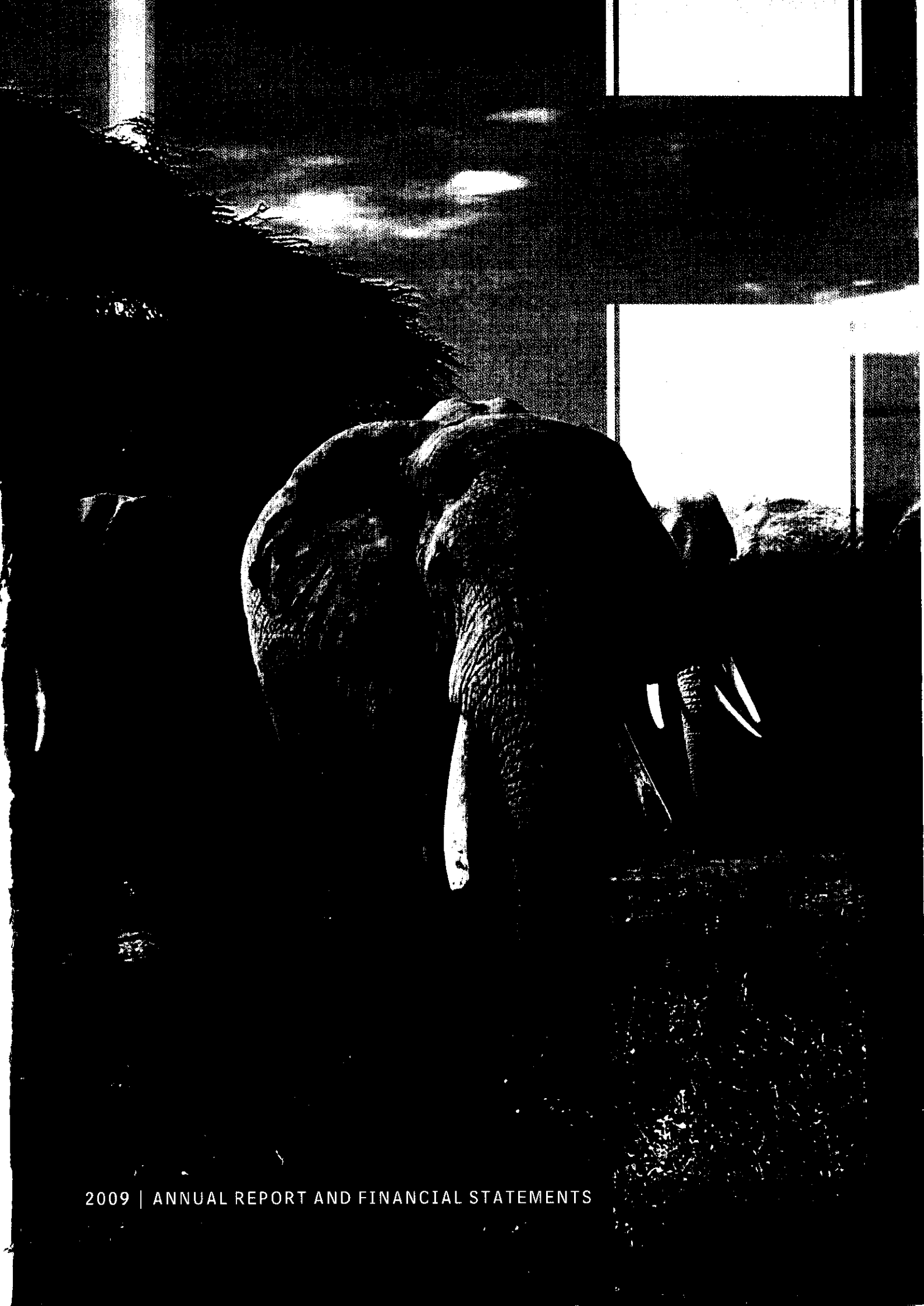




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BOARD OF DIRECTORS

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Abdulmalek Virani	(Finance Director)
Ali Mufuruki****	(Resigned on 24 December 2009)
Ameer Kassim-Lakha	
Dr. Ramadhani Dau****	
Jack Jacob Kisa	
Jean Philippe Prosper**	(Resigned on 1 July 2009)
Jean-Louis Vinciguerra*	
Kate Bandawe****	(Alternate to Dr. Ramadhani Dau)
Kabir Hyderally***	
Mahmood Pyarali Manji	
Kungu Gatabaki	
Wolfgang Bertelsmeier*****	(Appointed 1 July 2009)

BOARD AUDIT & FINANCE COMMITTEE

Jean Philippe Prosper (Resigned as Chairman on 1 July 2009)
 Ameer Kassim-Lakha
 Jean-Louis Vinciguerra
 Kungu Gatabaki (Appointed Chairman on 23 October 2009)
 Mahmood Pyarali Manji (Appointed a member on 23 October 2009)
 Wolfgang Bertelsmeier (Appointed a member on 23 October 2009)

BOARD NOMINATION AND REMUNERATION COMMITTEE

Jack Jacob Kisa (Chairman)
 Dr. Ramadhani Dau
 Kabir Hyderally
 Mahmood Pyarali Manji

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

COMPANY SECRETARY

Damaris A. Angulu (Mrs)

Directors and Administration



Directors and Administration

PRINCIPAL OFFICERS

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

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

Mark Gathuri	General Manager	- Nairobi Serena Hotel
Charles Muia	General Manager	- Serena Beach Hotel and Spa, Mombasa
Herman Mwasaghua	Manager	- Amboseli Serena Safari Lodge
Stanley Kongoley	Manager	- Mara Serena Safari Lodge
Franklin Nyakundi	Manager	- Samburu Serena Safari Lodge
Henrietta Mwangola (Ms)	Manager	- Kilaguni Serena Safari Lodge
Nicholas Mburugu	Manager	- Mountain Lodge
James Odenyo	Manager	- Sweetwaters Tented Camp and Ol Pejeta House

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

Dismas Simba	Manager	- Kirawira Luxury Tented Camp
Felix Ogembo	Manager	- Lake Manyara Serena Safari Lodge
Paul Chaulo	Manager	- Serengeti Serena Safari Lodge
Wilfred Shirima	Manager	- Ngorongoro Serena Safari Lodge
Gerald Macharia	Manager	- Mountain Village Hotel, Arusha
Mustafa Mbinga	Manager	- Mbuzi Mawe Tented Camp
Charles Mbuya	Manager	- Mivumo River Lodge and Selous Wildlife Lodge

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

Oaniel Sambai	General Manager	- Zanzibar Serena Inn
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OTHER MANAGED PROPERTIES

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

TOURISM PROMOTION SERVICES (KENYA) LIMITED

Nairobi Serena Hotel
Serena Beach Hotel and Spa, Mombasa
Amboseli Serena Safari Lodge
Mara Serena Safari Lodge
Samburu 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, Arusha (Managed by Serena)
Mbuzi Mawe Tented Camp (Managed by Serena)
Mivumo River Lodge (Managed by Serena)
Selous Wildlife Lodge (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
Lake Victoria Serena Resort – Uganda
Kigali Serena Hotel – Rwanda
Lake Kivu Serena Hotel – Rwanda
Polana Serena Hotel – Mozambique

Operating Subsidiaries and Properties

REGISTERED OFFICE

4th Floor, Williamson House
4th Ngong Avenue
P.O. Box 48690-00100
Nairobi, Kenya
Telephone: 254 (20) 2710511/2842000
Fax: 254(20) 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 Limited
8th Floor, Transnational Plaza
Mama Ngina Street
P.O. Box 9287-00100
Nairobi, Kenya



Notice of Annual General Meeting

Notice is hereby given that the Thirty-Eighth Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 24th May 2010, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Thirty-Seventh Annual General Meeting held on 4th June 2009.
2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2009, together with the Directors' and Auditors' Reports thereon.
3. To approve payment of a final dividend for 2009 of Kshs. 1.25 per share, subject to withholding tax, where applicable, to the Members on the Register at the close of business on 24th May 2010. Payment of the dividend to be made on or about 24th June 2010.
4. To elect Directors:
 - (a) Mr. Wolfgang Bertelsmeier was appointed in 2009 to fill a casual vacancy. He retires in accordance with Article No. 109 of the Company's Articles of Association and being eligible, offers himself for re-election.
 - (b) Mr. Francis Okomo-Okello 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.
 - (c) Dr. Ramadhani Dau 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.
 - (d) Mr. Ameer Kassim-Lakha and Mr. Jack Jacob Kisa retire by rotation in accordance with Articles No. 110, 111, and 112 of the Company's Articles of Association. Special notices have been received by the Company pursuant to Section 142 of the Companies Act (Cap 486) and subject to Section 186 of the Act that if thought fit, the following resolutions be passed:

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

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

5. To approve the Directors' remuneration for 2009.
6. To appoint PricewaterhouseCoopers, the Company's Auditors, in accordance with Section 159 (2) of the Companies Act (Cap.486). PricewaterhouseCoopers have indicated their willingness to continue in office.
7. To approve the Auditors' remuneration for 2009 and to authorise the Directors to fix the Auditors' remuneration for 2010.
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 resolutions which shall be proposed as ordinary resolutions:

a) Increase of Authorised Share Capital

"THAT the authorised share capital of the Company be increased from Kenya Shillings One Hundred and Six Million (Kshs. 106,000,000.00) divided into 106,000,000 ordinary shares of par value Kenya Shilling One (Kshs. 1.00) each to Kenya Shillings One Hundred and Ninety Two Million (Kshs. 192,000,000.00) by the creation of additional Eighty Six Million (86,000,000) new ordinary shares of Kenya Shilling One (Kshs. 1.00) each to rank pari passu in all respects with the existing ordinary shares of the Company."

b) Bonus Issue

"THAT subject to passing of resolution 9 (a) above, and in pursuance of Article 158 of the Company's Articles of Association, and subject to the Capital Markets Authority, and the Nairobi Stock Exchange approving the listing of new ordinary shares of the Company, and upon the recommendation of the Board, it is desirable to capitalise the sum of Kenya Shillings Seventeen Million, Six Hundred and Forty Four Thousand, One Hundred and Twenty Four (Kshs. 17,644,124) being part of the sum standing to the credit of the Company's revenue reserve account and that, accordingly, such sum be set free for distribution amongst the holders of ordinary shares in the capital of the Company on the register of members on a date to be determined on condition that the same shall not be paid in cash but be applied in paying up in full at par Seventeen Million, Six Hundred and Forty Four Thousand, One Hundred and Twenty

Four (17,644,124) ordinary shares of Kenya Shilling one (Kshs. 1.00) each in the capital of the Company, and that such Seventeen Million, Six Hundred and Forty Four Thousand, One Hundred and Twenty Four shares be credited as fully paid, and accordingly be allotted to such persons respectively in the proportion of one (1) share for every six (6) ordinary shares in the Company then held by such persons (fractions of a share to be disregarded) and the shares so distributed shall rank pari passu with the existing issued ordinary shares and shall be treated for all purposes as an increase of the nominal amount of capital of the Company held by each such shareholder and not as income and the Directors be and are hereby authorised to attend to all matters required to give effect to this resolution".

"THAT should any of the said Seventeen Million, Six Hundred and Forty Four Thousand, One Hundred and Twenty Four (17,644,124) bonus shares not be issued by reason of fractions of a share being disregarded, the Directors may allot and issue the same to such persons and upon such terms and conditions as they may think fit".

c) Rights Issue

"THAT subject to passing resolution 9(a) above, out of the new ordinary shares created by the increase in the authorised share capital of the Company, a total of 24,701,774 new ordinary shares be issued and allotted by the Directors of the Company by means of a Rights Issue to the existing shareholders registered in the Register of Members at the close of business at a date and price to be determined, on the basis, as nearly as possible, of one (1) new ordinary share for every five (5) ordinary shares held taking into account the ordinary shares issued to the Shareholders pursuant to the Bonus Issue as passed under resolution 9(b). The Rights Issue shall be subject to the Capital Markets Authority and the Nairobi Stock Exchange approving the issue and listing of the new ordinary shares. The conditions for acceptance of the Rights Issue shall be specified by the Board of the Company. The Directors be and are hereby authorised generally to do and effect all acts and things required to give effect to the resolution, and to deal with fractions in such a manner as they deem fit subject to the Articles of Association of the Company".

(d) TPS Eastern Africa Ltd/TPS (Uganda) Ltd [(TPS (U)) Share Swap

"THAT pursuant to Obligation G 05 of the Fifth Schedule to the Capital Markets Authority Regulations and Disclosure Requirements for Public Listing of Securities 2002, and subject to any required authorisations including but not limited to the approval by the Capital Markets Authority, Directors be authorised to make acquisition of shares of TPS (U) or any

transaction resulting in such acquisition of the Company becoming a subsidiary or related Company through a share swap in the ratio to be determined".

e) Equity Participation in Upekee Lodges Limited

"THAT a wholly-owned subsidiary of the Company, Tourism Promotion Services (Tanzania) Limited be and is hereby authorised to subscribe for 51% shareholding in a company, Upekee Lodges Limited, that owns and operates two lodges in Southern Tanzania, namely, Selous Wildlife Lodge and Mivumo River Lodge".

10. To transact any other business of the Company that may be properly transacted at an Annual General Meeting.

By Order of the Board.



D.A. Angulu (Mrs)
COMPANY SECRETARY

Dated at Nairobi this 29 March, 2010

NOTE:

A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. To be valid, a Form of Proxy which is provided with this Report, must be duly completed and signed by the member and must be received at the registered offices of the Company's Registrars not later than 11.00 a.m. on 21 May 2010.

Notisi ya Mkutano wa Pamoja wa Mwaka

Notisi inatolewa hapa kwamba, Mkutano wa Thelathini na Nane wa Pamoja wa Mwaka wa Kampuni utafanyika Mei 24, 2010 katika Jumba la Mikutano ya Kimataifa la Kenyatta, Nairobi kuanzia saa tano Asubuhi ili kuangazia maswala yafutayo ya kibiashara:

SHUGHULI ZA KAWAIDA

- 1) Kuidhinisha kumbukumbu za mkutano wa Thelathini na Saba wa pamoja wa mwaka uliofanyika Juni 4, 2009.
- 2) Kupokea, kuzingatia na endapo itakubalika kupitisha hesabu ya pesa kwa kipindi cha mwaka kilichomalizika Desemba 31, 2009 pamoja na ripoti kutoka kwa Wakurugenzi na Wakaguzi wa Pesa.
- 3) Kupitisha malipo ya mwisho ya mgao wa faida wa mwaka 2009 wa Shilingi 1.25 kwa kila hisa kwa kutegemea ushuru ulioshikiliwa pale inapohitajika kwa wanachama ambao majina yao yatakuwa kwenye rejista kufikia Mei 24, 2010. Malipo ya mgao wa faida yatatolewa kabla au kufikia Juni 24, 2010.
- 4) Kuwachagua wakurugenzi:
 - a) Bw. Wolfgang Bertelsmeier aliteuliwa mwaka 2009 ili kujaza nafasi iliyokuwa wazi. Anastaafu kwa mujibu wa kifungu nambari 109 cha sheria za Kampuni na kwa kuwa anastahili amejitokeza ili kuchaguliwa tena.
 - b) Bw. Francis Okomo- Okello anastaafu kwa zamu kwa mujibu wa vifungu nambari 110, 111 na 112 vya sheria za Kampuni na kwa kuwa anastahili amejitokeza ili kuchaguliwa tena.
 - c) Dkt. Ramadhani Dau anastaafu kwa zamu kwa mujibu wa vifungu nambari 110, 111 na 112 vya sheria za Kampuni na kwa kuwa anastahili amejitokeza ili kuchaguliwa tena.
 - d) Mabw. Ameer Kassim - Lakha na Jack Jacob Kisa wanastaafu kwa zamu kwa mujibu wa vifungu nambari 110, 111 na 112 vya sheria za Kampuni. Notisi maalumu imepokelewa na Kampuni kwa mujibu wa sehemu ya 142 ya Sheria za Makampuni (Kifungu nambari 486) na kwa kutegemea sehemu ya 186, endapo itaonekana kuwa sawa kupitisha maazimio yafuatayo:
- 5) Kupitisha malipo ya Wakurugenzi ya mwaka 2009.
- 6) Kuteua PricewaterhouseCoopers kama wakaguzi wa hesabu za Kampuni kwa mujibu wa sehemu ya 159 (2) ya Sheria za Makampuni (Kifungu nambari 486). PricewaterhouseCoopers wameonyesha nia yao kuendelea na jukumu hili.
- 7) Kupitisha malipo ya Wakaguzi wa pesa kwa kipindi cha mwaka 2009 na kuwapa Wakurugenzi ruhusa kuamua malipo ya Wakaguzi wa pesa mwaka 2010.
- 8) Kuendesha shughuli nyingine za kawaida za biashara wakati wa mkutano wa pamoja wa mwaka.

