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Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Abdulmalek J Virani	(Finance Director)
Ali Mufuruki****	
Ameer Kassim-Lakha	
Dr. Ramadhani Dau****	
Jack J Kisa	
Jean Philippe Prosper**	
Jean-Louis Vinciguerra*	
Kate Bandawe****	(Alternate to Dr. Ramadhani Dau)
Kabir Hyderally***	
Kungu Gatabaki	
Mahmood P Manji	

BOARD AUDIT & FINANCE COMMITTEE

Jean Philippe Prosper	(Chairman)
Ameer Kassim-Lakha	
Jean-Louis Vinciguerra	
Kungu Gatabaki	

BOARD NOMINATION AND REMUNERATION COMMITTEE

Jack J Kisa	(Chairman)
Dr. Ramadhani Dau	
Kabir Hyderally	
Mahmood P Manji	

*French **Haitian***Pakistani****Tanzanian

COMPANY SECRETARY

Damaris A Angulu (Mrs)

Directors and Administration

PRINCIPAL OFFICERS

Michael Opondo	Director of Sales and Marketing E.A
Alastair Addison	Director of Operations E.A
Surinder Sandhu	Chief Engineer E.A
Charles Ogada	Financial Controller E.A
Salim Janmohamed	General Manager - TPS (T) and TPS (Z)

Tourism Promotion Services (Kenya) Limited [TPS (K)]

Mark Gathuri	General Manager - Nairobi Serena Hotel
Charles Muia	General Manager - Serena Beach Hotel and Spa, Mombasa
Stanley Kongoley	Manager - Amboseli Serena Safari Lodge
Paul Chaulo	Manager - Samburu Serena Safari Lodge
Herman Mwasaghua	Manager - Mara Serena Safari Lodge
Felix Ogembo	Manager - Kilaguni Serena Safari Lodge
Wilson Mbahi	Manager - Mountain Lodge
James Odenyo	Manager - Sweetwaters Tented Camp and Ol Pejeta House

Tourism Promotion Services (Tanzania) Limited [TPS (T)]

Daniel Sambai	Manager - Kirawira Luxury Tented Camp
Charles Mbuya	Manager - Lake Manyara Serena Safari Lodge
Edwin Chemisto	Manager - Serengeti Serena Safari Lodge
Wilfred Shirma	Manager - Ngorongoro Serena Safari Lodge
Gerald Macharia	Manager - Mountain Village Hotel
Dismas Simba	Manager - Mbuzi Mawe Tented Camp

Tourism Promotion Services (Zanzibar) Limited [TPS (Z)]

Anthony Chege	General Manager - Zanzibar Serena Inn

Other Managed Properties

Killian Lugwe	General Manager - Kampala Serena Hotel, Uganda
Mugo Maringa	General Manager - Kigali Serena Hotel and Lake Kivu Serena Hotel, Rwanda
Karim Merali	General Manager - Polana Serena Hotel, Maputo, Mozambique

Operating Subsidiaries and Properties

Tourism Promotion Services (Kenya) Limited

Nairobi Serena Hotel
Serena Beach Hotel and Spa, Mombasa
Amboseli Serena Safari Lodge
Samburu Serena Safari Lodge
Mara Serena Safari Lodge
Kilaguni Serena Safari Lodge
Mountain Lodge (Managed by Serena)
Sweetwaters Tented Camp and Ol Pejeta House (Managed by Serena)

Tourism Promotion Services (Tanzania) Limited

Kirawira Luxury Tented Camp
Lake Manyara Serena Safari Lodge
Serengeti Serena Safari Lodge
Ngorongoro Serena Safari Lodge
Mountain Village Hotel (Managed by Serena)
Mbuzi Mawe Tented Camp (Managed by Serena)

Tourism Promotion Services (Zanzibar) Limited

Zanzibar Serena Inn

Tourism Promotion Services (South Africa) (Proprietary) Limited

Sales and Marketing offices in Johannesburg, South Africa

Other Properties Managed by Serena

Kampala Serena Hotel - Uganda
Kigali Serena Hotel - Rwanda
Lake Kivu Serena Hotel - Rwanda
Polana Serena Hotel - Mozambique

Other Corporate Information

REGISTERED OFFICE

4th Floor, Williamson House
4th Ngong Avenue
P O Box 48690-00100
Nairobi, Kenya
Telephone: 254(2) 2710511/2842000
Fax: 254 (2) 2718100/1
E-mail: admin@serena.co.ke
Website: www.serenahotels.com

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
The Rahimtulla 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
8th Floor, Transnational Plaza
Mama Ngina Street
P O Box 9287 - 00100
Nairobi, Kenya

Bush dinner at Lake Manyara Serena Safari Lodge

Notice of Annual General Meeting

Notice is hereby given that the Thirty-Seventh Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 4 June 2009, at 11.00a.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Thirty-Sixth Annual General Meeting held on 30 May 2008.

2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2008, together with the Directors' and Auditors' Reports thereon.

3. To approve payment of a final dividend for 2008 of KShs.1.25 per share of KShs.1.00, subject to withholding tax, where applicable, to the Members on the Register at the close of business on 4 June 2009. Payment of the dividend to be made on or about 6 July 2009.

4. To elect Directors:
   (a) Mr. Jean-Loius Vinciguerra retires by rotation in accordance with Articles No. 110, 111 & 112 of the Company's Articles of Association and being eligible, offers himself for re-election.
   (b) Mr. Jean Philippe Prosper retires by rotation in accordance with Articles No. 110,111 and 112 of the Company's Articles of Association and being eligible, offers himself for re-election.
   (c) Mr. Ali Mufuruki retires by rotation in accordance with Articles No. 110,111 and 112 of the Company's Articles of Association and being eligible, offers himself for re-election.

5. To approve the Directors' remuneration for 2008.

6. To note that the Company's Auditors, PricewaterhouseCoopers, continue in office 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 2008 and to authorise the Directors to fix the Auditor's remuneration for 2009.

8. To transact any other Ordinary Business of an Annual General Meeting.

Special Business:

9. To consider and, if thought fit, to pass the following resolution which shall be proposed as a special resolution:

   ''THAT on the basis of the recommendation of the Board, 100% acquisition of Jaja Limited as a special purpose vehicle by Tourism Promotion Services (Kenya) Limited, to undertake development of properties in Nanyuki and Elmentaita in line with the Group's diversification business strategy be and is hereby approved. Furthermore, to actualize the said acquisition subscription in the equity of Jaja Limited by Tourism Promotion Services (Kenya) Limited upto KShs. 400,000,000.00 be and is hereby approved''.

   ''THAT the Directors be and are hereby authorised to attend to all matters required to give effect to the above resolutions''.

By Order of the Board

D.A. Angulu (Mrs)
Company Secretary
Nairobi 30 March 2009

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 by the member and must be received at the registered offices of the Company's Registrars not later than 11a.m, on 2 June 2009.

Notisi ya Mkutano wa Pamoja wa Mwaka

NOTISI inatolewa hapa kwamba, Mkutano Mkuu wa Thelathini na Saba wa Mwaka wa Kampuni utafanyika kwenye jumba la mikutano la Kimataifa la Kenyatta (Kenyatta International Conference Centre), Nairobi, Juni 4, 2009, saa tano asubuhi, ili kushughulikia maswala yafuatayo:

Shughuli za Kawaida:

1. Kuthibitisha kumbukumbu za mkutano wa Thelathini na Sita wa mwaka uliofanyika Mei 30, 2008.

2. Kupokea, kuangazia na endapo itaonekana kuwa sawa, kukubali hesabu kwa kipindi cha mwaka uliomalizika Desemba 31, 2008, pamoja na ripoti ya wakurugenzi na ile ya wakaguzi wa hesabu.

3. Kupitisha malipo ya mwisho ya mgawo wa faida ya 2008 wa Shilingi 1.25 kwa kila hisa za thamani ya Shilingi 1.00, kwa kutegemea ushuru ulioshikiliwa pale inapohitajika kwa wanachama ambao majina yao yatakuwa kwenye rejista kufikia kipindi cha biashara Juni 4, 2009. Malipo ya mgawo wa faida yatatolewa kabla au karibu na Julai 6, 2009.

4. Kuwachagua wakurugenzi
   a) Bw. Jean-Loius Vinciguerra atastaafu kwa zamu kwa mujibu wa vifungu nambari 110, 111 na 112 vya sheria za kampuni na kwa kuwa anastahili, amejitokeza tena kuchaguliwa.
   b) Bw. Jean Philippe Prosper anastaafu kwa zamu kwa mujibu wa vifungu nambari 110,111 na 112 vya sheria za kampuni na kwa kuwa anastahili, anajitokeza tena kuchaguliwa.
   c) Bw. Ali Mufuruki anastaafu kwa zamu kwa mujibu wa vifungu nambari 110,111 na 112 vya sheria za kampuni na kwa kuwa anastahili, anajitokeza tena kuchaguliwa.

5. Kupitisha malipo ya wakurugenzi ya 2008.

6. Kufahamu kwamba mkaguzi wa hesabu, PricewaterhouseCoopers, ataendelea mbele na jukumu lake kwa mujibu wa sehemu ya 159 (2) ya sheria za kampuni nchini Kenya chini ya kifungu nambari 486. Mhasibu PricewaterhouseCoopers ameonyesha nia ya kutaka kuendelea na jukumu hili.

7. Kupitisha malipo ya wakaguzi wa hesabu ya 2008 na wakati huo kuwaidhinisha wakurugenzi kuamua malipo yao ya mwaka 2009.

8. Kuangazia maswala mengine ya kawaida wakati wa mkutano wa pamoja wa mwaka.

Shughuli Maalum:

9. Kuangazia na endapo itaonekana kuwa sawa, kupitisha azimio lifuatalo ambalo litachukuliwa kama swala maalum:

   ''KWAMBA kuambatana na mapendekezo ya Halmashauri, asilimia 100 ya umiliki wa Jaja Limited kama chombo maalumu cha Tourism Promotion services (Kenya) Limited, kuchukua jukumu la ustawishaji wa maendeleo ya raslimali zilizoko Nanyuki na Elmentaita kwa mujibu wa mkakati wa kundi wa kupanua biashara zake iwe hivyo na kwamba imepitishwa. Istoshe, kuthibitisha kupatikana kwa sehemu katika kampuni ya Jaja Limited na Tourism Promotion Services (Kenya) Limited hadi Kshs 400,000,000.00 kuwa hivyo na kupitishwa ''

   KWAMBA wakurugenzi wamepewa idhini kushughulikia maswala yote yanayohitajika kufanya maazimio yaliyotajwa hapo juu kufanyika''.

Kwa Amri ya Halmashauri

D.A Angulu (Bi)
Katibu wa Kampuni
Imenukuliwa Machi 30, 2009

Muhimu:
Mwanachama mwenye uwezo wa kuhudhuria na kupiga kura wakati wa mkutano wa pamoja wa mwaka na akawa hawezi kufanya hivyo, anaweza kumtuma wakala/mwakilishi wake kufanya hivyo kwa niaba yake. Sio lazima kwa wakala/mwakilishi kama huyo kuwa mwanachama wa Kampuni. Ili kuhudhuria, Fomu ya Wakala ambayo imeambatanishwa na ripoti hii lazima ijazwe vyema na mwanachama na kupokelewa katika ofisi ya usajili ya Kampuni kabla ya saa tano asubuhi, Juni 2, 2009.

Chairman's Statement

Exterior at Lake Manyara Serena Safari Lodge

On behalf of the Board of Directors of TPS Eastern Africa Limited (TPSEA/the Company), it gives me great pleasure to present to you the Annual Report and Financial Statements of the Company for the year ended 31 December 2008.

