TPS EASTERN AFRICA LIMITED

2011 Annual Report and Accounts

SERENA HOTELS
SAFARI LODGES • HOTELS • RESORTS

Contents

Directors and Administration

BOARD OF DIRECTORS

Francis Okomo-Okello (Chairman)
Mahmud Jan Mohamed (Managing Director)
Abdulmalek Virani (Finance Director)
Ameer Kassim-Lakha
Dr. Ramadhani Dau*** *
Jack Jacob Kisa
Ghislain de Valon* (Resigned on 14 November 2011)
Jean-Louis Vinciguerra*
Mseli Abdallah*** * (Alternate to Dr. Ramadhani Dau)
Kabir Hyderally***
Mahmood Pyarali Manji
Kungu Gatabaki (Resigned on 14 June 2011)
Guedi Ainache* (Appointed on 12 January 2012)
Ashish Sharma*(Alternate to Jean-Louis Vinciguerra)

BOARD AUDIT & FINANCE COMMITTEE

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

BOARD NOMINATION AND REMUNERATION COMMITTEE

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

*French ***Pakistani *** *Tanzanian

COMPANY SECRETARY

Dominic K. Ng'ang'a

Directors and Administration

PRINCIPAL OFFICERS

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

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

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

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

Jonathan Cheres	Manager	- Kirawira Luxury Tented Camp
Mustafa Mbinga	Manager	- Lake Manyara Serena Safari Lodge
Felix Ogembo	Manager	- Serengeti Serena Safari Lodge
Dismas Simba	Manager	- Ngorongoro Serena Safari Lodge
Gerald Macharia	Manager	- Serena Mountain Village Hotel, Arusha
Vincent Matei	Manager	- Mbuzi Mawe Tented Camp
Charles Mbuya	Manager	- Mivumo River Lodge and Selous Luxury Camp

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

Daniel Sambai	General Manager	- Zanzibar Serena Inn

OTHER MANAGED PROPERTIES

Anthony Chege	General Manager	- Kampala Serena Hotel, Uganda
Wilfred Shirima	General Manager	- Lake Victoria Serena Resort, Uganda
Charles Muia	General Manager	- Kigali Serena Hotel, Rwanda
Kennedy Were	Manager	- Lake Kivu Serena Hotel, Rwanda
Karim Merali	General Manager	- Polana Serena Hotel, Mozambique
Rahim Azad	General Manager	- Dar es Salaam Serena Hotel

Operating Subsidiaries and Properties

TOURISM PROMOTION SERVICES (KENYA) LIMITED
Nairobi Serena Hotel
Serena Beach Hotel and Spa, Mombasa
Amboseli Serena Safari Lodge
Mara Serena Safari Lodge
Kilaguni Serena Safari Lodge
Sweetwaters Tented Camp and Ol Pejeta House
Lake Elmenteita Serena Camp

TOURISM PROMOTION SERVICES (ZANZIBAR) LIMITED
Zanzibar Serena Inn

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

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
Mbuzi Mawe Tented Camp
Mivumo River Lodge
Selous Luxury Camp

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

Operating Associated Companies and Properties

MOUNTAIN LODGES LIMITED (30%)
Serena Mountain Lodge

TANRUSS INVESTMENT LIMITED / TPS (D) LIMITED (20%)
Dar es Salaam Serena Hotel

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

Other Corporate Information

REGISTERED OFFICE
4th Floor, Williamson House
4th Ngong Avenue
P.O. Box 48690-00100
Nairobi, Kenya
Telephone 254 (20) 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 Fortieth Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 29th May 2012, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Thirty-Ninth Annual General Meeting held on 31st May 2011.

2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2011, together with the Directors' and Auditors' Reports thereon.

3. To approve payment of a final dividend for 2011 of KShs. 1.30 per share, subject to withholding tax, where applicable, to the members on the Register at the close of business on 29th May 2012. Payment of the dividend to be made on or about 20th June 2012.

4. To elect Directors:

a) Mr. Guedi Ainache was appointed in 2011 to fill a casual vacancy. He retires in accordance with Article no. 110 of the Company's Articles of Association and being eligible, offers himself for re-election.
b) Mr. Francis Okomo-Okello retires by rotation in accordance with Articles no. 111,112 & 113 of the Company's Articles of Association and being eligible, offers himself for re-election.
c) Mr. Ameer Kassim-Lakha and Mr. Jack Jacob Kisa retire by rotation in accordance with Articles no. 111, 112 and 113 of the Company's Articles of Association. Special notices have been received by the Company pursuant to section 142 of the Companies Act (Cap 486) and subject to section 186 of the Act that if thought fit, the following resolutions be passed

"THAT Mr. Ameer Kassim-Lakha (a Director retiring by rotation) who is over 70 years, be and is hereby re-elected as 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 2011.

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 2011 and to authorize the Directors to fix the Auditors' remuneration for 2012.

8. To Transact any other ordinary Business of an Annual General Meeting.

SPECIAL BUSINESS

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

Increase of Authorised Share Capital

"THAT the authorised share capital of the Company be increased from Kenya Shillings One Hundred and Ninety Two Million (KShs. 192,000,000) divided into 192,000,000 ordinary shares of par value Kenya Shilling One (KShs. 1.00) each to Kenya Shillings Two Hundred Million (KShs 200,000,000) by the creation of additional Eight Million (8,000,000) 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."

By Order of the Board.

D.K.Ng'ang'a
COMPANY SECRETARY

Dated at Nairobi this 14 March, 2012

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 25 May 2012.

Notisi Kuhusu Mkutano Wa Pamoja Wa Mwaka

NOTISI inatolewa hapa kwamba, mkutano mkuu wa 40 wa pamoja wa mwaka wa Kampuni utafanyika katika jumba la Kenyatta International Conference Centre, Nairobi Mei 29, 2012 kuanzia saa tano asubuhi ili kuangazia maswala yafuatayo ya kibiashara:

SHUGHULI ZA KAWAIDA:

1. Kuthibitisha kumbukumbu za mkutano wa thelathini na tisa wa pamoja wa mwaka uliofanyika Mei 31, 2011.

2. Kupokea, kuzingatia na endapo itakubalika, kupitisha hesabu ya mapato matumizi ya pesa kwa kipindi cha mwaka uliomalizika Desemba 31, 2011 pamoja na ripoti kutoka kwa wakurugenzi na wakaguzi wa pesa.

3. Kupitisha malipo ya mwisho ya mgawo wa faida ya mwaka 2011 ya Kshs. 1.30 kwa kila hisa kwa kutegemea ushuru ulioshikiliwa pale inapohitajika kwa wanachama ambao majina yao yatakuwa kwenye sajili kufikia Mei 29, 2012. Malipo ya mgawo wa faida yatolewe kabla ya Juni 20, 2012.

4. Kuwachagua wakurugenzi:

a) Bw. Guedi Ainache aliteuliwa mwaka 2011 kujaza nafasi ya kawaida. Anastaafu kwa mujibu wa kifungu nambari 110 cha sheria za makampuni na kwa kuwa hali inamruhusu, amejitokeza kuchaguliwa tena.
b) Bw. Francis Okomo-Okello anastaafu kwa zamu kwa mujibu wa vifungu nambari 111, 112 na 113 vya sheria za makampuni na kwa kuwa hali inamruhusu, anajitokeza ili kuchaguliwa tena.
c) Mabw. Ameer Kassim- Lakha na Jack Jacob Kisa wanastaafu kwa zamu kwa mujibu wa vifungu nambari 111, 112 na 113 vya sheria za makampuni. Notisi maalumu imepokelewa na Kampuni kwa mujibu wa sehemu ya 142 ya sheria za makampuni (Cap 486) na kwa mujibu wa sehemu ya 186 ya sheria kwamba endapo itaonekana kuwa sawa, maazimio yafuatayo yapitishwe.

''KWAMBA Bw. Ameer Kassim- Lakha (mkurugenzi anayestaafu kwa zamu) ambaye ana umri wa miaka zaidi ya 70, achaguliwe tena kama mkurugenzi wa kampuni''.

''KWAMBA Bw. Jack Jacob Kisa (mkurugenzi anayestaafu kwa zamu) ambaye ana umri wa miaka zaidi ya 70 achaguliwe tena kama mkurugenzi wa kampuni''.

5. Kupitisha malipo ya wakurugenzi ya mwaka 2011.

6. Kuteua PricewaterhouseCoopers kama wakaguzi wa pesa wa kampuni kwa mujibu wa sehemu ya 159 (2) ya sheria za makampuni (Cap 486). PricewatehouseCoopers wameonyesha nia yao ya kuendelea na jukumu lao.

7. Kupitisha ujira wa wakaguzi wa pesa kwa kipindi cha mwaka 2011 na kuwaruhusu wakurugenzi kuamua malipo yao ya pesa mwaka 2012.

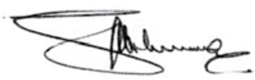
8. Kuendesha shughuli nyingine zozote zinazohusiana na mkutano mkuu wa pamoja wa mwaka.

9. Kuzingatia na endapo itaonekana kuwa sawa, kupitisha azimio lifuatalo ambalo litapendekezwa kama la kawaida:

Kuongezwa kwa mtaji wa hisa:

''KWAMBA mtaji wa hisa za kampuni ulioruhusiwa uongezwe kutoka Shilingi milioni mia moja tisini na mbili (KShs. 192,000,000) zilizogawanywa kwa hisa za kawaida zenye thamani sawa na Shilingi moja ya Kenya (KShs. 1.00) kwa kila hisa hadi shilingi milioni mia mbili (KShs. 200,000,000) kwa kubuni hisa milioni nane (8,000,000) za kawaida za shilingi moja (KShs. 1.00) kila moja ili kuwa sawa sawa kwa kila hali na hisa za kawaida za kampuni.''

Kwa Amri ya Halmashauri

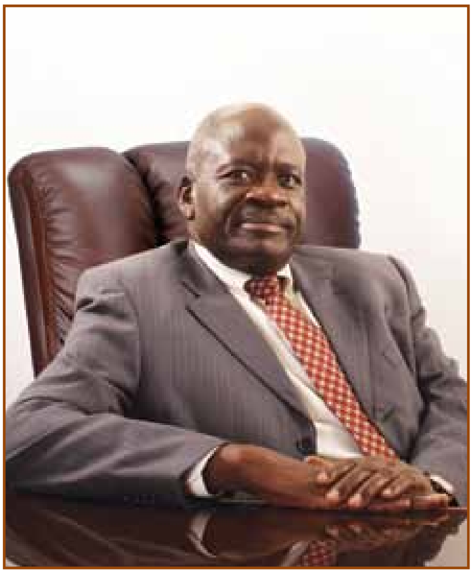


D.K Ng'ang'a
KATIBU WA KAMPUNI

Imenukuliwa Nairobi Machi 14, 2012.

MUHIMU:
Mwanachama aliye na ruhusa kuhudhuria mkutano na kupiga kura lakini akawa hawezi kufika, ana uhuru kumteua wakala kumuwakilisha na kupiga kura kwa niaba yake. Si lazima kwa wakala kuwa mwanachama wa kampuni. Ili kuruhusiwa, ni lazima fomu ya uwakilishi iliyoambatanishwa na ripoti hii kujazwa kikamilifu na kutiwa sahihi na mwanachama na kupokelewa kupitia ofisi ya msajili wa kampuni iliyosajiliwa kabla ya saa tano asubuhi Mei 25, 2012.

Chairman's Statement



MR. FRANCIS OKOMO-OKELLO
Chairman

On behalf of the Board of Directors of TPS Eastern Africa Limited (TPSEAL/ the Company/ the Group), it gives me great pleasure to present to you the Annual Report and Financial Statements of the Company for the year ended 31st December 2011.

Despite the challenges associated with the global economic crisis and the recent Euro zone crisis, it has generally been observed that the Tourism Sector in East Africa witnessed a positive turnaround with traditional and new markets performing relatively better than year 2010. In the year under review, demand for traditional safari and beach holidays steadily increased and this was complemented by increased activity within the East African corporate sector and domestic market segment.

It was however unfortunate that the leisure and corporate travel bookings at the Units in Kenya were negatively impacted during the last quarter 2011 as a result of the travel advisories issued by foreign government agencies due to the security situation which still remains a concern.

Tourist arrivals in Tanzania and Zanzibar continue to improve with occupancy and rate levels for the year 2011 recorded at above year 2010 levels which is encouraging.

During the year under review, the Company continued to face challenging operating conditions as a result of the volatile economic environment characterized by inflationary pressures due to increased energy costs, exchange rate fluctuations, increased interest cost and food insecurity. In this connection, I wish to assure you that the centralized management systems, economies of scale and cost control measures which were implemented by the Company without compromising on product and operating standards have, in spite of the above challenges, led to efficient cost management.

The implementation of the Company's business model has enabled it to overcome the challenging business landscape for the fourth consecutive year in the East African Tourism Industry. I am pleased to report that your Company's fundamentals remained healthy and that your Company maintained its market position, continued to invest in product enhancement, expanded the Group's operations in the region and remained competitive by rationalizing operational costs and identifying new source markets.