SHUGHULI MAALUMU

- 9) Kuzingatia na endapo itakubalika kupitisha maazimio yafuatayo yatakayopendekezwa kama maazimio ya kawaida:

a) Kuongeza mtaji wa hisa uliokubalika

"KWAMBA mtaji wa hisa za Kampuni uliokubalika uongezwe kutoka Shilingi Milioni Mia Moja na Sita (Shilingi 106,000,000) na kugawanywa kwa hisa za kawaida 106,000,000 za thamani ya shilingi moja (Shilingi 1.00) kwa kila hisa moja hadi Shilingi Milioni Mia Moja na Tisini na Mbili (Shilingi 192,000,000) na kubuni hisa mpya Elfu Themanini na Sita za kawaida za thamani ya Shilingi moja (Shilingi 1.00) kwa kila hisa na kuwa sawa na hisa zilizoko sasa za kawaida za Kampuni".

b) Swala la Nyongeza ya Ziada

"KWAMBA kwa kutegemea kupitishwa kwa azimio nambari 9 (a) hapo juu na kwa mujibu wa kifungu nambari 158 cha Sheria za Kampuni kwa kuzingatia idhinisho la Halmashauri ya Masoko ya Hisa na Soko la Hisa la Nairobi na kuidhinisha orodha mpya ya hisa za kawaida za Kampuni na baada ya pendekezo la Halmashauri, ni vyema kugeuza kuwa mtaji kiwango cha Shilingi Milioni Kumi na Saba Mia Sita Arobaini na Nne Elfu Mia Moja Ishirini na Nne (Shilingi 17, 644,124) kama sehemu ya salio la hazina kwenye akaunti ya mapato ya Kampuni na wakati huo kiwango hicho kiwekwe huru ili kugawanywa miongoni mwa wamiliki wa hisa za kawaida kwenye mtaji wa kampuni katika rejista ya wanachama na tarehe kuamriwa kwa sharti kwamba kiwango hiki hakitalipwa kwa pesa taslimu lakini kutumiwa kulipa kikamilifu ili kuwa kiwango sawa na Milioni Kumi na Saba Mia Sita Arobaini na

"KWAMBA Bw. Ameer Kassim-Lakha (Mkurugenzi anayestaafu kwa zamu) ambaye umri wake ni zaidi ya miaka 70 anachaguliwa tena kama Mkurugenzi wa Kampuni".

"KWAMBA Bw. Jack Jacob Kisa (Mkurugenzi anayestaafu kwa zamu) ambaye umri wake ni zaidi ya miaka 70 anachaguliwa tena kama mkurugenzi wa Kampuni".

Nne Elfu Mia Moja Ishirini na Nne (Shilingi 17, 644, 124) hisa za kawaida za thamani ya Shilingi Moja (Shilingi 1.00) kwa kila moja katika mtaji wa Kampuni na kwamba, hisa Milioni Kumi na Saba Mia Sita Arobaini na Nne Elfu Mia Moja Ishirini na Nne zitolewe kama zilizolipwa kikamilifu na watu kama hao kwa njia iliyo sawa kwa kiwango cha hisa Moja (1) katika hisa Sita (6) za kawaida kwenye Kampuni na kushikiliwa na watu kama hao (sehemu ya hisa kutozingatiwa) huku hisa zilizogawanywa kwa kiwango kugawanywa ipasavyo kwa sawa na hisa za kawaida zilizotolewa na kuchukuliwa kwa namna zote kama nyongeza ya thamani ndogo ya mtaji wa Kampuni unaomilikiwa na mwanahisa kama huyu na wala si kama mtaji na, Wakurugenzi kuamrisha kushughulikia maswala yote yanayohitajika kutekeleza azimio hili".

"KWAMBA endapo itatokea kuwa kiwango kilichotajwa cha Milioni Kumi na saba mia sita arobaini na nne elfu mia moja ishirini na nne ambazo ni hisa za kawaida hakitolewa kutokana na sababu za sehemu ya hisa zilizopuuzwa, Wakurugenzi wanaweza kugawanya na kutoa kiasi kama hiki kwa watu kama hawa na kwa kuzingatia kanuni na masharti wanayoona yanafaa".

(c) Swala kuhusu mtaji wa hisa

"KWAMBA kwa kutegemea kupitishwa kwa azimio la 9 (a) hapo juu, kati ya hisa mpya za kawaida zilizotokana na kuongezwa kwa mtaji wa hisa za Kampuni zilizokubalika, jumla ya hisa mpya 24, 701, 774 za kawaida zitolewe na kugawanywa na wakurugenzi wa Kampuni kwa njia ya haki miliki kwa wanahisa waliosajiliwa kwenye rejista ya wanachama kufikia tarehe ya kufungwa kwa shughuli za biashara bei na tarehe ya kufungwa kwa rejista kuamriwa kwa msingi, karibu iwezekanavyo kwa hisa moja (1) za kawaida kwa kila hisa tano (5) za kawaida zilizoshikiliwa kwa kuzingatia hisa za kawaida zilizotolewa kwa wanahisa na kwa mujibu wa swala la malipo ya ziada kama ilivyopitishwa chini ya azimio la 9 (b). Swala la umiliki wa hisa litategemea Halmashauri ya Masoko ya Hisa na Soko la ubadilishanaji Hisa la Nairobi. Masharti ya ukubalifu wa swala la umiliki wa hisa litafafanuliwa na Halmashauri ya Wakurugenzi wa Kampuni. Wakurugenzi wawe huru na wanaamrisha kufanya hivyo na kutekeleza maswala na mambo yote yanayohitajika kutekeleza azimio hili na kushughulikia tarakimu zisizo kamili kwa njia ambayo wataona inafaa kwa kutegemea vifungu vya Sheria za Kampuni".

(d) Ubadilishanaji wa Hisa baina ya TPS Eastern Africa Ltd na TPS (Uganda) Ltd [TPS(U)]

"KWAMBA kwa mujibu wa Sharti G 05 la Ratiba ya Tano kwa Halmashauri ya Masoko ya hisa ya Mamilaka na Masharti na Mahitaji ya Ufichuzi kwa Uorodeshaji wa Amana za Umma

mwaka 2002 na kwa kutegemea idhini lolote linalohitajika ikiwemo lakini isiwe lazima idhini kutoka Halmashauri ya Masoko, Wakurugenzi wapewe uhuru kuwezesha umiliki wa hisa za TPS (U) au shughuli nyingine yoyote ya kibiashara itakayotokana na umiliki kama huu wa Kampuni na kuwa Kampuni tanzu au Kampuni inayohusiana kupitia ubadilishanaji wa hisa kwa kiwango kitakachoamriwa".

(e) Umiliki Sawa wa Hisa katika Upekee Lodges Limited

"KWAMBA kampuni tanzu iliyomilikiwa kikamilifu na Tourism Promotion Service (Tanzania) Limited iwe na inaamriwa kutuma ombi la umiliki wa asilimia 51 (51%) katika kampuni ya Upekee Lodges Limited ambayo inamiliki na kuendesha hoteli mbili Kusini mwa Tanzania zinazojulikana kama Selous Wildlife Lodge na Mivumo River Lodge".

Kwa Amri ya Halmashauri



Bi. D.A. Angulu

KATIBU WA KAMPUNI

Imenukuliwa Nairobi Machi 29, 2010

MUHIMU

Mwanachama aliye na ruhusu kuhudhuria mkutano na kupiga kura na akawa hawezi kufanya hivyo anaweza kumteua Wakala kuhudhuria na kupiga kura kwa niaba yake. Si lazima kwa wakala kama huyo kuwa mwanachama wa kampuni. Ili kumwezesha kufanya hivyo, ni lazima ajaze vizuri fomu ya uwakilishi ambayo imeambatanishwa na ripoti hii kuwekwa sahihi ili ipokelewe na afisi ya msajili wa Kampuni kabla ya Mei 21, 2010 saa tano Asubuhi.

Chairman's Report

On behalf of the Board of Directors of TPS Eastern Africa Limited (TPSEA/the Company/the Group), I am delighted to present to you the Annual Report and Financial Statements of the Company for the year ended 31 December 2009.



It is indeed clear that in 2009, the Tourism Sector in East Africa witnessed improvements in business levels compared to 2008 after the post-election challenges in Kenya that not only impacted destination Kenya, but also Tanzania and Zanzibar. Year 2009 began amid mixed opinions on the impact of the global economic slowdown that caused a negative trend in international tourism, corporate travel and meetings/conferences. It was not until the third quarter of 2009 that positive signs were witnessed as demand for the traditional safari and beach holidays steadily increased, complemented by increased activity in the corporate sector as well. Despite the various challenges, the Company's performance for year 2009 was encouraging, thanks to the vital support by the local resident and conference market segments which compensated for the performance below expectation of the foreign leisure market.

The sharp reduction in business activity, a decrease in disposable income on account of high inflation, and the associated increased unemployment, particularly in key tourism source markets, all contributed to some extent to the challenges faced by your Company in 2009. The business landscape in 2009 remained unpredictable with destinations Kenya, Tanzania and Zanzibar having to compete intensely with other global holiday destinations. The exchange rate fluctuations added to the general uncertainty and business confidence is yet to fully recover.

With destination Kenya gradually recovering from the post – election crisis, one of the setbacks that has had multiplier effects on the economy is the absence of appreciable 'fresh' foreign direct investments (FDIs) over the past two years. This slowed down economic growth and the levels of employment in the Country. According to the International Monetary Fund (IMF) Africa is likely to grow by 4.5% in year 2010, thus, while year 2009 economic crisis left markets vulnerable and investors wary, the projected GDP growth rates make the continent an attractive destination for foreign investors; a very encouraging development. As one of the major economic players in Africa, Kenya offers vast investment opportunities and with an enabling business environment, could derive considerable benefits from the projected investment opportunities in years to come.

The Kenyan economy in the year 2009 managed about 2% growth (tourism contributed 12% of the GDP) compared to the growth of

1.7% in 2008. The IMF has projected that Kenya will in the year 2010 achieve 3% growth as the Country and its African peers bounce back from the effects of the global financial crisis.

Destinations Tanzania and Zanzibar have been significantly affected by the effects of the global recession and by the fact that Tanzania Safaris are sometimes viewed as more expensive compared to various other holiday destinations. The Tanzania Government and Tourism Authorities are reporting significant declines in leisure tourist arrivals for the year 2009.

The Tanzanian and Kenyan Governments have implemented various initiatives to stimulate growth in the Tourism Sector which have positively contributed to the increase in the number of tourists to Kenya and Tanzania. In Kenya, a reduction in the cost of the Kenya tourist visas by 50% and a waiver of visa fees for children aged below 16 years was implemented and have had a positive impact on the Tourism Sector. In Tanzania, VAT and visa fees were reduced, thus reducing the cost of travel.

The Board and Management viewed the economic slowdown as a learning opportunity and, recognising the need to reassess carefully customers' expectations, took the necessary remedial actions in new and creative ways. This ensured that the Group continued to provide the highest standards of product and of service and I am pleased to report that these pro-active efforts have borne fruit as the Company's market share was retained.

In view of the Company's successful business strategy and model and, despite the tourism industry in East Africa encountering various challenges, I am pleased to report that the Company recorded an increase in the number of visitors compared to 2008, which led to a healthy increase in revenues and earnings per share. The Group achieved a turnover of Kshs. 4.1 billion (2008: Kshs. 3.2 billion), an improvement of 26% and a Profit Before Tax of Kshs. 520 million (2008: Kshs. 330 million), a 58% improvement. Centralized management systems, economies of scale and cost control measures implemented without compromising on either product or operating standards have led to significant cost savings, despite of inflationary pressures. Consequently, operating expenses have increased by 24% over the previous year, which is understood to be below the industry average. In view of the volatile and

challenging business landscape in the year 2009, the Company's performance for the year 2009 is considered commendable.

Unlike 2008 when the operations in TPS (K) were to a large extent negatively impacted by the effects of the political crisis in Kenya but with TPS (T) and TPS (Z) being affected only to a lesser degree, in 2009 there was a reversal of fortunes as TPS (T) and TPS (Z) operations were significantly affected by the global economic crisis compared to TPS (K). I wish to reiterate that it is during such challenging times that the stakeholders of the Company can perhaps appreciate the significance of the strategic decision made in 2006 to integrate the Group's activities in the Eastern Africa Region; a situation which has resulted in TPSEA diversifying its risk profile geographically, thereby helping the Company achieve overall positive financial results in the year 2009.

The Group continues to be a significant contributor to the revenues of the Governments of Kenya, Tanzania and Zanzibar. The Group paid, in aggregate, the equivalent of Kshs. 720 million (2008: Kshs. 648 million) in direct and indirect taxes and of Kshs. 146 million (2008: Kshs. 121 million) to local authorities in royalty/rent payments in the various jurisdictions during 2009.

In view of the favourable results, the Board of Directors is pleased to recommend, for approval, the payment of a final dividend for year 2009, of Kshs. 1.25 per share, subject to payment of withholding tax, where applicable. The dividend will be payable on or about June 24, 2010. It should be noted that the recommended level of final dividend is the same as the one declared and paid for years 2007 and 2008. In addition, the Directors have recommended that, subject to approval by the Capital Markets Authority, a Bonus Issue of one share for every six shares held on a date to be determined, be implemented.

In light of the continued adverse consequences of the global financial crisis, combined with uncertainty and market volatility, the Board and Management anticipate a rather challenging business environment in year 2010. However, the outlook is clearly more promising now than it was some months ago, given the positive business trends of recent months and the fact that the

global economy is recovering faster than expected. In view of the Company's source markets, Economists have highlighted that Asia is expected to continue showing the strongest rebound, while Europe and the Americas are likely to recover at a more moderate pace.

The inflationary pressures continue to be a challenge to the Company and, although there has been an improvement in the food supply situation in Kenya following the onset of rains, it is generally acknowledged that the prolonged drought during 2009 had a negative impact on Kenya's national food security situation. Furthermore, the unpredictable weather and volatile energy costs will continue to contribute to the challenges.

The Company has demonstrated in the past couple of years, through its performance, that given its ability to grow and innovate as well as set its own standards combined with its now tested and highly successful business model, it can position itself to perform well in a wide range of economic scenarios. The flexibility and pro-activeness shown by your Company enabling it to adapt itself to volatile markets and economic changes has made it 'stronger'. To this end, 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 any negative impact on the Group's performance is minimized, to the extent possible, during the year 2010. I wish to also assure you that the Group will diligently continue to focus on growth and on the long-term prospects of the Company, hence maintaining and even improving its market share.

On this note, I would like to highlight that, despite the difficult business climate, new opportunities to strengthen our circuits arose and Management actively took advantage of such opportunities within the context of our long-term business strategy. For instance, during 2009, Serena Hotels took over the management of Lake Victoria Serena Resort in Uganda as also Mivumo River Lodge and Selous Wildlife Lodge in the Selous Game Reserve in Southern Tanzania. Additionally, major renovations and refurbishments were carried out at Amboseli



Serengeti Serena Safari Lodge Bedroom



Guest Tent - Mbuzi Mawe Tented Camp



Guest Tent - Kirowira Luxury Tented Camp

Serena Safari Lodge, Kirawira Tented Camp, Lake Manyara Serena Safari Lodge, Kigali Serena Hotel and Polana Serena Hotel. This will enable Serena Hotels to offer a level of product and service beyond customer expectations and will ensure that Serena Hotels continue to differentiate themselves from the competition and will retain its leadership position in the industry. It is noteworthy that the total Management fees received from TPS (Uganda) Limited and Tourism Promotion Services (Rwanda) Limited for the year 2009 was equivalent to Kshs. 44 million (2008: Kshs. 31.5 million), respectively.

TPS EA seeks to strengthen its presence in East Africa by developing new properties in Ruaha in Tanzania and in Lake Nakuru and the Laikipia regions in Kenya. This will enable the Company further to enhance its safari circuits and to offer clients an even wider and more interesting choice of holiday destinations.