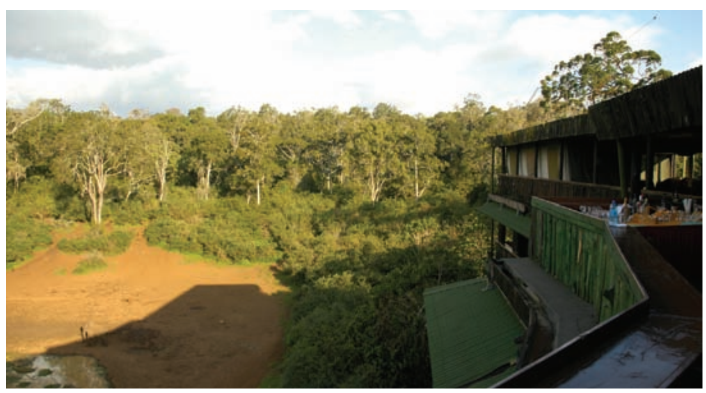
As you are aware, during the first half of 2008 the tourism industry in East Africa encountered various serious challenges as a result of the post-election crisis in Kenya which led to massive cancellations of bookings to Kenya and, to a lesser extent, to Tanzania and Zanzibar too. It has been estimated by the Kenya Tourist Board (KTB) that arrivals to Kenya dropped by 32% in 2008 compared to 2007. The crisis also resulted in Kenyan corporate activity slowing down considerably thereby also negatively impacting business levels from the local resident market throughout the Kenyan operations. Tourism players had hoped for a recovery during the second half of the year. However an economic slowdown, and even recession, were playing out in many economies around the world, thus causing a continuing indeed a further slowdown in travel to all holiday destinations.

Year 2008 was therefore indeed a challenging year with matters not made easier by the volatile cost of fuel which caused a ripple effect of increased prices for most commodities worldwide especially food and included travel and in particular air fares. These factors stimulated alarming inflation trends that have not been experienced in Kenya for over a decade.

In response to the reduced business levels and in anticipation of the various challenges ahead, in mid-January 2008 Management implemented various cost-reduction initiatives without however sacrificing operating standards. Management also continuously carried out sales and marketing campaigns with special packages developed to boost occupancies from the various source markets; these included diversified and concerted efforts on the domestic market, the Eastern block, the Middle East, China and India to fill up the gaps created by the declining performance of the traditional markets. I am pleased to report that these efforts bore fruit as market share was retained and Management neither had to close any units nor declare redundancies as were forced to do some of the other players in the industry.

Within this challenging context, despite a 24% decline in the number of bed nights, the Company recorded a turnover of KShs. 3.24 billion (2007: KShs. 3.67 billion), a decline of 11.7%. Profit Before Tax recorded a 46.5% decline at KShs. 330 million (2007: KShs. 617 million) which was however a significant achievement in the face of the strengthening of both the Kenya and the Tanzania shilling against major currencies that diluted revenues on conversion from foreign currencies into local currency. The cost control measures that Management implemented to minimize the negative impact on the Company's performance resulted in operating expenses that were reduced below those of the previous year despite inflation. Given the challenging business environment above mentioned, the Company's performance was commendable.

It is during these challenging times that the stakeholders of the Company will perhaps appreciate the significance of the strategic decision made in 2006 to integrate the Group's activities in the Eastern Africa Region. Indeed this has resulted in TPSEA achieving positive financial results in 2008 despite the challenges.



Forest view from Serena Mountain Lodge

Despite the reduction in profitability, the Board of Directors is pleased to recommend for approval, the payment of a final dividend for year 2008, of KShs. 1.25 per share subject to withholding tax, where applicable. The dividend will be payable on or about 6 July 2009. It is worth noting that the recommended level of final dividend is the same as the one declared and paid in 2007.

During the period under review, Serena Hotels was declared the winner of the SKAL eco-tourism award. SKAL is one of the leading, recognised associations of travel and tourism professionals internationally.

During the same period, several of the Group's properties also were given top positions in the year's World Best Awards survey carried out by Travel & Leisure magazine, a leading tourism magazine. The World's Best Survey bases its findings on responses for readers who rate hotels in terms of quality of rooms and facilities, location, service, restaurants and food, and value offered.

And finally, Serena Hotels has, once again, emerged top in the Travel News magazine Quest for the Best Awards. The awards scheme acknowledges, through client surveys, excellence in various fields of the tourism sector in East Africa. Despite the earlier-mentioned constraints, minor overhauls and refurbishments did take place at most of the Group's properties to ensure efficient operations and that the quality of the physical product was not in any way compromised.

Serena's commitment to implementation of the ICT strategy that complements the other business strategies and plans was ongoing in 2008. I wish to highlight that, even though the year was tough, Management went ahead with the implementation of key plans whose delay would have jeopardized the long term competitiveness of the Company. In this regard, your Company now offers wireless internet services for guests at all its properties; a data link is in the final phase of implementation between the two head offices in

Guest tent at Mbuzi Mawe Tented Camp

Kenya and Tanzania which will enable seamless access to reservations and to financial systems resulting in greater efficiency, better management and controls. And, finally, a significant milestone has been achieved in the area of

View of Lake Duluti at Mountain Village, Arusha

electronic marketing and commerce as Serena Hotels went ''live'' in August 2008 with an online booking system that is available on our website for all Group city hotels and beach resorts resulting already in an impressive growth of direct bookings.

The Group continues to believe that its employees are the most critical assets in the business armoury when the going gets tough. Despite the challenging business environment, the provision of rewarding careers, of quality training and of capacity building remained a strategic priority. During 2008 the Group appointed a Training and Development Manager who is currently driving a Productivity Improvement Strategy.

As you may be aware, today's travellers are now more than ever committed to ensuring that the properties that they stay in contribute towards sustainable development through, among other things, ensuring protection of the delicate eco-system and by taking the lead in responsible tourism development.

The Group continues to carry out its Corporate Social Responsibility (CSR) activities and integrates these CSR activities into its business strategies. To this end, the Group's CSR activities continue to focus on eco-tourism; environmental conservation; education; public health and community development. In June 2008, TPSEA issued its second CSR Newsletter, Serena Outreach to Society (SOS), which highlights the Group's CSR activities. For further details, on the Group's CSR activities, please refer to pages 20 and 21 of this Annual Report.

The Group remains a significant contributor to the revenues of the Governments of Kenya, Tanzania and Zanzibar: the Group paid, in aggregate, the equivalent of KShs. 648 million in direct and indirect taxes and of KShs. 121 million to local authorities in royalty/rent in the various jurisdictions during 2008.

The Board and Management anticipate an even more

Chairman's Statement (cont'd)

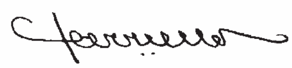
challenging business environment in 2009 with an even far-reaching impact of the global economic slowdown and the continuing consequences of the global financial turbulences. These are likely to combine with other uncertainties, market volatility and a decline in both consumer and business confidence which is expected to continue taking a toll on demand for global tourism, at least for the next 12 months. As witnessed during the first quarter of 2009, it is to be expected that the rest of the year will face challenges with regard to the cost of doing business as a result of high inflation, an ongoing food crisis and unpredictable costs in the energy sector. Currently subdued feedback from major suppliers of business on booking trends for all holiday destinations is also of concern. However, Management have noticed a trend towards bookings at very short lead-times in the recent past, and this may in fact be a source of encouragement.

The Board and Management view the current economic downturn as a learning opportunity and we recognize that yesterday's thinking and strategies will not address today's challenges. This recognition motivates the team to get closer to our customers, to reassess customers' expectations, and to take whatever is the necessary remedial action in new and creative ways in order to ensure that the Group continues to provide the highest standards of product and service. The changing dynamics in our consumers' preferences will stimulate change in a timely fashion as we seek to respond, to mobilize resources, to seize hidden opportunities and to come up with new solutions. The Group will continue to focus on growth and on the long-term prospects of the Company, maintaining market share.

The Company's ability to grow and innovate, our ability to set our own standards in the markets where we operate, combined with our tested, highly successful business model, positions us to perform well in a wide range of economic scenarios. Thus, I would like to assure the shareholders and members of the investing public that despite the challenges, the Group's fundamentals remain healthy and the Board and Management will use their best endeavours to ensure that the negative impact on the Group's performance is minimised, to the extent possible, during the difficult 2009 ahead.

To conclude, on behalf of the Board, I would like to congratulate and thank the Company's Management and Staff for their continued diligence and dedication. Without these, the commendable results would not have been achieved during these exceptionally difficult times. I would also like to acknowledge, with appreciation, the invaluable support from my colleagues on the Board: this support has helped us to steer the Group's business activities and strategies successfully during 2008.

I wish also to recognise, with gratitude, the vital support, confidence, loyalty and trust that we have continued to receive from our shareholders, customers, and other stakeholders within the industry. Finally, I wish to thank the Governments within the East African Region for facilitating the growth of the tourism industry, as also the various regulatory authorities for their continued support. It is on their active backing and encouragement that the industry depends and will continue to depend to be such a significant contributor towards the region's economic development.



Francis Okomo - Okello
CHAIRMAN

Zanzibar Serena Inn

Taarifa ya Mwenyekiti

Sehemu ya nje ya Hoteli ya Serengeti Serena

Kwa niaba ya Halmashauri ya Wakurugenzi wa TPS Eastern Africa Limited (TPSEA/Kampuni), nina furaha kuwatangazia ripoti ya mwaka na Taarifa ya Matumizi ya Pesa za Kampuni kwa kipindi cha mwaka kilichomalizikia Desemba 31, 2008.

Kama mnavyofahamu, wakati wa kipindi cha kwanza cha mwaka 2008, biashara ya utalii eneo la Afrika Mashariki ilikumbwa na changamoto nyingi kufuatia ghasia za baada ya uchaguzi zilizopelekea kufutiliwa mbali kwa safari za watalii nchini Kenya na kwa kiasi nchini Tanzania na kisiwa cha Zanzibar. Halmashauri ya Utalii nchini Kenya (KTB) imekadiria ziara za watalii nchini Kenya kupungua kwa asilimia 32 (32%) mwaka 2008 ikilinganishwa na mwaka 2007. Ghasia hizi pia zilichangia shughuli za kampuni nchini Kenya kushuka na kuathiri viwango vya biashara. Washika dau kwenye sekta ya utalii walitarajia kwamba biashara ingeimarika kipindi cha pili cha mwaka. Hata hivyo, kushuka kwa uchumi kuliathiri uchumi wa mataifa mengi ulimwenguni hivyo kupunguza ziara za watalii katika vituo vyote vya mapumziko ya likizo.

Mwaka 2008 ulikuwa wenye changamoto huku bei ya mafuta ikipanda na kusababisha kupanda kwa bei za bidhaa kote ulimwenguni zikiwemo gharama za vyakula na usafiri na hasa nauli za ndege. Sababu hizi zilichochea mfumuko mkubwa wa bei ambao haujawahi kushuhudiwa nchini Kenya kwa zaidi ya mwongo mmoja.

Kufuatia kupungua kwa viwango vya biashara na matarajio ya changamoto nyingi siku za usoni, mnamo katikati mwa mwezi Januari 2008, usimamizi ulizindua mikakati mbali mbali yenye lengo la kupunguza gharama bila kuathiri viwango vya utoaji huduma. Pia uliendesha kampeni za mauzo na uvumishaji. Wakati huo ilibuni na kuweka pamoja vivutio kwa minajili ya kuongeza idadi ya wageni kutoka maeneo mbali mbali. Juhudi hizo zilihusisha masoko ya humu nchini, Mashariki, Mashariki ya Kati, China na India ili kujaza pengo lililoachwa wazi kutokana na kushuka kwa yale ya kawaida.

Nina furaha kuripoti kwamba juhudi hizi zilizaa matunda kwani viwango vya umiliki wa masoko vilihifadhiwa na wasimamizi hawakuwa na haja kufunga kitengo chochote au kutangaza kupunguza idadi ya wafanyakazi kama ilivyoshuhudiwa kupitia waendesha wengine wa biashara hii.