During the year under review, the Group achieved a turnover of KShs. 5.5 billion (2010: KShs. 4.5 billion), an improvement of 22% and a Profit Before Tax of KShs. 853 million (2010: KShs. 693 million), a 23.1% improvement. It is noteworthy that the total Management fees received by TPSEAL from TPS (Uganda) Limited TPS (U) and Tourism Promotion Services (Rwanda) Limited TPS (R) for the Year 2011 was equivalent to KShs. 55 million (2010: KShs. 46 million). Taking all factors into account, the Company's performance for the year 2011 is considered commendable.

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. 1,075 million

Room interior at Lake Elmenteita Serena Camp

Swimming Pool at Lake Elmenteita Serena Camp

(2010: KShs. 912 million) in direct and indirect taxes and equivalent of KShs. 199 million (2010: KShs. 180 million) to local authorities in royalty/rent payments in the various jurisdictions during 2011.

In view of the favourable results, the Board of Directors is pleased to recommend for approval, the payment of a final dividend for year 2011, of KShs. 1.30 per share subject to payment of withholding tax, where applicable. The dividend will be payable on or about 20th June 2012 to members on the Register at the close of business on 29th May 2012.

With regard to the operating environment, there has been a significant increase in room inventory in Nairobi within and outside the parks/reserves resulting in increased competition. Whilst this remains a challenge, Management has through aggressive marketing found success in the travel segment focusing on delivery of value rather than lowering the rates.

Additionally, in line with the Company's policy to invest in existing properties the Company implemented renovations and refurbishments at Serena Beach Hotel & Spa, Ngorongoro Serena Safari Lodge and Kirawira Luxury Tented Camp during the period under review.
As your Company has invested in the equity of Tourism Promotion Services (Rwanda) Limited (TPS (R)), you will be pleased to know that Kigali Serena Hotel's Phase II and III refurbishment was completed on 30th September 2011 and has been well received by suppliers of business. Kigali Serena Hotel continues to maintain a leading position in the Kigali market and Management is confident that the future for TPS (R) looks positive with the expansion and upgrade of Kigali Serena Hotel, which has brought to the Rwandan market an excellent product.

During the year, the Company explored further opportunities to strengthen the East African Serena circuit within the context of our medium to long term business strategies. In the course of 2011, Lake Elmenteita Serena Camp, located within the Soysambu Conservancy, was commissioned and is expected to strengthen the Western Kenya Serena circuit through linkage to Mara Serena Safari Lodge and will indeed be used as a model when creating future Serena luxury camps. In addition, the Group in 2011 expanded its City Hotel Circuit with the acquisition of Dar es Salaam Serena Hotel (previously the Mövenpick Royal Palm Hotel). The expansion of the Serena brand in Dar es Salaam will strengthen Tanzania's position as a key player in the Meetings, Incentives, Conferences and Events (MICE) segment whilst also attracting the leisure clientele.

Following the success of Serena's regionalization strategy and in line with the vision of becoming a truly East African Company, TPSEAL enhanced its investment portfolio by: increasing the equity participation by 3% valued at KShs 56.99 million in TPS (R) which operates Kigali Serena Hotel and Lake Kivu Serena Hotel under a long-term lease; and acquiring 20% equity valued at KShs 363.72 million in TPS (D) Limited, a company incorporated in Kenya to effect the acquisition of Dar es Salaam Serena Hotel. This investment opportunity was an ideal strategy to enhance and diversify the Company's revenue stream as TPS (R) and TPS (D) are now Associate Companies of TPSEAL, thus enabling TPSEAL to consolidate 20.15% of TPS (R) and 20.0% of TPS (D) results effective 1st July 2011 and 1st November 2011 respectively.

Looking ahead, the acquisition by TPSEAL of up to 100% of the issued shares in TPS (Uganda) Limited which operates Kampala Serena Hotel and manages Lake Victoria Serena Resort, is expected to be completed during year 2012 and will indeed re-inforce TPSEAL's vision of becoming a truly East African Company. The regional

Nature walk at Lake Elmenteita Serena Camp

Bird hide Panorama at Lake Elmenteita Serena Camp investment will spread investors' risk and with the favourable projected performance of TPS (U), its acquisition is expected to improve TPSEAL's consolidated profitability and earnings-per-share affording current and future shareholders higher returns. It will be recalled that the acquisition was first announced and approved in principle by the shareholders of TPSEAL at the Annual General Meeting held on 24th May 2010. However, the acquisition is dependent on TPSEAL receiving regulatory approvals from the Nairobi Securities Exchange, Capital Markets Authority under the Capital Markets Act and final approval by TPSEAL shareholders which is planned to be obtained at an extra ordinary general meeting to be convered once the regulatory approvals are in hand.

It is also noteworthy that during the year under review, Serena Hotels are proud to have been honoured with awards and accolades from: Wellness Champions Award by the APHIA11 Coast Project – Gold Award; Best Levy Payer in the Accommodation Category, by the Kenya Tourism Awards 2011; Trip Advisor Rating; Eco-Tourism Enterprise 2011 by Eco tourism Kenya; World Travel Awards 2011; Conde Nast Traveler 2011 Choice Awards – Best Resorts in Africa; TASOTA (Tanzania Society of Travel Agents) Award for the Best Tourist Hotel/ Hotel Chain on the Safari Circuit; Rwanda Development Board Performance Awards – Winner in the Hospitality Category, Runners-up in the best investor of the year category and second place in the best customer service category; and COYA (Company of the Year Award) – Rwanda Chapter for the strong Serena brand, human resource and investment policies.

The Group continued to implement ICT initiatives, appropriate Human Resources Management (HRM) practices and sound Corporate Social Responsibility (CSR) programs which complement its long-term business strategies, just as it continues to pursue new business opportunities in line with its diversification policy and strategy. Additional details on the ICT, HRM and CSR activities and initiatives are incorporated in the Statement from the Managing Director which has been included on Pages 14 to 16 of this Annual Report.

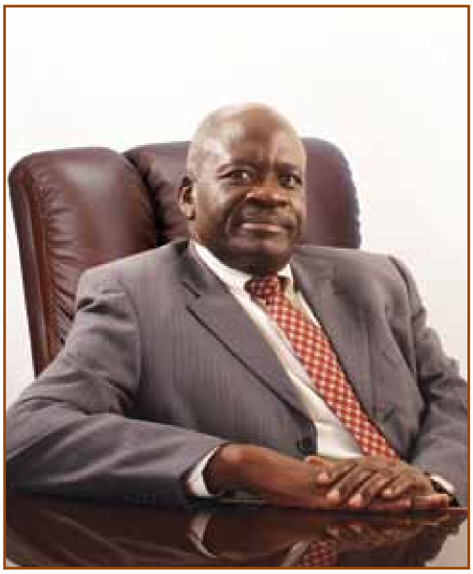
With the expansion of the Serena Group from a portfolio of 4 properties in the 1970s to a collection of 24 luxury hotels, resorts, camps and safari lodges in 2011, Serena are proud and grateful that we have been able to play a leading role in the economic growth and development of the 6 Countries in Africa in which we have presence. As market leaders, it is our expectation that as we work together with the Governments within the East African Region to generate economic growth, the respective Governments will continue to focus attention on efforts aimed at creating a buoyant tourism industry by providing the essential infrastructure whilst avoiding the pitfalls of undue haste, over-development and speculation; security; and product initiatives that are needed to enable the sector offer competitive services and employment opportunities. The Serena Group believes that it is through the provision of an enabling business environment that we all can help realize the East African Region's full tourism potential by making the most of its unique combination of rich bio-diversity and cultural assets and heritage.

To conclude, on behalf of the Board, I would like to congratulate and thank the Company's Management and Staff for their continued diligence and dedication without which the commendable results realized during 2011 would not have been achieved. I would also like to acknowledge, with appreciation, the invaluable support from my colleagues on the Board which has helped to steer the Group's business activities and strategies successfully during year 2011.

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 as well as the other stakeholders for their continued catalytic support which is critical for the sustained growth of the industry across the region.

Francis Okomo-Okello

Taarifa ya Mwenyekiti



MR. FRANCIS OKOMO-OKELLO
Myenyekiti

Kwa niaba ya Halmashauri ya wakurugenzi wa TPS Eastern Africa Limited (TPSEAL/ Kampuni/ Kundi), nina furaha kuwatangazia ripoti ya mwaka pamoja na taarifa kuhusu mapato na matumizi ya pesa ya Kampuni kwa kipindi cha mwaka uliomalizika Desemba 31, 2011.

Licha ya changamoto zilizoambatana na taharuki za kiuchumi duniani na ghasia za hivi karibuni kanda ya bara Uropa, imebainishwa kwa ujumla kwamba, sekta ya Utalii Afrika Mashariki ilishuhudia mabadiliko ya maana huku masoko ya kawaida na yale mapya yakiripoti matokeo bora ikilinganishwa na mwaka 2010. Wakati wa kipindi hiki cha mwaka unaoangaziwa, mahitaji ya ziara za humu nchini na kwenye fuo za bahari ziliongezeka madhubuti na kuchochewa na kuongezeka kwa shughuli kwenye sekta ya mashirika Afrika Mashariki na kitengo cha masoko ya humu nchini.

Hata hivyo ni huzuni kwamba maombi ya uagizaji safari za starehe na mashirika katika hoteli za humu nchini ziliathirika kipindi cha miezi minne ya mwisho wa mwaka 2011 kwa sababu ya ushauri uliotolewa kwa wasafiri na mawakala wa mataifa ya kigeni kutokana na hali ya usalama ambayo inazidi kuwa tisho.

Ziara za watalii mataifa ya Tanzania na Zanzibar zinazidi kuimarika huku idadi ya vitanda na viwango vya ubadilishanaji fedha mwaka 2011 vikiwa vya juu ikilinganishwa na mwaka 2010 hali ambayo ni ya kutia moyo.

Wakati wa kipindi hiki kinachoangaziwa, kampuni ilizidi kukumbana na changamoto za uendeshaji shughuli kutokana na mazingira mabaya ya kiuchumi yaliyoambatana na mfumuko wa juu wa bei za bidhaa uliosababishwa na kuongezeka kwa gharama za bei za mafuta, mabadiliko ya viwango vya ubadilishanaji fedha, ongezeko la gharama za riba na uhaba wa chakula. Kutokana na sababu hii, ningependa kuwahakikishia kwamba, mfumo wa kuweka pamoja usimamizi , viwango vya kiuchumi na hatua za uthibiti gharama ambazo zilianzishwa na kampuni bila kuathiri viwango vya bidhaa na uendeshaji licha ya changamoto zilizotajwa hapo juu, zimepelekea kuwepo kwa uokoaji mkubwa wa gharama za usimamizi.

Kuzinduliwa kwa mfumo wa kibiashara wa Kampuni kumewezesha kukabiliana na changamoto na matukio ya kibiashara mwaka wa nne mfulululizo katika sekta ya utalii Afrika Mashariki. Nina furaha kuripoti kwamba, raslimali za kampuni zilisalia kuwa imara na kwamba, Kampuni yenu ilithibiti nafasi yake kwenye masoko, kuzidi kuwekeza katika uimarishaji wa bidhaa, upanuzi wa shughuli za kundi katika kanda na kuendelea kutoa ushindani kwa kuleta uwiano baina ya gharama za uendeshaji na kutambua chimbuko la masoko mapya.

Wakati wa kipindi hiki cha mwaka unaoangaziwa, Kundi lilipata jumla ya Shilingi bilioni 5.5 (mwaka 2010 bilioni 4.5) hili likiwa ni ongezeko la asilimia 22 (22%) na kupata faida kabla ya ushuru ya shilingi milioni 853 (2010 milioni 693) hili likiwa imariko la asilimia 23.1 (23.1%). Ni muhimu kufahamu kwamba, jumla ya ada za usimamizi zilizopokelewa na TPSEAL kutoka TPS (Uganda) Limited TPS (U) na Tourism Promotion Services (Rwanda) Limited TPS (R) mwaka 2011 zilikuwa sawa na shilingi milioni 55 (2010: milioni 46) Kwa kuzingatia maswala yote, matokeo ya kampuni mwaka 2011 yalikuwa ni ya kuvutia.

Kundi limebakia kuwa mchangiaji mkuu katika hazina za serikali za Kenya, Tanzania na Zanzibar. Kwa wastani, kundi lililipa kiwango sawa na shilingi milioni 1,075 (2010 milioni 912) pesa za Kenya kwa ushuru wa moja kwa moja au usio wa moja kwa moja. Pia lilitoa Shilingi milioni 199 (2010 milioni 180) kwa mabaraza ya serikali za wilaya kama ada ya uhusiano mwema /ukodishaji katika miliki mbali mbali mwaka 2011. Kufuatia matokeo haya ya kufana, Halmashauri ya wakurugenzi ina furaha kupendekeza baada ya kupitishwa kutolewa kwa malipo ya mwisho ya mgawo wa faida wa mwaka 2011 wa Kshs. 1.30 kwa kila hisa kwa kutegemea kulipwa ushuru ulioshikiliwa pale inapohitajika. Malipo ya mgawo wa faida yatatolewa kabla au kufikia Juni 20, 2012 kwa wanachama ambao majina yao yatakuwa kwenye sajili kufikia Mei 29, 2012.