During the year under review Serena Hotels are proud to have been honored with awards and accolades from: Virgin Holidays WTM Awards, Condè Nast Traveller Annual '100 Best Hotels' in Africa, Travel News magazine (Quest for the Best Awards), World Travel Awards (Africa's Leading Green Hotel, Kenya's Leading Hotel and Tanzania's Leading Safari Lodge), SGS International Certification for Food Safety and Hygiene, Saga Holidays Good Food Awards, and finally in East Africa's Most Respected Company Awards. My warmest congratulations go to all members of staff for these accolades. They honour us and they honour the countries in this region.

The Group continued to carry out ICT initiatives, Human Resources Management Practices and Corporate Social Responsibility activities that complement the various business strategies to ensure a positive impact on product standards and thus to contribute to the bottom line of the Company. Additional details on these activities and initiatives are included in the Statement from the Managing Director which has been included on Pages 16-19 of this Annual Report.

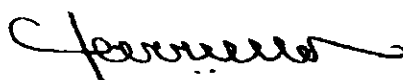
As you are no doubt aware, following heavy rains in the Mount Kenya and Laikipia regions and as a result of the on-going heavy deforestation in the Aberdares, Mount Kenya and Wamba/Suguta Valley water catchments, the River Ewaso Nyiro burst its banks on March 4, 2010 with exceptional violence causing heavy destruction in the Samburu area. Like most properties in the area, Samburu Serena Safari Lodge suffered extensive damage. Despite the destruction, I am pleased to inform you that the in-house guests and staff suffered no injuries and were evacuated safely. The Board and Management are currently re-assessing the strategic business model with regard to a Serena presence in Samburu and will be evaluating possible options in the months ahead.

The business operating environment in Kenya has been improving with the creation of a conducive business and regulatory climate, although at a slower pace than hoped or necessary. The stability of the coalition Government remains vital in enabling Kenya to

continue to attract foreign travelers. In addition, the implementation of the East African Community (EAC) Protocol has to be treated with priority to ensure that destination East Africa realizes its maximum tourism potential. In this regard, the setting up of an East African Tourism Board which will in future co-ordinate and harmonize all matters concerning tourism and wildlife management in the East African region is a move in the right direction and is an initiative that should be supported and implemented.

To conclude, on behalf of the Board, I would like to congratulate and thank the Company's Management and staff for their continued diligence, loyalty, and dedication without which the commendable results would not have been achieved during these challenging times. I would also like to acknowledge, with appreciation, the invaluable support from my colleagues on the Board, which has helped us steer the Group's business activities and strategies successfully during year 2009.

I wish 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, and also the various regulatory authorities for their continued support. Such active backing and encouragement are essential for the sustained growth of the tourism industry across the region; an industry that is proving to be such a significant contributor towards the region's economic development.



Francis Okomo – Okello
CHAIRMAN

Taarifa ya Mwenyekiti

Kwa niaba ya Halmashauri ya Wakurugenzi wa TPS Eastern Africa Limited (TPSEA/Kampuni/Kundi), nina furaha kuwatangazia ripoti ya mwaka na taarifa kuhusu matumizi ya pesa za Kampuni kwa kipindi cha mwaka uliomalizika Desemba 31, 2009.



Ni dhahiri kwamba, mwaka 2009, Sekta ya utalii eneo la Afrika Mashariki ilishuhudia uimarikaji wa viwango vya biashara ikilinganishwa na mwaka 2008 baada ya changamoto zilizotokana na ghasia za baada ya uchaguzi nchini Kenya ambazo bali na kuathiri taifa hili, viliathiri pia Tanzania bara na Kisiwa cha Zanzibar. Mwaka 2009 ulianza kwa maoni mbali mbali kuhusiana na athari za kushuka kwa uchumi wa dunia ambao ulibadilisha mwenendo wa utalii, safari za mashirika na mikutano. Ilikuwa ni hadi kipindi cha tatu mwaka 2009 ambapo ishara njema zilianza kuonekana huku mahitaji ya safari za kawaida na mapumziko kwenye fuo za bahari zikiimarika haraka na kuchochewa zaidi na shughuli kwenye sekta za mashirika. Licha ya kuwepo kwa changamoto mbali mbali, matokeo ya Kampuni mwaka 2009 yalikuwa ni ya kutia moyo hasa kutokana na uungwaji mkono kutoka kwa wakazi na vitengo vya soko la mikutano ambazo zilifidia matokeo duni yaliyotayarajiwa kutoka masoko ya kigeni.

Kushuka haraka kwa shughuli za kibiashara na mapato kutokana na mfumuko wa bei na ongezeko la ukosefu wa nafasi za kazi hasa katika masoko muhimu ya utalii, zilichangia pakubwa changamoto zilizoikumba Kampuni yenu mwaka 2009. Mwelekeo wa biashara mwaka 2009 haukuweza kutabirika huku vituo vya Kenya, Tanzania na Zanzibar vikishindana vikali na maeneo mengine ya kitalii. Viwango vya ubadilishanaji pesa viliongezeka mashaka huku matumaini kamili kuhusu biashara yakitarajiwa kupatikana.

Huku taifa la Kenya likizidi kuimarika kutokana na ghasia za baada ya uchaguzi, jambo ambalo limesababisha athari nyingi kwa uchumi lilikuwa ukosefu wa uwekezaji mpya katika mataifa ya nje kwa muda wa miaka miwili. Hali hii ilisitisha ukuaji wa uchumi na kupunguza nafasi za kazi nchini. Kwa mujibu wa shirika la fedha ulimwenguni (IMF), Bara la Afrika linatarajiwa kupata ukuaji wa uchumi wa asilimia 4.5 (4.5%) mwaka 2010 huku athari za kiuchumi za mwaka 2009 zikiacha masoko yanayofaa yakiwa katika hali ya kutatanisha na wawekezaji kuwa na tahadhari huku viwango vya ukuaji wa uchumi vilivyokisiwa vikilifanya bara hili kuwa kituo kinachowavutia wawekezaji kutoka nje na kuhamasisha sana ukuaji wa maendeleo. Kama mshika dau muhimu wa uchumi barani Afrika, Kenya imetoa nafasi za uwekezaji kwa kuwa na mazingira yanayofaa kibiashara na yenye kuleta manufaa kutokana na nafasi za kiuchumi zilizokadiriwa miaka inayokuja.

Uchumi wa taifa la Kenya mwaka 2009 ulikua kwa asilimia 2 (2%) (Utalii ulichangia asilimia 12 (12%) ikilinganishwa na kiwango cha asilimia 1.7 (1.7%) mwaka 2008. Shirika la Fedha Ulimwenguni linakadiriya kwamba taifa la Kenya litafikisha kiwango cha asilimia 3 cha ukuaji wa uchumi mwaka 2010 huku mataifa mengine ya bara ya Afrika yakiimarika kutokana na athari za kiuchumi za dunia.

Tanzania na Zanzibar zimeathiriwa pakubwa na athari za kushuka kwa uchumi wa dunia na wakati mwingine hali kwamba safari za Tanzania huchukuliwa kuwa ghali ikilinganishwa na vituo vingine vya mapumziko. Serikali ya Tanzania na Halmashauri za utalii zinaripti kushuka kwa watalii mwaka 2009.

Serikali za Tanzania na Kenya zimezindua mikakati mbali mbali kucheza ukuaji wa sekta ya utalii ambayo imechangia kuongezeka kwa idadi ya watalii katika mataifa haya. Nchini Kenya, kupunguza kwa asilimia 50 kwa ada za maombi ya visa na kuondolewa kwa malipo ya watoto walio na umri chini ya miaka 16 kumpelekea kuwepo kwa matokeo mema katika sekta ya utalii. Nchini Tanzania, Ushuru wa Ziada na malipo ya visa zilipunguza hivyo kufanya nafuu shughuli za usafiri.

Halmashauri na wasimamizi wa Kampuni waliangazia kushuka kwa kiwango cha ukuaji wa uchumi kama funzo na kutambua haja ya kutathmini kwa uangalifu matarajio ya wateja na hivyo kuchukua tahadhari zinazohitajika kama njia mpya za ubunifu ambazo zitahakikisha Kundi linazidisha viwango vya hali ya juu vya huduma na bidhaa. Nina furaha kuripoti kwamba juhudi hizi zimezaa matunda kwani tumedhibiti nafasi ya umiliki wa Kampuni kwenye masoko.

Kufungamana na kufaulu kwa mtindo wa kibiashara wa Kampuni na licha ya changamoto zinazokabili sekta ya utalii Afrika Mashariki, nina furaha kuripoti kwamba Kampuni ilirekodi ongezeko la watalii ikilinganishwa na mwaka 2008. Ongezeko hili lilipelekea kuongezeka kwa mapato na malipo kwa kila hisa. Kundi lilipata mapato ya jumla ya Shilingi Bilioni 4.1 (Mwaka 2008 ilikuwa Bilioni 3.2) kiasi ambacho kilikuwa ongezeko la asilimia 26 (26%) na faida kabla ya ushuru ya shilingi milioni 520 (Mwaka 2008 Milioni 330) ambalo ilikuwa ongezeko la asilimia 58. Mifumo ya pamoja ya usimamizi, viwango vya ukadiriaji uchumi na

hatua za uthibiti zilizozinduliwa bila kuathiri huduma na viwango vya utendaji zimepelekea uokoaji mkubwa wa gharama licha ya shinikizo kali la mfumuko ya bei. Kwa hivyo, gharama za usimamizi zimepanda kwa asilimia 24 (24 %) ikilinganishwa na mwaka uliopita kiwango kinachofahamika kuwa chini ya wastani. Kutokana na changamoto kali, matokeo ya Kampuni mwaka huo yamechukuliwa kuwa ya kufana.

Tofauti na mwaka 2008 ambapo shughuli za TPS (K) ziliathiriwa kwa kiwango kikubwa na ghasia za kisiasa nchini Kenya, TPS (T) na TPS (Z) ziliathirika kwa kiwango kidogo. Mwaka 2009 ulikuwa kinyume kwani shughuli za TPS (T) na TPS (Z) ziliathiriwa na kushuka kwa kiuchumi ulimwenguni ikilinganishwa na TPS (K). Ningependa kusisitiza kwamba ni kupitia nyakati za changamoto kama hizi ambapo washika dau wa Kampuni wanaweza kupongeza matokeo ya wazo la mkatati ulioafikiwa mwaka 2006 wa kuweka pamoja shughuli za Kampuni katika kanda ya Afrika Mashariki pamoja hali ambayo imepelekea TPSEA kupanua mbinu zake za kukabiliana na hatari kijegofia na hivyo kuisaidia kupata matokeo mema ya kifedha mwaka 2009.

Kundi linazidi kuwa mchangiaji mkubwa kwenye mapato ya serikali za Kenya, Tanzania na Zanzibar. Kundi lilitoa kiwango cha malipo ya wastani ambacho ni sawa na Shilingi Milioni 720 (Mwaka 2008 Shilingi Milioni 648) kwa ushuru wa moja kwa moja au usio wa moja kwa moja na Shilingi Milioni 146 (Mwaka 2008 Shilingi Milioni 121) kwa Mabaraza ya wilaya kama malipo ya nia njema/ukodishaji katika maeneo mbali mbali ya utawala mwaka 2009.

Kutokana na matokeo ya kufana, Halmashauri ya Wakurugenzi ina furaha kutoa pendekezo baada ya kuidhinishwa la malipo ya mwisho ya mgao wa faida mwaka 2009 la Shilingi 1.25 kwa kila hisa kwa kutegema ushuru ulioashikiliwa pale inapohitajika. Malipo ya mgao wa faida yatatolewa kabla au kufikia Juni 24, 2010. Ni muhimu kufahamu kwamba viwango vya mgao wa faida vilivyopendekezwa ni sawa na vile vilivyoamriwa na kulipwa mwaka 2007 na 2008. Zaidi ya hayo, Wakurugenzi wanapendekeza kwamba kwa kutegemea idhini kutoka Halmashauri ya Masoko ya Hisa, swala la malipo ya ziada ya hisa moja kwa sita zilizomilikiwa litolewe tarehe itakayotangazwa, izinduliwe.

Kufungamana na athari za kushuka kwa kiuchumi ulimwenguni pamoja na hali isiyotabirika kwenye masoko, Halmashauri na wasimamizi wanatarajia kuwepo kwa mazingira ya kibiashara yenye changamoto mwaka 2010. Hata hivyo, mtazamo unaashiria wazi ufanisi ikilinganishwa na baadhi ya miezi kadhaa iliyopita kwa kutilia maanani mienendo ya kibiashara miezi ya hivi karibuni na hali kwamba uchumi wa dunia unazidi kuimarika haraka tofauti na ilivyotarajiwa. Kufungamana na masoko ya watalii ya Kampuni, wachanganuzi wa kiuchumi wamekisikia kwamba Bara la Asia litazidi kuonyesha imariko la haraka huku mabara ya Uropa na Amerika yakiimarika kwa mwendo wa wastani.

Shinikizo la mfumuko wa bei za bidhaa linazidi kuwa changamoto kwa kampuni hata ingawa kumekuwa na imariko la hali ya

usambazaji wa chakula nchini Kenya kufuatia mwanzo wa mvua. Inafahamika kwamba hali ya kiangazi mwaka 2009 ilikuwa na athari kwa uzalishaji wa chakula nchini Kenya. Zaidi ya hayo, mazingira yasiyotabirika ya hali ya anga na gharama za juu za kawi zitazidi kuchangia changamoto hizi.

Kupitia matokeo yake, Kwa muda wa miaka kadhaa, Kampuni imedhihirisha kwamba ikiwa itapewa uwezo wake kukua, kuvumbua na kuandaa viwango vyake, pamoja na mifumo ya sasa ya kibiashara, itaweza kujiweka katika nafasi bora ya kufanya vyema katika mazingira mbali mbali ya kiuchumi. Uwezo wa kubadilisha na tamaa ambazo zimeonyeshwa na Kampuni yenu kuiwezesha kukabiliana na hali ngumu ya masoko na mabadiliko ya kiuchumi zimeifanya kuwa "imara". Hadi kufikia sasa, ningependa kuwahakikishia wanahisa na wawekezaji kwamba licha ya changamoto hizi, biashara za Kundi ni imara. Halmashauri na usimamizi zitafanya uwezo wake wote kuhakikisha kwamba athari mbaya zinazoweza kuathiri matokeo ya Kundi zimezidhibitiwa mwaka 2010. Pia, ningependa kuwahakikishia kwamba Kundi litazidi kuangazia ukuaji wake kwa mtazamo wa mbali wa Kampuni na hivyo kuimarisha uthibiti wa nafasi yake kwenye masoko.

Kwa sababu hiyo, ningependa kudokeza kwamba licha ya mazingira tata ya kibiashara, nafasi mpya za kuimarisha mtandao wetu wa kibiashara zilijitokeza na usimamizi ukachukua fursa hizi kama mkakati wa muda mrefu. Kwa mfano, mwaka 2009, Hoteli za Serena zilitwaa usimamizi wa Lake Victoria Serena Resort nchini Uganda na pia Mivumo River Lodge na Selous Wildlife Lodge zilizoko ndani ya hifadhi ya wanyama pori ya Selous Game Reserve kusini mwa Tanzania. Zaidi ya hayo, ukarabati mkubwa ulifanyiwa Hoteli za Amboseli Serena Safari, Kirawira Tented Camp, Lake Manyara Serena Safari, Kigali Serena na Polana Serena. Ukarabati huu utaziweze hoteli za Serena kutoa viwango vya bidhaa na huduma ambazo zitakidhi matarajio ya wateja na kuhakikisha kwamba zinachukua nafasi ya kipekee ya ushindani huku zikithibiti nafasi ya mbele kibiashara. Ni muhimu kwamba ada za jumla za usimamizi zilizopokelewa kutoka TPS (Uganda) Limited na Tourism Promotion Services (Rwanda) Limited mwaka 2009 zilikuwa sawa na Shilingi Milioni 44 (2008 ilikuwa Shilingi Milioni 31.5) mtawalia.

TPSEA inatafuta njia kuimarisha nafasi yake Afrika Mashariki kwa kuanzisha rasilimali mpya huko Ruaha Tanzania na maeneo ya Ziwa Nakuru na Laikipia nchini Kenya. Hali hii itaiwezesha Kampuni kuimarisha zaidi mtandao wa safari zake na kuwapa wateja chaguzi mbali mbali za starehe nyakati za likizo.