Chini ya muktadha wa changamoto hizi na licha ya kuwepo kwa punguko la asilimia 24 (24%) la wageni wa kukodisha vyumba, Kampuni ilirekodi mapato ya jumla ya Shilingi Bilioni 3.24 (Mwaka 2007: Shilingi Bilioni 3.67) kiwango kilichopunguka kwa asilimia 11.7. Faida Kabla ya Ushuru iliyorekodiwa ya asilimia 46.5 ilipunguka kwa Shilingi Milioni 330 (Mwaka 2007: Shilingi Milioni 617), haya yakiwa ni matokeo ya kufana licha ya kuimarika kwa Shilingi ya Kenya na Tanzania dhidi ya sarafu za kigeni hali ambayo imechangia kupotea kwa mapato baada ya kubadili sarafu za kigeni hadi za humu nchini. Hatua za kuthibiti gharama ambazo kampuni ilibuni ili kupunguza athari kwenye matokeo yake zilipelekea kupungua kwa gharama za uendeshaji ikilinganishwa na mwaka uliotangulia. Kupitia changamoto za mazingira ya kibiashara zilizotajwa hapo juu, matokeo ya kampuni yalikuwa ni ya kuridhisha.

Ni nyakati za changamoto hizi ambapo pengine washika dau wa Kampuni wanaweza kutambua umuhimu wa wazo la mkakati lililozinduliwa mwaka 2006 kuweka pamoja shughuli za Kundi eneo la Afrika Mashariki. Hakika mkakati huu umepelekea TPSEA kupata matokeo bora ya kifedha mwaka 2008 ingawa kulikuwa na changamoto hizi.

Licha ya kupungua kwa faida, Halmashauri ya wakurugenzi ina furaha kupendekeza, baada ya kuidhinishwa, malipo ya mwisho ya mgawo wa faida wa mwaka 2008 wa Shilingi 1.25 kwa kila hisa kwa kutegemea ushuru ulioshikiliwa pale inapohitajika. Malipo ya mgawo wa faida yatatolewa hapo au karibu na Julai 6, 2009. Inafaa ibainike kwamba kiwango cha mgawo wa faida kilichopendekezwa ni sawa na kile kilichoidhinishwa na kulipwa mwaka 2007.

Wakati wa kipindi kinachoangaziwa, Hoteli za Serena zilitawazwa kama mshindi kwenye tuzo la SKAL eco- tourism. SKAL ni mojawapo wa mashirika ya wataalamu wa usafiri na kitalii yanayoongoza na kutambuliwa ulimwenguni.

Wakati wa kipindi hiki, baadhi ya raslimali za Kundi zilitwaa nafasi za juu kwenye utafiti bora wa mwaka ulimwenguni uliofanywa na jarida la Travel & Leisure. Utafiti bora ulimwenguni unaegemea matokeo ya majibu kutoka kwa wasomaji wanaotoa maoni yao kuhusiana na ubora wa vyumba na vifaa, mahali, huduma , kumbi za maamkuli, vyakula na thamani inayotolewa.

Taarifa ya Mwenyekiti (yaendelea)

Sehemu ya nje ya Hoteli ya Ngorongoro Serena

Hatimaye, kwa mara nyingine, Hoteli za Serena zilitwaa nafasi za juu kwenye shindano la jarida la Travel News Magazine kwa utuzaji bora. Mpango huu wa uzawadiaji unatekelezwa kupitia utafiti wa wateja, utendaji bora katika sekta mbali mbali za utalii Afrika Mashariki. Hata kama kulikuwa na changamoto zilizotajwa hapo awali, ukarabati mdogo ulitekelezwa katika raslimali mbali mbali za Kundi kuhakikisha kuwepo kwa utekelezaji bora wa shughuli bila kuathiri ubora wa sura ya majumba.

Kujitolea kwa Serena kuzindua mkakati wa habari na mawasiliano ambao unakamilisha mikakati mingine ya biashara na mipango uliendelea mwaka 2008. Ningependa kufafanua kwamba ingawa mwaka ulikuwa mgumu, usimamizi haukusitisha uzinduzi wa mipango muhimu ambayo endapo ingecheleweshwa ingehatarisha ushindani wa muda mrefu wa Kampuni. Kwa sababu hiyo, Kampuni sasa inatoa huduma za mawasiliano ya mtandao ya moja kwa moja kwa wageni wake katika hoteli zake. Mpango wa kuweka pamoja habari uko katika hatua za mwisho za uzinduzi baina ya afisi kuu mbili nchini Kenya na Tanzania ambao utasaidia kuafikia ulipiaji huduma/vyumba mapema na mifumo ya fedha na kupelekea kuwepo kwa utendaji bora wa kazi, usimamizi na uthibiti bora. Mwisho, ufanisi umepatikana kuhusiana na uuzaji wa biashara kupitia mfumo wa elektroniki ambapo hoteli za Serena zilianza kutumia mbinu hiyo mwezi Agosti mwaka 2008 huku kukiwa na mfumo wa utumaji maombi unaopatikana kupitia wavuti wa makundi yote ya hoteli yaliyoko mijini na fuo za bahari.

Kundi linazidi kuamini kwamba wafanyakazi wake ni raslimali muhimu katika hazina ya biashara mambo yanapokuwa magumu. Licha ya changamoto za kibiashara, utuzaji wa wafanyakazi, utoaji mafunzo ya hali ya juu, uimarishaji wa uwezo ulibakia kuwa swala lililopewa kipaumbele. Wakati wa kipindi hiki cha mwaka, Kundi lilimwajiri Meneja wa Utoaji Mafunzo na Maendeleo ambaye kwa sasa anaendesha mkakati wa kuimarisha uzalishaji.

Kama mnavyofahamu, wasafiri wa sasa wamejitolea kuhakikisha raslimali wanazotumia zinatoa mchango wao kuimarisha maendeleo miongoni mwake kupitia uhifadhi wa mifumo ya ikolojia na kuongoza katika ustawi bora wa utalii.

Kundi linazidi kutekeleza wajibu wake katika jamii kwa kuhusisha pamoja shughuli hizo kwenye mkakati wake wa kibiashara. Kufikia sasa, shughuli za Kampuni katika wajibu wa jamii zinazidi kuangazia utalii wa ikolojia, uhifadhi wa mazingira, utoaji mafunzo, Afya ya Umma na maendeleo ya jamii. Mnamo mwezi Juni 2008, TPSEA ilichapisha jarida lake la pili la wajibu wake kwa jamii linalojulikana kama Serena Outreach to Society (SOS) ambalo linaangazia shughuli hizi. Kwa maelezo zaidi kuhusiana na wajibu wa Kampuni kwa jamii tafadhali rejelea ukurasa 20 na 21 wa ripoti hii.

Kundi limebakia kuwa mchangiaji mkuu kwa hazina ya serikali za Kenya, Tanzania na Zanzibar. Kwa wastani Kundi lililipa kiwango sawa na Shilingi milioni 648 pesa za Kenya kwa ushuru wa moja kwa moja au usio wa moja kwa moja. Pia lilitoa Shilingi milioni 121 kwa mabaraza ya serikali za wilaya kama ada ya nia njema/ukodishaji katika miliki mbali mbali mwaka 2008.

Halmashauri na wasimamizi wanakadiria kuwepo kwa mazingira magumu ya biashara mwaka 2009 na athari za kushuka kwa uchumi wa dunia na kuzidi kuwepo kwa wasi wasi wa kifedha. Hali hii inatarajiwa kuchochewa na maswala mengine, masoko yasiyoaminika na kushuka kwa imani miongoni mwa wateja hali inayotarajia kuendelea kuathiri mahitaji ya utalii duniani kwa muda wa miezi 12 ijayo.

Kama ilivyoshuhudiwa muhula wa kwanza wa mwaka 2009, kipindi cha mwaka kilichosalia kitazidi kukumbwa na changamoto ambazo zitaathiri gharama za uendeshaji biashara kutokana na ugumu wa maisha unaosababishwa na mfumuko wa bei, njaa iliyoko na gharama zilisizotarajiwa za kawi. Kwa sasa, majibu kutoka kwa waendeshaji wakuu wa biashara kuhusiana na maagizo ya vyumba katika vituo vyote vya mapumziko ni ya kutia shaka. Wasimamizi wametambua ukodishaji wa vyumba kwa muda mfupi siku za hivi karibuni. Hali hii ni ya kutia moyo.

Chajio kando ya moto katika Hoteli ya Ngorongoro Serena

Taarifa ya Mwenyekiti (yaendelea)

Halmashauri na wasimamizi wanakadiria kushuka kwa kiwango cha uchumi wa leo kama funzo kwamba mawazo ya jana na mikakati haziwezi kuangazia changamoto za sasa. Changamoto hizi zinachochea timu kuwa karibu na wateja, kutathmini upya matarajio yao na kuchukua hatua zifaazo kwa ubunifu na kubuni njia mpya kuhakikisha kwamba kundi linazidi kutoa viwango vya juu vya bidhaa na huduma.

Mabadiliko kuhusu mahitaji ya wateja wetu yatachochea mabadiliko ya mitindo ya wakati huku tunapotafuta majibu, kutafuta mtaji, kuvumbua nafasi zilizojificha na kuja na suluhu mpya. Kundi litazidi kuangazia ukuaji na matarajio ya muda mrefu ya Kampuni huku likihifadhi nafasi yake kwenye soko.

Uwezo wa Kampuni kukua, kuvumbua, kuandaa viwango vyetu masokoni ambapo tunahudumu pamoja na mbinu zetu zilizofanyiwa majaribio, zinatuweka katika nafasi bora kutekeleza vyema biashara mbali mbali. Kwa sababu hiyo, ningependa kuwahakikishia wanahisa na wanachama wawekezaji kwamba, licha ya changamoto, biashara za Kampuni zimebaki kuwa thabiti. Halmashauri na wasimamizi watatumia uwezo wao kuhakikisha athari mbaya za matokeo ya kundi zimethibitwa Kadri inavyowezekana kipindi cha mwaka 2009.

Kutamatisha, kwa niaba ya Halmashauri, ningependa kushukuru na kupongeza Wasimamizi na Wafanyakazi kwa bidii na kujitolea kwao. Bila wao Kundi halingepata matokeo

haya ya kufana wakati huu mgumu. Ningependa kutambua na kushukuru mchango kutoka kwa wanahalmashauri

Dimbwi la kuogelea kando ya jumba la Ol Pejeta

wenzangu . Mchango huu umewezesha shughuli za biashara za Kundi na mkakati kufaulu kipindi cha mwaka wa 2008.

Ningependa kutambua kwa dhati mchango muhimu, matumaini na imani ambazo tunazidi kupokea kutoka kwa wanahisa, wateja na washika dau wengine katika biashara hii. Mwisho, ningependa kuzishukuru serikali za mataifa ya Afrika Mashariki kwa kurahisisha ukuaji wa biashara ya Utalii. Pia nazishukuru Halmashauri mbali mbali za utawala kutokana na msaada wao. Ni kutokana na mchango na himizo lao ambao sekta hii inategemea na tutazidi kuwategemea ili kuwa mchangiaji mkuu wa ukuaji wa maendeleo ya kiuchumi kanda hii.

Francis Okomo-Okello
Mwenyekiti

Morani wa Kisamburu katika Hoteli ya Samburu Serena

Board of Directors

Mr. Francis Okomo-Okello
Chairman

Mr. Okello holds a Bachelor of Laws Degree from the University of Dar-es-Salaam, is an Advocate of the High Court of Kenya, 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). Mr. Okello is one of the founding members of the Association of Banking Lawyers of South Africa (ABLASA), based at Rand Afrikaans University, Johannesburg. He is the Chairman of Barclays Bank of Kenya Limited, a Director of the Nation Media Group Limited, among other companies. Currently, he heads the Legal and Corporate Affairs department at the Industrial Promotion Services Group of Companies operating in East Africa.