Kuhusiana na mazingira ya utekelezaji shughuli, kumekuwa na ongezekola idadi ya nyumba mjini Nairobi na nje ya mbuga za wanyama pori na kupelekea kuwepo kwa ushindani mkubwa. Huku hili likisalia kuwa changamoto, kupitia mbinu kali za matangazo, usimamizi umepata ufanisi katika kitengo cha usafiri na kuangazia utoaji wa thamani kinyume na kupunguza bei.

Zaidi ya hayo, kufungamana na sera zake za kuwekeza katika raslimali zilizoko, kampuni ilitekeleza zoezi la ukarabati na urekebeshaji hoteli za Serena Beach & Spa, Ngorongoro Serena Safari Lodge na Kirawira Luxury Tented Camp wakati wa kipindi hiki cha mwaka unaoangaziwa.

Huku Kampuni yenu ikiwekeza kwenye hisa za Tourism Promotion Services (Rwanda) Limited (TPS (R)), mtafurahia kufahamu kwamba, ukarabati wa awamu za II na III katika hoteli ya Kigali Serena ulikamilika Septemba 30, 2011 na umepokelewa vyema na watoaji wa huduma za biashara . Hoteli ya Kigali Serena inazidi kuthibiti nafasi yake ya uongozi katika soko la Kigali na usimamizi una imani kwamba, hali ya siku za usoni ya TPS (R) inaonekana kuleta matumaini baada ya upanuzi na uimarishaji wa sura ya Kigali Serena ambayo imeleta katika soko ya Rwanda bidhaa bora zaidi.

Wakati wa kipindi hiki cha mwaka, kampuni ilitafiti nafasi zaidi ili kuimarisha mtandao wa Serena Afrika Mashariki chini ya mkutadha wa mkakati wetu wa muda mfupi na mrefu kibiashara. Wakati wa kipindi cha mwaka 2011, Lake Elmenteita Serena Camp iliyoko katika hifadhi ya Soysambu Conservancy ilizinduliwa na inatarajiwa kuimarisha mtandao wa Serena eneo la magharibi mwa Kenya kwa kuunganishwa na Mara Serena Safari Lodge na utatumiwa kama kielelezo wakati wa kuanzisha kampi za Serena siku za usoni. Zaidi ya hayo, mwaka 2011, kundi lilipanua mtandao wake wa hoteli za jiji baada ya kuchukua umiliki wa Dar es salaam Serena Hotel (zamani ikijulikana kama Movenpick Royal Palm Hotel). Upanuzi wa nembo ya Serena jijini Dar es salaam utaimarisha nafasi ya Tanzania kama kituo muhimu cha kongamano, kichocheo, mikutano na kitengo cha matukio (MICE) huku ikivutia wateja wanaotaka starehe.

Kufuatia ufanisi wa mkakati wa Serena katika kanda na kwa mujibu wa ndoto yake ya kuwa kampuni halisi Afrika Mashariki, TPSEAL ilihamasisha nafasi ya uwekezaji wake kwa: kuongeza ushiriki wa hisa zake kwa asilimia 3 (3%) za thamani ya Kshs. Milioni 56.99 katika TPS (R) ambayo inasimamia Kigali Serena Hotel na Lake Kivu Serena Hotel chini ya ukodishaji wa muda mrefu; kutwaa umiliki wa asilimia 20 (20%) wa hisa za thamani ya Kshs. Milioni 363.72 katika TPS (D) Limited ambayo ni kampuni iliyoshirikishwa nchini Kenya kuzindua umiliki wa Dar es salaam Serena Hotel . Nafasi hii ya uwekezaji ilikuwa mkakati bora wa kuimarisha na kupanua mkondo wa mapato wa kampuni kwani TPS (R) na TPS (D) sasa ni kampuni wenza wa TPSEAL hivyo kuiwezesha TPSEAL kuweka pamoja asilimia ya matokeo ya 20.15 (20.15%) ya TPS (R) na asilimia 20 (20%) ya TPS (D) kuanzia Julai Mosi 2011 na Novemba Mosi 2011 mtawalia. Kwa kuangazia siku za usoni, umiliki wa TPSEAL wa hadi asilimia 100 (100%) wa hisa zilizotolewa katika TPS (Uganda) Limited inayoendesha Kampala Serena Hotel na kusimamia Lake Victoria Serena Resort unatarajiwa kukamilika kipindi cha mwaka 2012 na hakika utahamasisha zaidi ndoto ya TPSEAL ya kuwa kampuni bora Afrika Mashariki. Uwekezaji katika kanda utasambaza athari za wawekezaji na kuwepo kwa matokeo mema yanayotarajiwa ya TPS (U). Umiliki wake unatarajiwa kuimarisha faida zilizowekwa pamoja za TPSEAL na mapato kwa kila hisa na kuwapa wanahisa wa sasa na wale wa siku za usoni mapato ya juu.Itakumbukwa kwamba, umiliki ulitangazwa na kuidhinishwa kwa jumla na wanahisa wa TPSEAL wakati wa mkutano wa pamoja wa mwaka uliofanyika Mei 24, 2010. Hata hivyo, umiliki unategemea TPSEAL kupokea idhini la masharti kutoka Soko la Hisa la Nairobi, Halmashauri ya masoko ya mtaji chini ya sheria za masoko ya hisa na hatimaye kupitishwa na wanahisa wa TPSEAL.

Ni muhimu kufahamu kwamba, wakati wa kipindi cha mwaka unaoangaziwa, hoteli za Serena zilikuwa na fahari kutunukiwa zawadi na matuzo kutoka: Wellness Champions Award kutoka mradi wa APHIA 11 Coast – Tuzo la Dhahabu; Best Levy Payer in the Accomodation Category kutoka Kenya Tourism Awards 2011; Trip Advisor Rating ; Eco- Tourism Enterprise 2011 kutoka Eco Tourism Kenya; World Travel Awards 2011; Conde Nast Traveler 2011 Choice Awards- Best Resorts in Africa; TASOTA (Tanzania Society of Travel Agents) tuzo la hoteli bora ya kitalii/ mtandao wa mahoteli kwenye mikondo ya safari; Rwanda Development Board Performance Awards – mshindi kwenye kitengo cha huduma za mahoteli, washindi wa pili katika kitengo cha uwekezaji bora wa mwaka na nafasi ya pili kwenye kitengo cha utoaji huduma na COYA (Kampuni bora ya mwaka) – tawi la Rwanda kwa bidhaa thabiti ya Serena , idara inayoshughulikia maswala ya wafanyakazi na sera za uwekezaji.

Kundi liliendelea kuzindua mikakati ya habari na mawasiliano , taratibu bora za kitengo cha usimamizi wa wafanyakazi na shughuli za wajibu wa shirika kwa jamii (CSR) ambazo zinakamilisha mikakati yake ya muda mrefu ya kibiashara wakati inapoendelea kupanua nafasi mpya za kibiashara kufungamana na sera zake za upanuzi. Maelezo zaidi kuhusu kitengo cha habari na mawasiliano, kitengo cha usimamizi wa wafanyakazi na wajibu wa shirika kwa jamii yamewekwa pamoja kupitia taarifa kutoka kwa Meneja Mkurugenzi ambayo yamejumuishwa kupitia kurasa za 17 hadi 19 za ripoti hii ya mwaka.

Kupitia upanuzi wa kundi la Serena kutoka shirika lenye umiliki wa raslimali 4 mwaka 1970 hadi idadi ya hoteli 24 za kifahari, mahali maalumu pa kutembelea watalii, kampi na vyumba vya kulala safarini mwaka 2011, Serena ina fahari na kushukuru kwamba tumeweza kutekeleza jukumu kubwa katika ukuaji wa uchumi na maendeleo kwenye mataifa 6 barani Afrika ambako tunahudumu. Kama viongozi kwenye masoko , ni matumaini yetu kwamba, tunapofanya kazi na serikali za mataifa ya Afrika Mashariki ili kuleta ukuaji wa uchumi,serikali husika zitaendelea kuangazia juhudi ambazo lengo lake ni kuandaa biashara ya utalii iliyo thabiti kwa kuunda miundo msingi inayohitajika huku zikijiepusha na mambo yasiyohitajika, maendeleo kupita kiasi makisio, usalama, na mikakati ya bidhaa inayohitajika ili kuiwezesha sekta hii kutoa huduma bora na nafasi za kazi . Kundi la Serena linaamini kwamba ni kupitia uwepo wa mazingira bora ya kibiashara ambako sote tunaweza kupata manufaa kamili ya kitalii eneo la Afrika Mashariki kwa kutumia mchanganyiko wa mazingira yake adimu yenye utajiri wa viumbe hai, utamaduni na turathi zake.

Kutamatisha, kwa niaba ya Halmashauri, ningependa kushukuru na kupongeza wasimamizi wa kampuni na wafanyakazi kutokana na bidii na kujitolea kwao ambapo bila wao matokeo yaliyopatikana mwaka 2011 hayangekuweko. Pia, ningependa kutambua na kushukuru mchango kutoka kwa wanahalmashauri wenzangu ambao umewezesha shughuli za biashara mikakati ya kundi kufaulu kipindi cha mwaka wa 2011.

Ningependa kutambua kwa dhati mchango muhimu na uaminifu ambao tunazidi kupokea kutoka kwa wanahisa wetu, wateja na washika dau wengine katika biashara hii. Mwisho, ningependa kuzishukuru serikali za mataifa ya Afrika Mashariki kwa kurahisisha ukuaji wa sekta ya utalii na pia halmashauri mbali mbali za utawala pamoja na washika dau kutokana na msaada wao ambao ni muhimu kwa kuthibiti ukuaji wa biashara eneo hili.

Francis Okomo-Okello
Mwenyekiti


Wanyama pori kwenye mbuga ya Selous National Park Tanzania

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
Managing Director

The Company for the fourth consecutive year successfully navigated through a rather challenging business landscape for the tourism industry in East Africa and I am delighted to note that TPSEAL recorded an impressive performance and higher growth levels compared to the previous year.

The Serena Group's "Built to Last" attribute has for over four decades been continuously reinforced through implementing its business model and focusing on its long-term prospects with a balanced risk management approach. This has seen the Group expand its operations geographically and positioning itself in all strategic locations in the East Africa region; a situation which has resulted in the Company benefiting from cost and management synergies in a pro active and structured manner, thus contributing positively to the financial performance of the Company. The Company continues to face the challenges associated with the global economic crisis and the recent Euro zone crisis, security concerns and the resultant travel advisories issued by source market governments. However during the period under review, despite the challenges, business levels in destination Kenya, Tanzania and Zanzibar gradually improved in the leisure market segment which was complemented by increased activity within the corporate and domestic market segments. It was unfortunate that the leisure and corporate travel bookings to Kenya were negatively impacted during the last quarter of 2011 as a result of the travel advisories issued by foreign government agencies due to the security risks which continues to be of concern during the first half of year 2012.

During the year 2011, the Group continued to implement a more creative and pro-active marketing strategy in response to the rapid changes in the trends of customers' preferences following the dynamic economic climate. Intensified marketing activities were carried out in a cost-effective, efficient and diversified manner to continuously pursue new opportunities and enlist new source markets, increase the brand outreach and drive incremental business. The Group participated in various promotional activities, trade fairs and regional sales trips with special packages developed to increase occupancies from the various source markets. The Company continued to establish and strengthen contacts in new markets in line with our diversification strategy coupled with efficient yield management to ensure that the Company optimised every opportunity.

I am pleased to report that the increase in the number of visitors has led to a healthy increase in revenues and earnings per share. For the year 2011, TPS Eastern Africa achieved a turnover of KShs. 5.5 billion (2010: KShs. 4.5 billion), an improvement of 22.0% and a Profit Before Tax of KShs. 853 million (2010: KShs. 693 million), a 23.1% improvement. The commendable results have been achieved despite the volatile economic environment characterized by inflationary pressures due to increased energy and food costs, volatile exchange rates and increased interest cost.

Going forward, additional energy savings are expected to be realised in year 2012

Dar es Salaam Serena Hotel

Swimming Pool at Dar es Salaam Serena Hotel following the installation of Solar Water Heating Systems at Serena Beach Hotel & Spa (SBHS), Kigali Serena Hotel, Lake Kivu Serena Hotel, Kampala Serena Hotel and Lake Elmenteita Serena Camp.

The addition of Lake Elmenteita Serena Camp and Dar es Salaam Serena Hotel into the stable in 2011 has strengthened the East African Serena Circuit and is expected to generate increased business levels for the Group in 2012. The refurbishment of Mara Serena Safari Lodge and extension of Sweetwaters Tented Camp are currently under implementation.

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

As you may be aware, the global ICT driven re-engineering of the hospitality industry worldwide has gradually generated a new paradigm shift which has transformed the global tourism industry. This has led to Management constantly reviewing developments and adopting suitable technological solutions in line with the Company's ICT strategy which complements its other business strategies thereby leading to operational efficiency, improved guest experience and enhanced top-line growth and bottom-line results. During the year under review, the Company invested in enhancing network security, upgrading and consolidating its hardware, software and smart applications to meet the above mentioned objectives. The enhanced Information Technology (IT) infrastructure in the East Africa region covering both the undersea and terrestrial networks on core fiber, has boosted internet speeds and indeed serves as a catalyst to the Company's successful electronic marketing and commerce strategies. In 2011, the Company recorded an impressive growth in direct bookings as a result of continuous partnering with online booking platforms and through the online credit card processing facility which provides a secure, simple and seamless booking experience through the Serena Hotels state-of-the-art website. In addition, the online guest satisfaction survey which was introduced as a pilot project in year 2009 for Nairobi Serena Hotel has been implemented at all City Hotels and Resorts. On the electronic marketing front, the Company in 2012 will take a further step and embrace Social Media as a key marketing tool given the rapid changes in the customers' media consumption preferences which are increasingly embracing Social Media.