Wakati wa kipindi kinachoangaziwa, Hoteli za Serena zimepokea tuzo na sifa kutoka: Virgin Holidays WTM, Tuzo la mwaka la Conde Nast Traveller 100 Best Hotels in Africa, Jarida la Travel News (Quest for best Awards), World Travel Awards (Africa's Leading Green Hotel), Kenya's Leading Hotel na Tanzania Leading Safari Lodge, hati ya kimataifa ya International Certification for food Safety and Hygiene, Saga Holidays Good Food Awards na mwisho

kabisa tuzo la Kampuni inayoheshimiwa sana Afrika Mashariki. Pongezi zangu za dhati ziwaendee wafanyakazi kutokana mataji haya. Wameonyesha heshima kwa Kampuni na taifa letu eneo hili.

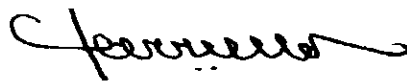
Kampuni ilizidi kutekeleza mkakati wa mtandao wa habari na mawasiliano, taratibu bora za usimamizi wa kitengo cha uajiri na shughuli za wajibu wake kwa jamii ambazo kwa pamoja zinaongezea nguvu mikakati mbali mbali ya biashara ili kuhakikisha athari njema kwa viwango vya bidhaa na hivyo kuchangia ukuaji wa matokeo yake. Maelezo ya kina kuhusu shughuli hizi na mikakati zimeorodheshwa katika taarifa kutoka kwa Meneja Mkurugenzi ukurasa wa 16 hadi 19 wa ripoti hii ya mwaka.

Kama mnavyoyua, kufuatia mvua kubwa maeneo ya Mlima Kenya na Laikipia na uharibifu unaondelea wa misitu ya vianzio maji ya Aberdares, Mlima Kenya na Wamba/ Suguta Valley, Mto Ewaso Nyiro ulivuja kingo zake mnamo Machi 4, 2010 na kusababisha hasara kubwa maeneo ya Samburu. Sawa na raslimali nyingi eneo hilo, Hoteli ya Samburu Safari Lodge ilipata uharibifu mkubwa. Licha ya uharibifu huo, nina furaha kuwatangazia kwamba wageni na wafanyakazi waliokuwepo hotelini hawakupata madhara yoyote na waliokolewa hadi mahali salama. Kwa sasa, Halmashauri na wasimamizi wa Kampuni wanafanya tathmini ya mkakati wa biashara kuhusu uwepo wa Serena huko Samburu na watatathmini hatua zifaazo miezi inayokuja.

Mazingira ya utekelezaji biashara nchini Kenya yamekuwa yakiimarika kwa kuanzishwa kwa masharti nafuu ya biashara ingawa kwa mwendo wa chini tofauti na ilivyotarajiwa miaka ya hivi karibuni. Uthabiti wa serikali ya muungano ni muhimu kuliwezesha taifa la Kenya kuwa kivutio cha wasafiri kutoka nje. Zaidi ya hayo, kuzinduliwa kwa mkataba wa jumuiya ya Afrika Mashariki (EAC) kunafaa kupewa kipaumbele ili kuhakikisha kwamba Afrika Mashariki inapata manufaa kamili ya kitalii. Kwa sababu hiyo, kuanzishwa kwa Halmashauri ya watalii ya Afrika Mashariki ambayo siku za usoni itasimamia na kuweka pamoja maswala yote yanayohusiana na utalii na usimamizi wa wanyama pori ni hatua bora ya mkakati ambao unafaa kuungwa mkono na kuzinduliwa.

Kwa kutamatisha, kwa niaba ya Halmashauri, ningependa kupongeza na kushukuru usimamizi wa Kampuni na wafanyakazi kutokana na jitihada, uaminifu na kujitolea kwao ambapo bila wao matokeo ya kufana yaliyoafikiwa hayangewezekana nyakati hizi za changamoto. Ningependa pia kutambua kwa dhati mchango kutoka kwa wenzangu kwenye Halmashauri ambao umetusaidia kuendeleza shughuli za biashara na mikakati ya Kundi mwaka 2009.

Ningependa kutambua kwa kutoa shukrani mchango maalumu, uhakika, uaminifu na imani ambazo tunazidi kupokea kutoka kwa wanahisa, wateja na washika dau wengine katika sekta ya utalii. Mwisho, ningependa kuzishukuru Serikali zilizoko maeneo ya Afrika Mashariki kwa kuandaa ukuaji wa biashara ya utalii pamoja na mashirika mengine ya utawala kutokana na mchango wao. Uungwaji mkono kama huu ni muhimu kuthibiti ukuaji wa biashara ya utalii eneo lote nzima; biashara ambayo imedhihirisha kuchangia pakubwa ukuaji wa maendeleo ya kiuchumi ya kanda.



Francis Okomo-Okello
MWENYEKITI



Chumba cha kulala katika Hoteli ya Ambaseli Serena Safari



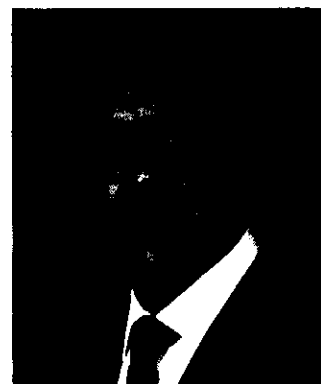
Sebule katika Hoteli ya Lake Manyara Serena Safari



Chumba cha kulala katika Hoteli ya Ngarangoro Serena Safari

The Managing Director's Report

A real test for companies in the Global Tourism industry came in the year 2009 and we are pleased to report that despite that turbulent period, the Company has proven its 'Built to Last' attributes through implementing its successful business model and thanks to its loyal employees 'living up to the promise'. In the face of this challenging business landscape, results for the year 2009 were impressive and recorded a positive turnaround from the previous year.



Companies around the world had to cope with the effects of a financial crisis that started in developed economies during the second half of year 2008, but intensified into a global economic downturn in early 2009. In Kenya, we had to contend with the twin effect of the post-election crisis and the global economic crisis. However, it was encouraging to note that the second half of the year saw positive signs within key source market economies. The effects of the global economic crisis were felt more intensely in Tanzania and Zanzibar as these destinations were considered relatively expensive and prone to greater price sensitivity.

Economic conditions in East Africa remain volatile and the prolonged dry spell during the year 2009 continued to cause a multiplier effect of an increase in the prices of most commodities. The increased cost of electricity, volatile fuel prices and the increased cost of food and other commodities as a result of shortages contributed to the increased cost of doing business.

With the reduction in the purchasing power of consumers in the source markets, clients became extremely price conscious and value-driven. Recent indications are that whilst consumers are shopping around, there has been an increase in the level of enquiries going forward, although occupancies at par with year 2007 are expected to be achieved only in year 2011. It is encouraging to note however that the tourism industry is currently performing better than anticipated six months ago. Forecasting future business nevertheless continues to be a challenge as booking trends are on very short lead-times, though the outlook is generally more optimistic.

Key shifts in buying patterns are: short lead-time bookings for special airline and hotel offers as consumers expect a discount even on late bookings; to reduce cost, customers are choosing to shorten the length of their stay. Discretionary spending is significantly reduced and many companies have become stricter on per diem limits with respect to corporate travel. To meet these challenges, Management implemented the following key initiatives: reviewed our rate and response strategy; focused more on value perception and delivery of value rather than on discounting; maintained closer contact with business suppliers; and identified and implemented successfully a business diversification strategy coupled with efficient yield management to ensure the Company maximised every opportunity.

During the year 2009, the Group also intensified its marketing activities, ensuring that this was carried out in a cost-effective, efficient and diversified manner to continuously pursue new opportunities. Management was encouraged to think 'creatively' in pursuance of the changed customer trends in response to the dynamic economic climate. The Group participated in various promotional activities, trade fairs and regional sales trips.

These many efforts bore fruit as TPS' market share was retained and TPS Eastern Africa for the year 2009 recorded: turnover of Kshs. 4.1 billion (2008: Kshs. 3.2 billion) and Profit Before Tax of Kshs. 520 million (2008: Kshs. 330 million). This is a considerable achievement given the challenging business environment and the Company's results are considered satisfactory.

The total number of guests that stayed at the properties under TPS Eastern Africa were at 376,813 for 2009 compared to 339,912 for 2008 and 447,618 for 2007 (best year for the Tourism industry in East Africa).

Management continued to implement and integrate business strategies in Information Communications & Technology (ICT), Human Resources (HR) and our Corporate Social Responsibility (CSR) programs to avoid compromising the Company's long-term competitiveness and market share.

Serena continues to implement its ICT strategy and recognizes the importance of information technology in complementing its other business strategies, thereby leading to improved guest experience and to enhanced bottom line results. The Company offers complimentary WiFi service at the Nairobi Serena Hotel, an initiative that coincided with the coming on stream of the National Submarine Fiberoptic cable project in the region. Other initiatives implemented during year 2009 included phase one of the 'document management system' in TPS (T) which has facilitated automation of the reservation and sales invoice divisions, leading to improved efficiency in debtor management. Moreover, the data link between the two head offices in Kenya and Tanzania was completed, thus enabling seamless access to reservations and financial systems between the two, thereby resulting in greater efficiency and in better management and controls. The Company currently uses the Voice over Internet Protocol (VoIP) solution to make free inter-unit telephone calls, resulting in savings on telephone costs.

A significant milestone was achieved in the area of electronic marketing and commerce when Serena Hotels went 'live' with the online credit card processing facility that enables clients to visit our website, book and pay for their reservations online. The system is real-time and provides clients with a secure, simple and seamless booking experience. In addition a pilot project on an online guest satisfaction survey for Nairobi Serena Hotel is in place which automatically sends an e-mail to the guest on check-out thanking them for their patronage and requesting them to complete our guest satisfaction survey. The system has helped the hotel to identify areas of weaknesses and strengths and a similar service will be rolled out at the other Serena properties during year 2010. As part of the online distribution strategy, Serena has partnered with online travel agents, which has led to an increase in brand outreach and to increased bookings. These various initiatives have been received well by the clients and have resulted in an impressive growth of direct bookings. I am excited to inform you that Serena Hotels is in the process of launching its new state-of-the-art website during the year 2010.

On the HR front, the Group continues to believe that its employees are crucial to the success of its business. Serena believes that Serena employees, the 'software' of the Company, are one of the key facets that determines the long-term success and growth of the Company. What sets one hotel above from its peers are its employees and their attitude towards their guests. On this note, I would like to personally congratulate each and every member of the Serena staff for the continuous support, dedication and sacrifices they have made for the second year running in this difficult business environment. It is their efforts that have enabled Management avoid having to close any properties, or to declare redundancies. This has great a great achievement, given the prevailing challenging business environment. In line with the Productivity Improvement Strategy, substantial amounts of resources were invested in staff training, development and welfare. The provision of rewarding careers, of quality training and exposure and of capacity building remains a strategic priority for Serena Hotels.

Serena's commitment to CSR activities is part of the Group's business model. The Group's CSR activities continue to focus on

eco-tourism; environmental conservation; education; public health and community development. For further details on the group's CSR activities, please refer to pages 26 and 27 of this Annual Report.

The Tourism Industry has and continues to demonstrate its ability to overcome challenging events through strategic, innovative and collaborative initiatives. Thus, despite the challenging business environment, Management remains confident that in 2010 the Company will successfully overcome the challenges and will continue to use its best endeavors to ensure that, through proactive monitoring, the Company's financial fundamentals will remain at healthy levels.

I would like to appeal to the Governments of Kenya and Tanzania to provide the Tourism Industry with an enabling environment and to commit adequate funds for destination marketing; also to ensure that new developments in fragile game reserves and national parks are controlled, that infrastructure improvements are implemented at a faster pace and that political stability and security are enhanced to restore confidence to the citizens, travelers and investors.

In conclusion, may I, on behalf of the Staff and Management, express our gratitude and sincere appreciation to the Board of Directors for their guidance, diligent and invaluable support and encouragement during the year 2009. I also wish to express my gratitude to the shareholders, customers and various stakeholders for their continued support in the year gone by and look forward to this continued support during the year 2010.



Mahmud Jan Mohamed
MANAGING DIRECTOR



Dining Room, Kilaguni Serena Safari Lodge



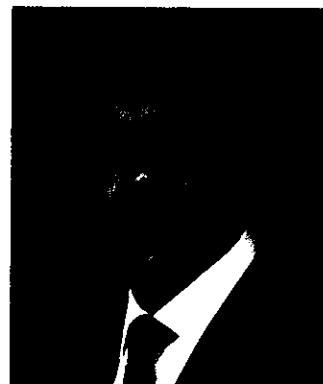
Swahili Dinner, at Serena Beach Hotel & Spa, Mombasa



BBQ Station at Serengeti Serena Safari Lodge

Taarifa kutoka kwa Meneja Mkurugenzi

Majaribio kamili kwa makampuni katika biashara ya utalii ulimwenguni yalionekana mwaka 2009 na tuna furaha kuripoti kwamba, licha ya kipindi hicho kigumu, kampuni imethibitisha kwamba "imeundwa kudumu" kupitia kuzinduliwa kwa mfumo uliofaulu wa kibiashara na wafanyakazi wake waaminifu "wakitimiza ahadi zao". Licha ya changamoto hizi za kibiashara, matokeo mwaka 2009 yalikuwa ya kuvutia na kurekodi ufanisi ikilinganishwa na mwaka uliotangulia.



Ilibidi kampuni kote ulimwenguni kukabiliana na athari zilizotokana na kushuka kwa uchumi ambao ulianza katika mataifa yaliyoendelea kipindi cha pili cha mwaka 2008 lakini ukapelekea kushuka kwa uchumi wa dunia mapema mwaka 2009. Nchini Kenya, tulikabiliana na athari mbili; ghasia za baada ya uchaguzi na kushuka kwa uchumi ulimwenguni. Hata hivyo, lilikuwa ni jambo la kujivunia kuona kwamba kipindi cha pili cha mwaka kilidhihirisha ishara za matokeo mema kwenye masoko muhimu ya kiuchumi. Athari za kushuka kwa uchumi wa dunia zilionekana zaidi mataifa ya Tanzania na Zanzibar kwani vituo hivi huchukuliwa kuwa ghali na hivyo kuvutia hisia za bei ya juu.

Hali ya uchumi Afrika Mashariki inazidi kubadilika na kipindi kirefu cha kiangazi mwaka 2009 kilisababisha kupanda kwa bei za bidhaa nyingi. Kuongezeka kwa gharama za umeme, mabadiliko ya mara kwa mara ya bei za mafuta na ongezeko la bei za vyakula na bidhaa nyinginezo kutokana na upungufu, zilichangia pakubwa kupanda kwa gharama za utekelezaji biashara.

Kutokana na kupungua kwa uwezo wa ununuzi kwa wateja katika masoko ya watalii, wateja wamekuwa waangalifu sana kuhusiana na bei na manufaa yanayopatikana. Ishara za hivi majuzi zaonyesha kwamba, huku wanunuzi wakifanya udadisi, kumekuwa na ongezeko la maswali ingawa viwango sawa na mwaka 2007 vya watalii vinatarajiwa tu kupatikana mwaka 2011. Hata hivyo, inatia moyo kufahamu kwamba, kwa sasa, biashara ya utalii inafanya vyema kushinda ilivyokisiwa miezi sita iliyopita. Licha ya hayo, utabiri wa biashara siku za usoni unaendelea kuonyesha changamoto kutokana na mitindo ya uagizaji nyumba wa muda mfupi ingawa kwa jumla, mtazamo huu unaleta matumaini.

Mitindo muhimu ya mialekeo ya ununuzi ni: uagizaji wa muda mfupi wa mashirika maalumu ya ndege na matoleo maalum ya hoteli kwani wateja wataitumai kupokea punguzo la bei hata kwa uagizaji uliocheleweshwa, upunguzaji bei, wateja kuamua kupunguza muda wa safari zao, matumizi ya hiari yamepungua huku makampuni mengi yakichukua tahadhari kubwa kuhusiana na marupurupu ya kila siku ya safari za mashirika. Ili kukabiliana na changamoto hizi, usimamizi ulizindua mikakati ifuatayo muhimu: kuchunguza upya mkakati wa viwango vya bei; kuchunguza upya mkakati wa ukabilianaji; kuangazia zaidi dhana inayohusiana na thamani na faida zinazopatikana bada la kupunguza bei; kuthibiti uhusiano zaidi na wahudumu katika sekta ya utalii; mkakati wa kupanua biashara ulitambuliwa na kufaulu

kuzinduliwa ukiandamana na usimamizi wenye manufaa kuhakikisha kwamba Kampuni inatumia vyema nafasi zote.