Mr. Mahmud Jan Mohamed
Managing Director

Mr. Jan Mohamed has worked for the TPS Group of Companies in different capacities rising to the current position of Chief Executive. Mr. Jan Mohamed was founder Chairman of the Kenya Tourism Federation, is a Trustee of the East African Wildlife Society, a Director of the Centre for Corporate Governance, Mountain Lodges Limited and executive Director of TPS companies operating in Eastern Africa. 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

Mr. Virani holds a Bachelor of Commerce Degree. He is a Chartered Accountant and a CPA (K). He is currently the Finance Director of TPS Group in Eastern Africa. He is an executive Director of TPS companies in Eastern Africa.

Mr. Ali Mufuruki
Non-executive Director

Mr. Mufuruki holds a Bachelor of Science Degree in Mechanical Engineering, Design from the Fachhochschule for Technology and Economics in Reutlingen, Germany. He is Chairman of Infotech Investment Group Limited and manages, and has controlling interests in M & M Communications Limited, Infotech Computers Limited, W-Stores Company Limited and 11G Retail Limited. He has held various senior positions in private companies and is an advisor to the Government of Tanzania. Mr. Mufuruki is a Director of The Nation Media Group Limited, Central Bank of Tanzania and various private companies.

Board of Directors (cont'd)

Mr. Ameer Kassim-Lakha
Non-executive Director

Mr. Kassim-Lakha is the past Chairman of the Institute of Certified Public Accountants of Kenya and The Association of Professional Societies in East Africa. He is an Associate Member of the Chartered Institute of Arbitrators and O.P.M. (Harvard). He is a Director in various private companies.

Dr. Ramadhani Dau
Non-executive Director

Dr. Dau 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 served as a Director of Marketing at Tanzania Harbours Authority. He is a Director of Tourism Promotion Services (Tanzania) Limited, The Jubilee Holdings Limited and Jubilee Insurance Company of Tanzania Limited. He is currently the Director General of NSSF, Tanzania.

Mr. Jack Jacob Kisa
Non-executive Director

Mr. Kisa 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. He is a Director of Diamond Trust Bank.

Mr. Jean Philippe Prosper
Non-executive Director

Mr. Prosper has a B.Sc. in Mathematics as well as a Degree in Civil Engineering and holds an MBA (Finance and Monetary Economics). He is the Director, East and Southern Africa for the International Finance Corporation. Mr. Prosper is also a Director of Aureos East Africa fund, Industrial Promotion Services Limited, and K-Rep Bank.

Board of Directors (cont'd)

Mr. Jean-Louis Vinciquerra
Non-executive Director

Mr. Vinciguerra is a Graduate of the Institute of Political Studies and completed the Programme for Management Development from the Harvard Business School. He began his career in 1971 with Pechiney, one of the World leaders in Aluminium and Packaging, where he was Vice President of Finance, then Group Chief Financial Officer and finally Head of the Packaging Division. He has held various senior positions in the private sector and has a wealth of experience in banking and Finance. Mr. Vinciguerra currently works with the Aga Khan Fund for Economic Development as a Senior Financial Advisor.

Mr. Kabir Hyderally
Non-executive Director

Mr. Hyderally holds a Bachelor of Commerce Degree and is a Fellow of the Institute of Chartered Accountants. He is currently the General Manager - Finance, at The Jubilee Insurance Company of Kenya Limited.

Mr. Kungu Gatabaki
Non-executive Director

Mr. Gatabaki holds a Bachelor of Science Degree from Legon University, Ghana and a Diploma in Project Planning and Management from the Bradford University, UK. He serves on various Boards including Housing Finance and Micro-Africa where he is Chairman. He is Director of Mumias Sugar Company Limited, Development Bank of Kenya, Grain Bulk Handlers Limited, Shelter Afrique, Uganda Micro Finance among others.

Mr. Mahmood P Manji
Non-executive Director

Mr. Manji, a Fellow of The Kenya Institute of Bankers (FKIB) is the Chairman of the Diamond Trust Banks in East Africa and, Property Development and Management Limited. Mr. Manji is a member of the Institute of Chartered Accountants in England and Wales, and the International Who's Who of Professionals.

Mrs. Damaris Angulu
Company Secretary

Mrs. Angulu holds an MBA (Strategic Management) and a Bachelor of Laws Degree from the University of Nairobi, and, a Diploma from the Kenya School of Law. She is a Certified Public Secretary and an Advocate of the High Court of Kenya. Mrs. Angulu is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya (ICPSK). She is also a member of the Disciplinary Committee of the ICPSK.

Corporate Governance Statement

The TPS Group has remained committed to ensuring the highest standards of corporate governance and business ethics in the interest of the shareholders and stakeholders at large. The ultimate aim is to maintain the internally recognised code of ethics and the Capital Markets Authority (CMA) guidelines on good corporate governance best practices. To this end, the directors have committed to ensure integrity of internal systems as key to the enhancement of the Group's financial performance and sustainability.

THE BOARD OF DIRECTORS

TPS Eastern Africa Limited's Board consists of 12 substantive directors and 1 alternate director. 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. The directors are of varied expertise and skills who bring a wealth of relevant experience to the Board's deliberations. All the non-executive directors are subject to periodic retirement and re-election in accordance with the Company's Articles of Association.

The directors meet at least four times a year. Special meetings are held to deliberate on urgent issues of strategic importance, or as required under the statute, or in compliance with the requirements of regulatory authorities. The directors are given adequate notice for the meetings and timely information so that they can discharge their functions effectively. The Board's independence from the Company's management function has been achieved by separating the functions of the non-executive Chairman and the executive Managing Director, which has resulted in authority balancing. By taking a leadership role, the Board aims at maximising shareholders' value and ensuring long-term sustainable development and growth of the Company.

The Board primarily provides direction on general policy and is responsible for maintaining the Company's overall internal control of strategic, financial, operational, budgetary and compliance issues which are pre-agreed with the Management team and reviewed periodically against performance.

COMMITTEES OF THE BOARD

The Board has set up two main committees and has delegated a specific mandate to each of them. The committees have been established under formal written terms of reference (ToR) set by the Board. The ToR are reviewed from time to time so as to respond to the dynamic business environment, and comply with the ever-changing legislation. The committees meet regularly as provided in the ToR.

Audit and Finance Committee

Members of this Committee are shown on page 2 of this Annual Report.

The Committee works closely with the Internal Audit Department. It plays a critical role in reviewing financial information and ensuring that the system of internal controls is effectively administered. Significant audit findings identified by the Company's internal and external Auditors are also considered. The Committee is authorised by the Board within its ToR to seek from The Company employees any information on any matters and to seek independent professional advice whenever necessary. The Board reviews the membership of the Audit and Finance Committee annually in accordance with CMA Guidelines. The Committee held three meetings in the year. The external Auditors, internal Auditors, and executive directors attend the Committee's meetings as required.

Nomination and Remuneration Committee

The Committee's membership is set out on page 2 of this Annual Report.

The Committee is mandated to consult experts, scrutinize and advise the Board on the organisational structure, and staff establishments and to recommend to the Board on human resource policies and capacity enhancement. The Committee is further mandated to review the salaries, benefits packages, and service contracts of the executive directors and senior management and to ensure that the same are competitively structured and linked to performance. The Committee is further

Corporate Governance Statement (cont'd)

mandated to propose new nominees to the Board as may be required from time to time and to assess the effectiveness of the Board as a whole, the committees of the Board, as well as each individual director and make necessary recommendations to the Board on enhancing the overall level of effectiveness of the Board, Executive directors do not attend meetings of the Committee that consider their remuneration and benefits.

During the year, the Committee oversaw the Board's first ever self-evaluation exercise, that revealed the changes that directors should make to improve their performance. The exercise was facilitated by an external consultant. The report of the evaluation will be finalised in the course of 2009.

INTERNAL CONTROLS

The Group has a well-defined organisational structure with appropriate segregation of responsibilities. This is complemented by detailed policy and procedure manuals, which provide an operational framework for the management team. Monthly Credit Control, Sales and Marketing, and Finance meetings are held to review these critical aspects of the Company's operations. The internal control function is largely complemented by the Internal Audit function, which is an independent appraisal function.

COMMUNICATION WITH SHAREHOLDERS

The Group is committed to ensuring that shareholders and other stakeholders are provided with accurate and timely information on the Company's performance. This is usually done through the distribution of the TPS Eastern Africa Limited's Annual Report at least 21 days before the Annual General Meeting, release of half-year and end-year results through the press and regulatory bodies, and monthly disclosures of shareholding statistics to the Nairobi Stock Exchange (NSE) and the CMA.

Shareholders have direct access to the Group's information through the internet and all enquiries are responded to in a timely manner. The Serena website is improved regularly so as to be more informative on the Company's affairs. In this regard, the Group complies with its obligations contained in the NSE Listing Rules and the CMA Act applicable in Kenya.

By maintaining an open-door policy in terms of communication, the Group ensures that enquiries from shareholders and other stakeholders are promptly and satisfactorily attended to.

DIRECTORS EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to directors during the 2008 financial year amounted to KShs 33.3 million. 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 by means of the acquisition of the Company's shares.

There were no non-executive directors' and executive directors' loans during the year.

DIRECTORS' INTEREST

Name of Director	No. of Shares	% Shareholding
Francis Okomo-Okello	1,041	0.00098
Mahmood P Manji	1,041	0.00098
Ameer Kassim-Lakha	1,041	0.00098
Abdulmalek J Virani	1,041	0.00098
Ali Mufuruki	13,600	0.00128

Corporate Governance Statement (cont'd)

SHAREHOLDERS' PROFILE AS AT 31 DECEMBER 2008:

Ten Largest Shareholders:

Name of shareholder	Number of Shares	% Shareholding
1 Aga Khan Fund for Economic Development	47,308,507	44.69
2 International Finance Corporation	12,026,743	11.36
3 The Jubilee Insurance Company Limited	6,776,060	6.40
4 Industrial Promotion Services (Kenya) Limited	5,497,920	5.19
5 Property Development and Management Limited	4,719,600	4.46
6 Craysell Investment Limited	2,302,779	2.18
7 Premchand Kanji Shah	1,636,200	1.55
8 National Social Security Fund (Tanzania)	1,388,541	1.31
9 Kenya Commercial Bank Nominees Limited	1,363,300	1.29
10 Wildlife Safari Kenya Limited	706,626	0.67
	83,726,276	**79.10**

Distribution of Shareholders:

	Number of Shareholders	Number of Shares	% Shareholding
Less than 500 shares	2,641	470,479	0.44
500 - 5,000 shares	6,238	7,305,108	6.90
5,001 - 10,000 shares	205	1,455,954	1.38
10,001 - 100,000 shares	247	6,673,328	6.30
100,001 - 1,000,000 shares	27	6,940,223	6.56
Over 1,000,000 shares	9	83,019,650	78.42
Total	**9,367**	**105,864,742**	**100.00**

Shareholder Categories:

Category	Number of Shareholders	Number of Shares Held	%
Foreign Investors	128	60,137,554	56.80
Local Institutional Investors	708	31,566,461	29.82
Local Individual Investors	8,531	14,160,727	13.38
Grand Total	**9,367**	**105,864,742**	**100.00**

Corporate Social Responsibility

Putting people first

Serena Hotels' human resource policy ensures optimum levels of training, the prioritization of employment and training for members of the local community, the use of local artisans in all rehabilitation projects, the promotion of local community crafts in all retail outlets, and the promotion of local dance, music, culture and costume. Serena also makes significant contributions towards the provision of water, health and education facilities for the communities that surround its properties.

Protecting a fragile environment

The Serena Group appreciates the privilege of being present in some of the world's most beautiful, pristine, yet threatened wilderness areas. In recognition of this trust, the Group is committed to a rigorous and ever-evolving eco-policy, which spans everything from re-afforestation, the protection of endangered wildlife, the provision of benefits to the local communities, and the goal of ensuring that their units have minimal negative environmental impact, and maximum socio-economic impact. In consequence, the Group has received recognition by the global environmental protection agencies.

Tree planting by Serena Hotels and Lodges staff

Exploring a diversity of culture

Such is the range of the Group's units in Eastern Africa and Mozambique that they encourage cultural exchange with over 250 ethnic communities. The exchange takes many forms - from the provision of employment and community facilities to the fostering of cultural exchanges between international visitors and local communities.