I am pleased to inform you that the Serena Hotels Loyalty Program under the banner "Serena Prestige Club" which was launched in December 2011 has been well received by the clients. The Program is designed to enable holders of the Serena Prestige Club Card to benefit from the specified privileges when they stay at any Serena Hotel, Resort or Lodge worldwide. The objective of the Program is: to build on customer loyalty for repeat business by rewarding clients; to improve the yield in all operating areas of the Hotel; and to remain competitive against other global hotel chains.

Serena continues to believe that the Serena employees constitute a key determinant for the long-term success, growth and reputation of the Company. I would like to personally congratulate each member of the Serena team for the continuous support and exemplary dedication they have shown to Serena in 2011. With the changing nature of guest expectations and growing client sophistications, Serena continues to validate its belief that it is indeed the quality of service that will continue to determine the the destination

Room interior at Dar es Salaam Serena Hotel

Restaurant at Dar es Salaam Serena Hotel

The Managing Director's Report (continued)

choices which clients make. In this connection and in line with the Group's Productivity Improvement Strategy, substantial amounts of resources were invested in staff management, training, development and welfare programs, some of which include: the in-house 9 month Management Development Programme; soft and technical skills training; and culinary skills enhancement through exposure to a two star Michelin Restaurant in France. Thus, the provision of rewarding careers, quality training and exposure as well as capacity building remains a strategic priority for Serena Hotels.

The Serena Employee Wellness Program received recognition, as a finalist, in the Workplace Engagement category for the 2011 Global Business Coalition (GBC) on HIV/ AIDS. The successful implementation of the Serena Employee Wellness Program which began in 2001 with the aim of addressing increasing numbers of HIV/ AIDS, Malaria and Tuberculosis infections has seen a notable reduction in the number of work place infections over the years and consequent improved employee productivity and motivation.

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 to 29 of this Annual Report.

The business landscape in East Africa continues to suggest a degree of caution as indeed the political environment due to the forthcoming General Elections in Kenya, inflation, consequences of the Eurozone crisis and security concerns are key factors that are expected to shape performance in 2012. Whilst Management is unable to anticipate precisely the outcome of the above, Management is cautiously optimistic that the Company will be insulated, to the extent possible, from such factors which are beyond Management's control.

I would like to appeal to the Governments within the East African Region to provide the Tourism Industry with an enabling environment and to commit adequate resources for destination marketing. I would also appeal to them to ensure that new developments in the fragile eco-systems in game reserves and National Parks are controlled, that infrastructure improvements are implemented at a faster pace and that political stability and security are enhanced to restore confidence to the citizens, travelers and investors.

Finally, may I, on behalf of the Staff and Management, express our gratitude and sincere appreciation to the Board of Directors for their guidance, diligent and invaluable support and encouragement during the year 2011. I also wish to express my gratitude to the shareholders, customers and various stakeholders for their continued support in the year gone by. We at Serena look forward to this continued support during the year 2012.

Mahmud Jan Mohamed
Managing Director

Sunset at Zanzibar Serena Inn

Taarifa kutoka kwa Meneja Mkurugenzi

MR. MAHMUD JAN MOHAMED
Meneja Mkurugenzi

Kwa mwaka wa nne mfululizo,kampuni ilipitia mazingira ya kibiashara ya utalii yenye changamoto Afrika Mashariki na nina furaha kufahamu kwamba, TPSEAL ilirekodi matokeo ya kuvutia na viwango vikubwa vya ukuaji ikilinganishwa na mwaka uluotangulia.

Kwa muda wa miongo minne, matokeo ya kundi la Serena ʻ lililoundwa kudumu’’yamekuwa yakiendelea kuimarishwa kupitia kuzinduliwa kwa mifumo ya kibiashara na mitazamo ya muda mrefu kwa kuzingatia hatari za usimamizi wa kibiashara. Hili limeshuhudia kundi likipanua shughuli zake kijegrofia na kujiweka katika nafasi zote muhimu eneo la Afrika Mashariki hali ambayo imelekea kampuni kufaidika kutokana na gharama na usimamizi wa pamoja kwa haraka na kwa njia ya muundo hivyo kuchangia vyema kwenye matokeo ya kifedha ya kampuni.

Kampuni inazidi kukabiliana na changamoto zinazotokana na wasi wasi wa kiuchumi duniani na taharuki za hivi karibuni katika bara Uropa na maswala ya kiusalama na ushauri kuhusu usafiri unaotolewa kutoka masoko ya mataifa ya watalii. Hata hivyo, licha ya changamoto hizi wakati huu wa mwaka unaongaziwa, viwango vya biashara mataifa ya Kenya, Tanzania na Zanzibar viliongezeka kwenye vitengo vya masoko ya burudani ambavyo vilichochewa na ongezeko la shughuli kutoka sekta za mashirika na masoko ya nchini. Lilikuwa jambo la kushangaza kuona kwamba, maombi ya uagizaji wa safari za starehe na mashirika katika hoteli za humu nchini ziliathirika kipindi cha miezi minne ya mwisho wa mwaka 2011 kwa sababu ya ushauri uliotolewa kwa wasafiri kutoka mawakala wa mataifa ya kigeni kutokana na hali ya usalama ambayo inazidi kuwa tisho mwaka 2012.

Wakati wa kipindi cha mwaka 2011, kundi lilizidi kuweka mkakati bunifu na imara zaidi wa uvumishaji ili kukabiliana na mabadiliko ya mienendo ya mahitaji ya wateja kufuatia hali ya mazingira ya kiuchumi. Shughuli madhubuti za uvumishaji zilitekelezwa kwa njia ya kuzingatia gharama,inayofaa na kwa namna mbali mbali ili kuendelea kutafuta nafasi mpya na kusajili masoko mapya, kuongeza ufahamu wa bidhaa na kushughulikia biashara zilizoongezeka. Kundi lilishiriki shughuli mbali mbali za mauzo na uvumishaji na maonyesho ya kibiashara na ukuzaji huku kukiwa na matoleo maalumu yaliyobuniwa kuimarisha umiliki kutoka vituo muhimu vya masoko. Kampuni ilizidi kubuni na kuimarisha mawasiliano kwenye masoko mapya kufungamana na mkakati wetu mpana ukiunganishwa na usimamizi wa uzalishaji madhubuti ili kuhakikisha kwamba kampuni ilitumia vyema kila nafasi iliyojitokeza.

Nina furaha kuripoti kwamba ongezekoo la wageni limepelekea kuongezeka kwa mapato na malipo kwa kila hisa. Katika kipindi cha mwaka 2011, TPS Eastern Africa ilipata jumla ya shilingi bilioni 5.5 (2010 bilioni 4.5) hili likiwa ni ongezeko la asilimia 22 (22%) na kupata faida kabla ya ushuru ya shilingi milioni 853 (2010 milioni 693) kiasi ambacho kilikuwa ongezeko la asilimia 23.1 (23.1%). Matokeo haya ya kufana yamepatikana licha ya kuwepo kwa mazingira magumu ya kiuchumi yakiandama na shinikizo la mfumuko wa bei za bidhaa kutokana na kuongezeka kwa bei za mafuta na gharama za chakula, viwango vya ubadilishaji fedha na ongezeko la gharama za riba.

Kuendelea mbele, juhudi za ziada za kuokoa matumizi ya kawi zinatarajiwa kuonekana mwaka 2012 kufuatia kuwekwa kwa mitambo ya maji inayotumiwa jua katika hoteli ya Serena Beach & Spa (SBHS) , Kigali Serena Hotel , Kivu Serena Hotel , Kampala Serena Hotel na Elmenteita Serena Camp.

Kuongezwa kwa hoteli za Lake Elmenteita Serena Camp na Dar es Salaam Serena Hotel mwaka 2011, kumeimarisha mtandao wa hoteli za Serena mataifa ya Afrika Mashariki na kunatarajiwa kupanuwa viwango vya biashara za kundi mwaka 2012. Kwa sasa, ukarabati uliofanyiwa Mara Serena Safari Lodge na upanuzi wa Sweetwaters Tented Camp unaendelea kutekelezwa.

Ili kuepuka athari za ushindani wa muda mrefu na nafasi yake kwenye masoko, usimamizi unazidi kutambua umuhimu wa kuunganisha pamoja mikakati ya kibiashara na teknolojia ya habari na mawasiliano (ICT) , idara inayosimamia maslahi ya wafanyakazi (HRM) na wajibu wa shirika kwa jamii (CSR) na kupelekea kuimarisha manufaa

Taarifa kutoka kwa Meneja Mkurugenzi (kuendelea)

wanayopata wateja na kuhamasisha matokeo ya chini.

Kama mnavyofahamu, matumizi ya mfumo wa teknolojia ya habari na mawasiliano katika sekta ya mahoteli, pole pole umepelekea mabadiliko ya muundo mpya ambao umebadilisha biashara ya utalii duniani. Hili limepelekea usimamizi kufanyia tathmini maendeleo ya kila mara na kutumia mbinu zinazofaa za kiteknolojia kufungamana na mkakati wa kampuni wa teknolojia ya habari na mawasiliano ambao unaunganisha pamoja mikakati mingine ya kibiashara hivyo kupelekea kuwepo kwa utendaji bora , kuimarisha manufaa ya wateja na kuimarisha matokeo ya juu na chini. Wakati wa kipindi cha mwaka unaoangaziwa, kampuni iliwekeza katika uimarishaji wa mtandao wa usalama, kustawisha nakuweka pamoja vifaa vya mitambo ya kompyuta, programu za kompyuta na matumizi ya mitambo ya kisasa ili kuafikiana na malengo yaliyotajwa hapo juu. Muundo msingi wa teknolojia ya habari na mawasiliano ulioimarishwa katika kanda ya Afrika Mashariki ambao unahusisha mtandao wa chini ya bahari na nchi kavu kupitia nyuzi umeimarisha kasi ya intanenti na hasa unatumika kama kichocheo cha mafanikio ya mikakati ya uvumishaji na biashara. Mnamo mwaka 2011, kampuni ilirekodi ukuaji wa kufana wa kutuma maombi ya nyumba za hoteli kupitia mawasiliano ya moja kwa moja ya matumizi ya kadi ya elektroniki ambayo ni salama na rahisi kupitia muundo wa kisasa wa wavuti wake. Zaidi ya hayo, utafiti uliofanywa kuhusu kuridhika kwa wateja ambao ulianzishwa kama mradi kielelezo mwaka 2009 katika hoteli ya Nairobi Serena umezinduliwa katika hoteli zote za miji na zile za starehe. Kuhusu uvumishaji kupitia elektroniki, kampuni itachukua hatua zaidi mwaka 2012 na kuhusisha vyombo vya habari vya umma kama chombo maalumu kufuatia mabadiliko ya kasi ya wateja kuhusiana na vyombo vya habari mabadiliko ambayo yanapendelea vyombo hivi.

Nina furaha kuwafahamisha kwamba mpango wa Serena Hotel Loyalty chini ya kauli mbinu '' Serena Prestige Club'' ambao ulizinduliwa mwezi Desemba mwaka 2011 umepokelewa vyema na wateja. Mpango huu unakusudiwa kuwawezesha wamiliki wa kadi za Serena Prestige Club kunufaika kutokana na faida maalumu wanapokaa katika hoteli za Serena kote ulimwenguni. Madhumuni ya mpango huu ni; kuimarisha uaminifu ili kuthibiti biashara kwa kuwazaidia wateja; kuimarisha matokeo katika maeneo yote ya utekelezaji ya hoteli; na kuendeleza ushindani dhidi ya mitandao mingine ya mahoteli ulimwenguni.

Serena inazidi kuamini kwamba wafanyakazi wake wanatekeleza jukumu kubwa la mafanikio ya muda mrefu,ukuaji na sifa za kampuni . Binafsi ningependa kumshukuru kila mwanachama wa timu ya Serena kutokana na mchango wake na kujitolea kwa dhati ambako wamedhihirisha kwa Serena mwaka 2011. Kutokana na mabadiliko ya matarajio na ustarabu wa wateja, Serena inaendelea kuthibitisha imani yake kwamba ni thamani ya huduma ambayo itaendelea kuamua maamuzi ya vituo ambavyo wateja watachagua. Kufungamana na mkakati

Zanzibar Serena Inn

Taarifa kutoka kwa Meneja Mkurugenzi (kuendelea)

wa kundi wa kuimarisha uzalishaji, viwango vya maana vya raslimali viliwekezwa kwenye usimamizi wa wafanyakazi, utoaji mafunzo na mipango ya maslahi miongoni mwao ikiwa; mafunzo ya ndani ya miezi 9 kuhusu mpango wa utoaji mafunzo; mafunzo kuhusu matumizi ya mitambo ya kompyuta na ufundi na uimarishaji wa taaluma ya mapishi kupitia hoteli ya Star Michelin Restaurant nchini Ufaransa. Kwa sababu hiyo, nafasi ya kuwazadia waliofanya vyema, utoaji mafunzo ya hali ya juu na uimarishaji wa taaluma ya utendakazi zingali mkakati maalumu kwa hoteli za Serena.