Mwaka 2009, Kundi pia lilimarisha shughuli za kujivumisha kwa kuhakikisha kwamba zilitekelezwa kwa njia nafuu, inayofaa na pana ili kuzidi kutambua nafasi mpya. Usimamizi ulichochea "kuvumbua njia mpya" kuhakikisha kwamba inaafikiana na mitindo ya wateja kuhusiana na mabadiliko ya kiuchumi. Kundi lilishiriki shughuli mbali mbali ambazo zilikuwa ni; kujivumisha, maonyesho ya kibiashara na kutekeleza safari za kibiashara katika kanda mwaka 2009.

Juhudi hizi mbali mbali ziliza matunda kwani nafasi kwenye masoko ilithibitiwa na kwa mwaka 2009 TPS Eastern Africa ilirekodi mapato ya jumla ya Shilingi Bilioni 4.1 (Mwaka 2008 ilikuwa Shilingi Bilioni 3.2) na faida kabla ya Ushuru ya Shilingi Milioni 520 (Mwaka 2008 ilikuwa Shilingi Milioni 330). Haya ni matokeo ya kujivunia yaliyopatikana chini ya mazingira ya kibiashara yenye changamoto. Kwa jumla, matokeo ya kampuni yalikuwa ya kuridhisha.

Idadi ya jumla ya wageni waliotembelea hoteli za TPS Eastern Africa ilikuwa watu 376,813 mwaka 2009 ikilinganishwa na watu 339,912 mwaka 2008 na 447,618 mwaka 2007 (Mwaka bora na wa kufana sana kwa biashara ya utalii Afrika Mashariki).

Usimamizi ulizidi kuzindua na kuweka pamoja teknolojia ya habari na mawasiliano (ICT), kitengo cha Uajiri wa Wafanyakazi (HR) na mipango ya Wajibu Wake Kwa Jamii (CSR) ili kujiepusha kuathirika kutokana na ushindani wa muda mrefu na nafasi yake kwenye masoko.

Serena inazidi kuzindua mkakati wake wa teknolojia ya habari na mawasiliano na kutambua umuhimu wake kuimarisha mikakati mingine ya biashara ili kutimiza matamano ya wageni na kuimarisha matokeo yake. Kampuni inatoa huduma za ziada za mawasiliano yasiyotumia nyaya (WiFi) katika Hoteli ya Nairobi Serena uzinduzi ambao unakwenda sambamba na kuingizwa kwa mradi wa kitaifa wa matumizi ya nyaya za mawasiliano zinazopitia baharini kanda hii. Uzinduzi mwingine mwaka 2009 ulikuwa kuanzishwa kwa awamu ya kwanza ya kitengo cha "mfumo wa kunukuu mawasiliano" katika TPS (T) mfumo ambao umerahisisha matumizi ya mitambo kutuma maombi ya uagizaji nyumba na uhifadhi wa Ankara (Invoice) za mauzo hivyo kuwepo kwa

usimamizi bora wa madeni. Zaidi ya hayo, uunganishaji wa mtandao wa habari baina ya ofisi kuu za Kenya na Tanzania ulikamilika na kuwezesha kuendelea maelezo kuhusu uagizaji wa nyumba na mifumo ya fedha hivyo kupelekea kufanikisha usimamizi na uthibiti baina ya mataifa haya mawili. Kwa sasa, kampuni inatumia mtindo wa Voice over Internet Protocol (VoIP) kupiga simu baina ya ofisi mbali mbali za Serena bila malipo na hivyo kupunguza gharama.

Ufanisi mkubwa ulipatikana maeneo ya mauzo kwa njia ya mtandao wakati Serena ilipoanza kutumia mbinu ya moja kwa moja ya kadi kupitia njia ya elektroniki na kuwawezesha wateja kutembelea wavuti wetu kuagiza nyumba na kulipia. Mfumo huu wa kisasa unawapa wateja nafasi ya uhakika, rahisi na isiyochocha. Zaidi ya hayo, mradi kielelezo kuhusiana na mawasiliano yaliounganishwa moja kwa moja katika hoteli ya Nairobi Serena umeanzishwa na umekuwa ukiwatumia wateja ujumbe kuwashukuru wakati wanapotoka na kuwaomba kujibu hojaji ya maswali kuhusu kuridhika kwao na huduma zetu. Mtindo huu umeiwezesha hoteli kutambua udhaifu na uwezo wake na maeneo yanayohitaji kuimarishwa. Huduma kama hii inatarajiwa kuanzishwa katika hoteli nyingine za Serena mwaka 2010. Kama sehemu ya ushirikiano kwenye mkakati huu, Serena imeshirikiana na maajenti wa safari walioko kwenye mtandao hali ambayo imeimarisha sifa zake na kuongeza biashara ya nyumba. Vumbuzi mbali mbali kama hizi zimepokelewa vizuri na wateja wetu na kusababisha kuongezeka kwa biashara ya uagizaji moja kwa moja ya nyumba. Nina furaha kuwafahamisha kwamba hoteli za Serena ziko kwenye hatua ya kuzindua wavuti wa kisasa mwaka 2010.

Kuhusu kitengo cha Uajiri kazi, Kundi linazidi kuamini kwamba wafanyakazi wake ni muhimu kwa ufanisi wa biashara zake. Serena inaamini kwamba wafanyakazi wake, "ni kiungo muhimu cha kampuni" kinachoamua mafanikio ya muda mrefu na ukuaji wake. Kinachofanya kundi la hoteli kuwa mfano wa kuigwa mbele ya washindani wake, ni wafanyakazi wake na mwenendo wao kuhusiana na wageni. Kwa sababu hiyo, binafsi, ningependa kuwapongeza wafanyakazi wote wa Serena kutokana na mchango wao, uwajibikaji wa mara kwa mara na kujitolea kwao katika mazingira haya magumu kwa mwaka wa pili mfululizo. Ni kutokana na juhudi zao ambazo zimeuwezesha usimamizi kujepusha kufunga hoteli yoyote au kutangaza mpango wa kustaafisha wafanyakazi. Haya ni matokeo muhimu katika mazingira magumu ya kibiashara. Kufungamana na mkakati wa

kuimarisha uzalishaji, viwango vikubwa vya rasilmali vilitumika kutoa mafunzo kwa wafanyakazi, maendeleo na maslahi yao. Mpango wa kuwazawadia waliofanya vyema, utoaji wa mafunzo ya hali ya juu na uimarishaji wa uwezo ni mikakati ambayo ingali inapewa kipaumbele na hoteli za Serena.

Kujitolea kwa Serena kwenye wajibu wa shughuli za kijamii ni sehemu ya mfano wa kibiashara za Kundi. Wajibu wa Shughuli za kundi kwa jamii unazidi kuangazia utalii wa mazingira, Uhifadhi wa mazingira, elimu, afya ya umma na maendeleo ya jamii. Kwa maelezo zaidi kuhusu wajibu wa shughuli za Kundi kwa jamii angalia kurasa za 26 na 27 za ripoti hii ya mwaka.

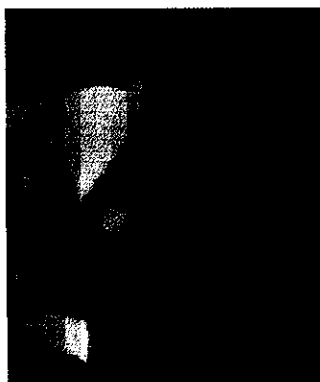
Biashara ya utalii imekuwa na itazidi kudhihirisha uwezo wake kukabiliana na matukio yenye changamoto kupitia mikakati, uvumbuzi na ushirikiano. Licha ya mazingira ya kibiashara yaliyokumbwa na changamoto, usimamizi una imani kwamba mwaka 2010, Kampuni itakabiliana na changamoto zinazotarajiwa na kuzidi kutumiwa uwezo wake kuhakikisha kwamba biashara zake zinazidi kuwa imara kwa kuchunguzwa kwa njia inayofaa.

Ningependa kutoa mwito kwa Serikali za Kenya na Tanzania kuipa biashara ya utalii mazingira bora na kutenga pesa za kutosha kujitangaza kwenye masoko ya utalii na pia kuhakikisha maendeleo katika Mbuga za wanyama pori yamethibitiwa na kuzinduliwa kwa haraka kwa maendeleo ya miundo misingi na kuwepo kwa uthabiti wa kisiasa na usalama ili kurejesha imani miongoni mwa wananchi, wasafiri na wawekezaji.

Kwa Kutamatisha, kwa niaba ya wafanyakazi na wasimamizi, ningependa kutoa shukrani zetu za dhati kwa Halmashauri ya Wakurugenzi kutokana na mwongozo wao, jitihada, msaada muhimu na himizo lao mwaka 2009. Pia, ningependa kutoa shukrani zangu kwa wanahisa, wateja na washika dau mbali mbali kutokana na mchango wao mwaka uliopita na tunatarajia kuendelea na hali hii mwaka 2010.



Mahmud Jan Mohamed
MENEJA MKURUGENZI



Chumba cho kulola katika Nyumba ya Qi Pejeta



Chumba cho kifahari cha wageni katika Hoteli ya Nairobi Serena

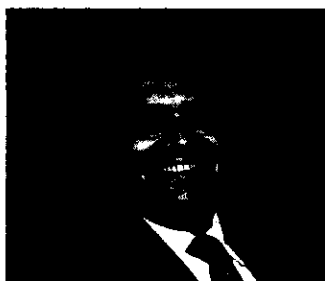


Chumba cho fahari ya juu katika Hoteli ya Nairobi Serena



Mr. Francis Okemo Okello
Chairman

Mr. Okello is a qualified lawyer. He holds an LLB degree from the University of Dar-es-Salaam. He is an Albert Parvin Fellow of the Princeton University, Woodrow Wilson School of Public and International Affairs and a Fellow of The Kenya Institute of Bankers (FKIB). He is the Chairman of Barclays Bank of Kenya Limited, A Director of the Nation Media Group Limited, among other Companies. He is currently the Executive Director in charge of Legal and Corporate Affairs at the Industrial Promotion Services Group



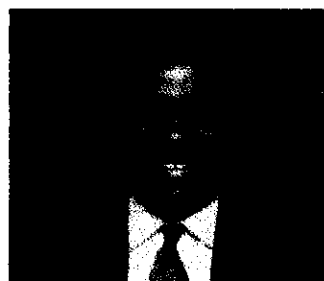
Mr. Abdulmalek Jeevan Virani
Finance Director

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 Companies in Eastern Africa.



Mr. Ameer Kassim-Lakha
Non-executive Director

Mr. Kassim-Lakha is a Chartered Accountant and O.R.M. (Harvard). He is a member of the Advisory Board of Dispute Resolution Centre and a Trustee of the KCA University.



Dr. Ramadhanu 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 is a Director of The Jubilee Holdings Limited and Jubilee Insurance Company of Tanzania Limited among others. He is currently the Director General of NSSIF, 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.



Mr. Jean Louis Vinciguerra
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 currently works with the Aga Khan fund for Economic Development as a Senior Financial Advisor.

Board of Directors



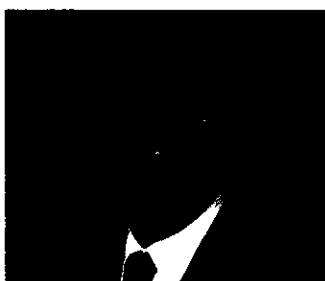
Mr. Mahmud Jan Mohamed
Managing Director

Mr. Jan Mohamed has vast experience in hotel industry. He is the Chief Executive, TPS Group of Companies in Eastern Africa. He is a Director of the Centre for Corporate Governance, Mountain Lodges Limited and Air Uganda Limited. He is an associate member of the Hotel Catering Institutional Management Association (UK), and a member of the Cornell Hotel Society (USA).



Mr. Kungu Gatabaki
Non-executive Director

Mr. Gatabaki holds an Honors Science Degree in Economics and a Diploma in Project Planning and Management from the Bradford University, UK. He serves on various Boards including Chairman of Karume Investments, Micro-Africa and Director of African Reinsurance Corporation (SA).



Mr. Mahmood Pyarali Manji
Non-executive Director

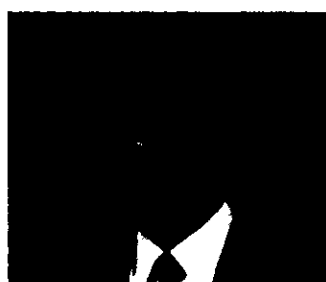
Mr. Manji, a career banker is a fellow of The Kenya Institute of Bankers (FKIB) is the Chairman of the Diamond Trust Banks in East Africa and, Property Development and Management Limited. Mr. Manji is a Member of the Institute of Chartered Accountants in England and Wales.



Mrs. Damaris Angulu
Company Secretary

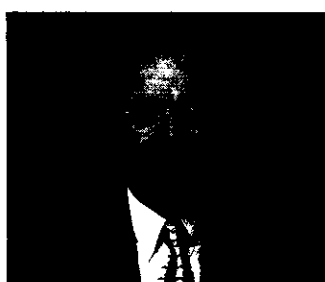
A lawyer by profession, **Mrs. Angulu** holds an MBA (Strategic Management) and a Bachelor of laws Degree from the University of Nairobi, and, a Diploma from the Kenya School of Law. She is a Certified Public Secretary and an Advocate of the High Court of Kenya. Mrs. Angulu is a member of the Law Society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

Board of Directors



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.



Wolfgang Bertelsmeier
Non-Executive Director

Mr. Bertelsmeier holds a diplôme d'Etudes Françaises from Université de Poitiers (France) and a degree in Business Administration from Frankfurt University (Germany). After working at Deutsche Bank and DEG, he started his career in the World Bank in 1976, joining IFC in 1990. Mr. Bertelsmeier has held Board positions of various IFC portfolio companies in the financial, industrial and infrastructure sectors in Africa, Asia and Latin America. He retired as IFC Representative, Europe, based in Paris, France, in June 2009.

Corporate Governance Statement

The Board of TPS Eastern Africa Limited is responsible for the overall management and governance of TPS Eastern Africa Limited and is accountable to the shareholders for ensuring that the Company complies with the law. To this end, 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. In that respect, the directors have committed to ensuring integrity of internal systems as key to the enhancement of the Group's financial performance and sustainability.



Ngorongoro Sereno Safari Lodge



Double Guest Room - Mountain Village, Arusho



Guest Room - Lake Manyara Sereno Safari Lodge

THE BOARD OF DIRECTORS

As at 31 December, 2009, TPSEA Board consisted of 10 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. Re-election and appointment of directors is subject to the Company's Articles of Association in conjunction with CMA guidelines on best practice. The directors have a wide range of skills and experience and each contributes independently to Board deliberations. The directors meet at least four times a year.

With regards to the period under review, 4 Board meetings were held. 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 maintain effective control over strategic, financial, operational and compliance issues. 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 maximizing 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 comprise of Mr. Kungu Gatabaki (Chairman), Mr. Ameer Kassim-Lakha, Mr. Jean-Louis Vinciguerra, Mr. Mahmood Manji and Mr. Wolfgang Bertelsmeier.

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 authorized by the Board within its ToR to directly seek from the Company employees any information on any matters and to seek independent professional advice whenever necessary. The Board reviews the membership of the Audit and Finance Committee annually in accordance with CMA Guidelines. The Committee held three meetings in the year. The external auditors and executive directors attend the Committee's meetings as required.

The Committee has facilitated implementation of the Group's Transfer Pricing Policy. The Committee has further initiated the Group's risk assessment aimed at mitigating the various business risks. The ultimate aim is to formalise the Risk Management Policy and Strategy so as to suit the current dynamic business environment.

NOMINATION AND REMUNERATION COMMITTEE

The Committee's membership consists of Mr. Jack Kisa (Chairman), Mr. Mahmood Manji, Dr. Ramadhani Dau and Mr. Kabir Hyderally.

The Committee is mandated to consult experts, scrutinise and advise the Board on the organisational structure, and staff establishments and to recommend to the Board 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 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. The executive directors do not attend meetings of the Committee that consider their remuneration and benefits.