The Serena CSR Report

The Serena CSR report is a template, which has recently been put in place for the purpose of systematically tracking the CSR activities or projects that have been initiated by the Group. As part of this initiative, each Serena property maintains an accurate report of all those CSR programmes and activities which have been undertaken in any given month. This report is centrally consolidated and forms a part of the overall cohesive CSR profile for the year. Each report covers the following key issues among others:

- The estimated overall impact of the CSR activity: at community and environmental level.
- The degree of corporate involvement, in-put and interaction generated by the activity.
- The challenges inherent in the programme, and the manner in which they have been overcome.
- The future implementation of the project, its possible expansion and integration with like-projects in the region as a whole.

The focus of the CSR Report

The present CSR programme places its focus in three major areas; These are:

(i) Environmental preservation

Inclusive of:

- ecological preservation;
- wildlife support and preservation of indigenous species of birds, animals and insects; and
- re-afforestation.

Re-afforestation program by Mountain Lodges Ltd (managed by Serena)

Responsible waste management procedures

In the interest of maximized re-cycling opportunities and minimal negative impact on the environment, all Serena units send their garbage for recycling by professional garbage disposal companies. Glass and plastics are re-cycled, while wet waste is converted to compost and used in the gardens of the Serena hotels and lodges. Local compost is also shared with local farmers, while waste food is given to them for use as animal fodder.

Conservation of energy and water

Serena has put in place an ambitious project, whose aim is to audit its water consumption in tandem with an extensive range of water-saving measures. As for electricity, while many of the Safari Lodges are located within National Parks and were, therefore, hitherto dependent upon diesel generators, most have now been fitted with inverter systems, which allow for optimum conservation of energy and minimum fuel-use, noise and air-pollution.

(ii) Community support and development

Inclusive of:

- free medical consultations.
- provision of training and education.
- provision, wherever possible, of employment opportunities.
- provision of or support of local education.

Serena offers exposure for the youths of local communities regarding the possibilities inherent in pursuing a career in the hotel and catering industry. To this end, lodge managers give regular educational community talks, while high-performing students are invited to spend holiday time in education training and exposure at their nearest Serena unit. Wherever possible, job placements are offered to such students at the completion of their schooling.

Provision of financial support, charitable donations and sponsorships

Serena and its staff support a broad range of charitable causes and community initiatives by means of corporate donations, donations of goods and materials or by means of sponsorship. Among the present recipients of such support are a broad range of schools, orphanages, HIV/AIDS support centers, post election violence victims homes for the physically or mentally challenged and other disadvantaged groups.

Nairobi Women's Hospital representatives receive a cheque donation of KShs. 100,000 from representatives of Serena Hotels and Lodges for treatment of victims of rape from the post-election violence

Provision of medical facilities and clean drinking water

Serena provides clean drinking water to communities around it's lodges in Lake Manyara, Amboseli and Samburu, and free medical consultations to community members around it's lodges.

Serena Hotels and Lodges staff give donations from the Company to the Kenya Red Cross Society for distribution to post-election violence victims

The promotion of economic welfare of the community through procurement of vegetables, fruit, milk, meat etc. Additionally, the promotion of the local cultural heritage in terms of marketing local handicrafts and/or showcasing local dance/costumes, and/or encouragement of cultural visits between incoming guests or between rural and city school children.

(iii) Employee welfare programmes

Inclusive of:

- provision of training, locally, regionally and internationally
- provision of health awareness training.
- provision of medical and social facilities.
- provision of optimum working and living environment.
- involvement of employees in present CSR initiatives for the good of all.

Staff wellness-training takes a holistic approach to health needs of our staff. Thus a 'Wellness Champion' is elected to represent each unit whose job it is not only to promote and champion the cause of ultimate wellness throughout the working community, but also through the local community as a whole.

Free medical consultations at Serena Clinics

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2008, which disclose the state of affairs of the Group and of the Company.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The net profit for the year of Shs 222,717,000 has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 132,330,928 (2007: Shs 132,330,928).

DIRECTORS

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

F O Okello	(Chairman)
M Jan Mohamed	(Managing Director)
A J Virani	(Finance Director)
A Mufuruki	
A Kassim-Lakha	
Dr. R K Dau	
J J Kisa	
J P Prosper	
J L Vinciguerra	
K Bandawe	(Alternate to Dr. Ramadhani Dau)
K Hyderally	
K Gatabaki	
M P Manji	

AUDITOR

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

By order of the Board

SECRETARY

30 March, 2009

Statement of Directors' Responsibility

For the year ended 31 December 2008

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company and of the Group's profit or loss in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Francis Okomo-Okello
Chairman

30 March, 2009

Mahmud Jan Mohamed
Managing Director

30 March, 2009

Report of the Independent Auditor

to the Members of TPS Eastern Africa Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of TPS Eastern Africa Limited (the Company) and its subsidiaries (together, the Group), as set out on pages 25 to 59. These financial statements comprise the consolidated balance sheet at 31 December 2008 and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the Company standing alone as at 31 December 2008 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 Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent 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 entity'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 company'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 2008 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;
iii) the company's balance sheet is in agreement with the books of account.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
3 April, 2009
Nairobi

Consolidated Profit and Loss Account

For the period ended 31 December 2008

	Notes	2008 Shs'000	2007 Shs'000
Sales	5	3,243,203	3,667,660
Other operating income		263,611	242,694
Inventory expensed		(684,628)	(763,446)
Employee benefits expense	7	(791,351)	(757,437)
Other operating expenses		(1,339,582)	(1,414,138)
Profit before depreciation, interest and income tax expense		691,253	975,333
Depreciation on property, plant and equipment	18	(216,002)	(216,912)
Operating profit	6	475,251	758,421
Net finance costs	8	(144,840)	(145,883)
Share of (loss)/ profit of associate	22	(397)	4,842
Profit before income tax		330,014	617,380
Income tax expense	9	(107,297)	(200,905)
Profit for the year (of which net profit of Shs 120,205,000 (2007: Shs 382,603,000) have been dealt with in the accounts of the Company)		222,717	416,475
Attributable to:			
Equity holders of the Company		222,717	414,367
Minority interest		-	2,108
		222,717	416,475
Earnings per share for profit attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	10	2.10	3.91
Dividends:			
Proposed final dividend for the year	11	132,331	132,331

Consolidated Balance Sheet

For the period ended 31 December 2008

	Notes	2008 Shs'000	2007 Shs'000
Equity			
Share capital	12	105,865	105,865
Share premium	12	1,906,676	1,906,676
Revaluation reserve	13	678,816	698,001
Translation reserve		(171,905)	(146,315)
Retained earnings		1,099,142	981,853
Proposed dividends	11	132,331	132,331
Total equity		3,750,925	3,678,411
Non-current liabilities			
Borrowings	14	1,052,754	1,079,358
Deferred income tax liability	15	590,947	573,590
Provisions for liabilities and charges	16	95,013	121,701
Total non-current liabilities		1,738,714	1,774,649
Total equity and non-current liabilities		5,489,639	5,453,060
Non-current assets			
Property, plant and equipment	18	4,015,288	4,103,430
Prepaid operating lease rentals	19	12,573	12,733
Intangible assets	20	1,077,869	1,077,869
Investment in associates	22	29,917	30,314
Available-for-sale financial asset	17	55,051	31,418
Deferred income tax asset	15	66,378	128,549
		5,257,076	5,384,313
Current assets			
Inventories		243,533	203,329
Receivables and prepayments	23	874,121	1,032,379
Cash and cash equivalents	24	132,266	160,998
		1,249,920	1,396,706
Current liabilities			
Payables and accrued expenses	25	779,684	891,670
Current income tax		953	42,396
Borrowings	14	236,720	393,893
		1,017,357	1,327,959
Net current assets		232,563	68,747
		5,489,639	5,453,060

The financial statements on pages 25 to 59 were approved for issue by the board of directors on 30th March 2009 and signed on its behalf by:

Francis Okomo-Okello
Chairman
30 March, 2009

Mahmud Jan Mohamed
Managing Director
30 March, 2009

Company Balance Sheet

For the period ended 31 December 2008

	Notes	2008 Shs'000	2007 Shs'000
Equity			
Share capital	12	105,865	105,865
Share premium	12	1,906,676	1,906,676
Retained earnings		567,747	579,873
Proposed dividends	11	132,331	132,331
Total equity		2,712,619	2,724,745
Non-current assets			
Investment in subsidiaries	21	2,528,608	2,528,608
Available-for-sale financial asset	17	55,051	31,418
		2,583,659	2,560,026
Current assets			
Receivables and prepayments	23	130,823	169,880
		130,823	169,880
Current liabilities			
Payables and accrued expenses	25	1,754	4,888
Bank overdraft	14	109	273
		1,863	5,161
Net current assets		128,960	164,719
		2,712,619	2,724,745

The financial statements on pages 25 to 59 were approved for issue by the board of directors on 30th March 2009 and signed on its behalf by:

Francis Okomo-Okello
Chairman
30 March, 2009

Mahmud Jan Mohamed
Managing Director
30 March, 2009

Consolidated Statement of Changes in Equity

For the period ended 31 December 2008

	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	Minority interest Shs'000	Total Shs'000
Year ended 31 December 2007									
At start of year		88,221	1,906,676	715,682	(175,916)	716,546	110,276	42,507	3,403,992
Transfer of excess depreciation to retained earnings		-	-	(25,258)	-	25,258	-	-	-
Deferred income tax on transfer	15	-	-	7,577	-	(7,577)	-	-	-
Deferred income tax on release of revaluation reserves		-	-	-	-	7,884	-	-	7,884
Currency translation differences		-	-	-	29,601	(24,650)	-	-	4,951
Net (losses)/gains recognised directly in equity		-	-	(17,681)	29,601	915	-	-	12,835
Net profit		-	-	-	-	414,367	-	2,108	416,475
Bonus issue of shares		17,644	-	-	-	(17,644)	-	-	-
Acquisition of minority shareholding		-	-	-	-	-	-	(44,615)	(44,615)
Dividends:				-					
- final for 2006 paid	11	-	-	-	-	-	(110,276)	-	(110,276)
- proposed for 2007	11	-	-	-	-	(132,331)	132,331	-	-
At end of year		105,865	1,906,676	698,001	(146,315)	981,853	132,331	-	3,678,411

Consolidated Statement of Changes in Equity (cont'd)

For the period ended 31 December 2008

	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	Minority interest Shs'000	Total Shs'000
Year ended 31 December 2008									
At start of year		105,865	1,906,676	698,001	(146,315)	981,853	132,331	-	3,678,411
Transfer of excess depreciation to retained earnings		-	-	(27,407)	-	27,407	-	-	-
Deferred income tax on transfer	15	-	-	8,222	-	(8,222)	-	-	-
Deferred income tax on release of revaluation reserves		-	-	-	-	7,718	-	-	7,718
Currency translation differences		-	-	-	(25,590)	-	-	-	(25,590)
Net (losses)/gains recognised directly in equity		-	-	(19,185)	(25,590)	26,903	-	-	(17,872)
Net profit		-	-	-	-	222,717	-	-	222,717
Dividends:									
- final for 2007 paid	11	-	-	-	-	-	(132,331)	-	(132,331)
- proposed for 2008	11	-	-	-	-	(132,331)	132,331	-	-
At end of year		105,865	1,906,676	678,816	(171,905)	1,099,142	132,331	-	3,750,925

Company Statement of Changes in Equity (cont'd)

For the period ended 31 December 2008

	Notes	Share Capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2007						
At start of year		88,221	1,906,676	347,245	110,276	2,452,418
During the year:						
Net profit		-	-	382,603	-	382,603
Bonus issue of shares		17,644	-	(17,644)	-	-
Dividends:						
- final for 2006	11	-	-	-	(110,276)	(110,276)
- proposed for 2007	11	-	-	(132,331)	132,331	-
At end of year		105,865	1,906,676	579,873	132,331	2,724,745
Year ended 31 December 2008						
At start of year		105,865	1,906,676	579,873	132,331	2,724,745
During the year:						
Net profit		-	-	120,205	-	120,205
Dividends:						
- final for 2007	11	-	-	-	(132,331)	(132,331)
- proposed for 2008	11	-	-	(132,331)	132,331	-
At end of year		105,865	1,906,676	567,747	132,331	2,712,619

Consolidated Cash Flow Statement

For the period ended 31 December 2008

	Notes	2008 Shs'000	2007 Shs'000
Operating activities			
Cash generated from operations	26	668,958	834,438
Interest paid		(120,068)	(145,883)
Income tax paid		(80,167)	(52,232)
Net cash generated from operating activities		468,723	636,323
Investing activities			
Purchase of property, plant and equipment	18	(160,057)	(439,960)
Proceeds from disposal of property, plant and equipment		2,048	3,700
Cash outflow on acquisition		-	(83,229)
Investment on available-for-sale financial asset	17	(23,633)	(31,418)
Short term bank deposits	24	19,705	12,428
Net cash used in investing activities		(161,937)	(538,479)
Financing activities			
Proceeds from long-term borrowings		273,865	376,607
Repayments on long-term borrowings		(382,051)	(507,078)
Dividends paid to Company's shareholders		(132,331)	(110,276)
Net cash used in financing activities		(240,517)	(240,747)
Net increase/(decrease) in cash and cash equivalents		66,269	(142,903)
Movement in cash and cash equivalents			
At start of year		(20,758)	122,082
Increase/(decrease) in cash		66,269	(142,903)
Effects of exchange rate changes on cash and cash equivalents		295	63
At end of year	24	45,806	(20,758)

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 Stock Exchange.

