slowdown in new leisure bookings and withdrawal of Charter flights to Kenya. The introduction of Value Added Tax (VAT) on Tourism services and park fees in September 2013 continue to make destination Kenya uncompetitive relative to the other safari destinations. The Kenyan Coast is experiencing an unprecedented business crisis.

Unfortunately due to the above mentioned challenges associated with destination Kenya, the East African combined itineraries from both the European and American markets that included Kenya, did not materialize as expected and new bookings on Kenya/Tanzania combined safaris are at a standstill. The weakening of the South African Rand against the US Dollar in 2014 resulted in consumers opting for South Africa due to a better perceived value compared to Tanzania.

From the middle of the third quarter of 2014, the Ebola epidemic originating in West African countries negatively impacted all African tourist destinations and bookings for TPSEAL units in Tanzania witnessed extensive cancellations for the period September 2014 to March 2015.

Other key concerns 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 regulations; increase in maintenance and operating costs; currency and interest rate fluctuations; and the fact that we operate in an un-level playing field.

While there were heightened terror alerts in Kampala and generally a decline in the materialization of international conferences, Serena Uganda hosted a number of high profile events and functions and recorded good performances during the period under review.

Despite the above challenges, the Company took necessary measures during 2014 to safeguard shareholder value, meet its financial commitments, maintain market share, maintain the assets in good condition so as to avoid compromising standards of product and service and 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. 6.3 billion (2013: KShs. 6.8 billion) and Profit After Tax of KShs. 274 million (2013: KShs. 451 million). The positive results can be considered satisfactory within the overall context of a business enviroment that was challanging as has been noted. It is noteworthy that the total Management fees received by TPSEAL from Tourism Promotion Services (Rwanda) Limited, Tanruss Investment Limited (TIL) and Hoteis Polana S.A. for the year 2014 was equivalent to KShs. 149.1 million (2013: KShs. 151.5 million).

The positive result is indeed a validation of the success of Serena's regionalization strategy since the year 2006 to diversify the Company's revenue stream, in the East African region. Serena Uganda recorded commendable performance in 2014 and the Associate Companies, Tourism Promotion Services (Rwanda) Limited and TPS (D) Limited recorded a growth in contribution compared to last year.

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. 1,471million (2013: KShs. 1,599

Chairman's Statement (continued)

million) in direct and indirect taxes and equivalent of KShs. 160 million (2013: KShs. 187 million) to local authorities in royalty/rent payments in the various jurisdictions during 2014.

The Board of Directors is pleased to recommend for approval by the Shareholders, the payment of a final dividend for year 2014 of KShs. 1.35 per share (2013: KShs. 1.35 per share) subject to payment of withholding tax, where applicable. The dividend will be payable on or about 29 July, 2015 to members on the Register at the close of business on 29 June, 2015. It will be noted that, despite challenging business conditions, the Company proposes to maintain the same level of dividend payment in line with the previous year.

The corporate business outlook for year 2015 for destination Africa is positive. However current forecasts mainly on the international leisure front indicate a rather challenging first half of year 2015. The international leisure market faces challenges as suppliers of business continue to question safety and security within the destinations.It is expected that the effects as noted above will negatively impact year 2015 as it was during the second half of year 2014 that decisions to include destination Kenya in catalogues by suppliers of business and holiday plans/commitments for 2015 are made. While Management is hopeful for a "recovery" during the second half of year 2015 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 across the region.

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, during 2014 the Company implemented phased bedroom upgrades, pro-active repairs and maintenance at our properties, added six new tents in the Morani Wing and a conference tent at Sweetwaters Serena Camp (SSC) and added a conference tent at Lake Elmenteita Serena Camp.

To maintain a competitive edge and enhance guest experience, additional guest activities were introduced during year 2014. As awareness continues to pick up, this is expected to increase the length of stay at the properties. The additional activities include: cooking lessons, learning of traditional musical instruments, jogging and biking trails, recurve target Archery, watercolor painting, stretching and fitness activities, Swahili language classes, bead work and basket weaving.

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 entry of new international Hotel brands offering competitive products. As was reported last year, 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 reviewed the Company's mid- and long- term strategy in relation to the Nairobi Serena Hotel (NSH) during 2014 so as to preserve its competitive edge. The outcome of the Board's and Management's deliberations is that the current product needs to be repositioned in order to remain the premier property in Nairobi, improve returns on investment, and protect market leadership. To this end, Management expects to commence the extension and refurbishment of NSH in a phased manner over a 25- month period beginning October 2015. The scope of works involved in the re-development of NSH include: upper car park, new ball room, meeting rooms, reconfigured back of building, reconfiguring and upgrading of existing bedrooms, upgrading of ground floor entrance & lobby areas, new restaurant, new guest shop, new hairdressing saloon, new 7th floor bedrooms and new executive lounge. The extension and refurbishment will result in the total number of guest rooms to increase from the existing 183 to 199. It will be appreciated that the project is necessary to enable NSH to maintain its leading position as the preferred city hotel in Nairobi for the corporate and high profile guests and that the extension and refurbishment will also ensure that the hotel withstands any competition for another 25 – 30 years, thus improving TPSEAL's consolidated profitability and earnings-per-share in the medium to long-term. On behalf of the Board and Management, I wish to assure all stakeholders that, as has been demonstrated by Serena Hotels in the past, the extension and refurbishment of NSH will be managed in an extremely sensitive manner so as to ensure that loss of business and inconvenience to our clients is kept to a minimum.

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 Page 31 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 16 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.

Chairman's Statement (continued)

On behalf of the Board and Management, I wish to take this opportunity to plead with the Government of Kenya to urgently review the enabling conditions, economic and fiscal policies for the short- and medium- term so as to enable Kenya's tourism industry to reclaim its position as an attractive destination.

On behalf of the Board, I would like to congratulate and thank the Company's Management and Staff for their continued diligence and dedication during 2014. I would also like to acknowledge, with appreciation, the invaluable support which I continue to receive from my colleagues on the Board which has helped steer the Group's business activities and strategies successfully during year 2014.

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

Reception at Amboseli Serena Safari lodge

Taarifa ya Mwenyekiti

BW. FRANCIS OKOMO-OKELLO
MWENYEKITI

Kwa niaba ya Halmashauri ya wakurugenzi wa TPS Eastern Africa Limited (TPSEAL/ Kampuni/ Kundi), nina furaha kuwaletea ripoti ya mwaka na taarifa za matumizi ya pesa ya kampuni kwa kipindi cha mwaka uliomalizika Desemba 31, 2014.

Wakati wa kipindi cha mwaka 2014, kampuni ilikumbwa na mazingira ya biashara yenye changamoto nchini Kenya ambayo kwa kiwango fulani yalisababisha athari eneo la Afrika Mashariki. Vitengo vya watalii kutoka mataifa ya kigeni na kwa kiwango fulani biashara za mashirika zilichukua tahadhari kubwa kutokana na ushauri wa safari na maswala mengine ya kiusalama yaliotolewa na serikali kutoka mataifa muhimu ambayo ni chimbuko la watalii. Ushauri huu ukiandamana na ripoti zisizo za kweli kutoka vyombo vya habari vya mataifa ya kigeni zilizoanza kuchapishwa tangu mwaka 2013 kuhusu kuzidi kuongezeka kwa visa vya tisho la kigaidi na usalama wa humu nchin, kwa pamoja zilichangia kupungua kwa safari mpya za watalii na kuondolewa kwa safari za ndege za kukodishwa nchini Kenya. Kufuatia kuanzishwa kutozwa ushuru wa ziada (VAT) kwa huduma za watalii na ada za kuingia mbuga za wanyama pori mwaka 2013, kulipelelekea Kenya kushindwa kukabiliana na ushindani ikilinganishwa na vituo vingine vya safari. Eneo la Pwani ya Kenya linakumbwa na wasi wasi wa kibiashara. Usizotarajiwa.

Kutokana na changamoto zilizotajwa hapo juu zinazohusiana na Kenya kama kituo , mikondo ya pamoja ya safari Afrika Mashariki kutoka masoko ya ulaya na Amerika ambayo ilihusus Kenya haikufanya vyema kama ilivyotarajiwa na maombi mapya ya safari za pamoja Kenya na Tanzania bado ni hafifu. Kutokana na kufifia kwa thamani ya Rand ya Afrika Kusini dhidi ya Dola ya Marekani mwaka 2014 kulipelekea watalii kukimbilia Afrika Kusini kutokana na thamani ya chini ilikinganishwa na taifa la Tanzania.

Kuanzia katikati mwa kipindi cha miezi minne ya mwisho mwaka 2014, janga la ugonjwa hatari wa Ebola uliochipuka katika mataifa ya Magharibi mwa Afrika kuliathiri safari za utalii barani Afrika na maombi ya TPSEAL kwenye hoteli zilizoko Tanzania yalifutiliwa mbali kuanzia mwezi Septemba 2014 hadi Machi 2015.

Maswala mengine yanayoendelea ni pamoja na : mazingira ya pamoja ya biashara na uchumi duniani yanayotisha; athari za maendeleo mengi kando mwa hoteli zetu na maswala mengine kutokana na shinikizo la bei; mabadiliko ya kanuni na sheria; kuzidi kuongezeka kwa gharama za uhifadhi na usimamizi; mabadiliko ya thamani na viwango vya riba; na sababu kwamba tunatekeleza shughuli zetu katika majukwaa yasiyo sawa.

Ingawa kulikuwa na tahadhari za mashambulizi ya kigaidi mjini Kamplala na kwa jumla kushuka kwa mikutano ya kimataifa, Serena Uganda iliandaa baadhi ya matukio makubwa kuandikisha matokeo mazuri wakati wa kipindi cha mwaka unaoangaziwa.

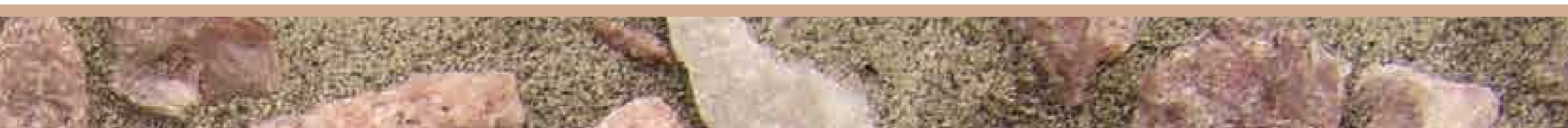
Licha ya changamoto zilizotajwa hapo juu, mnamo mwaka 2014, kampuni ilichukua tahadhari kulinda thamani ya mwanahisa, kuafikia wajibu wake kifedha, kulinda nafasi yake kwenye masoko, kuhifadhi raslimali zake kwa hali nzuri ili kujiepusha kuathiri viwango vya bidhaa zake na huduma na pia kuzindua hatua za uimarishaji huduma ili kupunguza matumizi ya kawi, gharama za uagizaji na ununuzi wa bidhaa na huduma bila kuathiri viwango vya utekelezaji kazi.

Wakati wa kipindi cha mwaka unaongaziwa, kampuni ilipata mapato ya jumla ya shilingi bilioni 6.3 (2013 ilikuwa bilioni 6.8) na faida baada ya ushuru ya shilingi milioni 274 (2013 zilikuwa 451 milioni) Ni muhimu kufahamu kwamba, jumla ya ada za usimamizi zilizopokelewa na TPSEAL kutoka Tourism Promotion Services (Rwanda) Limited, Tanrus Investment Limited (TIL) na Hotels Polana S.A kwa kipindi cha mwaka 2014 zilikuwa sawa na shilingi milioni 149.1 (2013 zilikuwa milioni 151.5).

Kufuatia kufaulu kwa mkakati wa kanda wa Serena kama hatua ya kupanua njia za mapato ya kampuni, Serena Uganda iliandikisha mapato ya kuridhisha mwakani 2014, pia kampuni tanzu ambazo ni Tourims Poromotion Services (Rwanda) Limited na TPS (D) Limited ziliandikisha ukuaji wa mchango wake ikilinganishwa na mwaka jana.

Kampuni inaendelea kuwa mchangiaji mkubwa wa mfuko wa hazina ya mapato kwa serikali za Kenya, Tanzania na Uganda. Kampuni ililipa kiwango cha wastani cha shilingi milioni 1, 471 (2013 kilikuwa milioni 1,599) kama malipo ya moja kwa moja ya ushuru na kiwango sawa cha shilingi milioni 160 (2013 zilikuwa milioni 187) kwa serikali za wilaya kama mrabaha/ malipo ya ukodishaji katika maeneo mbali mbali ya utawala mwaka 2014.

Licha ya hali za changamoto, Halmashauri ya wakurugenzi ina furaha kutoa pendekezo la malipo ya mwisho ya mgawo wa faida kwa kipindi cha mwaka 2014 la Kshs. 1.35



Taarifa ya Mwenyekiti (kuendelea)

kwa lila hisa (2013 ilikuwa Kshs. 1.35 kwa kila hisa) baada ya kupata idhini na kwa kutegemea ushuru ulioshikiliwa pale inapohitajika. Malipo haya ya mgawo wa faida yatatolewa ifikiapo au kabla ya Julai 29 2015 kwa wanachama ambao majina yao yatakuwa ndani ya sajili mnamo Juni 29, 2015. Nimuhimu kutambua kwamba ijapokuwa biashara iliadhirika sana mwakani 2014, almashauri wametioa pendekezo la ulipaji wa mgao wa faida ambao ni sawa na mwaka uliopita.