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, financial markets and other stakeholders are provided with accurate and timely information on the Company's performance. This is usually done through the distribution of the TPS Eastern Africa Limited's

Annual Report within the statutory period of 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. Periodically press releases announcing other major Group developments are issued.

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 2009 financial year amounted to Kshs 1.261 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' loan during the year. Executive directors' car loans amounted to KShs. 1.7m (refer to Note 27).

DIRECTORS' INTEREST

Francis Okomo-Okello	1,041	0.00098
Mahmood P. Manji	1,041	0.00098
Ameer Kassim-Lakha	1,041	0.00098
Abdulmalek Virani	1,041	0.00098
Ali Mufuruki	13,600	0.00128

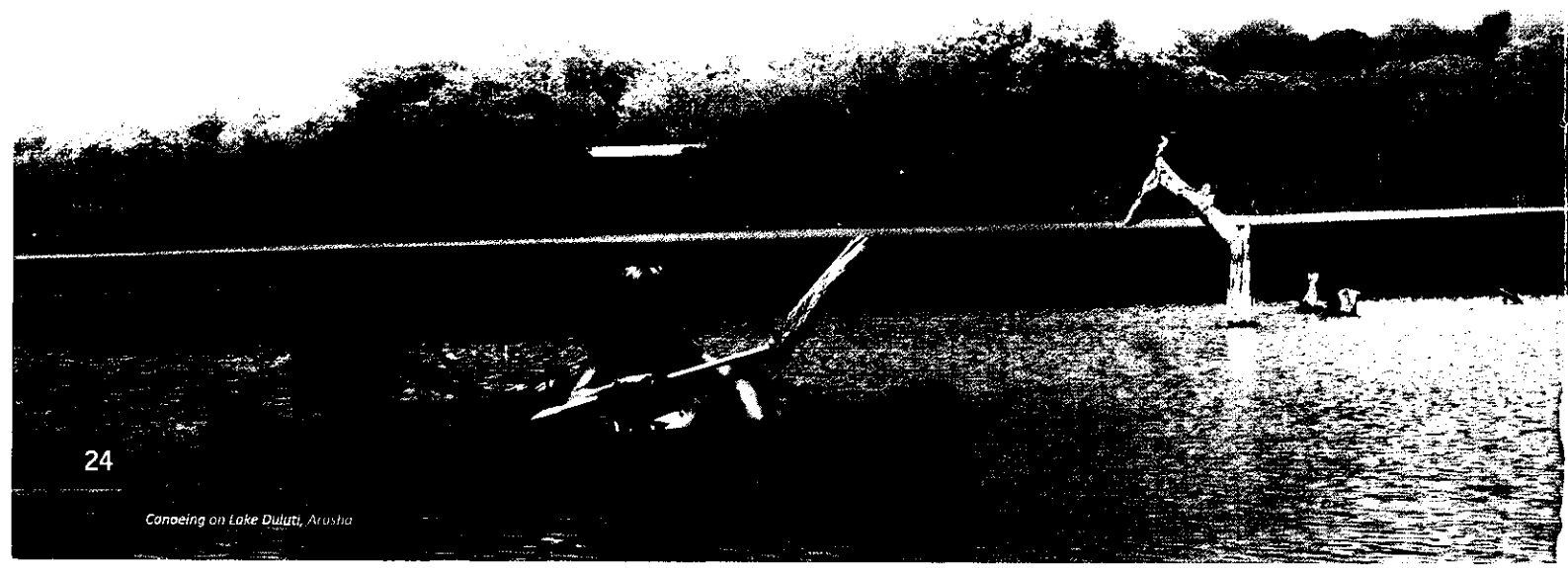
Corporate Governance Statement (cont'd)

Ten Largest Shareholders

Name of Shareholder	Number of Share	% Shareholding
1. Aga Khan Fund for Economic Development, S.A.	47,308,507	44.69
2. Barclays (K) Nominees Ltd A/C 9198-GCS, FBO IFC COR	12,026,743	11.36
3. The Jubilee Insurance Company of Kenya Limited	6,776,060	6.40
4. Industrial Promotion Services (Kenya) Limited	5,497,920	5.19
5. PDM (Holdings) Limited	4,719,600	4.46
6. Craysell Investments Limited	2,050,000	1.94
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	693,900	0.66
10. Wildlife Safaris Kenya Limited	693,720	0.65
SUB-TOTAL	82,791,191	78.21
11. Others	23,073,551	21.79
TOTAL	105,864,742	100.00

Shareholders' Profile

As at 31 December 2009



Corporate Governance Statement (cont'd)

Distribution of Shareholders

	Number of Shareholders	Number of Shares	% Shareholding
Less than 500 shares	2,598	763,082	0.72
500 - 5,000 shares	6,216	6,909,348	6.53
5,001 - 10,000 shares	208	1,486,661	1.40
10,001 - 100,000 shares	250	7,153,452	6.76
100,001 - 1,000,000	37	8,148,628	7.70
Over 1,000,000	8	81,403,571	76.89
TOTAL	9,317	105,864,742	100.00

Shareholders' Profile

As at 31 December 2009

Shareholder Categories

	Number of Shareholders	Number of Shares	% Shareholding
Foreign Investors	128	60,400,134	57.05
Local Institutions	696	30,999,594	29.28
Local individuals	8,493	14,465,014	13.67
TOTAL	9,317	105,864,742	100.00

Corporate Social Responsibility

Putting People First

Employee welfare

Serena believes that placing a strong focus on employee development is integral in maintaining world class service and customer satisfaction. To this end, the company strives to ensure that it offers a rewarding and financially satisfying career to all employees through access to training and development opportunities, a wide range of benefits, opportunities for promotion, top of the range staff facilities, access to financial instruments such as loans and cooperatives and a staff wellness programme.

One of France's finest and most sought after Chef, Edouard Laubet (right) engaged Chefs at Nairabi Serena Hotel in an intensive training exercise that also saw Serena Hotels send 15 Chefs and restaurant managers for further training at the Chef's 'La Bostide de Capelongue' restaurant in Luberon, France.



Community Support and Development

Serena engaged with the local communities surrounding its areas of operation in a number of ways. These included the provision of opportunities for economic empowerment, access to quality health care, the provision of education opportunities for the youth, improvement of local infrastructure and charitable donations to the needy.

Economic Empowerment

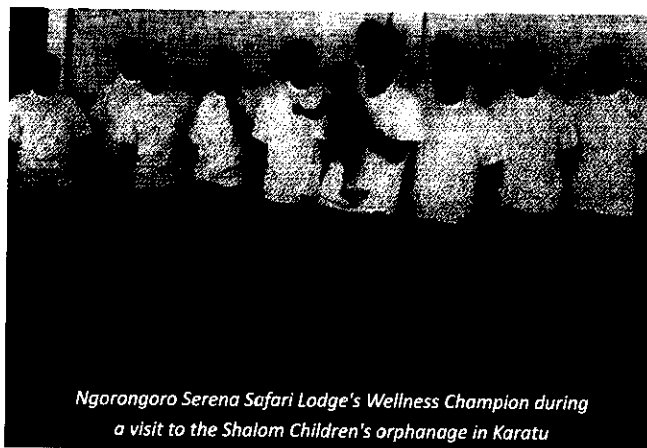
At all the lodges, local performers are hired to entertain guests on a daily basis. This does not only expose the local cultures to visitors but also economically empowers the performers.

Serena's procurement strategy gives preference to local producers and at the lodges, wherever possible, local artifacts that are sold in gift shops and fresh food products are procured from local artists and farmers, respectively. In some cases, Serena helps build capacities to enable local populations to sustain themselves.

Access to quality Health care

Serena continues to provide free medical consultations and subsidized medication through its on-site medical clinics. Health care is not just limited to treatment but includes prevention. As such, the Wellness Programme is not just restricted to staff but is taken out into the communities in which they work.

Thus, at each property, Serena operates a team of Wellness Educators who spread the word about healthy living through the community and, where need be, help address the communities' health needs.



Ngorongoro Serena Safari Lodge's Wellness Champion during a visit to the Shalom Children's orphanage in Karatu

Educational support for the youth

At all Serena properties internship opportunities have been made available for young people who are interested in taking up careers within the hospitality industry. This year, Nairobi Serena Hotel offered internships to 25 students from Nairobi for a period of 3

months while Serena Beach Hotel & Spa took on 5 students from the coast.

At the lodges, the internships are not just given to students but also to gifted youths from the local communities. They not only get invaluable work experience but also a source of income that empowers them economically.

Provision of clean drinking water

Many of the communities in which Serena Lodges are located are deprived of access to clean drinking water and are thus exposed to



a wide range of water-borne diseases. To combat this predicament, Serena provides clean drinking water for its neighbouring communities around Lake Manyara Serena Safari Lodge, Samburu Serena Safari Lodge and Amboseli Serena Safari Lodge.

Charitable donations

Some of the charitable causes and community initiatives that Serena supported in 2009 are illustrated on this page.

PROTECTING A FRAGILE ENVIRONMENT

Turtle conservation at the beach

A turtle adoption scheme which was started in 1993, whose overall objective is to provide a safe haven for eggs laid in doomed nests, facilitates the transfer of eggs to safe havens and provides incentives to local fishermen to protect turtles and turtle eggs. The scheme has, to date, led to the conservation of close to 3,000 hatchlings.



Serena's Lion named 'Together as one'

Reforestation programmes at the lodges

Serena supports a wide reaching reforestation project which is dedicated towards reversing the tide of ecological destruction. In 2009, Serena lodges worked with thousands of guests, school children and visiting dignitaries to 'plant a tree for Africa'.

Supporting Lion Conservation in Kenya

In support of conservation of lions in Kenya, Serena Hotels participated in the 'Pride of Kenya-Adopt a Lion Scheme'. This was an initiative of the Born Free Foundation, which, is an effort designed to create awareness of the plight of lions. The Scheme



Left: Kirawira Luxury Tented Camp Manager, Dismas Simbo, hands a mosquito net to the Lomadi fishing village community leader. The lodge donated a total of 540 treated mosquito nets in an effort to help prevent malaria.

Right: Amboseli Serena Safari Lodge staff donated foodstuff to locals during the drought experienced in many parts of Kenya.

initiated a mass public appeal event that saw up to 50 life size fibre glass lion sculptures displayed in various strategic places in Nairobi for up to 10 weeks before being auctioned off during a grand ceremony. Serena's Lion will further help raise funds for lion conservation in the country from guest donations from the lodges



Ngorongoro Serena Safari Lodge invited local orphaned children to spend their Christmas at the lodge

Waste Paper Recycling Programme

A waste paper recycling programme was put in place at the TPS Head Office in Kenya. Staff is encouraged to discard waste paper in recycling bins which were placed at strategic points around the offices. All proceeds from the sale of recycled paper goes towards various youth and community development projects.

The directors submit their report together with the audited financial statements for the year ended 31 December 2009, 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 380,675,000 (2008: Shs. 222,717,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 132,330,928 (2008: Shs 132,330,928).

DIRECTORS

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

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Abdulmalek Virani	(Finance Director)
Ali Mufuruki	(Resigned on 24 December 2009)
Ameer Kassim-Lakha	
Dr. Ramadhani Dau	
Jack Jacob Kisa	
Jean Philippe Prosper	(Resigned on 1 July 2009)
Jean-Louis Vinciguerra	
Kate Bandawe	(Alternate to Dr. Ramadhani Dau)
Kabir Hyderally	
Kungu Gatabaki	
Mahmood Pyarali Manji	
Wolfgang Bertelsmeier	(Appointed 1 July 2009)

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



COMPANY SECRETARY

29 March, 2010

Directors' Report

For the year ended 31 December 2009

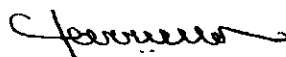
Statement of Directors' Responsibilities

For the year ended 31 December 2009

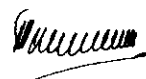
The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure 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



Mahmud Jan Mohamed
MANAGING DIRECTOR

29 March, 2010

Report of the Independent Auditor to the Members of TPS Eastern Africa Limited

REPORT ON THE CONSOLIDATED AND COMPANY 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 31 to 68. These financial statements comprise the consolidated balance sheet at 31 December 2009 and the consolidated profit and loss account, consolidated statement of comprehensive income, 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 2009 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 entity'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 2009 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
Nairobi

29 March, 2010

Consolidated Profit and Loss Account

For the Year ended 31 December 2009

	Notes	2009 Shs'000	2008 Shs'000
Sales	5	4,077,657	3,243,203
Other operating income		320,255	263,611
Inventory expensed		(781,859)	(684,628)
Employee benefits expense	7	(1,100,769)	(791,351)
Other operating expenses		(1,656,538)	(1,339,582)
Profit before depreciation, interest and income tax expense		858,746	691,253
Depreciation on property, plant and equipment	18	(214,165)	(216,002)
Operating profit	6	644,581	475,251
Finance costs	8	(124,292)	(144,840)
Share of loss of associate	22	(287)	(397)
Profit before income tax		520,002	330,014
Income tax expense	9	(139,327)	(107,297)
Profit for the year (of which net profit of Shs 170,283,000 (2008: Shs 120,205,000) have been dealt with in the accounts of the Company)		380,675	222,717
Attributable to:			
Equity holders of the Company		380,675	222,717
Minority interest		-	-
		380,675	222,717
Earnings per share for profit attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	10	3.60	2.10

Consolidated Statement of Comprehensive Income

For the Period ended 31 December 2009

	2009 Shs'000	2008 Shs'000
Profit for the year	380,675	222,717
Other comprehensive income:		
Items net of tax		
Movement in currency translation reserve	56,910	(25,590)
Movement in revaluation reserves	8,211	7,718
Total comprehensive income for the year	445,796	204,845
Attributable to:		
Equity holders of the Company	445,796	204,845
Minority Interest	-	-
Total comprehensive income for the year	445,796	204,845

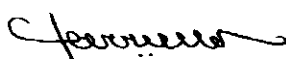
The notes on pages 40 to 68 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

For the Period ended 31 December 2009

	Notes	2009 Shs'000	2008 Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	12	105,865	105,865
Share premium	12	1,906,676	1,906,676
Revaluation reserve	13	661,704	678,816
Translation reserve		(114,995)	(171,905)
Retained earnings		1,372,809	1,099,142
Proposed dividends	11	132,331	132,331
Total equity		4,064,390	3,750,925
Non-current liabilities			
Borrowings	14	1,206,809	1,052,754
Deferred income tax liability	15	627,788	590,947
Provisions for liabilities and charges	16	109,174	95,013
Total non-current liabilities		1,943,771	1,738,714
Total equity and non-current liabilities		6,008,161	5,489,639
Non-current assets			
Property, plant and equipment	18	4,249,482	4,015,288
Prepaid operating lease rentals	19	12,413	12,573
Intangible assets	20	1,077,869	1,077,869
Investment in associates	22	29,630	29,917
Available-for-sale financial asset	17	55,051	55,051
Deferred income tax asset	15	49,470	66,378
		5,473,915	5,257,076
Current assets			
Inventories - cost		266,901	243,533
Receivables and prepayments	23	902,996	874,121
Cash and cash equivalents	24	352,384	132,266
		1,522,281	1,249,920
Current liabilities			
Payables and accrued expenses	25	611,298	779,684
Current income tax		49,999	953
Borrowings	14	326,738	236,720
		988,035	1,017,357
Net current assets		534,246	232,563
		6,008,161	5,489,639

The financial statements on pages 31 to 68 were approved for issue by the board of directors on 29 March, 2010 and signed on its behalf by:



Francis Okomo-Okello
Chairman



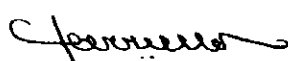
Mahmud Jan Mohamed
Managing Director

Company Balance Sheet

For the Period ended 31 December 2009

	Notes	2009 Shs'000	2008 Shs'000
Equity			
Share capital	12	105,865	105,865
Share premium	12	1,906,676	1,906,676
Retained earnings		605,699	567,747
Proposed dividends	11	132,331	132,331
Total equity		2,750,571	2,712,619
Non-current assets			
Investment in subsidiaries	21	2,528,608	2,528,608
Available-for-sale financial asset	17	55,051	55,051
		2,583,659	2,583,659
Current assets			
Receivables and prepayments	23	170,973	130,823
		170,973	130,823
Current liabilities			
Payables and accrued expenses	25	2,006	1,754
Bank overdraft	14	2,055	109
		4,061	1,863
Net current assets		166,912	128,960
		2,750,571	2,712,619