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 thousand.

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 4.

Interpretations effective in 2008

In 2008, the following new interpretations became effective for the first time but have not had an impact on the company's financial statements:
- IFRIC 11 - IFRS 2 - Group and treasury share transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 14 - IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
- IAS 39 and IFRS 7 - Reclassification of financial assets.

Standards, interpretations and amendments to published standards that are not yet effective

One new standard (IFRS 8 - Operating Segments) and numerous amendments to existing standards and new interpretations have been published and will be effective for the company's accounting periods beginning on or after 1 January 2009, but the company has not early adopted any of them.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group, other than IFRS 8, which will result in changes to the reportable segments and the information disclosed in respect of those segments and the amendments to IAS 1 - Presentation of Financial Statements, which will require non-owner changes in equity to be presented in a 'Comprehensive Statement of Income'.

2 Summary of significant accounting policies (continued)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associate.

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

(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.

Notes to the Financial Statements (cont'd)

2 Summary of significant accounting policies (continued)

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

(ii) Transactions and balances in group entities

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. 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 profit and loss account.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(iii) Consolidation of group entities

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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
(II) income and expenses for each profit and loss account 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 expenses are translated at the dates of the transactions); and
(III) all resulting exchange differences are recognised as a separate component of equity (translation reserve).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Revenue recognition

Revenue represents the fair value of the consideration receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the group delivers products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(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 proportion of the total services to be provided.

(iii) Interest income is recognised on a time proportion basis using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account 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 the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Freehold land is not depreciated. Depreciation on other 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:

Buildings	Over the period of the lease
Computers	3 - 4 years
Motor vehicles	4 years
Furniture and fittings	8 years
Lift installations	10 years
Laundry equipment	10 years

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

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 the profit and loss account. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(g) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each reporting segment.

Notes to the Financial Statements (cont'd)

2 Summary of significant accounting policies (continued)

(h) Financial assets

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

(i) Loans and receivables

Loans and receivables are initially recorded at cost and subsequently carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. They are included in current assets, Loans and receivables are included in receivables and prepayments in the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

(i) 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 profit and loss account on a straight-line basis over the period of the lease.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(k) Receivables

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

2 Summary of significant accounting policies (continued)

(l) Payables

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

(m) Share capital

Ordinary shares are classified as equity.

(n) Cash and cash equivalents

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 balance sheet.

(o) Employee benefits

(i) Retirement benefit obligations

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

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

(ii) Other entitlements

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

(p) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Notes to the Financial Statements (cont'd)

2 Summary of significant accounting policies (continued)

(p) Income tax (continued)

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the 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, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet 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.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account 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 balance sheet date.

(r) Dividends

Dividends payable to the Company's shareholders are charged to equity in the period in which they are declared. Proposed dividends are shown as part of retained earnings until declared.

(s) Comparatives

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

3 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.

Risk management is carried out by the treasury department under the guidance of management. Treasury identifies, evaluates and hedges financial risks. The management 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 investing excess liquidity.

3 Financial risk management (continued)

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 manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities using forward contracts, but has not designated any derivative instruments as hedging instruments.

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 2008, 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 2,899,995 (2007: Shs 10,313,016) higher/lower, mainly as a result of US dollar receivables, payables and bank balances.

(ii) Price risk

During the year, the Group invested in unquoted shares of Tourism Promotion Services (Rwanda) Limited classified under Available-for-sale assets. In the opinion of the directors, there is no material exposure to price risk.

(iii) Cash flow and fair value interest rate risk

The Group has borrowings at variable rates. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. At 31 December 2008, an increase/decrease of 2% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 4,283,576 (2007: 25,683,287).

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash equivalents, derivative financial instruments, corporate bonds and deposits with banks, as well as trade and other receivables. Neither the Group nor the Company has any significant concentrations of credit risk. The group credit controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

Notes to the Financial Statements (cont'd)

3 Financial risk management (continued)

Credit risk (continued)

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31 December 2008 is made up as follows:

	Group		Company	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Cash equivalents	132,266	160,998	-	-
Trade receivables	634,739	839,367	-	-
Receivables from related companies	116,109	82,806	130,804	167,884
Other receivables	123,273	110,206	19	1,996
	1,006,387	1,193,377	130,823	169,880

No collateral is held for any of the above assets. For receivables that are neither past due or impaired they are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets 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	
	2008	2007	2008	2007
	Shs'000	Shs'000	Shs'000	Shs'000
Past due but not impaired:				
- by up to 30 days	159,675	147,756	-	-
- by 31 to 60 days	40,694	57,994	-	-
- by 61 to 90 days	45,203	36,783	-	-
- by over 90 days	74,920	32,107	-	-
Total past due but not impaired	320,492	274,640	-	-
Impaired and provided for	53,585	54,232	-	-

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury 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 flow.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet 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.

At the beginning of the year, the Group renegotiated short term borrowings, for one of its Kenyan subsidiary, to a term loan of five years. The below position is after including debt refinancing.

3 Financial risk management (continued)

Liquidity risk (continued)

(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 2008:				
- borrowings	236,720	294,846	757,908	-
- trade and other payables	779,684	-	-	-
- current income tax	953	-	-	-
- dividends	132,331	-	-	-
At 31 December 2007:				
- borrowings	209,319	440,767	778,990	44,175
- trade and other payables	891,670	-	-	-
- current income tax	42,396	-	-	-
- dividends	132,331	-	-	-

(b) Company

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2008:				
- borrowings	109	-	-	-
- trade and other payables	1,754	-	-	-
- dividends	132,331	-	-	-
At 31 December 2007:				
- borrowings	273	-	-	-
- trade and other payables	4,888	-	-	-
- dividends	132,331	-	-	-

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 2008 the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio between 25% and 40%. The gearing ratios at 31 December 2008 and 2007 were as follows

	2008 Shs'000	2007 Shs'000
Total borrowings	1,289,473	1,473,251
Less: cash and cash equivalents	(132,266)	(160,998)
Net debt	1,157,207	1,312,253
Total equity	3,750,925	3,678,411
Total capital	4,908,132	4,990,664
Gearing ratio	24%	26%

Notes to the Financial Statements (cont'd)

4 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

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the balance sheet date.

Impairment of goodwill

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

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment 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.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining impairment of assets, goodwill, gratuity provisions.

5 Segment information

Primary reporting format - geographical segments

The Group has two geographical segments - Kenya and Tanzania. The group subsidiary in South Africa operates as a sales agency and does not constitute a separately reportable segment. The information has therefore been consolidated with the results of the parent company.

Sales (allocated based on the country of subsidiary)	**2008 Shs'000**	**2007 Shs'000**
Kenya	1,899,844	2,362,597
Tanzania	1,343,359	1,305,063
	3,243,203	3,667,660

5 Segment information (continued)

Total assets (allocated based on the country of subsidiary)	2008 Shs'000	2007 Shs'000
Kenya	4,482,717	4,753,542
Tanzania	2,024,279	2,027,477
	6,506,996	6,781,019

Total liabilities (allocated based on the country of subsidiary).	2008 Shs'000	2007 Shs'000
Kenya	1,695,549	2,016,095
Tanzania	1,060,522	1,086,513
	2,756,071	3,102,608

Capital expenditure (allocated based on the country of subsidiary).	2008 Shs'000	2007 Shs'000
Kenya	93,052	368,028
Tanzania	67,005	71,932
	160,057	439,960

The segment results for the year ended 31 December 2008 are as follows:

	Kenya Shs'000	Tanzania Shs'000	Group total Shs'000
Sales	1,899,844	1,343,359	3,243,203
Operating profit	133,961	341,290	475,251
Finance costs - net	(39,296)	(105,544)	(144,840)
Share of loss of associate	(397)	-	(397)
Profit before income tax	**94,268**	**235,746**	**330,014**
Income tax expenses	(38,119)	(69,178)	(107,297)
Profit for the year	**56,149**	**166,568**	**222,717**
Minority interest	-	-	-
Profit attributable to shareholders	**56,149**	**166,568**	**222,717**

Notes to the Financial Statements (cont'd)

5 Segment information (continued)

The segment results for the year ended 31 December 2007 are as follows:

	Kenya Shs'000	Tanzania Shs'000	Group total Shs'000
Sales	2,362,597	1,305,063	3,667,660
Operating profit	421,063	337,358	758,421
Finance costs - net	(33,858)	(112,025)	(145,883)
Share of profit of associates	4,842	-	4,842
Profit before income tax	**392,047**	**225,333**	**617,380**
Income tax expenses	(123,882)	(77,023)	(200,905)
Profit for the year	**268,165**	**148,310**	**416,475**
Minority interest	(2,108)	-	(2,108)
Profit attributable to shareholders	**266,057**	**148,310**	**414,367**

Other segment items included in the profit and loss account are:

	Year ended 31 December 2008			Year ended 31 December 2007		
	Kenya Shs'000	Tanzania Shs'000	Group Shs'000	Kenya Shs'000	Tanzania Shs'000	Group Shs'000
Depreciation	133,487	82,515	216,002	139,610	77,302	216,912
Impairment of trade receivables	4,995	9,860	14,855	22,110	4,319	26,429

Secondary reporting format - business segments

The group only has one business segment, which is the operation of hotels and lodges.

6 Operating profit

The following items have been (credited)/charged in arriving at operating profit:

	Group	
	2008 Shs'000	2007 Shs'000
Profit on disposal of property, plant and equipment	(1,081)	(2,848)
Prepaid operating lease rentals expensed	160	160
Net foreign currency exchange (gains) / losses on trading balances	(90,444)	61,545
Inventories expensed	684,628	763,446
Receivables - provision for impairment losses	14,855	26,429
Auditors' remuneration (Company: 2008: Shs 1,634,850 2007: Shs 1,730,000)	8,245	8,334

7 Employee benefits expense

	Group 2008 Shs'000	Group 2007 Shs'000
The following items are included within employee benefits expense:		
Retirement benefits costs:		
- Gratuity charge (Note 16)	6,475	13,450
- Defined contribution scheme	24,151	21,769
- National Social Security Funds	20,390	16,284

8 Net finance costs

	Group 2008 Shs'000	Group 2007 Shs'000
Interest expense:		
- bank borrowings	(115,048)	(145,787)
- related party loans	(5,020)	(96)
	(120,068)	(145,883)
Net foreign currency exchange losses on borrowings	(24,772)	-
Net finance costs	(144,840)	(145,883)

9 Income tax expense

	Group 2008 Shs'000	Group 2007 Shs'000
Current income tax	20,865	76,794
Deferred income tax (Note 15)	86,432	124,111
Income tax expense	107,297	200,905

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:

	2008 Shs'000	2007 Shs'000
Profit before income tax	330,014	617,380
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2007: 30%)	99,004	185,214
Tax effect of:		
Income not subject to tax	(210)	(3,156)
Expenses not deductible for tax purposes	20,383	20,474
Under-provision of deferred income tax in prior year	(11,880)	(1,627)
Income tax expense	107,297	200,905

Notes to the Financial Statements (cont'd)

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.