Mpango wa Serena Wellness ulitambuliwa na kuingia fainali kwenye kitengo cha kuwahusisha wafanayakazi kwenye maeneo yao ya kazi wakati wa mkutano wa mwaka 2011 wa Global Business Coalition (GBC) kuhusu virusi vya HIV/AIDS. Kuzinduliwa na kufaulu kwa mpango wa Serena Wellness ambao ulianza mwaka 2001 ukiwa na nia ya kuangazia kuongezeka kwa idadi ya maambukizi ya HIV/AIDS , Malaria na kifua kikuu kumeshuhudia kupungua kwa maambukizi maeneo ya kazi na hivyo kuimarisha uwezo wa uzalishaji wa wafanyakazi na pia hamasisho.

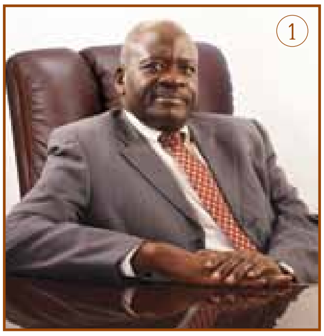
Shughuli za wajibu wa kampuni kwenye miradi ya kijamii (CSR) zinazidi kuangazia mazingira ya utalii wa mimea, uhifadhi wa mazingira, elimu, afya ya umma na ustawi wa jamii. Kwa maelezo zaidi kuhusu wajibu wa kampuni katika shughuli za kijamii , tafadhali angalia kurasa 26 hadi 29 wa ripoti hii ya mwaka. Mazingira ya biashara Afrika Mashariki yanaendelea kubashiri viwango vya tahadhari hasa mazingira ya kisiasa kutokana na uchaguzi mkuu unaotarajiwa nchini Kenya , mfumuko wa juu wa bei za bidhaa, athari za ghasia eneo la bara Uropa na maswala ya kiusalama yanayotokana na hali ya usalama. Haya ni maswala muhimu ambayo yanatarajiwa kuamua matokeo mwaka 2012. Huku usimamizi ukiwa hauwezi kubashiri kikamilifu matokeo kutokana na maswala yaliyotajwa hapo juu, usimamizi una imani kwamba, kampuni itajihami jinsi itakavyoweza kutokana na hali kama hizi ambazo zimo nje ya uwezo wa uthibiti wake.

Ningependa kutoa mwito kwa serikali za eneo la Afrika Mashariki kuandalia sekta ya Utalii mazingira bora ya utekelezaji na kutenga raslimali za kutosha katika uvumishaji. Pia, ningependa kutoa mwito kwao kuhakikisha kwamba maendeleo mapya kwenye maeneo dhaifu ya viumbe na mazingira katika mbuga za wanyama pori na hifadhi za kitaifa yanathibitiwa na kwamba maendeleo ya miundo misingi inaanzishwa kwa mwendo wa kasi huku uthabiti wa kisiasa na usalama zikidumishwa kuendeleza imani kwa wananchi, wasafiri na wawekezaji.

Mwisho, kwa niaba ya wafanyakazi na usimamizi ningependa kutoa shukrani zetu kwa Halmashauri ya wakurugenzi kwa mwongozo wao, bidii, mchango wao muhimu na himizo wakati wa mwaka 2011. Pia ningependa kutoa shukrani zangu kwa wanahisa, wateja na washika dau mbali mbali kutokana na mchango wao wa mara kwa mara mwaka uliopita. Sisi katika Serena tunatazamia mchango wao mwaka 2012.

Mahmud Jan Mohamed
Meneja Mkurugenzi

Board of Directors



MR. FRANCIS OKOMO-OKELLO - Chairman 1

Mr. Okello (aged 62 yrs) is a qualified lawyer. He holds an LLB degree from the University of Dar-es-Salaam. He is an Albert Parvin Fellow of the Princeton University, Woodrow Wilson School of Public and International Affairs and a Fellow of The Kenya Institute of Bankers (FKIB). He is the Chairman of Barclays Bank of Kenya Limited, a Director of the Nation Media Group Limited, among other Companies. He is a member of the Advisory Board of the Strathmore Business School, Strathmore University and is currently the Executive Director in charge of Legal and Corporate Affairs at the Industrial Promotion Services Group.

MR. MAHMUD JAN MOHAMED – Managing Director 2

Mr. Jan Mohamed (aged 59 yrs) has vast experience in the hotel industry in Europe, USA and Africa. He is the Chief Executive, TPS Group of Companies in Eastern Africa. He is a Director of the Kenya Tourism Board, TPS Central Asia, Mountain Lodges Limited and Air Uganda Limited. He is an associate member of the Hotel Catering Institutional Management Association (UK) and a member of the Cornell Hotel Society (USA).

MR. ABDULMALEK JEEVAN VIRANI - Finance Director 3

Mr. Virani (aged 61 yrs) holds a Bachelor of Commerce Degree. He is a Chartered Accountant and a CPA (K). He is currently the Finance Director of TPS Companies in Eastern Africa. He has been involved, over the years, in taking the TPS Group public and in structuring finance for acquisition and mergers of existing as well as green field projects for the Group.

MR MAHMOOD MANJI- Non- executive Director 4

Mr. Manji (aged 58 yrs) is a Fellow of the Institute of Chartered Accountants in England and Wales and the Kenya Institute of Bankers. He is the Chairman of Air Uganda and a Director of the Capital Markets Authority in Kenya. Mr. Manji is a member of the International Who's Who of Professionals and the former Chairman of the Diamond Trust Banks in East Africa.

DR. RAMADHANI DAU - Non-executive Director 5

Dr. Dau (aged 53 yrs) holds a PhD in marketing from the Victoria University of Wellington, New Zealand, an MBA from the American University of Cairo and a Bachelor of Commerce Degree, Marketing option, from the University of Dar-es-Salaam. He is a Director of The Jubilee Holdings Limited and Jubilee Insurance Company of Tanzania Limited among others. He is currently the Director General of NSSF, Tanzania.

MR. JACK JACOB KISA - Non-executive Director 6

Mr. Kisa (aged 74 yrs) holds a B.Sc. (Economics) (London) Degree and M.P.A. (Harvard) Degree. He served as Principal Economist in Kenya's Ministry of Finance and Planning in the 1970s. In 1974, Mr. Kisa was appointed as the Director of the United Nations World Employment Programme for Africa, in which capacity he served until 1977. In 1978, he was appointed Senior Economist at the World Bank Headquarters in Washington, D.C. During the period 1986-1991, Mr. Kisa served as Economic Advisor to the Southern African Development Community on secondment from the World Bank.

MR. JEAN-LOUIS VINCIGUERRA - Non-executive Director 7

Mr. Vinciguerra (aged 68 yrs) is a graduate of the Institute of Political Studies and completed the programme for Management Development from the Harvard Business School. He currently works with the Aga Khan Fund for Economic Development as Senior Financial Advisor.

MR. AMEER KASSIM-LAKHA - Non-executive Director 8

Mr. Kassim-Lakha (aged 78 yrs) is a Fellow of the Institute of Chartered Accountants in England and Wales and The Institute of Certified Public Accountants of Kenya and an Associate Member of the Chartered Institute of Arbitrators and OPM (Harvard). He is a past Chairman of the Institute of Certified Public Accountants of Kenya and The Association of Professional Societies in East Africa. He is a past Vice-Chairman of The Professional Centre. He is a current Trustee of KCA University.

MR. KABIR HYDERALLY - Non-executive Director 9

Mr. Hyderally (aged 64 yrs) holds a Bachelor of Commerce Degree and is a Fellow of the Institute of Chartered Accountants. He is currently the General Manager, Finance at The Jubilee Insurance Company of Kenya Limited.

MR. GUEDI AINACHE - Non-executive Director 10

Mr. Guédi Aïnaché (aged 36 yrs) holds a Masters Degree in Audit and Risk Management from the University of Angers, France and he is also a graduate of Economic Science, from the University of Le Mans, France. Currently he is PROPARCO's Regional Director for Eastern Africa, based in Nairobi. He has previously worked with PROPARCO in Paris as Senior Investment Officer within the Corporate Division handling various large corporate financing transactions across various regions in Africa, Latin America & Asia and as an Associate Director with Crédit Agricole Corporate and Investment Bank in France.

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

Mr. Ng'ang'a (aged 37 yrs) holds a Bachelor of Commerce (Accounting) Degree from KCA University. He is a CPA finalist and a Certified Public Secretary CPS (K). He is also a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).

Corporate Governance Statement

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

THE BOARD OF DIRECTORS

As at 31 December, 2011, TPSEAL Board consisted of 10 substantive directors and 2 alternate directors. The Chairman is a non-executive director. A majority of the directors are non-executive and independent. There are two executive directors, i.e. the Managing Director and the Finance Director. Re-election and appointment of directors is subject to the provisions of the Company's Articles of Association and CMA Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya issued by CMA. The directors have a wide range of business and professional skills and experience and each contributes independently to the Board's deliberations. The directors meet at least four times a year.

With regards to the period under review, 7 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 meaningfully contribute at the Board Meetings and maintain effective oversight and control over strategic, financial, operational and compliance issues. The Board's independence from the Group's management function has been achieved by separating the functions of the non-executive Chairman and the executive Managing Director, which has resulted in creating in-built checks and balances and balancing the exercise of authority over the Group's affairs. By taking an active leadership role, the Board aims at maximizing shareholders' value and ensuring long-term sustainability of the TPS Group.

During the year Mr. Kungu Gatabaki and Mr. Ghislain de Valon resigned as directors of the Company. Mr. Gatabaki resigned on 14th June 2011 following his appointment as the Chairman of CMA as holding the two positions could have created a possible conflict of interest whilst Mr. de Valon resigned on 14th November 2011 after moving to Paris, France and he felt that with the increased workload and his relocation from Nairobi, he would not have adequate time to effectively participate in TPSEAL's Board affairs.

DEVELOPMENT AND GROWTH OF THE COMPANY

The Board primarily provides direction on the general policy and oversight in respect of the Group's overall internal controls, strategies, finances, operations, budgets and compliance issues which are pre-agreed with the Management Team and reviewed periodically against performance.

COMMITTEES OF THE BOARD

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

AUDIT AND FINANCE COMMITTEE

Members of this Committee comprise of Mr. Ameer Kassim-Lakha (Chairman), Mr. Mahmood Manji and Mr. Jean-Louis Vinciguerra. The Committee works closely with the Internal Audit Department and External Auditors. It plays a critical role in reviewing financial information and ensuring that the system of internal controls is effectively administered and reviewed as appropriate. Significant audit findings identified by the Group's internal and external auditors are also reviewed by the Committee.

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 on Corporate Governance and the Committee's own ToR. The Committee held three meetings in the year. The external auditors and executive directors attend the Committee's meetings as required. The Committee has initiated further strengthening of the Group's risk assessment processes aimed at mitigating the various business risks. The ultimate aim is to formalize 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. By its own ToR, the Committee is mandated to consult experts, scrutinize and advise the Board on the organisational structure, and staff establishments and to recommend to the Board appropriate Human Resources 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 the necessary recommendations to the Board on enhancing the overall level of effectiveness of the Board.

INTERNAL CONTROLS

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

COMMUNICATION WITH SHAREHOLDERS

The Company 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 TPSEAL Annual Reports within the statutory period of at least 21 days before the Annual General Meeting, release of half-year and end-year financial results through the press and regulatory bodies, and monthly disclosures of shareholding statistics to the Nairobi Securities Exchange (NSE) and the CMA.

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

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

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to directors during the 2011 financial year amounted to KShs 1.070 Million (refer to Note 28 to the Financial Statements). Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the TPS Group was a party whereby directors might have acquired benefits to facilitate the acquisition of the Company's shares by such directors.

There were no non-executive directors' loans during the year. Executive directors' car loans amounted to KShs. 0.408 Million (refer to Note 28 to the Financial Statements).

DIRECTORS' INTEREST

During the year ended 31st December 2011 and the previous financial year (2010) there has been no material contracts involving directors' interests, however some directors are minority shareholders of the Company as detailed below;

Name of Director	No of Shares	% Shareholding
Francis Okomo-Okello	1,456	0.00076
Mahmood Pyarali Manji	1,456	0.00076
Ameer Kassim-Lakha	1,456	0.00076
Abdulmalek Virani	1,456	0.00076

CONFLICT OF INTEREST

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

OTHER CORPORATE INFORMATION

TPS Eastern Africa Limited (TPSEAL) and its subsidiaries in Kenya, Tanzania and Zanzibar have a total number of 2,974 employees. The Company is a holding Company and does not own any Land and Building.