Mtazamo wa biashara ya mashirika mwaka 2015 barani Afrika ni mzuri. Hata hivyo, mtazamo wa sasa kwa masoko ya starehe ya kimataifa unaonyesha taswira ya changamoto kipindi cha miezi sita ya kwanza mwaka 2015. Soko la starehe la kimataifa linakumbwa na changamoto kwani wahudumu wa biashara hii wanazidi kutilia shaka hali ya usalama katika mataifa yanayotembelewa. Inatarajiwa kwamba, maswala yaliyotajwa hapo juu yataathiri shughuli za mwaka 2015 kwani kwa ni katika muda wa kipindi cha pili cha mwaka 2014 ambapo hatua za kujumuisha Kenya kwenye kitengo cha watoaji wa huduma wa biashara hufanywa huku mipango ya likizo / uwajibikaji kwa mwaka 2015. Huku usimamizi ukiwa na matumaini ya '' kufufuka'' kipindi cha pili cha mwaka 2015 nchini Kenya, juhudi kubwa kuhakikisha kwamba shughuli zote za mikakati zimewekwa ili kuongeza viwango vikubwa vya biashara na wakati huo kuthibiti matokeo ya juu zinafaa kuwekwa.

Kufungamana na sera za Serena za kuendelea kuimarisha bidhaa na huduma zilizoko ili kuafikiana na mahitaji na kupita matarajio ya wateja wetu na wakati huo kulinda nafasi yetu, mnamo mwaka 2014, kampuni ilianza zoezi la uimarishaji hali ya vyumba vya kulala , ukarabati na uhifadhi wa mali yetu, kuongeza mahema mapya sita eneo la Morani Wing na hema ya mikutano katika hoteli ya Sweetwaters Serena Camp (SSC) na kuongeza hema ya mikutano hoteli ya Elmentaita Camp.

Ili kudumisha nafasi ya ushindani na kuimarisha hisia za wateja, shughuli za ziada za wateja zilianzishwa kipindi cha mwaka 2014. Huku ufahamu unapoendelea kuimarika, hali hii inatarajiwa kuongeza muda wa kukaa kwenye hoteli. Shughuli za ziada ni pamoja na ; masomo kuhusu upishi, mafunzo kuhusu vifaa vya nyimbo za kiasili, mazoezi ya mbio mikondo ya uendeshaji baiskeli, ulengaji shabaha, upakaji rangi kwa kutumia maji, unyooshaji misuli, mazoezi ya viungo, masomo ya lugha ya Kiswahili, ufumaji wa shanga na usukaji vikapu. Kama mnavyofahamu, jiji la Nairobi limekuwa na linaendelea kushuhudia ujenzi wa majumba ya kifahari yaliyoimarishwa kwa vifaa na pia mahoteli mapya ya kimataifa yanayotoa huduma za bidhaa za ushindani mkali. Kutokana na kubadilika kwa hisia kuhusu bara Afrika kama kituo kinachovutia uwekezaji, kumekuwa na orodha kubwa ya wawekezaji nchini Kenya ikiwemo miradi ya miundo misingi yenye nia ya kuiweka Kenya kama kituo bora cha kibiashara katika kanda na kuongezeka kwa matumizi ya watu wa matabaka ya kadri. Kama ilivyotangazwa mwaka jana, mnamo mwaka 2014, usimamizi na halmashauri ya wakurugenzi walifanyia mabadiliko mkakati wa kampuni wa muda mrefu na kadri kuhusiana na hoteli ya Nairobi Serena ili kudumisha ushindani wake. Matokeo ya maazimio ya halmashauri na usimamizi ni kwamba hoteli hii kwa sasa inahitaji kubadilishwa kuiwezesha kuendelea kuwa raslimali ya juu jijini Nairobi, kuimarisha matokeo yake ya uwekezaji na kulinda uongozi wake kwenye soko. Kufikia sasa, usimamizi unatarajia kuanza zoezi la upanuzi na ukarabati wa hoteli ya Nairobi Serena kwa mfumo wa awamu ambao utachukua muda wa miezi 25 kuanzia mwezi Oktoba 2015. Kiwango cha kazi kinachotarajiwa ni; eneo la juu la uegeshaji magari, ukumbi mpya wa ball room, vyumba vya mikutano, kubadilisha sura ya sehemu ya nyuma ya nyumba, kuimarisha na kubadilisha

Recurve Target Archery Range at Lake Manyara Serena Safari Lodge

Clients learning the art of drumming at Lake Elmenteita Serena Camp

Taarifa ya Mwenyekiti (kuendelea)

sura ya vyumba vya sasa vya kulala, kuimarisha ukumbi wa chini wenye kiingilio na maeneo ya sebule, ukumbi mpya wa maamkuli, duka jipya la wageni, chumba kipya cha ususi, vyumba vipya vya kulala orofa ya saba na ukumbi mpya wa kisasa wa kupumzika. Idadi ya vyumba vya wageni itaongezeka kutoka 183 hadi 199. Itafahamika kwamba, itakuwa ni bora kwa NSH kudumisha nafasi yake kama hoteli inayofaa jijini Nairobi kwa mashirika na wageni mashuhuri. Ukarabati wake utahakikisha kwamba inaweza inakabiliana na ushindani wowote kwa kipindi cha muda wa miaka 25 hadi 30 hivyo kuimarisha faida ya pamoja ya TPSEAL na pia mapato kwa kila hisa kwa muda wa kipindi cha kadri na kirefu. Kwa niaba ya Halmashauri na usimamizi, ningependa kuwahakikishia wanahisa wote kwamba, kama ilivyodhihirishwa na hoteli za Serena hapo awali, upanuzi na ukarabati katika hoteli ya Nairobi Serena utasimamiwa kwa tahadhari kubwa kuhakikisha kwamba tunadhibiti kikamilifu kupotea kwa biashara.

Wakati wa kipindi cha mwaka unaoangaziwa, Hoteli za Serena zina furaha kushinda idadi ya tuzo mbali mbali kitaifa na kimataifa. Maelezo kamili kuhusu matuzo haya yamefafanuliwa kupitia kurasa ya 31 ya 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 kupitia ukurasa wa 17 hadi 19 ya 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 na usimamizi, ningependa kuisihi serikali ya Kenya kuangazia upya hali ya mazingira ya utekelezaji shughuli, uchumi na sera za kifedha za muda wa kadri na mrefu ambazo zitawawezesha wahudumu wa biashara hii kufufua sekta ya utalii kwani iko katika hali mbaya sana.

Kwa niaba ya halmashauri, ningependa kushukuru na kupongeza wasimamizi wa kampuni na wafanyakazi kwa kuendelea kujitolea kwao wakati wa kipindi cha mwaka 2014. Pia ningependa kutambua kwa dhati msaada usio na kifani ambao naendelea kupokea kutoka kwa wanahalmashauri wenzangu ambao na umesaidia kuimarisha shughuli za kibiashara za kundi na kufaulu kwa mikakati mwaka 2014.

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 eneo hili lote.

FRANCIS OKOMO-OKELLO
MWENYEKITI

Lion at Mara National Reserve

Zebras at Amboseli National Park

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Year 2014 proved to be another challenging year for the Company as Serena Kenya 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 which, to some extent, affected the perception of the entire East African Region, contributed to negative international publicity, challenges and concerns regarding Kenya as a safe tourism destination. Unfortunately, most of these setbacks continue to negatively impact foreign leisure business levels in 2015.

The corporate business segments contributed positively during the year 2014 and this trend is expected to continue in year 2015. All Serena City Hotels continue to host high profile guests and events. Despite new competition particularly in Nairobi, the Nairobi Serena Hotel's performance continues to be satisfactory.

Against the background of adverse market conditions, Management continued to pursue every available opportunity to minimize the impact of these conditions on the bottom line. While we acknowledge that the Kenyan Government implemented tourism recovery recommendations in 2014, unfortunately these did not help revive the tourism industry, as reports indicate that: over 30,000 staff members were laid off within the tourism industry in Kenya, over twenty five coastal hotels and twenty tented camps and lodges were closed down, and others were on the brink of bankruptcy. Related industries were suffering and the Kenya shilling weakened due to the drop in foreign exchange earnings. This is not good for the destination and Kenya's economy. We are delighted to note that to-date, Serena Hotels have not closed any properties or declared redundancies.

Serious challenges still confront Mombasa as a destination due to the significant reduction of charter flights from 37 in year 2007 to 4 in 2014. The overall leisure numbers into Mombasa have dropped drastically.

The Kenyan safari circuit in general has been negatively impacted and the reduced business from the coast due to withdrawal of charter flights has, to a large extent, negatively impacted business levels at Amboseli and Tsavo National Parks. Our Sales & Marketing team has, to the extent possible, compensated for the gap by soliciting for conferences, among other alternative business services and products.

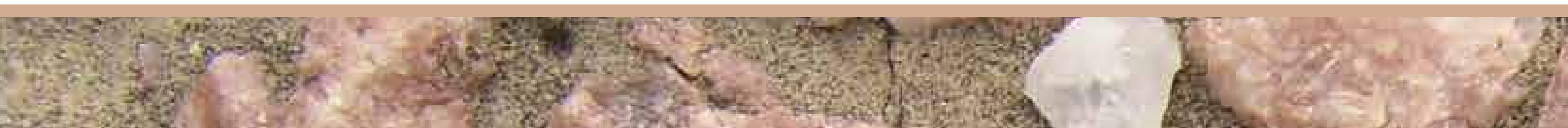
Lake Elmenteita Serena Camp and the opening of the New Public areas at Mara Serena Safari Lodge and Sweetwaters Serena Camp in late 2013 continue to strengthen our market share in the respective regions.

While business levels that materialized in Serena Tanzania were not as buoyant as expected, Serena Uganda and the Associate Companies Tourism Promotion Services (Rwanda) Limited and TPS (D) Limited which operates the Dar es salaam Serena Hotel did record encouraging results in year 2014. Indications from suppliers of business are that, while foreign leisure bookings are at very short lead- times, with the exception of Serena Kenya, which we hope will pick up from mid-2015, the diversified revenue streams from the rest of the Serena portfolio are expected to be at favorable levels during year 2015. Serena will continue to focus on mitigating market risks affecting levels of business realizations, capitalizing on its strengths and enhancing its resilience to maximize the performance of its portfolio in 2015.

Management closely monitors Company operations to ensure that we take pro-active action which includes communication to suppliers of business as and when uncertain situations are likely to arise. In addition, Management is practicing active cost management measures to protect the margins from the business realised whilst ensuring increased efforts on the sales and marketing front to drive volumes.

For the year 2014, TPSEAL achieved a turnover of KShs. 6.3 billion (2013: KShs. 6.8 billion) and a Profit After Tax of KShs. 274 million (2013: KShs. 451 million).

Management continues to gather competitor performance statistics which confirm that despite the challenges, all Serena properties still command a leadership advantage in market share within their respective regions and outperform competitors on "Total Revenue Per Available Room" basis. The poor



The Managing Director's Report (continued)

business materialization in the region has forced competitors, mainly on the leisure and safari circuit, to lower accommodation rates to unsustainable levels, which is primarily providing a short-term cash-flow solution.

During the year 2015, the Company will continue to carry out Sales and Marketing campaigns, participate in trade fairs, 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 market dynamics and trends of customers' preferences, will continue to 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 effective yield management, these measures should further insulate the Group from revenue erosion. 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. As is well known, the strategy extends the marketing and sales outreach to the Middle East, India, China, Russia, Japan, South Korea, Brazil, Turkey and Africa. The Company also continues to actively engage with the traditional source markets comprising United Kingdom, Germany, France, United States of America and Spain. Our online booking platform; presence on social media platforms as a key marketing tool; and increased Serena Loyalty Prestige Card membership has resulted in repeat business and customer loyalty to the Serena brand.

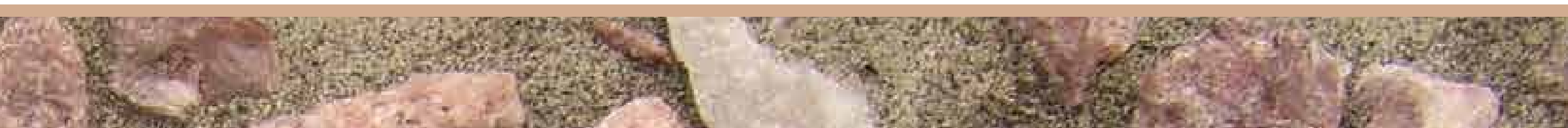
The tourism industry constitutes an important pillar in the realization of East Africa's economic growth potential. As long-term investors, our commitment to Destination East Africa in year 2015 will be on improving productivity and efficiency within existing units; investing in existing assets to ensure that the properties remain ahead of new competition; commencing Nairobi Serena Hotel extension and refurbishment in a phased manner (as elaborated on in the Chairman's Statement); continuing with systematic phased bedroom upgrade for lodges, camps and Serena Beach Resort and Spa based on availability of funds. The Group will also be reviewing the existing product at Lake Manyara Serena Safari Lodge and Lake Duluti Serena Hotel, Arusha; commencing phase I renovation of Dar es Salaam Serena Hotel as this will enable Management to significantly improve room rates; commencing Kampala Serena Hotel bedroom extension; diversifying source markets and products; improving product and service; and reducing operating costs without compromising on operating standards.

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

Human Resources are considered as East Africa's most abundant resource and critical assets to businesses. As world public affairs have been steadily transformed by the process of globalization, the ability to command and control has become less important than the ability to anticipate, connect and respond. Given the inter-linkages, Serena continues to validate its belief that it is indeed the quality of service that will continue to determine the destination choices that customers make. In this connection, and in line with the Group's Productivity Improvement Strategy, substantial resources continue to be invested in staff/management training, development and welfare programs. Thus, the provision of rewarding careers, personal growth, quality training and exposure to advanced leadership roles as well as capacity building remain a strategic priority for Serena Hotels. In this connection during 2014, the Company in Kenya, Tanzania, Uganda, Rwanda, and Mozambique continued to embrace the Lobster Ink training with a South African based Company specializing in training staff on service delivery in the hospitality industry benchmarked to Leading Quality Assurance (LQA) Standards. Students from selected hospitality colleges/learning institutions are also given the opportunity to attend the hospitality skills training courses conducted at Serena Hotels. Over the last three years, Serena Hotels trained 568 students. I would like to take this opportunity to personally congratulate each member of the Serena team for the support and exemplary dedication they have shown to Serena in 2014.