	2008	2007
Profit attributable to equity holders of the Company (Shs 000s)	222,717	414,367
Weighted average number of ordinary shares in issue (thousands)	105,865	105,865
Basic earnings per share (Shs)	2.10	3.91

There were no potentially dilutive shares outstanding at 31 December 2008 or 2007. 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 2008 were 105,864,742 shares (2007: 105,864,742 shares). A dividend in respect of qualifying shares for the year ended 31 December 2008 of Shs 1.25 per share (2007: Shs 1.25) amounting to Shs 132,330,928 (2007: Shs 132,330,928) 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 2006	77,682	77,682	1,306,696
Issue of shares - share swap for acquisition of subsidiary	10,539	10,539	599,980
Balance at 31 December 2006	88,221	88,221	1,906,676
Balance at 1 January 2007	88,221	88,221	1,906,676
Issue of bonus shares	17,644	17,644	-
Balance at 31 December 2007 and 2008	105,865	105,865	1,906,676

The total authorised number of ordinary shares is 106,000,000 with a par value of Shs 1.00 per share. 105,864,742 are issued at a par value of Shs 1.00 per share and are fully paid.

13 Revaluation reserve

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

14 Borrowings

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
The borrowings are made up as follows:				
Non-current				
Bank borrowings	1,052,754	1,079,358	-	-
Current				
Bank overdraft	74,868	150,459	109	273
Bank borrowings	161,852	243,434	-	-
	236,720	393,893	109	273
Total borrowings	1,289,474	1,473,251	109	273

The borrowings include secured liabilities (bank borrowings and overdraft) in a total amount of Shs 1,289,474,000 (2007: Shs 1,473,251,000,000). Bank loans and overdrafts are secured by legal charges over certain land, buildings and other assets of the group in addition to a floating debenture over all assets of Tourism Promotion Services (Kenya) Limited and a certificate of shares in the name of TPS Eastern Africa Limited.

The effective interest rates at the year-end were as follows:		Group 2008	Group 2007
Kenya			
- bank borrowings:	Kenya Shillings	10.04%	7.90%
Tanzania			
- bank overdraft:	US Dollars (3% above 3-month LIBOR)	5.67%	7.50%
- bank borrowings:	US Dollars (2% above 3-month LIBOR)	4.52%	-
:	Tanzania Shillings - National Bank of Commerce Tanzania Limited	9.00%	13.50%
Zanzibar			
- bank overdraft and bank borrowings:	Tanzania Shillings	12.50%	12.50%

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.

The Group does not have any undrawn facilities at the end of the year.

Notes to the Financial Statements (cont'd)

15 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2007: 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 2007			
At start of year	526,500	(196,814)	329,686
Income statement charge (Note 9)	47,090	77,021	124,111
Charge to equity	-	(8,756)	(8,756)
At end of year	573,590	(128,549)	445,041
Year ended 31 December 2008			
At start of year	573,590	(128,549)	445,041
Income statement charge (Note 9)	17,357	69,075	86,432
Credit to equity	-	(7,718)	(7,718)
Currency translation differences	-	814	814
At end of year	590,947	(66,378)	524,569

Deferred income tax liability - Tourism Promotion Services (Kenya) Limited

Year ended 31 December 2008	1.1.2008 Shs'000	Charged to P/L Shs'000	31.12.2008 Shs'000
Deferred income tax liabilities			
Property, plant & equipment			
- on historical cost	211,489	10,352	221,841
- on revaluation surpluses	388,261	(8,222)	380,039
Unrealised exchange gains	12,506	8,431	20,937
	612,256	10,561	622,817
Deferred income tax assets			
Provisions	(38,666)	6,796	(31,870)
	(38,666)	6,796	(31,870)
Net deferred income tax liability	573,590	17,357	590,947

15 Deferred income tax (continued)

Year ended 31 December 2007	1.1.2007	Charged to P/L	31.12.2007
	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities			
Property, plant & equipment			
- on historical cost	159,115	52,374	211,489
- on revaluation surpluses	395,838	(7,577)	388,261
Unrealised exchange gains	9,112	3,394	12,506
	564,065	48,191	612,256
Deferred income tax assets			
Provisions	(37,565)	(1,101)	(38,666)
	(37,565)	(1,101)	(38,666)
Net deferred income tax liability	526,500	47,090	573,590

Deferred income tax asset - Tourism Promotion Services (Tanzania) Limited and Tourism Promotion Services (Zanzibar) Limited.

Year ended 31 December 2008	1.1.2008	Charged to P/L	Credited to equity	Exchange differences	31.12.2008
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities					
Property revaluation	246,198	1,904	(7,718)	-	240,384
Deferred income tax assets					
Accelerated tax depreciation	40,702	-	-	-	40,702
Tax losses carried forward	(302,010)	91,814	-	-	(210.196)
Other deductible temporary differences	(113,439)	(24,643)	-	814	(137,268)
	(374,747)	67,171	-	814	(306,762)
Net deferred income tax asset	(128,549)	69,075	(7,718)	814	(66,378)

Year ended 31 December 2007	1.1.2007	Charged to P/L	Credited to equity	31.12.2007
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities				
Property revaluation	245,534	8,548	(7,884)	246,198
Deferred income tax assets				
Accelerated tax depreciation	40,702	-	-	40,702
Tax losses carried forward	(404,040)	102,030	-	(302,010)
Other deductible temporary differences	(79,010)	(33,557)	(872)	(113,439)
	(442,348)	68,473	(872)	(374,747)
Net deferred income tax asset	(196,814)	77,021	(8,756)	(128,549)

15 Deferred income tax (continued)

Deferred income tax of Shs 8,222,000 (2007: Shs 7,577,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property.

16 Provisions for liabilities and charges (Non-current)

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

	Group	
	2008	**2007**
	Shs'000	**Shs'000**
At start of year	121,701	117,493
Additional provisions	17,357	13,450
Unused amounts reversed	(23,832)	-
(Credit)/charge to income statement	(6,475)	13,450
Utilised during year	(20,213)	(9,242)
	95,013	121,701

No comparative information is provided with respect to analysing the (credit) / charge to the profit and loss account as the provision was determined using actuarial principles for the first time in 2008. In previous years the provision was computed based on the years of service and salary for each employee at each balance sheet date.

The movement in the provision for employees' entitlement over the year was as follows:

	Group
	2008
	Shs'000
At start of year	121,701
Current service cost	7,550
Interest cost	8,527
Actuarial losses	(22,552)
Benefits paid	(20,213)
At end of year	95,013

The amount recognised in the consolidated profit and loss account for the year is as follows:

Current service cost	7,550
Interest cost	8,527
Net actuarial losses recognised in the year	(22,552)
Total, included in employee benefits expense (Note 7)	(6,475)

The principal actuarial assumptions used were as follows:

	2008
- discount rate	10%
- future salary increases	8%

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.

17 Available for sale financial asset

	Group	
	2008 Shs'000	2007 Shs'000
At start of the year	31,418	-
Investment during the year	23,633	31,418
At end of year	55,051	31,418

This is the amount invested by the company during the year to maintain its 8% interest in the shareholding of Tourism Promotion Services (Rwanda) Limited, a company incorporated in Rwanda. The directors have designated this investment as an 'Available-for-sale financial asset' that is carried at fair value as the investment is to be held for the foreseeable future. In the opinion of the Directors, there were no movements in the fair value of the asset as at the year end.

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 2007					
At cost or revaluation	4,922,208	1,301,913	171,669	1,430	6,397,220
Accumulated depreciation	(923,507)	(996,393)	(108,707)	-	(2,028,607)
Translation differences	(483,303)	(39,156)	27,492	(85)	(495,052)
Net book amount	3,515,398	266,364	90,454	1,345	3,873,561
Year ended 31 December 2007					
Opening net book amount	3,515,398	266,364	90,454	1,345	3,873,561
Additions	198,069	149,344	17,917	74,630	439,960
Disposals	-	(852)	-	-	(852)
Depreciation charge	(112,301)	(84,216)	(20,395)	-	(216,912)
Translation differences	7,424	51,097	(50,854)	6	7,673
Closing net book amount	3,608,590	381,737	37,122	75,981	4,103,430
At 31 December 2007					
At cost or revaluation	5,120,277	1,450,405	189,586	76,060	6,836,328
Accumulated depreciation	(1,035,808)	(1,080,609)	(129,102)	-	(2,245,519)
Translation differences	(475,879)	11,941	(23,362)	(79)	(487,379)
Net book amount	3,608,590	381,737	37,122	75,981	4,103,430
Year ended 31 December 2008					
Opening net book amount	3,608,590	381,737	37,122	75,981	4,103,430
Additions	49,050	88,652	1,617	20,738	160,057
Disposals	-	(817)	(150)	-	(967)
Transfers	8,843	-	-	(8,843)	-
Depreciation charge	(117,106)	(83,663)	(15,233)	-	(216,002)
Translation differences	(29,113)	(1,387)	(293)	(437)	(31,230)
Closing net book amount	3,520,264	384,522	23,063	87,439	4,015,288

Notes to the Financial Statements (cont'd)

18 Property, plant and equipment - Group (continued)

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 31 December 2008					
At cost or revaluation	5,178,170	1,538,240	191,053	87,955	6,995,418
Accumulated depreciation	(1,152,914)	(1,164,272)	(144,335)	-	(2,461,521)
Translation differences	(504,992)	10,554	(23,655)	(516)	(518,609)
Net book amount	3,520,264	384,522	23,063	87,439	4,015,288

In the opinion of the directors, there is no impairment of property, plant and equipment. Land and buildings for Tourism Promotion Services (Tanzania) Limited & Tourism Promotion Services (Zanzibar) Limited were last revalued on 31 December 2004 while those of Tourism Promotion Services (Kenya) Limited were revalued on 2 January 2006 by independent professional valuers. The valuations were carried out by Gimco Africa for Tanzania and Zanzibar, and C.P.Robertson-Dunn for Kenya. Both companies are independent professional valuers. 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.

If the buildings and freehold land were stated on the historical cost basis, the amounts would be as follows:

	Group	
	2008 Shs'000	2007 Shs'000
Cost	3,870,060	3,812,167
Accumulated depreciation	(1,100,680)	(1,010,981)
Net book amount	2,769,380	2,801,186

19 Prepaid operating lease rental

	Group	
	2008 Shs'000	2007 Shs'000
At start of the year	12.733	12.893
Amortisation charge for year	(160)	(160)
At end of year	12,573	12,733
Cost of prepaid operating lease rentals	15,800	15,800
Accumulated amortisation	(3,227)	(3,067)
	12,573	12,733

20 Intangible asset - Group

	Goodwill Shs'000
Year ended 31 December 2006	
Opening net book amount	733,218
Additions	306,037
Closing net book amount	1,039,255

20 Intangible asset - Group (continued)

	Goodwill Shs'000
Year ended 31 December 2007	
Opening net book amount	1,039,255
Additions	38,614
Closing net book amount	1,077,869
At 31 December 2007 and 2008	
Cost	1,077,869
Accumulated amortisation and impairment	-
Net book amount	1,077,869

Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below:

	2008 Shs'000	2007 Shs'000
Tourism Promotion Services (Kenya) Limited	344,651	344,651
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
	1,077,869	1,077,869

The recoverable amount of a CGU 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 CGUs 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 CGU within the business segment. Management determined budgeted EBITDA margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Notes to the Financial Statements (cont'd)

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) and Tourism Promotion Services (Management) Limited - TPS(M)) 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	Total Shs'000
At 1 January 2007	745,392	1,216,768	437,423	45,795	1	-	2,445,379
Additional investment	83,229[1]	-	-	-	-	-	83,229
At 31 December 2007 and 2008	828,621	1,216,768	437,423	45,795	1	-	2,528,608
Country of Incorporation	Kenya	Tanzania	Tanzania	Tanzania	South Africa	Kenya	
% interest held - 2008 and 2007	100%	100%	100%	100%	100%	75%	

[1] Tourism Promotion Services (Kenya) Limited [(TPS(K)] is an owner and operator of hotel and lodge facilities in Kenya, serving the business and tourist markets. On 28 February 2007, TPS Eastern Africa Limited acquired the 2.66% held by minority shareholders for a cash consideration.