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

Corporate Governance Statement (continued)

SHAREHOLDERS' PROFILE AS AT 31 DECEMBER 2011

	NAME OF SHAREHOLDER	NUMBER OF SHARES	% SHAREHOLDING
1	Aga Khan Fund for Economic Development	48,085,158	32.44%
2	Standard Chartered Nominees Non-Resident AC 9002	11,462,700	7.73%
3	Societe de Promotion et de'Participation pour la Cooperation Economique (PROPARCO)	10,892,900	7.35%
4	The Jubilee Insurance Company of Kenya Limited	8,302,706	5.60%
5	Industrial Promotion Services (Kenya) Limited	7,697,088	5.20%
6	Aga Khan University Foundation	6,851,000	4.62%
7	PDM (Holdings) Limited	6,607,440	4.46%
8	Craysell Investments Limited	3,798,133	2.56%
9	Standard Chartered Nominees AC 9230	2,572,658	1.74%
10	Premchand Kanji Shah	2,290,744	1.55%
11	Others	39,650,113	26.75%
		148,210,640	100.00%

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2011

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARE	% SHAREHOLDING
Less than 500 shares	2,929	443,320	0.30%
500 – 5,000 shares	5,712	7,757,667	5.23%
5,001 – 10,000 shares	259	1,822,525	1.23%
10,001 – 100,000 shares	281	8,359,462	5.64%
100,001 – 1,000,000 shares	66	17,180,176	11.59%
Over 1,000,000 shares	12	112,647,490	76.01%
Total	9,259	148,210,640	100.00%

SHAREHOLDER CATEGORIES

CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	% SHAREHOLDING
Foreign Investors	139	79,459,996	53.61%
Local Institutions	726	52,666,200	35.54%
Local Individuals	8394	16,084,444	10.85%
TOTAL	9,259	148,210,640	100.00%

Corporate Social Responsibility

At Serena Hotels, we continue to believe that irresponsible tourism must be consigned to the past as we understand that the discerning traveler of today is committed to ensuring that the hotels he/she stays in contribute in a sustainable manner towards both the eco-system and the culture of the destination of their choice.

Over the past decade, the Serena Group's commitment to Corporate Social Responsibility (CSR) activities is part and parcel of the Group's business model. We prefer to ensure that our CSR initiatives are not just about philanthropy and compliance, but also about more holistic issues; such as how the Company manages its economic, social and environmental impact; how we handle our responsibilities in the workplace, the marketplace, the supply chain; the community, and the realm of public policy. The Group also believes in measuring success, not just by the financial bottom line, but also by how much the Company has contributed towards local economic development, environmental conservation and the maintenance of social justice.

The Serena Group's broad spectrum of eco-practices include: the strict adherence to eco-friendly architectural, building and design; the use of local materials, skills and labour; the promotion of traditional crafts; the support of re-afforestation programmes; the nurture of endangered wildlife; the use of waste-recycling, pollution reduction, non- CFC use, solar and wind generation; and the use of low energy devices and heat recovery systems. Serena continues to strengthen the beneficial and symbiotic relationships with the local communities and promotes various community projects in the areas of education, health facilities, water supply, community development and road infrastructure.

This report demonstrates how the Serena Group continued to embrace and strengthen its Social Responsibility during the period under review.

General Manager Zanzibar Serena Inn Mr. Daniel Sambai with members of UWAMWIMA community group

COMMUNITY INVOLVEMENT, INVESTMENT, SUPPORT AND DEVELOPMENT

Economic Empowerment

Serena believes in creating economic opportunities for the local communities in which it operates which in turn has improved their quality of life including their educational, cultural, economic and social well being.

In line with Serena's procurement strategy, preference is given to local producers and where possible, local artifacts are purchased from local artists and sold in the gift shop and fresh food products are purchased from local farmers. In some cases, training is given to the local entrepreneurs to produce and package their wares in an internationally acceptable manner, thus improving their market and capacity. Serena also provides support for small scale producers by purchasing from Companies that work with their products in compliance with international human rights and labor standards. In 2011, Zanzibar Serena Inn signed a partnership agreement with UWAMWIMA Community Group that comprises of over 200 farmers to purchase their produce, thus becoming the first hotel in Zanzibar to support this initiative.

The Serena Lodges continue to hire the local performers to entertain guests on a daily basis, thus exposing the local culture whilst economically empowering the performers.

Educational Support

The Company continued to support the Oloirobi Primary School in Ngorongoro and in 2011 contributed towards the construction of two new classrooms and one teacher's office. Guests during the year donated new desks and text books.

At Lake Manyara, the Company donated building material to Kilimamoja Secondary School which went towards building of teachers houses.

Kilaguni Serena Safari Camp maintenance department built two pit latrines for Itilal Primary School in 2011 and Kabiruini Girls High School located 15km from Serena Mountain Lodge boasts two new computers.

Youth from the local community interested in taking up a career in the hospitality industry are given on the job training opportunities at the lodges and are encouraged to move to other establishments either within or outside the Serena Group.

The Group hosted top academic students from schools around the lodges for a lunch treat, game drive, educational talks and tree planting.

Supporting Talent

The youngest professional golfer in East Africa and Kenya's lady amateur golf champion were sponsored by Serena Hotels in 2011. They were hosted by Kampala Serena Hotel, Kigali Serena Hotel and Serena Beach Hotel & Spa.

Provision of clean drinking water and access to quality health care

It is unfortunate that many of the communities in which we operate are deprived of access to clean drinking water and are thus exposed to a wide range of water-borne diseases. To combat this situation, we believe in providing clean water for all our neighboring communities. At Lake Manyara and Amboseli, the locals refer to their drinking water as "Maji ya Serena" or "Serena Water".

Serena continues to provide free medical consultations and subsidized medication through its on-site medical clinics. They also provide antenatal care and immunization, family planning and Voluntary Counseling as well as provision of mosquito nets which they receive from the Ministry of Health.

Zanzibar Serena Inn hosted part of the team of doctors that were conducting an Ear Surgery Camp in May 2011 and December 2011. A total of 72 surgeries were carried out at Mnazi Mmoja Hospital, Zanzibar.

Serena Mountain Lodge Manager donating computers to Headmistress of Kabiruini Primary School.

Director of City Hotels Mr. Killian Lugwe with Lady Amateur Golf Champion and Deputy General Manager Kampala Serena Hotel Ms. June Kyula.

Community Members receiving treatment at the staff clinic in Amboseli Serena Safari Lodge.

Serena Mountain Lodge Manager Mr. Kathurima Mburugu hands over a water tank to the local community representative

Serena staff and Management handing over Kshs. 3 Million cheque to the Secretary General Kenya Red Cross Society towards Kenyans for Kenya Initiative.

Charitable Donations

Serena and its staff support a broad range of charitable causes and community initiatives by means of corporate donations, donation of goods or by means of sponsorship. Recipients of such support were: the "Kenyans for Kenya" initiative, the bomb blast victims in Tanzania, victims of the Zanzibar ferry incident, a broad range of schools, orphanages, HIV/AIDS support centres, homes for the physically or mentally challenged and other disadvantaged groups.

PROTECTING A FRAGILE ENVIRONMENT

In line with the Groups eco-policy, Serena continues to recognize that it has a responsibility to contribute towards improving and preserving the environment in which it operates. Serena Hotels is sensitive to the conservation of environmentally protected or threatened areas, species and scenic aesthetics and to achieving landscape enhancement where possible, with indigenous plant material enforcement. In 2011 our responsible and sustainable tourism practices were rewarded as Amboseli Serena Safari Lodge (ASSL) was crowned Eco Tourism Enterprise of the year 2011 by Ecotourism Kenya. Also, ASSL and Mara Serena Safari Lodge were recognized with a Silver and Bronze Certification respectively in eco rating for promoting sustainable tourism over the years.

Turtle project in Watamu

The adopted Lion at Amboseli Serena Safari Lodge

Turtle Conservation at the Beach

Our turtle adoption scheme at Serena Beach Hotel & Spa continues to grow significantly. Started in 1993, the overall objective of the scheme has been to provide a safe haven for turtle eggs, and to transfer these eggs to safety while providing incentives to the local fishermen who help in protecting them. To date, the scheme has successfully rescued over 5,000 hatchlings.

Butterfly Boost

Kenya boasts some 870 species of butterfly, 35% of which are to be found in the coastal forests. However due to the radical shrinkage of these forests, most of the butterflies had largely disappeared from Kenya's coast; until the launch of the 2002 Serena Beach Hotel & Spa Butterfly Project which has to date succeeded in breeding 57 species of butterflies.

Supporting Lion Conservation in Kenya

Our partnership with the Born Free Foundation has created a lot of awareness on the plight of lions in Kenya. The lion adopted by Amboseli Serena Safari Lodge has continued to raise funds towards the initiative through guest donations. The proceeds go towards lion conservation and the construction of "Lion proof Bomas" which are aimed at alleviating the conflict between humans and lions.

Re-afforestation Programmes at the Lodges

Serena Hotels have established tree and shrub nurseries at all its properties. Naturally, we use the majority of our seedlings to plant around our own properties, but we are also committed to meeting the needs of the local community. At Lake Manyara Serena Lodge, for instance our nursery supplies seedlings to the neighboring communities and this has not only contributed towards a greener environment, but has also received resounding support from the local birdlife, whose variety of species has already more than doubled. The group has worked with thousands of members of the local community, guests, children and visiting dignitaries to 'Plant a Tree for Africa' and our activities are spread to the Nderit Forest in the Mau, Nairobi City Park and at the Serena lodges in Kenya and Tanzania. It is encouraging to note that over 10 million trees through the Companies various re-afforestation programs have been planted to date.

Conservation of Energy and Water

A significant milestone was achieved towards the end of 2011 where the Group installed a Solar Water Heating System at Serena Beach Hotel & Spa (SBHS), Kigali Serena Hotel, Lake Kivu Serena Hotel, Kampala Serena Hotel and Lake Elmenteita Serena Camp. This will complement the energy saving efforts that are in place at the Safari Lodges located within the National Parks where the dependency of generators has significantly been reduced over the years due to the inverter systems in place which allows for optimum conservation of energy and minimum fuel-use, noise and air-pollution.

Serena has an extensive range of water-saving measures in place and the company continues in a phased manner to invest in bio-digesters which is a system when that treats effluent water to allow it to be re-used for irrigation and animal consumption at the water holes in an environmentally sensitive manner.
The company has adapted an "Information Technology going green" strategy where the old HP Servers have been replaced with state-of-the-art servers and a virtual server environment created. The project involved the replacement of 12 physical servers with 3 physical servers hosting 12 virtual machines. This initiative will lead to future savings on maintenance, power and disposal of hardware.

ENCOURAGING A GOOD WORK-LIFE BALANCE

The Serena Employee Wellness Programme continues to address the holistic health needs of not only Serena Staff but also of the communities that surrounds the Serena Lodges, Luxury Camps, Resorts and Hotels. In essence, the programme is devoted to reducing the incidence of accident and illness in the workplace, promoting healthy lifestyles, maximizing potential and promoting optimum quality of life. This sustainable Serena Employee Wellness Programme received recognition as a finalist in the Workplace Engagement category for the 2011 Global Business Coalition (GBC) on HIV/ AIDS. The successful implementation of the Serena Employee Wellness Program that begun in 2001 with the aim of addressing increasing numbers of HIV/ AIDS, Malaria and Tuberculosis infections has seen a notable reduction in the number of work place infections over the years and consequent improved employee productivity and motivation.

Kilaguni Serena Wellness Team on an excursion at Chyulu hills.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2011 in accordance with Section 157 of the Kenya Companies Act, which disclose the state of affairs of TPS Eastern Africa Limited (the "Company") and its subsidiaries (together the "Group").

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The profit for the year attributable to equity holders of the Company of Shs 668,771,000 (2010: Shs 531,053,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 192,673,832 (2010: Shs 185,263,300).

DIRECTORS

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

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Abdulmalek Virani	(Finance Director)
Ameer Kassim-Lakha	
Dr. Ramadhani Dau	
Jack J Kisa	
Jean-Louis Vinciguerra	
Mseli Abdallah	(Alternate to Dr. Ramadhani Dau)
Kabir Hyderally	
Mahmood Pyarali Manji	
Ashish Sharma	(Appointed 5 January 2011 Alternate to Jean-Louis Vinciguerra)
Guedi Ainache	(Appointed 12 January 2012)
Wolfgang Bertelsmeier	(Resigned on 23 January 2011)
Kungu Gatabaki	(Resigned on 14 June 2011)
Ghislain de Valon	(Resigned on 14 November 2011)

AUDITOR

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

By order of the Board

DOMINIC NGANGA
SECRETARY

14 March 2012

Statement of Directors' Responsibilities

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 and its subsidiaries keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and the Company. They are also responsible for safeguarding the assets of the Group.

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 Kenya 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 financial performance 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.

Mr. Francis Okomo - Okello
Chairman
14 March 2012

Mr. Mahmud Jan Mohammed
Managing Director
14 March 2012

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

Report on the financial statements

We have audited the accompanying financial statements of TPS Eastern Africa Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 33 to 81. These financial statements comprise the consolidated statement of financial position at 31 December 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 December 2011 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 and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2011 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 statement of financial position is in agreement with the books of account.