The financial statements on pages 31 to 68 were approved for issue by the board of directors on 29 March, 2010 and signed on its behalf by:



Francis Okomo-Okello
Chairman



Mahmud Jan Mohamed
Managing Director

Consolidated Statement of Changes in Equity

	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	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
Comprehensive income for the year								
Net profit	-	-	-	-	-	222,717	-	222,717
Other comprehensive income:								
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)
Total other comprehensive income		-	-	(19,185)	(25,590)	26,903	-	(17,872)
Total comprehensive income for the year		-	-	(19,185)	(25,590)	249,620	-	204,845
Transactions with owners								
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

Consolidated Statement of Changes in Equity (continued)

	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	Total Shs'000
Year ended 31 December 2009								
At start of year		105,865	1,906,676	678,816	(171,905)	1,099,142	132,331	3,750,925
Comprehensive income for the year								
Net profit	-	-	-	-	-	380,675	-	380,675
Other comprehensive income:								
Transfer of excess depreciation to retained earnings		-	-	(24,446)	-	24,446	-	-
Deferred income tax on transfer	15	-	-	7,334	-	(7,334)	-	-
Deferred income tax on release of revaluation reserves		-	-	-	-	8,211	-	8,211
Currency translation differences		-	-	-	56,910	-	-	56,910
Total other comprehensive income		-	-	(17,112)	56,910	25,323	-	65,121
Total comprehensive income for the year		-	-	(17,112)	56,910	405,998	-	445,796
Transactions with owners								
Dividends:								
- final for 2008 paid	11	-	-	-	-	-	(132,331)	(132,331)
- proposed for 2009	11	-	-	-	-	(132,331)	132,331	-
At end of year		105,865	1,906,676	661,704	(114,995)	1,372,809	132,331	4,064,390

Company Statement of Changes in Equity

	Notes	Share Capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2008						
At start of year		105,865	1,906,676	579,873	132,331	2,724,745
Comprehensive income for the year						
Net profit		-	-	120,205	-	120,205
Total comprehensive income for the year		-	-	120,205	-	120,205
Transactions with owners						
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 Year ended 31 December 2009

	Notes	2009 Shs'000	2008 Shs'000
Operating activities			
Cash generated from operations	26	603,777	668,958
Interest paid	8	(118,735)	(120,068)
Income tax paid		(24,678)	(80,167)
Net cash generated from operating activities		460,364	468,723
Investing activities			
Purchase of property, plant and equipment	18	(359,197)	(160,057)
Proceeds from disposal of property, plant and equipment		463	2,048
Investment on available-for-sale financial asset	17	-	(23,633)
Short-term bank deposits - net	24	(188,408)	19,705
Net cash used in investing activities		(547,142)	(161,937)
Financing activities			
Proceeds from long-term borrowings		319,879	273,865
Repayments on long-term borrowings		(104,125)	(382,051)
Dividends paid to Company's shareholders		(132,331)	(132,331)
Net cash generated from / (used) in financing activities		83,423	(240,517)
Net (decrease) / increase in cash and cash equivalents		(3,355)	66,269
Movement in cash and cash equivalents			
At start of year		45,806	(20,758)
(Decrease)/ increase in cash		(3,355)	66,269
Effects of exchange rate changes on cash and cash equivalents		6,746	295
At end of year	24	49,917	45,806

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 thousands, except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the group

IFRS 8, 'Operating segments' - effective 1 January 2009. - IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

IAS 1 (revised). 'Presentation of financial statements' - effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 'Financial Instruments - Disclosures' (amendment) - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the measurement basis adopted by the group.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Interpretations effective in 2009 but not relevant

In 2009, the following new interpretations became effective for the first time but have not had an impact on the company's financial statements:

IFRS 2 (amendment), 'Share-based payment': - It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment

IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

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

Two new standards (IFRS 3 - Business combinations and IAS 27 - Consolidated and separate financial statements) 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 2010, 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 will not have a significant impact on the Group's financial statements for 2010

(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.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

(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 and 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

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

(e) Revenue recognition

Revenue 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 using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

Notes to the Financial Statements (continued)

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 operating segments for the purpose of impairment testing.

Notes to the Financial Statements (continued)

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 periodically.

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are not classified as loans and receivables. 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 and computed as the cost of purchase plus any incidental costs incurred in bringing inventory items to their present location. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventories mainly comprise hotel consumables, food and beverage items.

(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 change in the provision is recognised in the profit and loss account.

(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.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 other than benefits paid 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.

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.

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Borrowings (continued)

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 distribution to the Company's shareholders is recognised as a liability in the period in which they are declared. Dividends are declared upon approval at the annual general meeting. Proposed dividends are shown as part of retained earnings until declared.

(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 department identifies, evaluates and hedges financial risks. The Board of Directors provides guidance on principles for overall risk management covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

Market risk

(i) Foreign exchange risk

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

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

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

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

At 31 December 2009, 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 2,505,080 (2008: Shs 2,899,995) higher/lower, mainly as a result of US dollar receivables, payables and bank balances.

(ii) Price risk

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

Notes to the Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

(iii) Cash flow and fair value interest rate risk

The Group has borrowings at variable rates. The Group does not hedge itself against interest rate risk. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. At 31 December 2009, an increase/decrease of 2% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 3,146,987 (2008: 4,283,576).

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash equivalents 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.

The amount that best represents the Group's and Company's maximum exposure to credit risk at 31 December 2009 and 2008 is made up as follows:

	Group		Company	
	2009 Shs'000	2008 Shs'000	2009 Shs'000	2008 Shs'000
Cash equivalents	339,869	122,290	-	-
Trade receivables	534,447	634,739	-	-
Receivables from related companies	222,704	116,109	169,455	130,804
Other receivables	105,267	72,178	1,518	19
	1,202,287	945,316	170,973	130,823

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

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

Trade receivables (as shown in the table above) are carried fair value. These are estimated based on expected future cash flows and past credit history of customers. All the balances fall in level III of the fair value measurement hierarchy. There are no other financial assets carried at fair value.

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	
	2009 Shs'000	2008 Shs'000	2009 Shs'000	2008 Shs'000
Past due but not impaired:				
- by up to 30 days	301,327	159,675	-	-
- by 31 to 60 days	69,304	40,694	-	-
- by 61 to 90 days	29,247	45,203	-	-
- by over 90 days	70,441	74,920	-	-
Total past due but not impaired	470,319	320,492	-	-
Impaired and fully provided for	62,193	53,585	-	-

Notes to the Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the 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 the debt refinancing.

(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 2009:				
- borrowings	326,738	339,754	867,055	-
- trade and other payables	491,295	-	-	-
- interest payable	120,003	135,982	253,261	-
At 31 December 2008:				
- borrowings	236,720	294,846	757,908	-
- trade and other payables	733,814	-	-	-
- interest payable	45,870	123,348	258,148	-

(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 2009:				
- overdraft	2,055	-	-	-
- trade and other payables	2,006	-	-	-
At 31 December 2008:				
- overdraft	109	-	-	-
- trade and other payables	1,754	-	-	-

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.

Notes to the Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

During 2009 the Group's strategy, which was unchanged from 2008, was to maintain a gearing ratio between 25% and 40%. The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009 Shs'000	2008 Shs'000
Total borrowings	1,533,547	1,289,474
Less: cash and cash equivalents	(352,384)	(132,266)
Net debt	1,181,163	1,157,208
Total equity	4,064,390	3,750,925
Total capital	5,245,553	4,908,133
Gearing ratio	23%	24%

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

(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.

Notes to the Financial Statements (continued)

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Managing Director that are used to make strategic decisions. The Managing Director considers the business from both a geographic and product perspective. Geographically, management considers the performance in Kenya and Tanzania. Kenya is further segregated into hotels and lodges.

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

The Managing Director assesses the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2009 is as follows:

	Revenue Shs'000	EBITDA Shs'000	Depreciation and amortisation Shs'000	Income tax expense Shs'000	Total assets Shs'000	Total liabilities Shs'000	Goodwill Shs'000
Kenya Hotels	1,694,900	452,273	(75,125)	(57,695)	1,767,390	-	230,152
Kenya Lodges	791,164	66,043	(43,005)	(47,552)	908,201	-	110,008
Tanzania Lodges	1,302,733	283,187	(88,429)	(28,810)	2,319,527	1,337,152	733,218
TOTAL	3,788,797	801,506	(206,559)	(134,057)	4,995,118	1,337,152	1,073,378
Unallocated items	288,860	57,240	(7,606)	(5,270)	2,001,078	1,594,654	4,491
TOTAL	4,077,657	858,746	(214,165)	(139,327)	6,996,196	2,931,806	1,077,869

The segment information for the year ended 31 December 2008 is as follows:

	Revenue Shs'000	EBITDA Shs'000	Depreciation and amortisation Shs'000	Income tax expense Shs'000	Total assets Shs'000	Total liabilities Shs'000	Goodwill Shs'000
Kenya Hotels	1,298,825	302,370	(84,233)	(20,510)	1,744,701	-	230,152
Kenya Lodges	601,019	(19,486)	(49,097)	(16,786)	833,933	-	110,008
Tanzania Lodges	1,343,359	423,804	(82,514)	(69,178)	2,024,279	1,060,522	733,218
TOTAL	3,243,203	706,688	(215,844)	(106,474)	4,602,912	1,060,522	1,073,378
Unallocated items	-	(15,435)	(158)	(823)	1,904,084	1,695,549	4,491
TOTAL	3,243,203	691,253	(216,002)	(107,297)	6,506,996	2,756,071	1,077,869

Notes to the Financial Statements (continued)

6 EXPENSES BY NATURE

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

	Group	
	2009 Shs'000	2008 Shs'000
Release of amounts payable to minority shareholders (Note 25)	(62,172)	-
Loss/(profit) on disposal of property, plant and equipment	166	(1,081)
Prepaid operating lease rentals expensed (Note 19)	160	160
Net foreign currency exchange losses/(gains) on trading balances	19,654	(90,444)
Inventories expensed	781,859	684,628
Receivables - provision for impairment losses	8,608	14,855
Auditors' remuneration (Company: 2009: Shs 2,086,820 2008: Shs 1,868,400)	9,317	8,245
Employee benefit expense	1,100,769	791,351
Repairs and maintenance	81,080	54,720
Land rent	96,520	70,664

7 EMPLOYEE BENEFITS EXPENSE

The following items are included within employee benefits expense:

	Group	
	2009 Shs'000	2008 Shs'000
Salaries and wages	1,033,910	753,285
Retirement benefits costs:		
- Gratuity charge/(credit) (Note 16)	20,209	(6,475)
- Defined contribution scheme	24,036	24,151
- National Social Security Funds	22,614	20,390
	1,100,769	791,351

8 FINANCE COSTS

	Group	
	2009 Shs'000	2008 Shs'000
Interest expense:		
- bank borrowings	117,543	115,048
- related party loans	1,192	5,020
	118,735	120,068
Net foreign currency exchange losses on borrowings	5,557	24,772
Net finance costs	124,292	144,840

Notes to the Financial Statements (continued)

9 INCOME TAX EXPENSE

	Group	
	2009 Shs'000	2008 Shs'000
Current income tax	73,724	20,865
Deferred income tax (Note 15)	65,603	86,432
Income tax expense	139,327	107,297

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group	
	2009 Shs'000	2008 Shs'000
Profit before income tax	520,002	330,014
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2008 - 30%)	156,001	99,004
Tax effect of:		
Income not subject to tax	(18,926)	(210)
Expenses not deductible for tax purposes	3,258	20,383
Under-provision of deferred income tax in prior year	(1,006)	(11,880)
Income tax expense	139,327	107,297

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.

	2009	2008
Profit attributable to equity holders of the Company (Shs 000s)	380,675	222,717
Weighted average number of ordinary shares in issue (thousands)	105,865	105,865
Basic earnings per share (Shs)	3.60	2.10

There were no potentially dilutive shares outstanding at 31 December 2009 or 2008. Diluted earnings per share are therefore the same as basic earnings per share.

Notes to the Financial Statements (continued)

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 2009 were 105,864,742 shares (2008: 105,864,742 shares). A dividend in respect of qualifying shares for the year ended 31 December 2009 of Shs 1.25 per share (2008: Shs 1.25) amounting to Shs 132,330,928 (2008: 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 2007	88,221	88,221	1,906,676
Issue of bonus shares	17,644	17,644	-
Balance at 31 December 2007, 2008 and 2009	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		Company	
	2009 Shs'000	2008 Shs'000	2009 Shs'000	2008 Shs'000
The borrowings are made up as follows:				
Non-current				
Bank borrowings	1,206,809	1,052,754	-	-
Current				
Bank overdraft	103,187	74,868	2,055	109
Bank borrowings	223,551	161,852	-	-
	326,738	236,720	2,055	109
Total borrowings	1,533,547	1,289,474	2,055	109

Notes to the Financial Statements (continued)

14 BORROWINGS (continued)

The borrowings include secured liabilities (bank borrowings and overdraft) in a total amount of Shs 1,533,547,000 (2008: Shs 1,289,474,000). 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	
		2009	2008
Kenya			
- bank borrowings : Kenya Shillings		12.16%	10.04%
Tanzania			
- bank overdrafts: US Dollars (3% above 3 - month LIBOR)		5.82%	5.67%
- bank borrowings: US Dollars (2% above 3-month LIBOR)		4.82%	4.52%
: Tanzania Shillings - National Bank of Commerce Tanzania Limited		13.50%	9.00%
Zanzibar			
- bank overdrafts 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.

15 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2008: 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 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

Notes to the Financial Statements (continued)

15 DEFERRED INCOME TAX (continued)

Year ended 31 December 2009

	Movement in deferred tax liability Shs'000	Movement in deferred tax asset Shs'000	Total Shs'000
At start of year	590,947	(66,378)	524,569
Income statement charge (Note 9)	36,841	28,762	65,603
Credit to equity	-	(8,211)	(8,211)
Currency translation differences	-	(3,643)	(3,643)
At end of year	627,788	(49,470)	578,318

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

Year ended 31 December 2009	1.1.2009 Shs'000	Charged to P/L Shs'000	31.12.2009 Shs'000
Deferred income tax liabilities			
Property, plant & equipment			
- on historical cost	221,841	37,550	259,391
- on revaluation surpluses	380,039	(7,334)	372,705
Unrealised exchange gains	20,937	9,468	30,405
	622,817	39,684	662,501
Deferred income tax assets			
Provisions	(31,870)	(2,843)	(34,713)
	(31,870)	(2,843)	(34,713)
Net deferred income tax liability	590,947	36,841	627,788
 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

Notes to the Financial Statements (continued)

15 DEFERRED INCOME TAX (continued)

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

Year ended 31 December 2009	1.1.2009	Charged to P/L	Credited to equity	Exchange differences	31.12.2009
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities					
Property revaluation	240,384	(6,037)	(8,211)	-	226,136
Deferred income tax assets					
Accelerated tax depreciation	40,702	-	-	-	40,702
Tax losses carried forward	(210,196)	53,106	-	-	(157,090)
Other deductible temporary differences	(137,268)	(18,307)	-	(3,643)	(159,218)
	(306,762)	34,799	-	(3,643)	(275,606)
Net deferred income tax asset	(66,378)	28,762	(8,211)	(3,643)	(49,470)

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)

Deferred income tax of Shs 7,334,000 (2008: Shs 8,222,000) 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.

Notes to the Financial Statements (continued)

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	
	2009	2008
	Shs'000	Shs'000
At start of year	95,013	121,701
Additional provisions	20,209	17,357
Unused amounts reversed	-	(23,832)
Charge/(credit) to income statement	20,209	(6,475)
Utilised during year	(6,048)	(20,213)
	109,174	95,013

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

	Group	
	2009	2008
	Shs'000	Shs'000
At start of year	95,013	121,701
Current service cost	7,948	7,550
Interest cost	9,453	8,527
Actuarial losses/(gains)	2,808	(22,552)
Benefits paid	(6,048)	(20,213)
At end of year	109,174	95,013

The amounts recognised in the consolidated profit and loss account for the year are as follows:

	Group	
	2009	2008
	Shs'000	Shs'000
Current service cost	7,948	7,550
Interest cost	9,453	8,527
Net actuarial losses/(gains) recognised in the year	2,808	(22,552)
Total, included in employee benefits expense (Note 7)	20,909	(6,475)

The principal actuarial assumptions used were as follows:

	2009	2008
- discount rate	10%	10%
- future salary increases	8%	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. The scheme has no dedicated assets.