The Group's CSR programs continue to focus on sustainable business practices that touch on eco-tourism; environmental conservation; education; public health and community development. For further details on the Group's CSR programs, please refer to pages 27 to 30 of this Annual Report.

I would like to appeal to governments within the East African Region to enter into



The Managing Director's Report (continued)

mutually beneficial engagements with the tourism industry players through public/private partnerships and constant policy dialogue. We can only be an effective "co-pilot" if the tourism sector can be provided with enabling conditions, by allocating adequate funds for marketing and public relations to counter sensational negative international media reports. Our governments need to commit increased resources so as to broaden destination marketing; eliminate adverse and sudden changes to tax policies; increase competitiveness by for instance intensifying efforts aimed at creating level playing fields; enhance the region's attractiveness; ensure that new developments in the fragile eco-systems in game reserves and National Parks are controlled; improve infrastructure; implement development projects at a faster pace; and ensure that political stability and security are enhanced to restore confidence among the citizens, travelers and investors.

Finally, may I, on behalf of the Staff and Management, express our gratitude and sincere appreciation to the Board of Directors for their guidance, diligence, invaluable support, and encouragement during the year 2014. 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 2015.

MAHMUD JAN MOHAMED
MANAGING DIRECTOR

Sundowner at Lake Elmenteita Serena Camp

Taarifa Kutoka kwa Meneja Mkurugenzi

BW. MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

2014 ulidhihirisha kuwa mwaka mwingine wenye changamoto kwa Kampuni kwani Serena Kenya na biashara ya Utalii nchini Kenya zimekuwa zikijitahidi kurejea tena baada ya kurudi nyuma tangu mwaka 2013 kama ilivyofafanuliwa kupitia taarifa ya Mwenyekiti. Kurudi huku nyuma ambako kwa kiwango fulani kulibadili mtazamo wa eneo la Afrika Mashariki, kulichangiwa na habari za kimataifa zisizo za kweli, changamoto na shaka kuhusiana na hali ya Kenya kama kituo salama cha utalii. Kusikitisha ni kwamba, hali hii inazidi kuathiri viwango vya biashara kutoka kwa mataifa ya kigeni mwaka 2015.

Vitengo vya biashara ya mashirika vilichangia pakubwa mwaka 2014 na mwendo huu unatarajiwa kuendelea mwaka 2015. Hoteli zote za Serena zinaendelea kuwahudumia wageni wa matabaka ya juu na pia kuandaa matukio. Licha ya kutokea kwa ushindani mpya hasa Nairobi, matokeo ya Serena yanazidi kuwa ya kuvutia.

Usimamizi ulizidi kuandama nafasi yoyote iliyojitokeza ili kupunguza athari za viwango vya chini. Huku tukitambua kwamba Serikali ya Kenya iliandaa mapendekezo ya kufufua utalii mwaka 2014, hata hivyo, juhudi hizi hazikusaidia kufufua sekta hii huku ripoti zikisema kuwa zaidi ya wahudumu 30,000 katika mahoteli walistaafishwa nchini Kenya. Zaidi ya hoteli tano zilizoko mwambao wa Pwani na kampi 20 na hoteli zilifungwa huku nyingine zikiwa kwenye hatari ya kufilisika. Biashara zinazohusiana na utalii pia zilikuwa zikiathirika huku shilingi ya Kenya ikiwa hafifu kutokana na kupungua kwa mapato ya fedha za kigeni. Hali hii si nzuri kwa kituo hiki. Hadi sasa, Serena haijafunga hoteli yoyote au kutangaza kustaafisha mfanya kazi yeyote.

Changamoto kali bado inakabili eneo la Mombasa kama kituo kutokana na kuendelea kupungua kwa ndege za kukodisha kutoka 37 mwaka 2007 hadi 4 kwa sasa. Idadi ya wageni wanaotembelea eneo la Mombasa imeshuka kwa kiwango kikubwa.

Mikondo ya safari nchini Kenya imeathirika pakubwa na kupunguka kwa biashara eneo la Pwani kutokana na kuondolewa kwa safari za ndege za kukodisha. Kwa kiwango kikubwa, halii hii imeathiri viwango vya biashara katika mbuga za wanyama pori za Amboseli na Tsavo. Timu yetu ya mauzo na uvumishaji imejaribu kujaza pengo hili kwa kuandaa mikutano miongoni mwa mbinu nyinginezo za kibiashara.

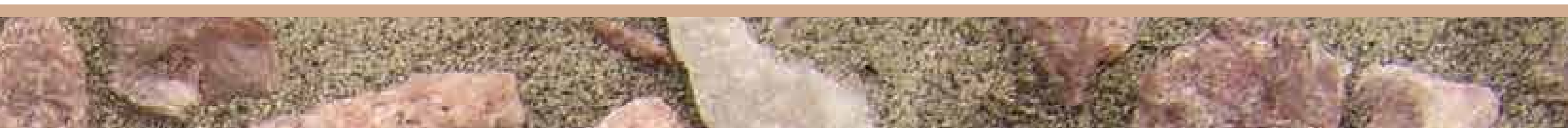
Hoteli ya Lake Elmentaita Serena Camp na kufungukiwa kwa maeneo mapya ya umma katika Mara Serena Safari Lodge na Sweetwaters Serena Camp mwishoni mwaka mwaka 2013 kunazidi kuimarisha nafasi yetu ya soko katika maeneo husika.

Huku viwango vya biashara katika Serena Tanzania vikikosa kuridhisha kama ilivyotarajiwa, Serena Uganda na kampuni tanzu za Tourism Promotion Services (Rwanda) Limited na TPS (D) Limited zilisajili matokeo ya kufurahisha mwaka 2014. Ishara kutoka kwa wahudumu wa biashara ni kwamba, huku maombi ya biashara kutoka kwa watalii wa mataifa ya kigeni yakiwa ni ya chini bila kujumisha Serena Kenya ambayo tunaratajia kuimarika kuanzia katikati mwa mwaka 2015, upanuzi wa mbinu mbadala za mapato bali na mikondo ya kawaida ya Serena zinatarajiwa kuwa katika viwango bora mwaka 2015. Serena itazidi kuangazia mbinu za kupunguza hatari, kutumia vyema uwezo wake ili kuimarisha uthabiti wa matokeo ya biashara zake mwaka 2015.

Kwa karibu, usimamizi unafuatilia shughuli za kampuni kuhakikisha kwamba tunachukua hatua zifaazo ambazo zinahusisha utoaji wa maelezo kwa wahudumu wa biashara wakati wowote maswala yanapoibuka. Zaidi ya hayo, usimamizi unatumia hatua za usimamizi wa gharama ili kulinda viwango vinavyopatikana kutokana na biashara huku ikihakikisha kuongezeka kwa juhudi za mauzo na uvumishaji.

Mnamo mwaka 2014, TPSEAL ilipata mapato ya jumla ya shilingi bilioni 6.3 (2013 yalikuwa bilioni 6.8) na fadia baada ya ushuru ya shilingi milioni 274 (2013 zilikuwa shilingi milioni 451)

Usimamizi unazidi kukusanya utafiti wa matokeo ya ushindani na licha ya changamoto, hoteli zote za Serena zinazidi kushikilia nafasi ya uongozi kwenye soko kwenye maeneo husika ya kanda na kuwashinda washindani kwenye mfumo wa ''mapato ya jumla kwa kila chumba kilichoko'' *(Total Revenue Per Available*



Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

Room)'. Kuzorota kwa matokeo ya biashara ya kanda kumepelekea washindani hasa wanaohudumu biashara ya starehe na safari kupunguza bei za malazi hali ambayo imesababisha kupunguka kwa mtiririko wa pesa kwa muda wa kadri.

Wakati wa kipindi cha mwaka 2015, kampuni itazidi kutekeleza kampeini za mauzo na uvumishaji, kushiriki maonyesho ya kibiashara, kufanya misafara ya barabani na shughuli za matangazo huku kukiwa na matoleo maalumu yatakayobuniwa kuongezaidadi ya wageni kutoka maeneo mbali mbali ambayo ni chimbuko la soko la watalii. Mojawapo wa mikakati ya mauzo ili kukabiliana na mabadiliko ya haraka na mienendo ya hisia za wateja itazinduliwa ili kutafuta nafasi mpya za kibiashara, kusajili masoko mapya ya watalii, kuongeza ufahamu wa bidhaa na kuhamasisha urudiaji wa huduma na kuongeza biashara na mapato. Kampuni itazidi kupanua na kufanya juhudi za pamoja katika soko la humu nchini kwa kuwahusisha wahudumu wa biashara za utalii nchini na kimataifa huku ikiangazia masoko mapya kwa mujibu wa '' mkakati wake wa masoko mbadala '' ulioanzishwa mwaka 2012. Mkakati huu unapanua juhudi za mauzo ili kufikia maeneo ya mashariki ya kati, India, Uchina, Urusi, Ujapani, Korea Kusini, Brazil, Uturuki, na Afrika. Pia, kampuni inaendelea kujihusisha na masoko ya zamani yanayohusisha Uingereza, Ujerumani, Ufaransa, Marekani na Uhispania. Mfumo wetu wa kutuma maombi moja kwa moja kupitia mtandao; uwepo wetu kwenye mitandao ya kijamii kama chombo maalumu cha uvumishaji; na ongezeko la uanachama kupitia kadi yetu maalumu ya *Serena Loyalty Prestige Card* umepelekea wateja kurejelea bidhaa zetu na kuongeza Imani kwa bidhaa za Serena.

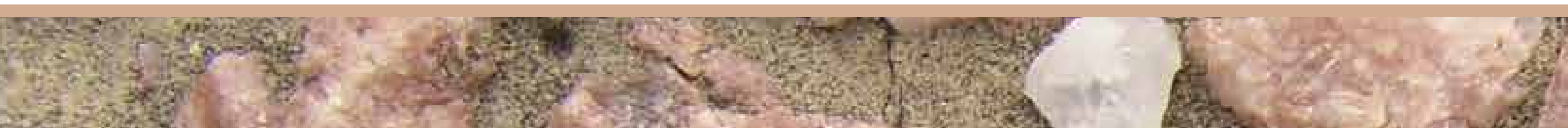
Biashara ya Utalii inashirikisha nguzo maalumu ya ndoto ya Afrika Mashariki kuafikia manufaa ya kiuchumi. Kama wawekezaji wa muda mrefu, uwajibikaji wetu Afrika Mashariki mwaka 2015 utakuwa kuimarisha uzalishaji na utoaji huduma kupitia vifaa vilivyoko sasa, kuwekeza kwenye raslimali zilizoko kuhakikisha kwamba hoteli zinasalia kwenye ushindani mpya, kuzindua upanuzi wa hoteli ya Nairobi Serena na ukarabati kwa awamu (kama ilivyofafanuliwa kupitia taarifa ya Mwenyekiti), kuendeleza uimarishaji wa vyumba vya kulala katika mahoteli, kampi na Serena Beach Resort & Spa kwa kutegemea upatikanaji wa fedha, kutathmini upya bidhaa zilizoko kwa sasa katika hoteli ya Lake Manyara Serena Safari Lodge na Lake Duluti Serena Hotel, Arusha, kuzindua awamu ya kwanza ya ukarabati wa Dar es salam Serena Hotel kwani hali hii itauwezesha usimamizi kuimarisha kwa kiwango kikubwa ada za nyumba, kuzindua upanuzi wa vyumba vya kulala katika Kampala Serena Hotel, kupanua masoko yanayotoa watalii na bidhaa, kuimarisha bidhaa na huduma na, kupunguza gharama za utekelezaji kazi bila ya kuathiri viwango vya huduma.

Ili kuepuka kuathiri ushindani wa muda mrefu na nafasi yake kwenye masoko, usimamizi unazidi kutambua umuhimu wa kuimarisha mkakati wa biashara zake kwa kuwa na usimamizi mwafaka wa kitengo cha wafanyakazi (HRM) na mipango ya wajibu wa shirika kwa jamii (CSR) hivyo kupelekea kuimarisha hisia za wageni na matokeo ya kifedha.

Katika Bara la Afrika, kitengo cha usimamizi wa wafanyakazi kazi (HRM) kinachukuliwa kama raslimali muhimu ya biashara. Huku shughuli za ulimwengu zikibadilishwa kupitia utandawazi, uwezo wa kusimamia umekuwa muhimu kuliko uwezo wa kutarajia, kuunganisha na kujibu.

Lunch at the Lake Elmenteita Serena Camp

Reception at Lake Kivu Serena Hotel



Taarifa Kutoka kwa Meneja Mkurugenzi (kuendelea)

Kufuatia miungano ya moja kwa moja, Serena inazidi kuthibitisha imani yake kuwa ni dhahiri kwamba ni kupitia ubora wa huduma zake ambao utapelekea wateja kufanya maamuzi yao kuhusu kituo wanachopendelea kutembelea. Kufuatia hili na kwa mujibu wa mkakati wa kundi wa kuimarisha uzalishaji, raslimali za kutosha zinatumika kwa utoaji wa mafunzo kwa wafanyakazi na usimamizi na maendeleo ya mipango ya kimaslahi. Kwa hivyo, nafasi ya uzawadiaji wafanyakazi, ukuaji kitaaluma, utoaji wa mafunzo ya hali ya juu na kuwaandaa kuchukua nyadhifa za juu uongozini ni mkakati uliopewa kipaumbele na hoteli za Serena. Mnamo mwaka 2014, nchini Kenya, Tanzania, Uganda, Rwanda na Msumbiji Kampuni iliendeleza matumizi ya mafunzo ya Lobster Ink kupitia kampuni iliyoko Afrika Kusini ambayo inajihusisha na utoaji mafunzo ya wafanyakazi kuhusiana na utoaji wa huduma za biashara ya hoteli hadi kiwango cha Leading Quality Assurance (LQA). Wanafunzi waliochaguliwa kutoka taasisi zinazotoa mafunzo ya huduma za mahoteli pia hupewa nafasi kuhudhuria masomo haya yanayofanyiwa kupitia hoteli za Serena. Kwa muda wa miaka 3 iliyopita, hoteli za Serena zimetoa mafunzo kwa wanafunzi 568. Ningependa kutwaa nafasi hii ya kibnafsi kutoa pongezi zangu kwa kila mwanachama wa timu ya Serena kwa msaada na kujitolea kwao mwaka 2014.