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

22 Investment in associates (Group)

	2008 Shs'000	2007 Shs'000
At start of the year	30,314	25,472
Share of associate results before tax	(171)	7,350
Share of tax	(226)	(2,508)
Net share of results after tax	(397)	4,842
At end of year	29,917	30,314

The Group's interest in Mountain Lodges Limited, whose principal business is to provide lodge facilities for tourists, and is incorporated in Kenya is follows:

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	Profit Shs'000
2008					
Mountain Lodges Limited	29.9	39,932	11,259	14,947	(397)
2007					
Mountain Lodges Limited	29.9	44,183	14,323	28,238	4,842

23 Receivables and prepayments

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
Trade receivables - third parties	687,087	891,226	-	-
Less: provision for impairment of receivables	(53,585)	(54,232)	-	-
Trade receivables - related companies (Note 27)	1,237	2,373	-	-
Net trade receivables	634,739	839,367	-	-
Prepayments	51,095	38,566	-	-
Advances to related companies (Note 27)	116,109	82,806	130,804	167,884
Current income tax	17,878	19	19	19
Other receivables	54,300	71,621	-	1,977
	874,121	1,032,379	130,823	169,880

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

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
At start of year	54,232	35,468	-	-
Provision in the year	14,855	26,429	-	-
Receivables written off during the year as uncollectible	(15,502)	(7,665)	-	-
At end of year	53,585	54,232	-	-

24 Cash and cash equivalents

	Group 2008 Shs'000	Group 2007 Shs'000	Company 2008 Shs'000	Company 2007 Shs'000
Cash at bank and in hand	120,674	129,701	-	-
Short term bank deposits	11,592	31,297	-	-
	132,266	160,998	-	-

The weighted average effective interest rate on short-term bank deposits at the year-end was 4 % (2007: 4 %). These deposits have an average maturity of 90 days.

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

	Group 2008 Shs'000	Group 2007 Shs'000
Cash and bank balances as above	120,674	129,701
Bank overdrafts (Note 14)	(74,868)	(150,459)
	45,806	(20,758)

Notes to the Financial Statements (cont'd)

25 Payables and accrued expenses

	Group		Company	
	2008 Shs'000	2007 Shs'000	2008 Shs'000	2007 Shs'000
Trade payables	469,917	618,598	-	-
Trade payables - related companies (Note 27)	4,068	3,069	-	-
Advances from related companies (Note 27)	63,600	18,177	40	-
Dividends payable	166	166	166	166
Accrued expenses and other payables	241,933	251,660	1,548	4,722
	779,684	891,670	1,754	4,888

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

On 28 February 2007, the company acquired the remaining share in Tourism Promotion Services (Kenya) Limited from minority shareholders who did not take up the share swap offer made in 2006. Under the legal terms of the transaction, Tourism Promotion Services (Kenya) Limited received, on behalf of the minority shareholders, the full consideration from the company and is holding the amount for a period of three years pending claims by the former shareholders.

Amounts paid during the year are as follows:

	2008 Shs'000	2007 Shs'000
At start of year	70,941	-
Additional liability	-	80,910
Payments made	(6,580)	(9,969)
At end of year	64,361	70,941

26 Cash generated from operations

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

	Group	
	2008 Shs'000	2007 Shs'000
Profit before income tax	330,014	617,380
Adjustments for:		
Interest expense (Note 8)	120,068	145,883
Depreciation (Note 18)	216,002	216,912
Amortisation of prepaid operating lease rentals	160	160
Profit on sale of property, plant and equipment	(1,081)	(2,848)
Share of loss/(profit) from associates (Note 22)	397	(4,842)
Effect of currency translation	6,159	1,874
Changes in working capital		
- receivables and prepayments	176,117	(401,595)
- inventories	(40,204)	(23,137)
- payables and accrued expenses	(111,986)	280,443
- provisions for liabilities and charges	(26,688)	4,208
Cash generated from operations	668,958	834,438

27 Related party transactions

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

The following transactions were carried out with related parties:

i) Sale of goods and services to:

	2008 Shs'000	2007 Shs'000
Mountain Lodges Limited	7,941	14,276
Diamond Trust Bank Kenya Limited	156	1,555
Farmer's Choice Limited	6	26
The Jubilee Insurance Company Limited	2,571	3,784
Directors & key management	1,357	1,155
TPS (Uganda) Limited	17,911	2,063
Tourism Promotion Services (Rwanda) Limited	12,453	6,827
Arusha Duluti Limited	27,478	1,321
Mbuzi Mawe Limited	25,728	2,764

ii) Purchase of goods and services from:

	2008 Shs'000	2007 Shs'000
Farmer's Choice Limited	25,649	32,621
Premier Food industries Limited	1,184	1,166
The Jubilee Insurance Company Limited	1,953	1,285
Serena Tourism Promotion Services S.A.	110,879	120,840

iii) Key management compensation

	2008 Shs'000	2007 Shs'000
Salaries and other short-term employment benefits	62,219	59,020

iv) Directors' remuneration

	2008 Shs'000	2007 Shs'000
Fees for services as a director	791	1,035
Other emoluments (included in key management compensation above)	32,544	32,250
Total remuneration of directors of the Company	33,335	33,285

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

	2008 Shs'000	2007 Shs'000
Receivables from other related parties:		
Diamond Trust Bank Kenya Limited	-	550
The Jubilee Insurance Company Limited	1,237	1,823
	1,237	2,373
Payables to other related parties:		
Farmer's Choice Limited	3,291	2,816
Premier Food industries Limited	326	134
Diamond Trust Bank Kenya Limited	317	-
The Jubilee Insurance Company Limited	134	119
	4,068	3,069

Notes to the Financial Statements (cont'd)

27 Related party transactions (continued)

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

	2008 Shs'000	2007 Shs'000
Receivables from related parties:		
Mountain Lodges Limited	-	1,008
TPS (Uganda) Limited	-	108
Hotel Polana, S.A.R.L.	133	64
Tourism Promotion Services (Rwanda) Limited	148	-
Arusha Duluti Limited	65,148	51,610
Ol Pejeta Ranching Ltd - Hotel Division	1,049	-
Mbuzi Mawe Limited	49,631	30,016
	116,109	82,806
Payables to related parties:		
Mountain Lodges Limited	11,140	13,676
TPS (Uganda) Limited	6,893	967
Serena Tourism Promotion Services S.A.	350	-
Hotel Polana, S.A.R.L.	43,891	-
Ol Pejeta Ranching Ltd - Hotel Division	-	3,534
Tourism Promotion Services (Rwanda) Limited	952	-
Arusha Duluti Limited	374	-
	63,600	18,177

vii) Loans to directors of the Company

	2008 Shs'000	2007 Shs'000
At start of year	2,796	2,486
Loans advanced during the period	-	3,000
Loan repayments received	(524)	(2,690)
At end of year	2,272	2,796
Less: current portion	(669)	(524)
Non-current portion	1,603	2,272

The loans advanced to directors and key management have the following terms and conditions:

2008	Amount Shs'000	Term Years	Security Shs'000	Interest rate
Loan balance	2,272	5	4,392	8%
2007				
Loan balance	2,796	5	4,392	8%

No provisions for impairment losses have been required in 2007 and 2008 for any related party receivables.

28 Contingent liabilities

At 31 December 2008, Tourism Promotion Services (Kenya) Limited had given guarantees amounting to Shs 4,560,000 (2007: Shs 4,560,000) 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.

As at 31 December 2008, Tourism Promotion Services (Tanzania) Limited was in dispute with the Tanzania Revenue Authority (TRA) in respect of indirect taxes. According to company's tax advisor, the claims are being settled for Shs 4.48 million as full and final settlement of all liabilities. The Directors have made appropriate provisions in the financial year 2009.

29 Commitments

Capital commitments

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

	Group	
	2008	**2007**
	Shs'000	**Shs'000**
Property, plant and equipment	-	-

Operating lease commitments	Group	
	2008	**2007**
	Shs'000	**Shs'000**
Not later than 1 year	2,263	998
Later than 1 year and not later than 5 years	6,711	3,993
Later than 5 years	52,110	53,111
	61,084	58,102

Notes

TPS EASTERN AFRICA LIMITED

FORM OF PROXY

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 Thursday, 4 June 2009 at 11.00 a.m and at any adjournment thereof.

No. of shares held: ____

Account number: ____

Signed this ______________________ day of ______________________ 2009

Signature (s): ______________________________

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, 8th floor, Transnational Plaza, Mama Ngina Street, P.O Box 9287-00100, GPO, Nairobi, Kenya, not less than 48 hours before the time fixed for the meeting.
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 authorised 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.

SERENA HOTELS
SAFARI LODGES • HOTELS • RESORTS

CUT HERE

FOLD 1

Please affix Stamp here

IMAGE REGISTRARS,

8th floor, Transnational Plaza, Mama Ngina Street

P.O. Box 9287-00100 GPO

Nairobi, Kenya

FOLD 2

TPS EASTERN AFRICA LIMITED

FOMU YA UWAKILISHI

Mimi / Sisi ______________________________

kama mwanachama/wanachama wa Kampuni iliyotajwa hapo juu namteua/twamteua

____

kutoka ______________________ na akikosa, ______________________

kutoka ______________________ kama wakala wangu / wetu kupiga kura kwa niaba yangu/sisi wakati wa Mkutano Mkuu wa Pamoja wa mwaka wa Kampuni utakaofanyika Alhamisi, Juni 4, 2009 kuanzia saa tano asubuhi au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa: ______________________

Nambari ya akaunti: ______________________

Imetiwa sahihi ______________________ tarehe ______________________ 2009

Sahihi: ______________________

MUHIMU:

1. Endapo unataka, unaweza kumteua Mwenyekiti wa mkutano kama wakala wako.
2. Ili kuwa halali, Fomu hii ya Uwakilishi LAZIMA irudishwe kwa msajili wa Kampuni, Image Registrars, Orofa ya Nane, Jumba la Transnational, Barabara ya Mama Ngina, Slp 9287-00100, GPO, Nairobi, Kenya na saa 48 kabla ya mkutano kuanza.
3. Si lazima kwa wakala aliyeteuliwa kuwa Mwanachama wa Kampuni.
4. Endapo mwanachama atakuwa Kampuni / Shirika, Fomu hii ya Uwakilishi LAZIMA ijazwe na kupigwa muhuri rasmi au kutiwa sahihi na afisa wa kampuni au yule aliyeidhinishwa kwa njia ya kuandika.
5. Endapo umiliki utakuwa wa pamoja, sahihi ya mmoja wa wamiliki itatakiwa lakini majina ya wamiliki wote yafafanuliwe.

SERENA HOTELS
SAFARI LODGES • HOTELS • RESORTS

KATA HAPA

KUNJA 1

Bandika
Stampu
Hapa

IMAGE REGISTRARS,

Orofa ya Nane Jumba la Transnational Plaza

Barabara ya Mama Ngina

Slp 9287-00100 GPO

Nairobi, Kenya

KUNJA 2