Notes to the Financial Statements (continued)

17 AVAILABLE FOR SALE FINANCIAL ASSET

	Group	
	2009 Shs'000	2008 Shs'000
At start of the year	55,051	31,418
Investment during the year	-	23,633
At end of year	55,051	55,051

Shs 23.6 million was invested by the company in 2008 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 has been no change in the fair value of the asset during the year.

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 2008					
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
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
Year ended 31 December 2009					
Opening net book amount	3,520,264	384,522	23,063	87,439	4,015,288
Additions	101,035	203,049	-	55,113	359,197
Disposals	(11)	(618)	-	-	(629)
Transfers	46,403	-	-	(46,403)	-
Depreciation charge	(118,471)	(83,496)	(12,198)	-	(214,165)
Translation differences	80,267	7,041	826	1,657	89,791
Closing net book amount	3,629,487	510,498	11,691	97,806	4,249,482

Notes to the Financial Statements (continued)

18 PROPERTY, PLANT AND EQUIPMENT - GROUP (continued)

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 31 December 2009					
At cost or revaluation	5,325,597	1,740,671	191,053	96,665	7,353,986
Accumulated depreciation	(1,271,385)	(1,247,768)	(156,533)	-	(2,675,686)
Translation differences	(424,725)	17,595	(22,829)	1,141	(428,818)
Net book amount	3,629,487	510,498	11,691	97,806	4,249,482

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. A revaluation will be carried out in 2010.

The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluation surplus in shareholders' equity. Capital work in progress is mainly in relation to capital projects being undertaken with respect to Kenyan hotels and Tanzanian lodges.

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

	Group	
	2009 Shs'000	2008 Shs'000
Cost	4,017,498	3,870,060
Accumulated depreciation	(1,647,926)	(1,649,035)
Net book amount	2,369,572	2,221,025

19 PREPAID OPERATING LEASE RENTALS

	Group	
	2009 Shs'000	2008 Shs'000
At start of the year	12,573	12,733
Amortisation charge for year	(160)	(160)
At end of year	12,413	12,573
Cost of prepaid operating lease rentals	15,800	15,800
Accumulated amortisation	(3,387)	(3,227)
	12,413	12,573

Notes to the Financial Statements (continued)

20 INTANGIBLE ASSET - GROUP

	Goodwill Shs'000
At 31 December 2008 and 2009	
Cost	1,077,869
Accumulated amortisation and impairment	-
Net book amount	<u>1,077,869</u>

Impairment tests for goodwill

Goodwill is allocated to the Group's operating segments identified according to the location of operation and business segment. An entity-level summary of the goodwill allocation is presented below:

	2009 Shs'000	2008 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
	<u>1,077,869</u>	<u>1,077,869</u>

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

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

Key assumptions used for value-in-use calculations:

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

¹ Budgeted EBITDA margin

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

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

These assumptions have been used for the analysis of each operating segment within the business segment. Management determined budgeted EBITDA margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Notes to the Financial Statements (continued)

21 INVESTMENT IN SUBSIDIARIES (AT COST)

The company's interest in its subsidiaries (Tourism Promotion Services (Kenya) Limited – [TPS(K)], Tourism Promotion Services (Tanzania) Limited – [TPS(T)], Tourism Promotion Services (Zanzibar) Limited – [TPS(Z)], Tourism Promotion Services (Mangapwani) Limited – [TPS(Mgp)], Tourism Promotion Services (South Africa) (Pty) Limited – [TPS(SA)] 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, 2008 and 2009	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 - 2007, 2008 and 2009	100%	100%	100%	100%	100%	75%	

¹ 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)

	2009 Shs'000	2008 Shs'000
At start of the year	29,917	30,314
Share of associate results before tax	307	(171)
Share of tax	(594)	(226)
Net share of results after tax	(287)	(397)
At end of year	29,630	29,917

The key financial data as at year end of 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
2009 Mountain Lodges Limited	29.9	134,749	43,708	75,556	(959)
2008 Mountain Lodges Limited	29.9	133,553	37,655	49,989	(1,328)

Notes to the Financial Statements (continued)

23 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables - third parties	596,450	687,087	-	-
Less: provision for impairment of receivables	(62,193)	(53,585)	-	-
Trade receivables - related companies (Note 27)	190	1,237	-	-
Net trade receivables	534,447	634,739	-	-
Prepayments	40,578	51,095	-	-
Advances to related companies (Note 27)	222,704	116,109	169,455	130,804
Other receivables	105,267	72,178	1,518	19
	902,996	874,121	170,973	130,823

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

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	53,585	54,232	-	-
Provision in the year	8,608	14,855	-	-
Receivables written off during the year as uncollectible	-	(15,502)	-	-
At end of year	62,193	53,585	-	-

In the estimate of the directors, the carrying amounts of the receivables and prepayments approximate to their fair value. The carrying amounts of the Group's receivables and prepayments are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
US Dollar	335,250	417,553	-	-
Euro	5,670	4,276	-	-
Sterling Pound	13,914	12,113	-	-
Kenya Shillings	548,162	440,179	170,973	130,823
At end of year	902,996	874,121	170,973	130,823

Notes to the Financial Statements (continued)

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Cash at bank and in hand	152,384	120,674	-	-
Short term bank deposits	200,000	11,592	-	-
	<u>352,384</u>	<u>132,266</u>	<u>-</u>	<u>-</u>

The weighted average effective interest rate on short-term bank deposits at the year-end was 5.2 % (2008: 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	
	2009	2008
	Shs'000	Shs'000
Cash and bank balances as above	152,384	120,674
Bank overdrafts (Note 14)	(103,187)	(74,868)
	<u>49,197</u>	<u>45,806</u>

25 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2009	2008	2009	2008
	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables	336,878	469,917	-	-
Trade payables - related companies (Note 27)	5,041	4,068	-	-
Advances from related companies (Note 27)	18,613	63,600	40	40
Dividends payable	166	166	166	166
Accrued expenses and other payables	250,600	241,933	1,800	1,548
	<u>611,298</u>	<u>779,684</u>	<u>2,006</u>	<u>1,754</u>

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 held it for a period of three years pending claims by the former shareholders. The three year period ended August 2009 and the balance has been transferred to income after seeking appropriate legal advice.

Notes to the Financial Statements (continued)

25 PAYABLES AND ACCRUED EXPENSES (continued)

Amounts paid during the year are as follows:

	2009 Shs'000	2008 Shs'000
At start of year	64,361	70,941
Payments made	(2,189)	(6,580)
Transfer to income	(62,172)	-
At end of year	-	64,361

26 CASH GENERATED FROM OPERATIONS

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

	Group	
	2009 Shs'000	2008 Shs'000
Profit before income tax	520,002	330,014
Adjustments for:		
Interest expense (Note 8)	118,735	120,068
Depreciation (Note 18)	214,165	216,002
Amortisation of prepaid operating lease rentals	160	160
Loss/(profit) on sale of property, plant and equipment	166	(1,081)
Share of loss from associates (Note 22)	287	397
Effect of currency translation	(43,270)	6,159
Changes in working capital		
- receivables and prepayments	(28,875)	176,117
- inventories	(23,368)	(40,204)
- payables and accrued expenses	(168,386)	(111,986)
- provisions for liabilities and charges	14,161	(26,688)
Cash generated from operations	603,377	668,958

27 RELATED PARTY TRANSACTIONS

The group is controlled by Aga Khan Fund for Economic Development, S.A., 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:

	2009 Shs'000	2008 Shs'000
Mountain Lodges Limited	7,735	7,941
Diamond Trust Bank Kenya Limited	2,625	156
Farmer's Choice Limited	5	6
Frigoken Limited	281	-
The Jubilee Insurance Company Limited	3,172	2,571
Directors & key management	4,353	1,357
TPS (Uganda) Limited	23,617	17,911
Tourism Promotion Services (Rwanda) Limited	25,975	12,453
Arusha Duluti Limited	32,798	27,478
Mbuzi Mawe Limited	29,501	25,728
Upekee Lodges Limited	56,623	-

Notes to the Financial Statements (continued)

27 RELATED PARTY TRANSACTIONS (continued)

ii) Purchase of goods and services from:

	2009 Shs'000	2008 Shs'000
Farmer's Choice Limited	35,553	25,649
Premier Food industries Limited	136	1,184
The Jubilee Insurance Company Limited	2,339	1,953
Serena Tourism Promotion Services, S.A.	108,672	110,879
	<u>146,699</u>	<u>143,665</u>

iii) Key management compensation

Salaries and other short-term employment benefits	87,816	74,928
Post-employment benefits - gratuity	-	-
	<u>87,816</u>	<u>74,928</u>

iv) Directors' remuneration

Fees for services as a director	1,261	791
Other emoluments (included in key management compensation above)	51,189	45,253
	<u>52,450</u>	<u>46,044</u>

Total remuneration of directors of the Company

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

	Group 2009 Shs'000	2008 Shs'000
Receivables from other related parties		
The Jubilee Insurance Company Limited	190	1,237
	<u>190</u>	<u>1,237</u>
Payables to other related parties		
Farmer's Choice Limited	4,883	3,291
Premier Food industries Limited	-	326
Diamond Trust Bank Kenya Limited	-	317
The Jubilee Insurance Company Limited	158	134
	<u>5,041</u>	<u>4,068</u>

Notes to the Financial Statements (continued)

27 RELATED PARTY TRANSACTIONS (continued)

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

	Group	
	2009	2008
	Shs'000	Shs'000
Receivables from related parties		
Mountain Lodges Limited	169	-
TPS (Uganda) Limited	120	-
Hotel Polana, S.A.	19,207	133
Tourism Promotion Services (Rwanda) Limited	5,387	148
Arusha Duluti Mountain Village	81,590	65,148
OI Pejeta Ranching Ltd - Hotel Division	93	1,049
Serena Tourism Promotion Services, S.A.	206	-
Mbuzi Mawe Limited	56,961	49,631
Upekee Lodges Limited	58,971	-
	<u>222,704</u>	<u>116,109</u>

Receivables from related parties

	Company	
	2009	2008
	Shs'000	Shs'000
Tourism Promotion Services (Kenya) Limited	169,445	130,804
	<u>169,445</u>	<u>130,804</u>

	2009	2008
	Shs'000	Shs'000
Payables to related parties		
Mountain Lodges Limited	1,386	11,140
TPS (Uganda) Limited	6,484	6,893
Serena Tourism Promotion Services, S.A.	-	350
Hotels Polana, S.A.	-	43,891
Tourism Promotion Services (Rwanda) Limited	10,743	952
Arusha Duluti Limited	-	374
	<u>18,613</u>	<u>63,600</u>

Notes to the Financial Statements (continued)

27 RELATED PARTY TRANSACTIONS (continued)

vii) Loans to directors of the Company

	2009 Shs'000	2008 Shs'000
At start of year	2,272	2,796
Loans advanced	150	-
Loan repayments received	(726)	(524)
At end of year	1,696	2,272
Less: current portion	(669)	(669)
Non-current portion	<u>1,027</u>	<u>1,603</u>

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

	Amount Shs'000	Term Years	Security Shs'000	Interest rate
2009				
Loan balance	<u>1,696</u>	<u>5</u>	<u>4,392</u>	<u>8%</u>
2008				
Loan balance	<u>2,272</u>	<u>5</u>	<u>4,392</u>	<u>8%</u>

No provisions for impairment losses have been required in 2008 and 2009 for any related party receivables.

28 CONTINGENT LIABILITIES

At 31 December 2009, Tourism Promotion Services (Kenya) Limited had given guarantees amounting to Shs 4,560,000 (2008: 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 2009, Mountain Lodges Limited, an associate company of Tourism Promotion Services (Kenya) Limited [TPS(K)], was in dispute with the Kenya Revenue Authority in respect of tax, penalties and interest claim totalling Shs 118 million arising out of provision against debts incurred by the African Tours & Hotels Limited (AT&H) group which managed Mountain Lodge (owned by the company) and which owned 40% equity in the company. These debts were incurred by AT&H group of companies prior to TPS (K) taking over management of Mountain Lodge. TPS(K)'s share would amount to Shs 35 million. In the opinion of the directors, after taking appropriate advice from the company's tax advisor, no material liability is expected to crystallise from this claim. Consequently, no provision has been set against the claim in the books of accounts.

During the year 2008, National Bank of Commerce Tanzania Limited converted part of Tourism Promotion Services (Tanzania) Limited's [TPS(T)] outstanding Tanzania Shillings borrowings into United States Dollars without the approval of TPS(T). The Company has disputed the conversion and therefore not recognized an exchange loss of Shs 30 million arising from the unauthorized conversion as at 31 December 2009. After having obtained legal advice, the directors are of the opinion that the bank's position has no merit and no further amount is due to the bank.

Notes to the Financial Statements (continued)

29 COMMITMENTS

Capital commitments

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

	Group	
	2009	2008
	Shs'000	Shs'000
Property, plant and equipment	-	-

Operating lease commitments

	Group	
	2009	2008
	Shs'000	Shs'000
Not later than 1 year	2,699	2,263
Later than 1 year and not later than 5 years	5,555	6,711
Later than 5 years	51,111	52,110
	<u>59,365</u>	<u>61,084</u>

Notes

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000	1001	1002	1003	1004	1005	1006	1007	1008	1009	1010	1011	1012	1013	1014	1015	1016	1017	1018	1019	1020	1021	1022	1023	1024	1025	1026	1027	1028	1029	1030	1031	1032	1033	1034	1035	1036	1037	1038	1039	1040	1041	1042	1043	1044	1045	1046	1047	1048	1049	1050	1051	1052	1053	1054	1055	1056	1057	1058	1059	1060	1061	1062	1063	1064	1065	1066	1067	1068	1069	1070	1071	1072	1073	1074	1075	1076	1077	1078	1079	1080	1081	1082	1083	1084	1085	1086	1087	1088	1089	1090	1091	1092	1093	1094	1095	1096	1097	1098	1099	1100	1101	1102	1103	1104	1105	1106	1107	1108	1109	1110	1111	1112	1113	1114	1115	1116	1117	1118	1119	1120	1121	1122	1123	1124	1125	1126	1127	1128	1129	1130	1131	1132	1133	1134	1135	1136	1137	1138	1139	1140	1141	1142	1143	1144	1145	1146	1147	1148	1149	1150	1151	1152	1153	1154	1155	1156	1157	1158	1159	1160	1161	1162	1163	1164	1165	1166	1167	1168	1169	1170	1171	1172	1173	1174	1175	1176	1177	1178	1179	1180	1181	1182	1183	1184	1185	1186	1187	1188	1189	1190	1191	1192	1193	1194	1195	1196	1197	1198	1199	1200	1201	1202	1203	1204	1205	1206	1207	1208	1209	1210	1211	1212	1213	1214	1215	1216	1217	1218	1219	1220	1221	12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TPS EASTERN AFRICA
LIMITED

Proxy Form

I/We _____

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

of _____ and failing him,

of _____ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday 24, May 2010 at 11.00 a.m. and at any adjournment thereof.

No. of shares held: _____ Account number: _____

Signed this _____ day of _____ 2010

Signature: _____

Signature: _____

NOTES:

1. If you so wish you may appoint the Chairman of the meeting as your Proxy.
2. To be valid, this Form of Proxy MUST be returned to the Company's Share Registrars, Image Registrars, 8th floor, Transnational Plaza, Mama Ngina Street, P. O. Box 9287-00100, GPO, Nairobi, Kenya, not later than 21 May, 2010 at 11.00a.m.
3. A person appointed as a proxy need not be a member of the Company.
4. In the case of a member being a limited liability Company/ Corporation, this Form of Proxy MUST be completed under its seal or under the hand of an officer or attorney duly authorized in writing.
5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated.

Fomu Ya Uwakilishi

Mimi/Sisi _____

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

kutoka _____ na akikosa,

kutoka _____ kama wakala wangu/wetu kupiga kura kwa niaba yangu/sisi wakati wa Mkutano Mkuu wa Pamoja wa mwaka wa Kampuni utakaofanyika Jumatatu, Mei 24, 2010 kuanzia saa tano asubuhi au kuahirishwa kwake.

Idadi ya hisa: _____ Nambari ya akaunti: _____

Imetiwa sahihi _____ tarehe _____ 2010

Sahihi: _____

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, S.L.P. 9287-00100, GPO, Nairobi, Kenya saa tano mnamo Mei 21, 2010.
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 yafanuliwe.



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