Mipango ya Kundi kwa maslahi ya jamii inaendelea kuangazia mbinu za kibiashara ambazo zitagusia utalii wa wanyama na mimea; uhifadhi wa mazingira, elimu, maendeleo ya afya ya umma na ustawi wa jamii. Kwa maelezo ya kina kuhusu mipango ya kundi kwa maslahi ya jamii, tafadhali angalia kurasa za 27 hadi 30 za ripoti hii ya mwaka.

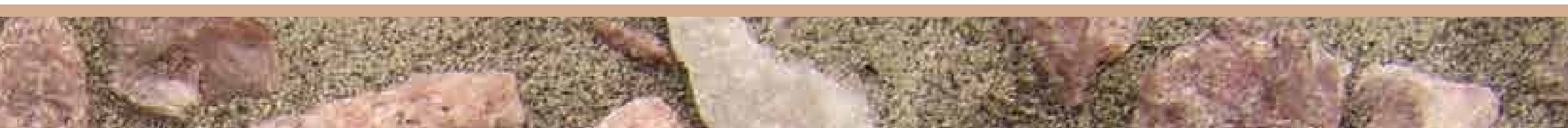
Ningependa kutoa himizo langu kwa serikali za kanda ya Afrika Mashariki kujiingiza kwenye mikataba yenye manufaa kwa washika dau kwenye sekta ya utalii. Tunaweza tu kuwa '' washiriki viongozi'' endapo sekta ya utalii itapewa mazingira yanayofaa kwa kutenga fedha za kutosha kuvumisha na kushirikisha umma ili kukabiliana na ripoti zisizofaa za vyombo vya habari katika mataifa ya nje. Serikali zetu zinafaa kujitolea kuongeza raslimali za kutosha kupanua uvumishaji kwenye mataifa ambayo ni chimbuko la watalii, kuondolea mbali mabadiliko ya ghafla kwenye sera za utozaji ushuru, kuongeza ushindani, kuhamasisha vivutio katika kanda hii, kuhakikisha ustawi wa maendeleo kwenye mbuga za wanyama pori na hifadhi za kitaifa unathibitiwa, kuimarisha miundo misingi, kuanzisha miradi ya maendeleo kwa mwendo wa kasi na kuhakikisha uthabiti wa kisiasa na usalama ili kurejesha imani miongoni mwa wananchi, wasafiri na wawekezaji.

Mwisho, kwa niaba ya wafanyakazi na usimamizi ningependa kutoa shukrani kwa Bodi ya Wakurugenzi kutokana na mwongozo wao, uangalifu na usaidizi mwaka wa 2014. Pia ningependa kutoa shukrani kwa wanahisa, wateja na washikadau mbali mbali kwa usaidizi ambao wamekuwa wakidhihirisha kwetu miaka iliyopita. Sisi katika Kampuni ya Serena, tunatarajia kuendelea kushuhudia usaidizi huo mwaka 2015.

MAHMUD JAN MOHAMED
MENEJA MKURUGENZI

Lake Victoria Serena Resort and Spa

Restaurant at Lake Kivu Serena Hotel



Board of Directors

MR. FRANCIS OKOMO-OKELLO – Chairman 1

Mr. Okello (aged 65 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 and an Independent Non-Executive Director of Barclays Africa Group Limited. He is also a Director of the Nation Media Group Limited, among other Companies. He is a member of the Advisory Board of the Strathmore Business School, Strathmore University - Nairobi and also is a member of the Advisory Committee of the Aga Khan University, Faculty of Arts and Sciences – East Africa. He is currently the Executive Director in charge of Legal and Corporate Affairs at the Industrial Promotion Services Group.

MR. MAHMUD JAN MOHAMED – Managing Director 2

Mr. Jan Mohamed (aged 62 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 64 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 57 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 77 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 71 yrs) is a graduate of the Institute of Political Studies and completed the programme for Management Development from the Harvard Business School. He currently works with the Aga Khan Fund for Economic Development as Senior Financial Advisor.

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

Mr. Kassim-Lakha (aged 81 yrs) is a life member of the Institute of Chartered Accountants in England and Wales; a Fellow of the Institute of Certified Public Accountants of Kenya; an Associate Member of the Chartered Institute of Arbitrators and OPM (Harvard). He is a past Chairman of the Institute of Certified Public Accountants of Kenya and The Association of Professional Societies in East Africa. He is a past Vice-Chairman of the Professional Centre. He is a co-sponsor of the Kenya College of Accountancy now KCA University. He is a past Chairman of Industrial Promotion Services (Kenya) Limited and Aga Khan Hospitals Mombasa and Kisumu.

MR. MAHMOOD PYARALI MANJI - Non-executive Director 8

Mr Manji (aged 61 yrs) is a Fellow of the Institute of Chartered Accountants in England and Wales and the Kenyan Institute of Bankers. He is the Chairman of Towertech Africa Limited and Air Uganda. Mr Manji is a member of the International Who's Who of professionals. He is the former Chairman of The Diamond Trust Banks in East Africa and a Director of the Capital Markets Authority in Kenya. In December 2012, Mr Manji was awarded the Order of the Grand Warrior of Kenya (OGW) by His Excellency the President of the Republic of Kenya, in recognition of distinguished services rendered to the nation.

MR. GUEDI AINACHE - Non-executive Director 9

Mr. Guédi Aïnaché (aged 39 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.

MRS. TEDDY HOLLO MAPUNDA – Non-Executive Director 10

Mrs. Mapunda (aged 40 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, British American Tobacco (Kenya), Tanzania Deaf Society and Tanzania Tourist Board.

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

Mr. Ng'ang'a (aged 40 yrs) holds a Bachelor of Commerce (Accounting) Degree from KCA University. He is a CPA finalist and a Certified Public Secretary CPS (K). He is also a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).

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Corporate Governance Statement

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

The Company has complied with Nairobi Securities Exchange (NSE) requirements under the Continuing Listing Obligations and the Guidelines on good Corporate Governance Practices by Public Listed Companies in Kenya as issued by the Capital Markets Authority (CMA) (the CMA Guidelines). In this respect, the directors of the Company have committed the Board to ensuring that the integrity of internal systems remains a key pillar to enhancement of the Group's financial performance and sustainability.

THE BOARD OF DIRECTORS

As at 31 December, 2014, the Board consisted of 11 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 are subject to the provisions of the Company's Articles of Association and CMA Guidelines. The directors have a wide range of business and professional skills and experience and each contributes independently to the Board's deliberations. In terms of the Board Charter, the directors meet at least four (4) times a year.

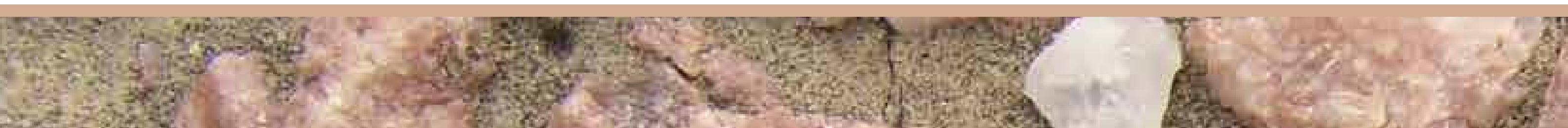
In reference to the period under review, (four) 4 scheduled Board meetings were held. Special Board meetings are held to deliberate on urgent issues of strategic importance, or as required under the statute, or in compliance with the requirements of regulatory authorities. Management gives the directors adequate notice for meetings and timely information so that they can contribute constructively and knowledgeably at Board meetings. This enables them to maintain effective oversight and control over strategic, financial, operational, and compliance issues. The separation of the Board's non-executive, independent Chairman's role from that of the Group's management has obviated the possibility of conflict between the functions of the Chairman and the executive Managing Director. In turn, this separation has resulted in creating in-built checks and balances. By assuming an active leadership role, the Board aims to maximize shareholders' value and ensure long-term sustainability of the TPS Group as a whole.

At the last Annual General Meeting held on 28th May, 2014, Mrs. Teddy Mapunda, Mr. Guedi Ainache, Mr. Ameer Kassim-Lakha and Mr. Jack Jacob Kisa were re-elected to the TPSEAL Board.

On 30th July, 2014, Mr. Mahmood Manji was appointed to join the TPSEAL Board. Mr. Manji had previously served on the TPSEAL Board and had resigned as a director of the Company to avoid a possible conflict of interest as he was, at the same time, a director of the CMA Board.

The directors' attendance of the (four) 4 Board meetings held during 2014 was as follows:

	NAME OF DIRECTOR	NO: OF BOARD MEETINGS ATTENDED
1	Francis Okomo-Okello	4
2	Mahmud Jan Mohamed	4
3	Abdulmalek Virani	4
4	Jack Kisa	4
5	Guedi Ainache	4
6	Teddy Mapunda (Mrs)	3



Corporate Governance Statement (continued)

	NAME OF DIRECTOR	NO: OF BOARD MEETINGS ATTENDED
7	Ameer Kassim-Lakha	4
8	Kabir Hyderally	0
9	Jean-Louis Vinciguerra	0
10	Ashish Sharma (Alternate to Jean-Louis Vinciguerra)	4
11	Dr. Ramadhani Dau	0
12	Mseli Abdallah (Alternate to Dr. Ramadhani Dau)	4
13	Mahmood Manji	2

Notes:
1. Quarterly Board meetings were held during 2014.
2. Mrs.Teddy Mapunda was appointed in the 2nd quarter of 2014 and was therfore only eligible to attend three (3) meetings during the year.
3. Mr. Mahmood Manji was appointed in the 3rd quarter of 2014 and was therfore only eligible to attend two (2) meetings during the year.
4. Dr. Ramadhani Dau was represented by his alternate Mr. Mseli Abdallah in all four (4) meetings held during the year.
5. Mr. Jean-Louis Vinciguerra was represented by his alternate Mr. Ashish Sharma
6. Mr. Kabir Hyderally passed away on 1st March, 2015 and did not attend any of the meetings following his relocation to his home country, Pakistan, during the year.

OVERSIGHT ROLE OF THE BOARD OF DIRECTORS

As noted above, 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 in order to provide sustainable returns to the shareholders. Reviews are done periodically to compare actual performance against set targets and corrective measures, if any, taken so as to ensure that the business performance is on budget.

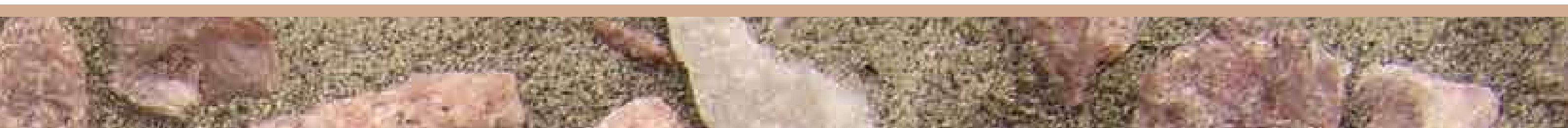
COMMITTEES OF THE BOARD

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

The Board authorized the Committee, within its ToR, to directly seek from Company's employees any information on any matters and to seek independent professional advice whenever necessary. The Board also reviewed the membership of the Board Audit Committee during the year under review in accordance with CMA Guidelines as well as the Committee's own ToR. During the period under review, the TPSEAL Board nominated Mr. Mahmood Manji to join the Board Audit Committee thus bringing the membership of the Committee to a total of four (4). The Committee held two (2) meetings during the year under review. The external auditors and executive directors attended the Committee's meetings as required. Every year the Board Audit Committee meets the external auditors in the absence of the executive directors and members of the Management team.



The Committee initiated the strengthening of the Group's risk assessment processes aimed at mitigating and reducing the various business risks. The ultimate aim was to finalize the Enterprise Risk Management Policy which the Board is to adopt formally in due course. The exercise is aimed at harmonizing and aligning the Policy to address 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, Mr. Mahmood Manji, and Mrs. Teddy Mapunda. By its own ToR, the Committee is mandated to consult experts, where necessary, to scrutinize the Company's organizational structure and staff establishments and to recommend to the Board appropriate Human Resources policies and capacity enhancement. The Committee held two (2) scheduled meetings during 2014. In 2014, the TPSEAL Board nominated Mr. Mahmood Manji and Mrs. Teddy Mapunda to join the Nomination and Remuneration Committee thus bringing the total membership of the Committee to five (5).

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

The Committee conducts a performance evaluation exercise after every two years aimed at evaluating the performance of the Board, the Chairman, the Managing director and individual directors. Any weaknesses revealed by the results are addressed with a view to improving the Board's overall performance.

INTERNAL CONTROLS

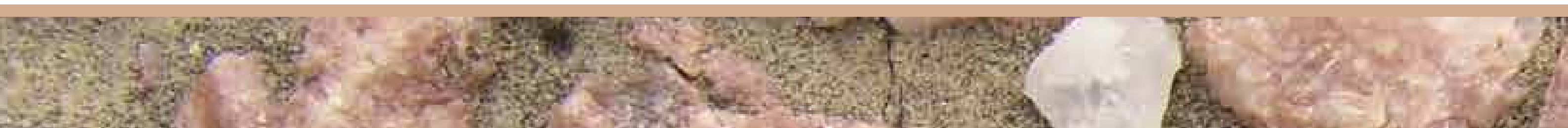
The Company has a well-defined organizational structure with appropriate segregation of duties and responsibilities. This is complemented by detailed policy and procedure manuals, which provide an operational framework for the Management team. The Company update periodically policy and procedures manuals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

COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

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

Shareholders and other stakeholders have a direct access to the Company's information through the internet and Management responds to all enquiries in a timely manner. Management also updates regularly the Serena website so as to provide current information on the Company's affairs. In this regard, during the period under review the Company also complied with its obligations under 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.