PricewaterhouseCoopers

Certified Public Accountants
14 March 2012
Nairobi

Consolidated Income Statment
for the year ended 31 December 2011

	Notes	2011 Shs'000	2010 Shs'000
Sales	5	5,465,975	4,480,128
Other operating income		271,378	427,578
Inventory expensed		(929,234)	(874,595)
Employee benefits expense	7	(1,576,219)	(1,335,351)
Other operating expenses		(1,963,175)	(1,589,742)
Profit before depreciation, interest and income tax expense		1,268,725	1,108,018
Depreciation on property, plant and equipment	18	(330,834)	(257,617)
Finance income	8	59,757	52,227
Finance costs	8	(163,847)	(210,783)
Share of profit of associates	22	19,332	1,088
Profit before income tax	6	853,133	692,933
Income tax expense	9	(237,242)	(176,549)
Profit for the year (Shs 219,900,000 (2010: Shs 185,936,000) has been dealt with in the accounts of the Company)		615,891	516,384
Attributable to:			
Equity holders of the Company		668,771	531,053
Non controlling interest	27	(52,880)	(14,669)
		615,891	516,384
Earnings per share for profit attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	10	4.51	3.49

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	2011 Shs'000	2010 Shs'000
Profit for the year	615,891	516,384
Other comprehensive income:		
Items net of tax		
Gain on revaluation of land and buildings	-	2,577,570
Deferred income tax on revaluation	-	(773,272)
Currency translation differences	67,290	(42,888)
Total comprehensive income for the year	683,181	2,277,794
Attributable to:		
Equity holders of the Company	736,061	2,292,463
Non controlling interest	(52,880)	(14,669)
Total comprehensive income for the year	683,181	2,277,794

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 Shs'000	2010 Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	12	148,211	148,211
Share premium	12	3,032,431	3,032,431
Revaluation reserve	13	2,404,495	2,473,370
Translation reserve		(90,593)	(157,883)
Retained earnings		2,262,751	1,717,779
Proposed dividends	11	192,674	185,264
		7,949,969	7,399,172
Non controlling interest	27	96,855	97,213
Total equity		8,046,824	7,496,385
Non-current liabilities			
Borrowings	14	1,659,372	1,204,524
Deferred income tax liability	15	1,678,659	1,453,428
Retirement benefit obligations	16	131,689	110,835
Total non-current liabilities		3,469,720	2,768,787
Total equity and non-current liabilities		11,516,544	10,265,172
Non-current assets			
Property, plant and equipment	18	8,829,042	8,248,664
Intangible assets	20	1,057,861	1,057,861
Investment in associates	22	687,008	30,718
Available-for-sale financial asset	17	-	216,251
Deferred income tax asset	15	143,000	33,661
		10,716,911	9,587,155
Current assets			
Inventories		375,588	299,776
Receivables and prepayments	23	1,636,227	986,959
Cash and cash equivalents	24	403,114	1,049,247
		2,414,929	2,335,982
Current liabilities			
Payables and accrued expenses	25	1,139,017	1,205,488
Current income tax		9,585	31,720
Borrowings	14	466,694	420,757
		1,615,296	1,657,965
Net current assets		799,633	678,017
		11,516,544	10,265,172

The financial statements on pages 33 to 81 were approved for issue by the board of directors on 14 March 2012 and signed on its behalf by:

Mr. Francis Okomo - Okello
Chairman

Mr. Mahmud Jan Mohammed
Managing Director

Company Statement of Financial Position
for the year ended 31 December 2011

	Notes	2011 Shs'000	2010 Shs'000
Equity			
Share capital	12	148,211	148,211
Share premium	12	3,032,431	3,032,431
Retained earnings		615,953	588,727
Proposed dividends	11	192,674	185,264
Total equity		3,989,269	3,954,633
Non-current assets			
Investment in subsidiaries	21	2,799,623	2,799,623
Investment in associates	22	636,958	-
Available-for-sale financial asset	17	-	216,251
Non-current receivable	19	-	141,575
		3,436,581	3,157,449
Current assets			
Receivables and prepayments	23	565,301	79,404
Cash and cash equivalents	24	1,853	723,540
		567,154	802,944
Current liabilities			
Payables and accrued expenses	25	4,881	5,760
Current income tax		9,585	-
		14,466	5,760
Net current assets		552,688	797,184
		3,989,269	3,954,633

The financial statements on pages 33 to 81 were approved for issue by the board of directors on 14 March 2012 and signed on its behalf by:

Mr. Francis Okomo - Okello
Chairman

Mr. Mahmud Jan Mohammed
Managing Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non controlling interest Shs'000	Total Shs'000
Year ended 31 December 2010									
At start of year		105,865	1,906,676	687,471	(114,995)	1,371,235	132,331	-	4,088,583
Comprehensive income for the year									
Profit for the year		-	-	-	-	531,053	-	(14,669)	516,384
Other comprehensive income:									
Revaluation surplus		-	-	2,577,570	-	-	-	-	2,577,570
Deferred income tax on revaluation	15	-	-	(773,272)	-	-	-	-	(773,272)
Currency translation differences		-	-	-	(42,888)	-	-	-	(42,888)
Transfer of excess depreciation to retained earnings		-	-	(26,284)	-	26,284	-	-	-
Deferred income tax on transfer	15	-	-	7,885	-	(7,885)	-	-	-
Total other comprehensive income		-	-	1,785,899	(42,888)	18,399	-	-	1,761,410
Total comprehensive income for the year		-	-	1,785,899	(42,888)	549,452	-	(14,669)	2,277,794
Transactions with owners									
On acquisition of subsidiary	27	-	-	-	-	-	-	111,882	111,882
Bonus issue of shares	12	17,644	-	-	-	(17,644)	-	-	-
Rights issue of shares	12	24,702	1,125,755	-	-	-	-	-	1,150,457
Dividends:									
- final for 2009 paid	11	-	-	-	-	-	(132,331)	-	(132,331)
- proposed for 2010	11	-	-	-	-	(185,264)	185,264	-	-
		42,346	1,125,755	-	-	(202,908)	52,933	111,882	1,130,008
At end of year		148,211	3,032,431	2,473,370	(157,883)	1,717,779	185,264	97,213	7,496,385

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2011

	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserves Shs'000	Translation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non controlling interest Shs'000	Total Shs'000
Year ended 31 December 2011									
At start of year		148,211	3,032,431	2,473,370	(157,883)	1,717,779	185,264	97,213	7,496,385
Comprehensive income for the year									
Profit for the year		-	-	-	-	668,771	-	(52,880)	615,891
Other comprehensive income:									
Currency translation differences		-	-	-	67,290	-	-	-	67,290
Transfer of excess depreciation to retained earnings		-	-	(98,277)	-	98,277	-	-	-
Deferred income tax on transfer	15	-	-	29,402	-	(29,402)	-	-	-
Total other comprehensive income		-	-	(68,875)	67,290	68,875	-	-	67,290
Total comprehensive income for the year		-	-	(68,875)	67,290	737,646	-	(52,880)	683,181
Transactions with owners									
Additional investment	27	-	-	-	-	-	-	52,522	52,522
Dividends:									
- final for 2010 paid	11	-	-	-	-	-	(185,264)	-	(185,264)
- proposed for 2011	11	-	-	-	-	(192,674)	192,674	-	-
		-	-	-	-	(192,674)	7,410	52,522	(132,742)
At end of year		148,211	3,032,431	2,404,495	(90,593)	2,262,751	192,674	96,855	8,046,824

Company Statement of Changes in Equity

for the year ended 31 December 2010

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2010						
At start of year		105,865	1,906,676	605,699	132,331	2,750,571
Comprehensive income for the year						
Profit for the year		-	-	185,936	-	185,936
Total comprehensive income for the year		-	-	185,936	-	185,936
Transactions with owners						
Bonus issue	12	17,644	-	(17,644)	-	-
Rights issue	12	24,702	1,125,755	-	-	1,150,457
Dividends:						
- final for 2009 paid	11	-	-	-	(132,331)	(132,331)
- proposed for 2010	11	-	-	(185,264)	185,264	-
		42,346	1,125,755	(202,908)	52,933	1,018,126
		148,211	3,032,431	588,727	185,264	3,954,633

Company Statement of Changes in Equity (continued)

for the year ended 31 December 2011

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2011						
At start of year		148,211	3,032,431	588,727	185,264	3,954,633
Comprehensive income for the year						
Profit for the year		-	-	219,900	-	219,900
Total comprehensive income for the year		-	-	219,900	-	219,900
Transactions with owners						
Dividends:						
- final for 2010 paid	11	-	-	-	(185,264)	(185,264)
- proposed for 2011	11	-	-	(192,674)	192,674	-
		-	-	(192,674)	7,410	(185,264)
At end of year		148,211	3,032,431	615,953	192,674	3,989,269

Consolidated Statement of Cash Flows
for the year ended 31 December 2011

	Notes	2011 Shs'000	2010 Shs'000 Restated
Operating activities			
Cash generated from operations	26	451,566	1,512,792
Interest paid		(109,923)	(136,266)
Income tax paid		(152,972)	(126,645)
Net cash generated from operating activities		188,671	1,249,881
Investing activities			
Purchase of property, plant and equipment	18	(782,438)	(1,840,991)
Proceeds from disposal of property, plant and equipment		298	227,433
Investment in associates	17 & 22	(420,706)	(161,200)
Short-term bank deposits - net		646,373	(591,652)
Cash inflow from minority shareholders of Upekee Lodges Limited	27	52,522	111,882
Net cash used in investing activities		(503,951)	(2,254,528)
Financing activities			
Net proceeds from rights issue of shares	12	-	1,150,455
Long-term borrowings - net		495,965	136,670
Dividends paid to Company's shareholders	11	(185,264)	(132,331)
Net cash generated from financing activities		310,701	1,154,794
Net (decrease)/increase in cash and cash equivalents		(4,579)	150,147
Movement in cash and cash equivalents			
At start of year		199,344	49,197
(Decrease)/increase in cash		(4,579)	150,147
At end of year	24	194,765	199,344

Notes to the Financial Statements

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

- The amendment to IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. There has been minimal impact on related party disclosures following adoption of this amendment.
- The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following;
    - Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
    - Fair value of collaterals; and
    - Renegotiated assets that would otherwise be past due but not impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

The application of the above amendment has simplified financial risk disclosures made by the Group.

Other amendments and interpretations to standards became mandatory for the year beginning 1 January 2011 but had no significant effect on the Group's financial statements.

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

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Group. However, the directors are yet to assess the impact on the Group's operations.

Standard	Title	Applicable for financial years beginning on/after
IAS 19	Employee benefits	1 January 2013
IFRS 9	Financial instruments	1 January 2015
IFRS 13	Fair value measurement	1 January 2013

- IAS 19, Employee benefits
  The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur, to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). The amendment will not have a significant impact on the Group statement of financial position since all actuarial losses are recognised immediately in the income statement.

- IFRS 9, 'Financial instruments'
  IFRS 9, was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments.
  IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in statement of comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

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

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

(b) Consolidation

(i) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment

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

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

(iii) Disposal of subsidiaries

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

(iv) Associates

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement.
The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(iv) Associates (continued)

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

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

Dilution gains and losses arising from investments in associates are recognised in the income statement.

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(iii) Group companies

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Group companies (continued)

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

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

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

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

(d) Segment reporting

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

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

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

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

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

Land and buildings	Over the period of the lease
Computers	3 - 4 years
Motor vehicles	4 years
Furniture and fittings	10 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.

During 2011 the useful lives of furniture and fittings were revised from eight to ten years. This will result in comparatively lower depreciation charge to the income statement in future periods. The impact in the current year is Shs 46 Million.

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

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

(g) Intangible assets

Goodwill

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued)

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

(h) Impairment of non-financial assets

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

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

(i) Financial assets

(i) Classification

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

Loans and receivables

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

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 reporting date.

The Group assesses at each reporting 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 the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(ii) Recognition and measurement (continued)

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

Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established. Changes in the fair value of monetary and non monetary securities classified as available-for-sale are recognised in other comprehensive income.

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

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

(iii) Offsetting financial instruments

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

(iv) Impairment of financial assets

Assets carried at amortised cost

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(iv) Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group and Company uses the criteria referred to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 income statement on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed.

(j) Accounting for leases

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

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

(k) Inventories

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

(l) Receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Payables

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

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

(n) Share capital

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

(o) Cash and cash equivalents

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

(p) Employee benefits

(i) Retirement benefit obligations

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

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

(ii) Other entitlements

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(iii) Termination benefits (continued)
to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(q) Current and deferred income tax

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

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.
Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(r) Borrowings

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

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

Notes to the Financial Statements (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Dividend distribution

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

(t) Comparatives

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Critical accounting estimates and assumptions

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

Impairment of goodwill

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

Income taxes

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

Gratuity scheme obligations

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Critical accounting estimates and assumptions (continued)

Gratuity scheme obligations (continued)

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

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

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

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

4 FINANCIAL RISK MANAGEMENT

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

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

Market risk

(i) Foreign exchange risk

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

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

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

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

At 31 December 2011, 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 6,735,365 (2010: Shs 6,313,843) 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.

4 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 2011, an increase/decrease of 10% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 9,591,041 (2010: 5,200,403).