Corporate Governance Statement (continued)

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to non-executive directors during the 2014 financial year amounted to KShs. 1.253 Million (refer to Note 28 to the Financial Statements). Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the TPS Group was a party whereby directors might have acquired benefits to facilitate the acquisition of the Company's shares by such directors. There were no non-executive directors' loans during the year. Executive Directors' car loan amounted to KShs. 1.825 Million (refer to Note 28 to the Financial Statements).

DIRECTORS' INTEREST

During the year ended 31st December 2014 and the previous financial year (2013) there had been no material contracts involving directors' interests. However, some directors were minority shareholders of the Company as detailed below:

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

CONFLICT OF INTEREST

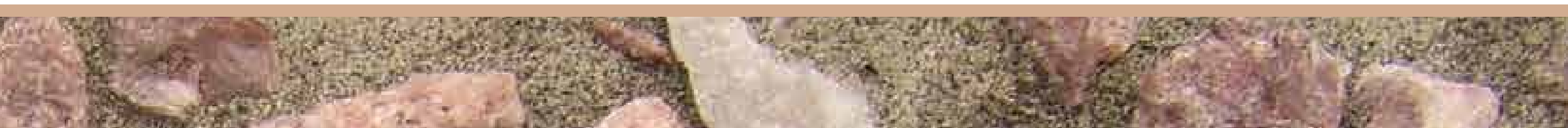
The Directors were required to disclose their areas of conflict of interest during the year 2014. In terms of established practice, they were also required to refrain from contributing to and abstaining from voting in matters on which they had such conflict. The directors were required, on an ongoing basis to notify the Company Secretary in advance of any potential conflicts of interest through other directorships, shareholdings, associations, and conflicts arising from specific transactions. The Company Secretary maintained and updated a register of such interests as part of the Corporate Records.

OTHER CORPORATE INFORMATION

TPSEAL and its subsidiaries in Kenya, Uganda, Tanzania and Zanzibar had a total number of 3,016 employees. The TPSEAL is a holding Company and did not own any land and buildings during the period under review.

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

	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	4,717,433	2.59
9	Kanchanben Ramniklal Khimji Shah	2,290,744	1.26
10	Kestrel Capital Nominees Ltd	2,000,000	1.10
11	Others	38,596,728	21.19
		182,174,108	100.00



Corporate Governance Statement (continued)

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2014

	NO. OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Less than 500 Shares	3034	446,853	0.25
500 - 5000 shares	5255	7,165,103	3.93
5001 - 10,000 shares	238	1,689,651	0.93
10,001 - 100,000	246	7,568,970	4.15
100,001 - 1,000,000	62	14,683,837	8.06
Over 1,000,000	14	150,619,694	82.68
	8849	182,174,108	100.00

SHAREHOLDER CATEGORIES

	NO.OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Foreign Investors	139	120,902,474	66.37
Local Institutions	577	45,160,492	24.79
Local Individuals	8133	16,111,142	8.84
	8849	182,174,108	100

Golf Course at Lake Victoria Serena Resort

Corporate Social Reponsibility

At Serena Hotels, it is pleasing to see Corporate Social Responsibility (CSR) and Sustainability become even more meaningfully integrated into our daily interactions, operations and business processes. We recognize that managing our environmental impact allows opportunities to improve efficiencies and reduce costs. This is seen in the manner in which the company manages its economic, social and environmental impact; how it handles responsibilities in the workplace, the marketplace, the supply chain; the community, and the realm of public policy. Additionally also, is the group's commitment to continuously contribute towards local economic development, environmental conservation and the maintenance of social justice in its areas of operation. We strive to combine a powerful business sense and a strong sense of social responsibility towards our stakeholders which has over four decades of existence been created, managed and sustained through long-term relationships, marked by mutual respect and trust.

From a CSR, Environmental and Sustainability perspective, our material concerns have not changed significantly compared to year 2013, but our guiding principles and approach has continued to evolve in an ethical manner through various partnerships so as to widen our footprint with an increased emphasis on quality, value addition and visible measures of impact and success within the ecosystem and communities in which we operate.

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

COMMUNITY INVOLVEMENT, INVESTMENT, SUPPORT AND DEVELOPMENT

Economic Empowerment

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

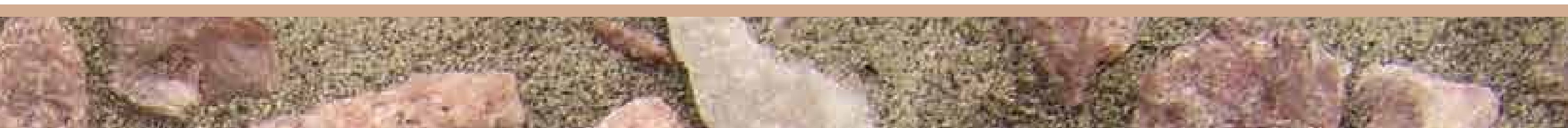
- In line with the Company's procurement strategy, fresh food supply is purchased from local farmers and companies that support small scale producers and dis-advantaged groups. Our suppliers are informed of the Serena standard of quality and cleanliness expected of them, and if a gap is identified offers training to the local entrepreneurs which enables them to package their wares in internationally accepted manner thus building capacity and improving their market. Suppliers are also encouraged to reduce packaging or package in recyclable/ biodegradable material and comply with international human rights and labor standards.
- The Serena gift shops includes artifacts and handicrafts from various local community groups and the Company continues to hire local performers to entertain guests through dance, song, musical and theatrical displays. This enhances guest experience by exposing them to the diverse range of local cultures and ethnic groups whilst economically empowering the local people. Within the twenty three Serena properties in East Africa (Kenya, Rwanda, Tanzania and Uganda), approximately 94 local performers are hired in a year.
- Serena Hotels in year 2014 began working with the communities and schools around its areas of operation to implement the energy saving "jiko" (cooking stove) project. The project is aimed at improving livelihoods that will involve empowering the communities around our Units through training on the installation of the "jikos" which in turn will help provide an alternative source of income as they are encouraged to train others and also apply the skill to earn an income. 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" which will help lower deforestation levels and ultimately have an improved forest cover and an improved ecosystem.

Educational Support

Serena Hotels is committed to supporting the youth of the local communities through the provision of career, leisure, educational and training opportunities. The Group also extends youth employment opportunities by hosting regular career talks and involving local school-leavers in job-experience schemes.

Serena Hotels in contract with a Company specializing in training staff on service delivery in the hospitality industry benchmarked to Leading Quality Assurance (LQA) standards have over the last three years led to 3,062 Serena staff and 568 students from selected hospitality collages/learning institutions in the region benefitting from the hospitality skills training courses conducted at Serena Hotels. Extending the formal programs to the students from selected hospitality collages/learning institutions in the region has contributed towards an early realization of their career plans.

Serena Hotels, is in a three year partnership with Aga Khan Foundation (AKF) and Lions International to implement a children book development project and a reading for children project that will involve setting up of 115 children libraries across East Africa located within the Serena properties, the communities around the properties and Lions International supported schools in East Africa.



Corporate Social Reponsibility (continued)

So far, implementers of the project have undergone training to equip them with valuable skills that is essential for the successful roll out of the project. 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 Children Book Development Project is meant to see at least three to five children's books developed. So far, three books have been developed under various themes including turtles, butterflies

Pupils and teachers from Park Nyigoti Primary School in Mbuzi Mawe area- Serengeti, Tanzania pose with some of the books Donated by Serena.

and elephants. Ultimately, the project will be seeking to reach at least 15,000 children over the next three years within East Africa.

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 etcetera), computers, desks and text books. Our Units reward the younger students who perform well in the form of lunch treats, game drives, educational talks and tree planting.

Charitable Donations

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

Serena Hotels for the second consecutive year implemented a special Christmas Tree campaign, "Light Up a Life, Not a Tree" at all the properties that saw 1,531 children receive a gift on Christmas day 2014. 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 2014. 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. Guests had the opportunity to pick these paper wraps from the tree and pledge to make the child's dream come true. Serena Hotels made up for the children wishes that were not taken up by the guests or staff.

Christmas Iniative at Nairobi Serena Hotel

Provision of clean water and access to quality health care

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

Over 5,700 persons from the local communities benefitted through the free medical consultations and subsidized medication provided at the Serena Hotels clinics.

The Serena Employee Wellness Program that is supported by our internal Wellness Champions and the Unit Clinic Nurses continues to sensitize our staff and the local community on health related aspects.

Corporate Social Reponsibility (continued)

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 continues 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. During the year 2014, the activities revolved around prevention, care and treatment of common communicable infections; counseling and screening; maternal child care in collaboration with the respective Ministries of Health in the East African region that also led to distribution of over 10,000 treated mosquito nets; medical camps and outreaches to create awareness on health matters and address issues like malaria and water borne diseases whose direct impact is seen in the improved community health practices. 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.

The Serena wellness champions have engaged local schools in improving their water harvesting and rehabilitation of sanitation infrastructure. In addition to conducting health education and screening sessions, the champions carry out frequent deworming of the school children with various regional partners, and distribute chemicals and tablets for water treatment.

PROTECTING A FRAGILE ENVIRONMENT

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

Turtle Conservation

The turtle conservation project at Serena Beach Resort & Spa (SBR&S) has since 1993 protected 346 turtle nests consisting of 44,134 eggs of which 80% of hatchlings were successfully released into the Indian Ocean. One of the successes of the project has been to turn individuals/fishermen who may have previously been poachers of turtles and their eggs into their protectors through monetary incentives. In 2014, as a pilot project, one such group of individuals has been organized into the "Kamkunji Fishermen Self Help Group", whereby the proceeds of their earnings from nest reporting is used to fund larger-scale income-generating activities, in this case fishing. The Company through its grant partners have acquired a large freezer for the preservation of their catch.

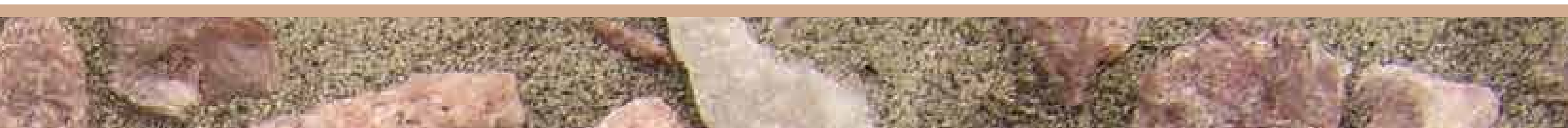
Butterfly Conservation

Since year 2002, SBR&S breed and re-introduce indigenous butterflies to the coastal landscape due to the radical shrinkage in forests. To date 65 species are bred and 222,532 butterflies have in the last 10 years been released.

Butterfly Conservation at Serena Beach Resort & Spa

Tree Planting

The Serena tree planting program has been in place since 1991 with its initial success program in the Hombe Forest in the Mount Kenya National Park (UNESCO World Heritage Site) that suffered from the adverse effects of deforestation and at Amboseli National Park where the destruction of forests by elephants is well on the way to being reversed. Serena Hotels have established tree and shrub nurseries at all its properties and over the years, this initiative has grown to see a wholesome transformation of the environment around Serena properties. With a bigger focus which is now conservation of the ecosystem, there is notable improvement not just in forest cover but also in the abundant wildlife and increased variety of bird species that ultimately depend on the environment. To widen the foot print, Serena Hotels in the last five years has been in partnerships with several organizations, through which there has been value addition in terms of impact and synergies.



A Tree Nursery at Serena Mountain Lodge

Left and Right- Girl Guides from Kandara Primary School, Center- Nixon Asava - Supply Chain Officer-Serena Central Stores planting a tree

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, noise and air-pollution-over a five year period the Company has saved approximately USD 2.1 million; 1.7 million litres of fuel and 61,442 generator hours (equivalent to 7 years of 24 hours generator usage) as a result of installation of the inverters at seven Lodges in Kenya and Tanzania; and installation of energy saving bulbs in a phased manner.

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

A significant milestone was achieved in year 2014 with regards to improving our water supply sustainability and quality at Mara Serena Safari Lodge. Since inception, Mara Serena Safari Lodge has been drawing water for sanitization/treatment prior to consumption directly from the Mara River. With the fluctuating and reduced river levels over the years management pursued other alternative water sources for the Lodge. In January 2009 a hydrogeological survey was carried out with intention of finding alternative underground water sources around the Lodge. In July 2010 we commenced the drilling process and fortunately we struck an artesian well (where underground water comes up with natural force instead of pumping once you create an opening).

The flow rate was substantial however the quality was very saline and in year 2014, the installation of a desalination plant was completed. Laboratory chemical analysis of the water before and after installation of the plant has revealed the improved water quality which is now the water used at the Lodge. The improved water quality will also benefit the Company through reduced operational and maintenance costs as corrosion to our vehicles, scaling of kitchen equipment, utensils, water heating systems and damage to linen will be minimized whilst costs related to consumption of cleaning chemicals, detergent and heating energy is expected to record future savings. Management expects to install the Desalination plant at other Serena lodges and camps in a phased manner.

National and International Awards and Accolades

During the year 2014, Serena Hotels are proud to have won a number of national and international awards and accolades details of which are below:

World Travel Awards 2014: Voted for by travel and tourism professionals worldwide which recognises commitment to excellence. Serena Hotels won the below categories:

- World's Leading Hotel Brand: Serena Hotels
- Rwanda's Leading Hotel: Kigali Serena Hotel
- Uganda's Leading Hotel: Kampala Serena Hotel, a Member of *The Leading Hotels of the World*
- Uganda's Leading Hotel Suite: Presidential Suite at Lake Victoria Serena Resort & Spa
- Mozambique's Leading Hotel Suite: Presidential Suite at Polana Serena Hotel

World's Best Awards 2014:

- Listed as one of the top Hotels in Africa and the Middle East: Nairobi Serena Hotel, a Member of *The Leading Hotels of the World* - ranked 13/15.
- The below properties have been listed as one of the top 50 Lodges and Resorts in Africa and Middle East:
  - Lake Manyara Serena Safari Lodge: ranked 18th
  - Serengeti Serena Safari Lodge: ranked 11th
  - Amboseli Serena Safari Lodge: ranked 15th
  - Mara Serena Safari Lodge: ranked 17th
  - Ngorongoro Serena Safari Lodge: ranked 19th

Top 50 Best Resorts and Safari Camps in the World by Conde Nast Travellers Readers Choice Awards 2014:

- Kirawira Serena Camp: ranked 38th
- Ngorongoro Serena Safari Lodge: ranked 39th
- Sweetwaters Serena Camp: ranked 42nd
- Mara Serena Safari Lodge: ranked 44th
- Amboseli Serena Safari Lodge: ranked 45th
- Serena Mountain Lodge: ranked 47th

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

- Kirawira Serena Camp: ranked 10th
- Amboseli Serena Safari Lodge: ranked 14th
- Mara Serena Safari Lodge: ranked 18th
- Serengeti Serena Safari Lodge: ranked 22nd

Lake Victoria Basin Commission (LVBC) - Best Water Waste Management Award: The award is designed by LVBC and financed by USAID. It provides opportunities for hoteliers to know their waste water treatment systems efficiency and encourage others to join in.

- Mara Serena Safari Lodge: 4th position
- Serengeti Serena Safari Lodge: 2nd position
- Kirawira Serena Camp: 3rd position
- Mbuzi Mawe Serena Camp: 4th position

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

Top 50 Brands in Uganda organized by Private Sector Foundation-Uganda: Kampala Serena Hotel

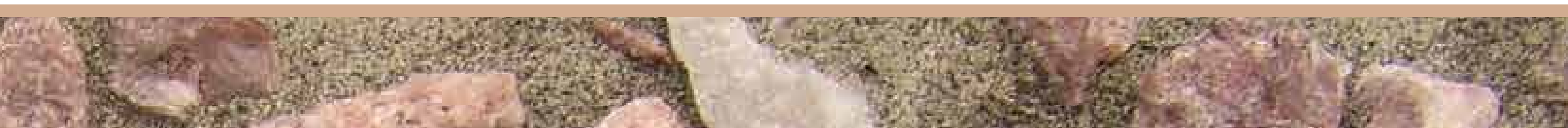
Serengeti Serena Safari Lodge was featured in the World's Best Hotels 2014 according to Travel & Leisure Magazine.

Gold List 2014 Best Places on Earth: Kirawira Serena Camp, Western Serengeti was ranked 95/100 in the Gold List 2014 Best Places on Earth. The gold list serves as a unique source of the top travel destinations, hotels, cruises and airlines worldwide.

Lake Duluti Serena Hotel was rated top class by Holiday Check 2014 ratings of some of the best places to stay.

Kigali Serena Hotel has been recognized by the Rwanda government for its efforts towards environment conservation. The hotel was awarded "Best in Environmental Protection Award", competing against 14 entrants in various categories that included social community support, environmental protection and conservation, poverty alleviation, workforce and welfare development. The award, held for the first time will seek to evaluate corporate contribution towards sustainable business practice now and in the years to come.

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



Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2014 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 245,910,000 (2013 Restated: Shs 411,414,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 245,935,046 (2013: Shs 245,935,046).

DIRECTORS

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

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Abdulmalek Virani	(Finance Director)
Ameer Kassim-Lakha	
Dr. Ramadhani Dau	
Jack Jacob Kisa	
Jean-Louis Vinciguerra	
Mseli Abdallah	(Alternate to Dr. Ramadhani Dau)
Kabir Hyderally	(Deceased 1 March 2015)
Ashish Sharma	(Alternate to Jean-Louis Vinciguerra)
Guedi Ainache	
Teddy Hollo Mapunda (Mrs)	(Appointed 15 April 2014)
Mahmood Pyarali Manji	(Appointed 30 July 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

28 April, 2015

Statement Of Directors' Responsibilities

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

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

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

(ii) Selecting and applying appropriate accounting policies; and

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

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company at 31 December, 2014 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Approved by the board of directors on 28 April, 2015 and signed on its behalf by:

Mr. Francis Okomo-Okello
CHAIRMAN
28 April, 2015

Mr. Mahmud Jan Mohamed
MANAGING DIRECTOR
28 April, 2015

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 35 to 79. These financial statements comprise the consolidated statement of financial position at 31 December, 2014 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, 2014 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, 2014 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

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

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

28 April, 2015
Nairobi.

Consolidated Income Statement
for the year ended 31 December 2014

	Notes	2014 Shs'000	2013 Shs'000 (Restated)
Sales	5	6,337,210	6,814,334
Other operating income		277,725	422,534
Inventory expensed		(1,143,206)	(1,252,449)
Employee benefits expense	7	(2,041,586)	(1,996,218)
Other operating expenses		(2,647,756)	(2,737,916)
Profit before depreciation, interest and income tax expense		782,387	1,250,285
Depreciation on property, plant and equipment	18	(426,237)	(388,246)
Finance income	8	10,944	49,322
Finance costs	8	(182,971)	(177,435)
Share of profit of associates	22	35,978	21,791
Profit before income tax	6	220,101	755,717
Income tax credit/(expense)	9	54,318	(304,716)
Profit for the year (Shs 332,557,000 (2013: Shs 248,605,000) has been dealt with in the accounts of the Company)		274,419	451,001
Attributable to:			
Equity holders of the Company		245,910	411,414
Non controlling interest	27	28,509	39,587
		274,419	451,001
Earnings per share for profit attributable to the equity holders of the Company			
• basic and diluted (Shs per share)	10	1.35	2.26

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	2014 Shs'000	2013 Shs'000 (Restated)
Profit for the year	274,419	451,001
Other comprehensive income:		
Items net of tax that may be subsequently reclassified to profit or loss		
Currency translation differences	(172,070)	93,247
Total other comprehensive income for the year	102,349	544,248
Attributable to:		
Equity holders of the Company	73,840	504,661
Non controlling interest	28,509	39,587
Total comprehensive income for the year	102,349	544,248

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 Shs'000	2013 Shs'000 (Restated)	2012 Shs'000 (Restated)
Capital and reserves attributable to the Company's equity holders				
Share capital	12	182,174	182,174	148,211
Share premium	12	4,392,668	4,392,668	3,032,431
Revaluation reserve	13	2,310,907	2,339,823	2,370,118
Translation reserve		(331,072)	(159,002)	(252,249)
Retained earnings		2,603,955	2,575,064	2,379,290
Proposed dividends	11	245,935	245,935	192,674
		9,404,567	9,576,662	7,870,475
Non controlling interest	27	1,007,922	979,413	56,760
Total equity		10,412,489	10,556,075	7,927,235
Non-current liabilities				
Borrowings	14	903,894	872,193	1,326,720
Deferred income tax liability	15	1,787,017	1,933,099	1,783,363
Retirement benefit obligations	16	65,019	156,618	146,622
Total non-current liabilities		2,755,930	2,961,910	3,256,705
Total equity and non-current liabilities		13,168,419	13,517,985	11,183,940
Non-current assets				
Property, plant and equipment	18	11,186,630	11,295,582	9,090,486
Intangible assets	20	1,324,154	1,309,947	1,057,861
Investment in associates	22	990,971	954,993	933,202
Non-current receivable	19	-	68,317	115,497
Deferred income tax asset	15	210,243	236,219	216,753
		13,711,998	13,865,058	11,413,799
Current assets				
Inventories		496,244	506,857	369,305
Receivables and prepayments	23	1,445,491	1,490,704	1,319,162
Cash and cash equivalents	24	285,444	273,478	255,428
		2,227,179	2,271,039	1,943,895
Current liabilities				
Trade and other payables	25	1,676,480	1,610,642	1,369,844
Current income tax		9,785	117,713	31,990
Borrowings	14	1,084,493	889,757	771,920
		2,770,758	2,618,112	2,173,754
Net current liabilities		(543,579)	(347,073)	(229,859)
Net Assets		13,168,419	13,517,985	11,183,940

The financial statements on pages 35 to 79 were approved and authorised for issue by the board of directors on 28 April, 2015 and signed on its behalf by:

Mr. Francis Okomo - Okello
CHAIRMAN
28 April, 2015

Mr. Mahmud Jan Mohamed
MANAGING DIRECTOR
28 April, 2015

Company Statement of Financial Position

As at 31 December 2014

	Notes	2014 Shs'000	2013 Shs'000
Equity			
Share capital	12	182,174	182,174
Share premium	12	4,392,668	4,392,668
Retained earnings		711,955	625,333
Proposed dividends	11	245,935	245,935
Total equity		5,532,732	5,446,110
Non-current assets			
Investment in subsidiaries	21	4,231,797	4,217,590
Investment in associates	22	840,330	840,330
Non-current receivable	19	-	68,317
		5,072,127	5,126,237
Current assets			
Receivables and prepayments	23	465,648	323,638
Cash and cash equivalents	24	919	2,163
		466,567	325,801
Current liabilities			
Trade and other payables	25	5,962	5,928
Net current assets		460,605	319,873
		5,532,732	5,446,110

The financial statements on pages 35 to 79 were approved for issue by the board of directors on 28 April, 2015 and signed on its behalf by:

Mr. Francis Okomo - Okello
CHAIRMAN
28 April, 2015

Mr. Mahmud Jan Mohamed
MANAGING DIRECTOR
28 April, 2015

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non controlling interest Shs'000	Total Shs'000
Year ended 31 December 2013									
At start of year as previously stated		148,211	3,032,431	2,370,118	(256,921)	2,638,137	192,674	56,760	8,181,410
Prior year adjustment	29	-	-	-	4,672	(258,847)	-	-	(254,175)
Restated		148,211	3,032,431	2,370,118	(252,249)	2,379,290	192,674	56,760	7,927,235
Comprehensive income for the year									
Profit for the year		-	-	-	-	411,414	-	39,587	451,001
Other comprehensive income:									
Currency translation differences		-	-	-	93,247	-	-	-	93,247
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)	93,247	30,295	-	-	93,247
Total comprehensive income for the year			-	(30,295)	93,247	441,709	-	39,587	544,248
Transactions with owners									
On acquisition/investment by minority shareholder		-	-	-	-	-	-	883,066	883,066
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	883,066	2,084,592
At end of year		182,174	4,392,668	2,339,823	(159,002)	2,575,064	245,935	979,413	10,556,075

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2014

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non controlling interest Shs'000	Total Shs'000
Year ended 31 December 2014									
At start of year as previously stated		182,174	4,392,668	2,339,823	(159,176)	3,051,440	245,935	979,413	11,032,277
Prior year adjustment	29	-	-	-	174	(476,376)	-	-	(476,202)
Restated		182,174	4,392,668	2,339,823	(159,002)	2,575,064	245,935	979,413	10,556,075
Comprehensive income for the year									
Profit for the year		-	-	-	-	245,910	-	28,509	274,419
Other comprehensive income:									
Currency translation differences		-	-	-	(172,070)	-	-	-	(172,070)
Transfer of excess depreciation to retained earnings	15	-	-	(41,309)	-	(41,309)	-	-	-
Deferred income tax on transfer		-	-	12,393	-	(12,393)	-	-	-
Total other comprehensive income		-	-	(28,916)	(172,070)	28,916	-	-	(172,070)
Total comprehensive income for the year		-	-	(28,916)	(172,070)	274,826	-	28,509	102,349
Transactions with owners									
Dividends:									
- final for 2013 paid	11	-	-	-	-	-	(245,935)	-	(245,935)
- proposed for 2014	11	-	-	-	-	(245,935)	245,935	-	-
		-	-	-	-	(245,935)	-	-	(245,935)
At end of year		182,174	4,392,668	2,310,907	(331,072)	2,603,955	245,935	1,007,922	10,412,489

Company Statement of Changes in Equity

for the year ended 31 December 2014

	Notes	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 comprehensive income for the year		-	-	248,605	-	248,605
Transactions with owners						
On acquisition/investment by minority shareholder						
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

Company Statement of Changes in Equity (continued)
for the year ended 31 December 2014

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2014						
At start of year		182,174	4,392,668	625,333	245,935	5,446,110
Comprehensive income for the year						
Profit for the year		-	-	332,557	-	332,557
Total comprehensive income for the year		-	-	332,557	-	332,557
Transactions with owners						
Issue of shares		-	-	-	-	-
Dividends:						
- final for 2013 paid	11	-	-	-	(245,935)	(245,935)
- proposed for 2014	11	-	-	(245,935)	245,935	-
		-	-	(245,935)	-	(245,935)
At end of year		182,174	4,392,668	711,955	245,935	5,532,732

Consolidated statement of cash flows
As at 31 December 2014

	Notes	Year ended 31 December 2014 Shs'000	2013 Shs'000 (Restated)
Operating activities			
Cash generated from operations	26	797,466	1,240,375
Interest paid		(165,363)	(177,435)
Interest received		10,944	32,613
Income tax paid		(162,614)	(142,086)
Net cash generated from operating activities		480,433	953,467
Investing activities			
Purchase of property, plant and equipment	18	(466,548)	(562,738)
Proceeds from disposal of property, plant and equipment		65	1,374
Investment in subsidiary	21	(14,207)	-
Short-term bank deposits - net		-	-
Cash inflow on acquisition	17	-	45,567
Non-current receivable	19	68,317	47,180
Net cash used in investing activities		(412,373)	(468,617)
Financing activities			
Proceeds/(payment) on short term borrowings		150,000	(50,000)
Long-term borrowings - net		13,945	(476,300)
Dividends paid to Company's shareholders	11	(245,935)	(192,674)
Net cash used in financing activities		(81,990)	(718,974)
Net decrease in cash and cash equivalents		(13,930)	(234,124)
Movement in cash and cash equivalents			
At start of year		(120,252)	45,874
Decrease in cash		(13,930)	(234,124)
Effect of currency translation differences		45,595	67,998
At end of year	24	(88,587)	(120,252)

Notes to the Financial Statements

1 General information

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

Williamson House
4th Ngong Avenue
PO Box 48690
00100 NAIROBI
KENYA

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

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

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the group:

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January, 2014 are not material to the group.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July, 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

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

2 Summary of significant accounting policies (continued)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

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

(b) Consolidation

(i) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

(iii) Disposal of subsidiaries

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

(iv) Associates

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

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

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

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

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(iv) Associates (continued)

unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

(v) Joint arrangements

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

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

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

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

(vi) Separate financial statements

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

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

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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.

(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.

2 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

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

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

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

(g) Intangible assets

Goodwill

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

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

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

(h) Impairment of non-financial assets

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

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

(i) Financial assets

(i) Classification

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

2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Loans and receivables

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

(ii) Offsetting financial instruments

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

(iii) Impairment of financial assets

Assets carried at amortised cost

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

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

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

(j) Accounting for leases

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

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

(k) Inventories

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

2 Summary of significant accounting policies (continued)

(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.

(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.

The Group in Kenya operates a defined contribution post-employment benefit scheme for all its permanent employees after their first year of employment. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the group and the employees. The Group and all its permanent employees also contribute to the statutory National Social Security

Funds, which are defined contribution schemes. The Group's contributions to both these defined contribution schemes are charged to the income statement in the year in which they fall due. The Group has no further obligation once the contributions have been paid.

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

2 Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) Termination benefits

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

(q) Current and deferred income tax

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

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

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

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

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

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

(r) Borrowings

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

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

2 Summary of significant accounting policies (continued)

(s) Dividend distribution

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

(t) Comparatives

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

3 Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

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

Impairment of goodwill

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

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.

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 2014, 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 7,863,939 (2013: Shs 14,724,043) 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 2014 (2013: 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 2014, an increase/decrease of 10% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 22,746,492 (2013: 14,774,186).

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.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

Credit risk (continued)

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 2014 and 2013.

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

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

	Group		Company	
Past due but not impaired:	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
- by up to 30 days	392,740	492,992	-	-
- by 31 to 60 days	98,121	92,895	-	-
- by 61 to 90 days	66,581	18,345	-	-
- by over 90 days	81,524	43,695	-	-
Total past due but not impaired	638,966	647,927	-	-
Impaired and fully provided for	27,962	32,251	-	-

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 2014:				
- borrowings and interest	1,273,992	346,007	503,979	220,625
- trade and other payables	1,676,480	-	-	-
At 31 December 2013:	Restated			
- borrowings and interest	1,045,385	497,858	491,241	-
- trade and other payables	1,610,642	-	-	-
(b) Company				
At 31 December 2014:				
- trade and other payables	5,962	-	-	-
At 31 December 2013:				
- trade and other payables	5,928	-	-	-

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 2014 the Group's strategy, which was unchanged from 2013, was to maintain a gearing ratio between 25% and 40%. The gearing ratios at 31 December 2014 and 2013 as follows:

	2014 Shs'000	2013 Shs'000 (Restated)
Total borrowings	1,988,387	1,761,950
Less: cash and cash equivalents	(285,444)	(273,478)
Net debt	1,702,943	1,488,472
Total equity	10,412,489	10,556,075
Total capital	12,115,432	12,044,547
Gearing ratio	14%	12%

5 Segment information

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

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

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

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

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2014 is as follows:

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

5 Segment information (continued)

The segment information 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 (Restated)
Revenue	1,943,157	1,237,014	2,128,524	1,444,278	331,145	7,084,118
Less inter segmental sales	-	-	-	-	(269,784)	(269,784)
Net revenue from third parties	1,943,157	1,237,014	2,128,524	1,444,278	61,361	6,814,334
EBITDA	330,248	157,221	406,754	361,803	(5,741)	1,250,285
Depreciation and amortisation	(87,556)	(82,046)	(144,498)	(72,678)	(1,468)	(388,246)
Income tax credit/(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	4,864,602	2,600,349	2,671,050	16,136,097
Goodwill	230,152	90,000	733,218	252,086	4,491	1,309,947

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

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

	2014 Shs' 000	2013 Shs' 000 (Restated)
EBITDA	782,387	1,250,285
Depreciation	(426,237)	(388,246)
Share of profit from associate	35,978	21,791
Finance costs – net	(172,027)	(128,113)
Profit before tax	220,101	755,717

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

6 Profit Before Tax

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

	Group	
	2014 Shs' 000	2013 Shs' 000 (Restated)
Loss on disposal of property, plant and equipment	2,622	681
Net finance costs	(172,027)	(128,113)
Receivables – provision for impairment losses (Note 23)	(4,289)	(16,971)
Auditors' remuneration (Company: 2014: Shs 2,498,157 2013: Shs 2,498,157)	16,517	15,352
Employee benefit expense (Note 7)	2,041,586	1,996,218
Repairs and maintenance of property, plant and equipment	160,633	162,363

Notes to the Financial Statements (continued)

7 Employee benefits expense

	Group	
	2014 Shs' 000	2013 Shs' 000 (Restated)
The following items are included within employee benefits expense:		
Salaries, wages and other staff costs	1,920,263	1,870,296
Retirement benefits costs:		
- Gratuity charge (Note 16)	4,143	17,060
- Defined contribution scheme	41,233	35,812
- National Social Security Funds	75,947	73,050
	2,041,586	1,996,218

8 Finance income and costs

	Group	
	2014 Shs' 000	2013 Shs' 000 (Restated)
- fixed and call deposits	-	582
- staff loans	1,469	1,822
- related party loans	9,475	30,209
Net foreign currency exchange gain on borrowings	-	16,709
Finance income	10,944	49,322
Interest expense:		
- borrowings	(165,363)	(177,435)
Net foreign currency exchange loss on borrowings	(17,608)	-
Finance costs	(182,971)	(177,435)
Net finance costs	(172,027)	(128,113)

9 Income tax expense

	Group	
	2014 Shs' 000	2013 Shs' 000 (Restated)
Current income tax	54,686	227,807
Deferred income tax (Note 15)	(109,004)	76,909
Income tax (credit)/expense	(54,318)	304,716

Notes to the Financial Statements (continued)

9 Income tax expense (continued)

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	
	2014 Shs' 000	2013 Shs' 000 (Restated)
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2013 - 30%)	66,030	226,715
Tax effect of:		
Income not subject to tax	(12,594)	(7,685)
Expenses not deductible for tax purposes	20,229	40,442
(Over)/under provision of deferred income tax in prior year	(127,983)	45,244
Income tax (credit)/expense	(54,318)	304,716

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.

	2014	2013 (Restated)
Profit attributable to equity holders of the Company (Shs 000s)	245,910	411,414
Weighted average number of ordinary shares in issue (thousands)	182,174	182,174
Basic earnings per share (Shs)	1.35	2.26

There were no potentially dilutive shares outstanding at 31 December 2014 or 2013. 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 2014 were 182,174,108 shares (2013: 182,174,108 shares). A dividend in respect of qualifying shares for the year ended 31 December 2014 of Shs 1.35 per share (2013: Shs 1.35) amounting to Shs 245,935,046 (2013: Shs 245,935,046) is to be proposed at the forthcoming annual general meeting.

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

12 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 2013	148,211	148,211	3,032,431
Issued in 2013	33,963	33,963	1,360,237
Balance at 31 December 2013 & 2014	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 (2013: 182,174,108) shares are issued at a par value of Shs 1.00 per share and are fully paid.

13 Revaluation reserve

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

Notes to the Financial Statements (continued)

14 Borrowings

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2014 Shs'000
The borrowings are made up as follows:				
Non-current				
Borrowings	903,894	872,193	-	-
Current				
Bank overdraft	374,031	393,730	-	-
Bank borrowings	410,462	346,027	-	-
Commercial paper	300,000	150,000	-	-
Total borrowings	1,084,493	889,757	-	-
	1,988,387	1,761,950	-	-

The borrowings include secured liabilities (bank borrowings and overdraft) in a total amount of Shs 1,488,387,000 (2013: Shs 1,211,950,000), commercial paper Shs 300,000,000 (2013: 150,000,000) and long term notes Shs 200,000,000 (2013: 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.

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

	Group	
	2014 Shs' 000	2013 Shs' 000 Restated
Kenya		
- bank borrowings : Kenya Shillings	11.41%	11.65%
- long term notes : Kenya Shillings	10.00%	11.50%
- commercial paper: Kenya Shillings	12.75%	11.91%
Tanzania		
- bank overdrafts: US Dollars (3.25% above 3-month LIBOR)	3.51%	3.53%
- bank borrowings: US Dollars (3.25% above 3-month LIBOR)	3.51%	3.53%
: Tanzania Shillings – Barclays Bank of Tanzania Limited	12.50%	11.50%
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	3.98%	2.90%

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% (2013: 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 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
Year ended 31 December 2014			
At start of year	1,933,099	(236,219)	1,696,880
Income statement (credit)/charge (Note 9)	(127,474)	18,470	(109,004)
Translation difference	(18,608)	7,506	(11,102)
At end of year	1,787,017	(210,243)	1,576,774

Notes to the Financial Statements (continued)

15 Deferred income tax (continued)

Year ended 31 December 2014	1.1.2014 Shs'000	Charge/(credit) to income statement Shs'000	Translation difference Shs'000	31.12.2014 Shs'000
Deferred income tax liabilities				
- on historical cost	800,068	(47,394)	-	752,674
- on revaluation surplus	1,251,468	(12,069)	-	1,239,399
Unrealised exchange gains	136,130	(7,800)	-	128,330
Accelerated tax depreciation	40,606	-	-	40,606
Other deductible temporary differences	(26,265)	(1,668)	(11,102)	(39,035)
	2,202,007	(68,931)	(11,102)	2,121,974
Deferred income tax assets	(457,345)	(68,738)	-	(526,083)
Tax losses carried forward	(47,782)	28,665	-	(19,117)
Provisions	(505,127)	(40,073)	-	(545,200)
Net deferred income tax liability	1,696,880	(109,004)	(11,102)	1,576,774

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:

	1.1.2013 Shs'000	On acquisition Shs'000	Charge/ (credit) to IS Shs'000	Translation difference Shs'000	31.12.2014 Shs'000
Year ended 31 December 2013					
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
Deferred income tax assets					
Tax losses carried forward	(379,859)	(124,751)	47,265	-	(457,345)
Provisions	(48,948)	(628)	1,794	-	(47,782)
	(48,807)	(125,379)	49,059	-	(505,217)
Net deferred income tax liability	1,566,610	48,374	76,909	4,987	1,696,880

Deferred income tax of Shs 12,393,000 (2013: Shs 13,581,000) 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.

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	
	2014 Shs' 000	2013 Shs' 000 Restated
At start of year	156,618	146,622
Charge to income statement (Note 7)	4,143	17,060
Benefits paid/ transferred to pension scheme	(95,742)	(7,064)
At end of year	65,019	156,618
The principal actuarial assumptions used were as follows:		
	2014	2013
- discount rate	15.5%	13.0%
- 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.

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

Notes to the Financial Statements (continued)

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 and net profit of Shs 149,116,258 to the Group for the year ended 31 December 2014.

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 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 were as follows:

	Fair value (1 January) Shs' 000	Acquiree's carrying amount Shs' 000
Cash and cash equivalents		
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 acquisitions in the year ended 31 December 2014.

Notes to the Financial Statements (continued)

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 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

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
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
Year ended 31 December 2014					
Opening net book amount	9,430,104	1,404,558	37,734	423,186	11,295,582
Additions	101,374	293,051	39,642	32,481	466,548
Disposals	-	(2,687)	-	-	(2,687)
Transfers	6,115	24,380	-	(30,495)	-
Depreciation charge	(217,901)	(191,043)	(17,293)	-	(426,237)
Translation differences	(121,842)	(21,979)	(863)	(1,892)	(146,576)
Closing net book amount	9,197,850	1,506,280	59,220	423,280	11,186,630
At 31 December 2014					
At cost or revaluation	12,037,530	3,451,850	327,373	426,452	16,243,205
Accumulated depreciation	(2,215,374)	(1,924,348)	(243,065)	-	(4,382,787)
Translation differences	(624,306)	(21,222)	(25,088)	(3,172)	(673,788)
Net book amount	9,197,850	1,506,280	59,220	423,280	11,186,630

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:

	2014 Shs' 000	2013 Shs' 000
Cost	8,515,677	8,414,303
Accumulated depreciation	(2,586,229)	(2,368,328)
Net book amount	5,929,448	6,045,975

19 Non-current receivable

	Company and Group	
	2014 Shs'000	2013 Shs'000
At start of the year	123,037	188,996
Advanced during the year	-	-
Repayment	(71,640)	(65,959)
At end of year	51,397	123,037
Current	51,397	54,720
Non-current	-	68,317
	51,397	123,037

Non-current receivable relate to a loan advanced to Tanruss Investment Limited, 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 3.83%. The current portion of the loan is included under Current Assets of the Group and of the Company, classified as 'Receivables from related companies'.

20 Intangible asset - Group

Goodwill

	2014 Shs'000	2013 Shs'000
Cost	1,344,162	1,329,955
Accumulated impairment	(20,008)	(20,008)
Net book amount	1,324,154	1,309,947

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:

	2014 Shs'000	2013 Shs'000
Tourism Promotion Services (Kenya) Limited	324,643	324,643
Tourism Promotion Services (Tanzania) Limited	576,345	576,345
Tourism Promotion Services (Zanzibar) Limited	154,671	154,671
Tourism Promotion Services (Mangapwani) Limited	2,202	2,202
TPS (Uganda) Limited	266,293	252,086
	1,324,154	1,309,947

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.

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 2013	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
At 1 January 2014	828,621	1,487,783	437,423	45,795	1	-	1,417,967	4,217,590
Addition during the year	-	-	-	-	-	-	14,207	14,207
At 31 December 2014	828,621	1,487,783	437,423	45,795	1	-	1,432,174	4,231,797

Country of Incorporation	Kenya	Tanzania	Tanzania	Tanzania	South Africa	Kenya	Uganda
% interest held – 2013 and 2014	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 and Ol Pejeta House, both of which are 100% subsidiaries of TPS(K), and Upekee Lodges Limited (51% subsidiary of TPS(T)) which owns two properties; Serena Mivumo River Lodge and Selous Serena Camp situated in the Selous Game Reserve in Southern Tanzania.

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

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

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	(Loss)/ Profit Shs'000
2014					
Upekee Lodges Limited	51	837,004	458,003	66,910	(97,340)
TPS (Uganda) Limited	65	2,596,273	494,413	1,493,336	218,918
		3,433,277	952,416	1,560,246	121,578

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	(Loss)/ 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

22 Investment in associates

	Group	
	2014 Shs'000	2013 Shs'000
At start of the year	954,993	933,202
Additional investment during the year	-	-
Share of associate results before tax	51,316	31,300
Share of tax	(15,338)	(9,509)
Net share of results after tax	35,978	21,791
At end of year	990,971	954,993

	Company	
	2014 Shs'000	2013 Shs'000
At start of the year	840,330	840,330
Additional investment during the year	-	-
At end of year	840,330	840,330

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

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

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

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	(Loss)/ Profit Shs'000
2014					
Mountain Lodges Limited	29.90	137,027	63,765	53,684	(19,735)
Tourism Promotion Services (Rwanda) Limited	20.15	2,281,106	753,285	1,490,502	156,810
TPS (D) Limited	25.10	3,902,239	1,984,414	1,271,358	40,960
		6,320,372	2,801,464	2,815,544	178,035
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	20.00	4,020,470	2,057,524	1,278,345	54,446
		6,409,483	2,937,271	2,653,988	99,069

Notes to the Financial Statements (continued)

23 Receivables and prepayments

	Group		Company	
	2014 Shs'000	2013 Shs'000 (Restated)	2014 Shs'000	2013 Shs'000
Trade receivables – third parties	659,474	674,556	-	-
Less: provision for impairment of receivables	(27,962)	(32,251)	-	-
Trade receivables – other related companies (Note 28)	7,454	5,622	-	-
Net trade receivables	638,966	647,927	-	-
Prepayments	229,049	279,413	1,500	-
Advances to related companies (Note 28)	364,702	377,321	459,860	318,213
Other receivables	212,774	186,043	4,288	5,425
	1,445,491	1,490,704	465,648	323,638

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

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
At start of year	32,251	41,675	-	-
On acquisition	-	7,547	-	-
Provision in the year	1,861	4,026	-	-
Unused amounts reversed	(6,150)	(20,997)	-	-
At end of year	27,962	32,251	-	-

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	
	2014 Shs'000	2013 Shs'000 (Restated)	2014 Shs'000	2013 Shs'000
US Dollar	417,050	340,221	-	-
Euro	1,222	4,124	-	-
Sterling Pound	473	6,905	-	-
Kenya Shillings	614,658	725,805	465,648	323,638
Tanzania Shillings	229,008	191,596	-	-
Uganda Shillings	183,080	222,053		
	1,445,491	1,490,704	465,648	323,638

Notes to the Financial Statements (continued)

24 Cash and cash equivalents

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Cash at bank and in hand	285,444	273,478	919	2,163
Short term bank deposits	-	-	-	-
	285,444	273,478	919	2,163

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

	2014 Shs'000	2013 Shs'000
Cash and bank balances as above	285,444	273,478
Bank overdrafts (Note 14)	(374,031)	(393,730)
	(88,587)	(120,252)

25 Payables and accrued expenses

	Group		Company	
	2014 Shs'000	2013 Shs'000 (Restated)	2014 Shs'000	2013 Shs'000
Trade payables	642,789	662,850	-	-
Trade payables – related companies (Note 28)	4,910	5,701	-	-
Advances from related companies (Note 28)	54,943	37,711	-	-
Accrued expenses and other payables	973,838	904,380	5,962	5,928
	1,676,480	1,610,642	5,962	5,928

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:

	2014 Shs'000	2013 Shs'000 (Restated)
Profit before income tax	220,101	755,718
Adjustments for:		
Interest expense (Note 8)	165,363	177,435
Interest income (Note 8)	(10,944)	(32,613)
Depreciation (Note 18)	426,237	388,246
Loss on sale of property, plant and equipment	2,622	681
Share of loss from associates (Note 22)	(35,978)	(21,791)
Changes in working capital		
• receivables and prepayments	45,213	99,456
• inventories	10,613	(11,677)
• payables and accrued expenses	65,838	(125,076)
• provisions for liabilities and charges	(91,599)	9,996
Cash generated from operations	797,466	1,240,375

27 Non controlling interest

	2014 Shs'000	2013 Shs'000
At start of the year	979,413	56,760
On investment by minority shareholder[1]	-	260,512
On acquisition of TPS (Uganda) Limited	-	622,554
Share of profit for the year	28,509	39,587
At end of year	1,007,922	979,413

[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	
	2014 Shs'000	2013 Shs'000
Mountain Lodges Limited	6,154	6,994
Diamond Trust Bank Kenya Limited	6,108	3,194
The Jubilee Insurance Company of Kenya Limited	6,192	5,382
Tourism Promotion Services (Rwanda) Limited	37,092	39,120
Hoteis Polana, S.A.	24,611	25,956
Nation Media Group	5,761	4,895
Industrial Promotion Services (Kenya) Limited	1,308	2,811
Directors & key management	-	2,486
The Jubilee Insurance Company of Uganda Limited	-	201
Diamond Trust Bank of Uganda Limited	461	2,599
Tanruss Investment Limited	94,722	97,307
African Broadcasting (Uganda) Limited	12,593	17,306
Monitor Publication Limited	2,483	4,810
Aga Khan Development Network (Kenya)	74	126
Aga Khan Estates (Kenya)	-	33
Aga Khan University Hospital (Kenya & Uganda)	-	1,136
Aga Khan Foundation	-	2,408
Aga Khan Health Services	2	320
Air Uganda	131	3,351
Aga Khan Education Services (Kenya)	-	56
Aga Khan Development Network (Uganda)	-	3,422
	197,692	223,913

Notes to the Financial Statements (continued)

28 Related party transactions (continued)

ii) Purchase of goods and services from:

	2014 Shs'000	2013 Shs'000
Farmer's Choice Limited	44,384	42,843
The Aga Khan Hospital (Tanzania) Limited	1,561	1,154
The Jubilee Insurance Company of Kenya Limited	-	5,957
Diamond Trust Bank Tanzania Limited	7,565	9,019
Serena Tourism Promotion Services, S.A.	65,062	84,647
Nation Media Group	-	1,189
The Jubilee Insurance Company (Tanzania) Limited	374	2,042
The Jubilee Insurance Company of Uganda Limited	48,669	30,193
Monitor Publication Limited	1,453	4,072
Air Uganda	160	2,365
	169,228	183,481

iii) Key management compensation

	2014 Shs'000	2013 Shs'000
Salaries and other short-term employment benefits	188,500	193,377

iv) Directors' remuneration

	2014 Shs'000	2013 Shs'000
Fees for services as a non-executive director	1,253	1,010
Emoluments to executive directors (included in key management compensation above)	74,807	74,837
Total remuneration of directors of the Company and Group	76,060	75,847

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

	Group	
	2014 Shs'000	2013 Shs'000
Trade receivables from related parties		
Industrial Promotion Services (Kenya) Limited	324	423
Nation Media Group	910	211
The Jubilee Insurance Company of Kenya Limited	3,405	906
Aga Khan Estates (Kenya)	-	34
Aga Khan Development Network (Kenya)	-	3
Aga Khan Development Network (Uganda)	74	12
Aga Khan Education Services (Uganda)	2	24
Aga Khan University Hospital (Kenya & Uganda)	-	269
Air Uganda	-	712
The Jubilee Insurance Company of Uganda Limited	-	106
Monitor Publications	2,739	2,922
	7,454	5,622

	Group	
	2014 Shs'000	2013 Shs'000
Other receivables from related parties		
Mountain Lodges Limited	33,125	2,895
Hoteis Polana, S.A.	41,232	43,308
Tourism Promotion Services (Rwanda) Limited	52,634	46,255
Pearl Development Group Limited	22,904	26,790
Serena Tourism Promotion Services S.A.	1,363	1,467
Tanruss Investment Limited	211,724	254,251
TPS (D) Limited	1,720	2,355
	364,702	377,321
	372,156	382,943

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)

	Company	
	2014	2013
	Shs'000	Shs'000
Other receivables from related parties		
Tourism Promotion Services (Kenya) Limited	232,608	107,206
Tourism Promotion Services (Tanzania) Limited	137,733	102,866
Tourism Promotion Services (Zanzibar) Limited	11,998	33,306
Tourism Promotion Services (Management) Limited	-	-
Tourism Promotion Services (South Africa) (Pty) Limited	-	-
Tourism Promotion Services (Rwanda) Limited	6,009	-
Tanruss Investment Limited	71,512	74,835
	459,860	318,213

	Group	
	2014	2013
	Shs'000	Shs'000
Trade payables to related parties		
Farmer's Choice Limited	4,254	4,583
The Jubilee Insurance Company Limited	391	-
Air Uganda	249	849
African Broadcasting (Uganda) Limited	-	67
Aga Khan University Hospital (Kenya & Uganda)	16	199
Aga Khan Education Services (Uganda)	-	3
	4,910	5,701
Other payables to related parties		
Mountain Lodges Limited	24	1,244
Hoteis Polana, S.A.	22,419	10,395
Tourism Promotion Services (Rwanda) Limited	3,690	12,874
Ol Pejeta Ranching Limited	-	55
Tanruss Investment Limited	3,498	5,249
TPS (D) Limited	-	1,346
Pearl Development Group Limited	-	4,624
Serena Tourism Promotion Services S.A.	25,312	1,924
	54,943	37,711
	59,853	43,412

Notes to the Financial Statements (continued)

28 Related party transactions (continued)

vi) Loans to directors of the Company

	Company	
	2014 Shs'000	2013 Shs'000
At start of year	-	-
Loans advanced	1,825	-
Loan repayments received	(223)	-
At end of year	1,602	-

No provisions for impairment losses have been required in 2013 and 2014 for any related party receivables.

vii) Guarantees

TPS Eastern Africa Limited has provided a corporate guarantee to the lenders of Tanruss Investment Limited, the owner of Dar es Salaam Serena Hotel, for an amount of Shs 407,700,000 (2013: 817,000,000) 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 and Shs 970,000,000 to lenders of Tourism Promotion Services (Kenya) Limited.

29 Prior year adjustment

The prior year adjustment arose from accounting errors in Tourism Promotion Services (Tanzania) Limited which were identified in the current year. They mostly relate to underpayment and incorrect treatment of local indirect taxes, included in Trade and other payables, and related revenue. The cumulative impact of the errors on the opening balances of various components of the statement of financial position are as summarised below;

	1 January 2014 (cumulative) Shs'000	1 January 2013 (cumulative) Shs'000
1 January 2014		
Trade and other payables	330,224	111,813
Current income tax	42,196	15,980
Receivables and prepayments	102,001	124,605
Other	1,781	1,777
Total impact on equity	476,202	254,175

The impact on the profit and loss and EPS for the year ended 31 December 2013 is as follows:

	Profit for the year Shs'000	Translation reserve Shs'000	EPS (basic and diluted) Shs per share
As previously reported	668,531	97,745	3.45
Prior year adjustment	(217,530)	(4,498)	(1.19)
As restated	451,001	93,247	2.26

The prior year adjustment has no impact on previously reported cash flows.

Notes to the Financial Statements (continued)

30 Contingent liabilities

At 31 December 2014, Tourism Promotion Services (Kenya) Limited had given guarantees amounting to Shs 7,800,000 (2013: Shs 7,320,000) to banks on behalf of third parties for supply of goods and services.

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

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

31 Commitments

Capital commitments

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

	Group	
	2014 Shs'000	2013 Shs'000
Property, plant and equipment	707,764	202,889

Operating lease commitments

	Group	
	2014 Shs'000	2013 Shs'000
Not later than 1 year	17,861	18,145
Later than 1 year and not later than 5 years	29,052	27,993
Later than 5 years	154,121	175,119
	201,034	221,257

Notes

Notes

Notes

Proxy

TPS EASTERN AFRICA LIMITED

I/We____

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

of ________________________ and failing him, ________________________

of ________________________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday 29th June 2015 at 11:00 a.m. and at any adjournment thereof.

No. of shares held: ________________________ Account number:________________________

Signed this________________________day of________________________2015

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 25th June, 2015 at 11.00 a.m.
3. A person appointed as a proxy need not be a member of the Company.
4. In the case of a member being a limited liability Company/ Corporation, this Form of Proxy MUST be completed under its seal or under the hand of an officer or attorney duly authorized in writing.
5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated.

Fomu ya Uwakilishi

Mimi/ sisi____

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

Kutoka ________________________ na akikosa kufika ________________________

Kutoka ________________________ kama wakala wangu/wetu kupiga kura kwangu/kwetu na kwa niaba yangu/ sisi wakati wa mkutano wa pamoja wa mwaka wa kampuni utakaofanyika Juni 29 2015 kuanzia saa nane unusu au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ________________________ nambari ya akaunti

Imetiwa sahihi ________________________ Tarehe________________________2015

Sahihi ________________________

Sahihi ________________________

MUHIMU

1) Kwa hiari yako unaweza kumteua Mwenyekiti wa Mkutano kuwa wakala wako
2) Ili kuwa halali, fomu hii ya uwakilishi LAZIMA irudishwe kwa msajili wa hisa za kampuni, Image Registrars, orofa ya tano Jumba la Barclays Plaza, barabara ya Loita Street SLP 9287-00100, GPO, Nairobi,Kenya kabla ya Juni 25 2015 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