Credit risk

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

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

For banks and financial institutions, only reputable well established financial institutions are accepted. For trade receivables, the credit controller assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group does not grade the credit quality of receivables. Individual risk limits are set based on internal ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

The maximum exposure for credit risk equals the amounts disclosed on the statement of financial position in 2011 and 2010.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

There were no 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	
	2011 Shs'000	2010 Shs'000	2011 Shs'000	2010 Shs'000
Past due but not impaired:				
- by up to 30 days	394,294	382,587	-	-
- by 31 to 60 days	226,871	107,591	-	-
- by 61 to 90 days	3,678	14,678	-	-
- by over 90 days	21,806	67,682	-	-
Total past due but not impaired	646,649	572,538	-	-
Impaired and fully provided for	64,637	50,239	-	-

Liquidity risk

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

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

(a) Group	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2011:				
- borrowings net of interest	466,694	531,857	1,127,515	-
- trade and other payables	1,139,017	-	-	-
- interest on borrowings	171,685	133,998	102,020	-
At 31 December 2010:				
- borrowings net of interest	420,757	366,427	838,097	-
- trade and other payables	1,205,488	-	-	-
- interest on borrowings	115,307	129,360	242,293	-

(a) Company				
At 31 December 2011:				
- trade and other payables	4,881	-	-	-
At 31 December 2010:				
- trade and other payables	5,760	-	-	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

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

During 2011 the Group's strategy, which was unchanged from 2010, was to maintain a gearing ratio between 25% and 40%. The gearing ratios at 31 December 2011 and 2010 were below the preferred gearing ratios as follows:

	2011 Shs'000	2010 Shs'000
Total borrowings	2,126,066	1,625,281
Less: cash and cash equivalents	(403,114)	(1,049,247)
Net debt	1,722,952	576,034
Total equity	8,046,824	7,496,385
Total capital	9,769,776	8,072,419
Gearing ratio	18%	7%

5 SEGMENT INFORMATION

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2011 is as follows:

	Kenya Hotels Shs '000	Kenya Lodges Shs '000	Tanzania Lodges Shs '000	All other segments Shs '000	Total Shs '000
Revenue	2,046,291	1,156,052	2,190,197	250,535	5,643,075
Less inter segmental sales	-	-	-	(157,100)	(157,100)
Net revenue from third parties	2,046,291	1,156,052	2,190,197	73,435	5,465,975
EBITDA	509,719	213,499	543,071	2,436	1,268,725
Depreciation and amortisation	(94,120)	(69,349)	(166,134)	(1,231)	(330,834)
Income tax expense	(113,141)	(6,084)	(96,649)	(21,368)	(237,242)
Share of profit from associate	-	4,255	-	15,077	19,332
Investment in associate	-	34,974	-	652,034	687,008
Additions to non-current assets	346,217	311,164	122,652	423,111	1,203,144
Total assets	3,736,900	1,657,347	4,625,859	3,111,734	13,131,840
Goodwill	230,152	90,000	733,218	4,491	1,057,861

The segment information for the year ended 31 December 2010 is as follows:

	Kenya Hotels Shs '000	Kenya Lodges Shs '000	Tanzania Lodges Shs '000	All other segments Shs '000	Total Shs '000
Revenue	1,838,929	823,030	1,753,678	214,684	4,630,321
Less inter segmental sales	-	-	-	(150,193)	(150,193)
Net revenue from third parties	1,838,929	823,030	1,753,678	64,491	4,480,128
EBITDA	481,501	207,166	417,045	2,306	1,108,018
Depreciation and amortisation	(83,236)	(48,228)	(114,712)	(11,441)	(257,617)
Income tax expense	(56,076)	(36,199)	(76,498)	(7,776)	(176,549)
Share of profit from associate	-	1,088	-	-	1,088
Investment in associate	-	30,718	-	-	30,718
Additions to non-current assets	243,057	-	1,448,019	312,879	2,003,955
Total assets	3,443,807	1,112,568	4,010,628	3,356,134	11,923,137
Goodwill	230,152	90,000	733,218	4,491	1,057,861

See note 20 for details of the impairment of goodwill of Shs 20,008,000 in the Kenyan operating segment in 2010. The write off relates to the portion of goodwill on Samburu Serena Safari Lodge which was damaged by floods in March 2010 and has since not been operational.

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

5 SEGMENT INFORMATION (CONTINUED)

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

	2011 Shs' 000	2010 Shs' 000
Adjusted EBITDA	1,268,725	1,108,018
Depreciation	(330,834)	(257,617)
Share of profit from associate	19,332	1,088
Finance costs – net	(104,090)	(158,556)
Profit before tax	853,133	692,933

The entity is domiciled in Kenya. Its revenue from external customers in Kenya is Shs 3,177,879,000 (2010: Shs 2,644,445,000), and the total of revenue from external customers from other countries is Shs 2,263,632,000 (2010: Shs 1,968,362,000). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

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

6 EXPENSES BY NATURE

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

	Group	
	2011 Shs'000	2010 Shs'000
Loss/(gain) on disposal of property, plant and equipment	1,562	(81,953)
Impairment of goodwill (Note 20)	-	20,008
Net foreign currency exchange movements	83,902	(15,903)
Receivables – provision for impairment losses (Note 23)	30,378	(2,575)
Auditors' remuneration (Company: 2011: Shs 2,265,901 2010: Shs 2,109,910)	12,010	12,498
Employee benefit expense (Note 7)	1,576,219	1,335,351
Repairs and maintenance of property, plant and equipment	115,264	97,013

7 EMPLOYEE BENEFITS EXPENSE

	Group	
	2011 Shs'000	2010 Shs'000
The following items are included within employee benefits expense:		
Salaries, wages and other staff costs	1,479,514	1,268,983
Retirement benefits costs:		
- Gratuity charge (Note 16)	26,138	10,115
- Defined contribution scheme	28,966	24,343
- National Social Security Funds	41,601	31,910
	1,576,219	1,335,351

8 FINANCE INCOME AND COSTS

	Group 2011 Shs'000	2010 Shs'000
Interest income:		
- fixed and call deposits	52,414	37,119
- staff loans	1,510	2,200
- related party loans	-	12,908
Net foreign currency exchange gain on borrowings	5,833	-
Finance income	59,757	52,227
Interest expense:		
- bank borrowings	(163,847)	(188,493)
Net foreign currency exchange loss on borrowings	-	(22,290)
Finance costs	(163,847)	(210,783)
Net finance costs	(104,090)	(158,556)

9 INCOME TAX EXPENSE

	Group 2011 Shs'000	2010 Shs'000
Current income tax	130,837	108,366
Deferred income tax (Note 15)	106,405	68,183
Income tax expense	237,242	176,549

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 2011 Shs'000	2010 Shs'000
Profit before income tax	853,133	692,933
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2010-30%)	255,940	207,880
Tax effect of:		
Income not subject to tax	(1,388)	(71,090
Expenses not deductible for tax purposes	21,647	23,064
Over provision of deferred income tax in prior year	10,681	16,695
Deductible investment allowances	(49,638)	-
Income tax expense	237,242	176,549

Notes to the Financial Statements (continued)

10 EARNINGS PER SHARE

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

	2011	2010
Profit attributable to equity holders of the Company (Shs 000s)	668,771	531,053
Weighted average number of ordinary shares in issue (thousands)	148,211	147,987
Basic earnings per share (Shs)	4.51	3.49

There were no potentially dilutive shares outstanding at 31 December 2011 or 2010. Diluted earnings per share are therefore the same as basic earnings per share.

11 DIVIDENDS PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. Qualifying shares for 2011 were 148,210,640 shares (2010: 148,210,640 shares). A dividend in respect of qualifying shares for the year ended 31 December 2011 of Shs 1.30 per share (2010: Shs 1.25) amounting to Shs 192,673,832 (2010: Shs 185,263,300) 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 2010	105,865	105,865	1,906,676
Bonus issue of shares	17,644	17,644	-
Rights issue of shares	24,702	24,702	1,125,755
Balance at 31 December 2010 & 2011	148,211	148,211	3,032,431

In the year 2010, the total authorised number of ordinary shares was increased from 106,000,000 shares to 192,000,000 shares with a par value of Shs 1.00 per share. 148,210,640 (2010: 148,210,640) shares are issued at a par value of Shs 1.00 per share and are fully paid.

In the year 2010, the Company capitalised its reserves through a bonus issue to existing shareholders of 17,644,124 at a ratio of one share of Shs 1.00 for every six held.

The Company also issued additional 24,701,774 shares in the year 2010 with a par value of Shs 1.00 at Shs 48.00 per share, on the basis of one new share for every five held, to existing shareholders in a rights issue. This resulted in a share premium, net of rights issue transaction costs, of Shs 1,125,755,161.

13 REVALUATION RESERVE

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

14 BORROWINGS

	Group		Company	
	2011 Shs'000	2010 Shs'000	2011 Shs'000	2010 Shs'000
The borrowings are made up as follows:				
Non-current				
Bank borrowings	1,659,372	1,204,524	-	-
Current				
Bank overdraft	63,070	58,251	-	-
Bank borrowings	403,623	362,506	-	-
	466,694	420,757	-	-
Total borrowings	2,126,066	1,625,281	-	-

	Group	
The effective interest rates at the year-end were as follows :	2011	2010
Kenya		
- bank borrowings : Kenya Shillings	16.74%	10.00%
Tanzania		
- bank overdrafts: US Dollars (3% above 3-month LIBOR)	3.50%	3.30%
- bank borrowings: US Dollars (2% above 3-month LIBOR)	2.50%	2.30%
: Tanzania Shillings – National Bank of Commerce Tanzania Limited	13.50%	13.50%
: Tanzania Shillings – Barclays Bank of Tanzania Limited	11.50%	11.50%
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.

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

15 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2010: 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 2010			
At start of year	627,788	(49,470)	578,318
Income statement (IS) charge (Note 9)	(8,202)	76,385	68,183
Charged to equity	581,600	191,672	773,272
Currency translation differences	-	(6)	(6)
Transfer of deferred tax liability/ (asset)	252,242	(252,242)	-
At end of year	1,453,428	(33,661)	1,419,767
Year ended 31 December 2011			
At start of year	1,453,428	(33,661)	1,419,767
Income statement charge/(credit) (Note 9)	213,820	(107,415)	106,405
Charge/(credit) to equity	11,411	(1,924)	9,487
At end of year	1,678,659	(143,000)	1,535,659

15 DEFERRED INCOME TAX (CONTINUED)

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

Deferred income tax Group

Year ended 31 December 2011	1.1.2011	Charge/ (Credit) to IS	Charge/ (Credit) to equity	31.12.2011
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities				
Property, plant & equipment				
- on historical cost				
- on revaluation surpluses				
- on historical cost	360,188	169,024	-	529,212
- on revaluation surplus	1,306,786	(29,402)	-	1,277,384
Unrealised exchange gains	38,610	66,548	-	105,158
Accelerated tax depreciation	40,702	(45)	-	40,657
Other deductible temporary differences	2,892	(576)	9,487	11,803
	178	205,549	9,487	1,964,214
Deferred income tax assets				
Tax losses carried forward	(293,720)	(94,115)	-	(387,835)
Provisions	(35,689)	(5,029)	-	(40,718)
Under provision in the year	(2)	-	-	(2)
	(329,411)	(99,144)	-	(428,555)
Net deferred income tax liability	1,419,767	106,405	9,487	1,535,659

15 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets (continued)

Year ended 31 December 2010	1.1.2010	Charge/ (Credit) to IS	Charge/ (Credit) to equity	Translation differences	31.12.2010
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities					
Property, plant & equipment					
- on revaluation surpluse					
- on historical cost	316,830	43,358	-	-	360,188
- on revaluation surplus	541,399	(7,885)	773,272	-	1,306,786
Unrealised exchange gains	30,405	8,205	-	-	38,610
Accelerated tax depreciation	40,702	-	-	-	40,702
Other deductible temporary differences	(159,215)	162,113	-	(6)	2,892
	770,121	205,791	773,272	(6)	1,749,178
Deferred income tax assets					
Tax losses carried forward	(157,090)	(136,630)	-	-	(293,720)
Provisions	(34,711)	(978)	-	-	(35,689)
Under provision in the year	(2)	-	-	-	(2)
	(191,803)	(137,608)	-	-	(329,411)
Net deferred income tax liability	578,318	68,183	773,272	(6)	1,419,767

16 RETIREMENT BENEFIT OBLIGATIONS

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

	Group	
	2011 Shs'000	2010 Shs'000
At start of year	110,835	109,174
Charge to income statement	26,138	10,115
Benefits paid	(5,284)	(8,454)
At end of year	131,689	110,835

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

	Group	
	2011 Shs'000	2010 Shs'000
Current service cost	7,991	7,399
Interest cost	11,211	10,865
Net actuarial losses/(gains) recognised in the year	6,936	(8,149)
Total, included in employee benefits expense (Note 7)	26,138	10,115

The principal actuarial assumptions used were as follows:	Group	
	2011	2010
- discount rate	13.5%	10%
- future salary increases	10%	8%

Assumptions regarding future mortality experience are set based on actuarial advice, published statistics and experience in the industry.

Five year summary:

	2011 Shs'000	2010 Shs'000	2009 Shs'000	2008 Shs'000	2007 Shs'000
Present value of defined benefit obligation	131,689	110,835	109,174	95,103	121,701

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

17 AVAILABLE FOR SALE FINANCIAL ASSET

	Group and Company	
	2011	2010
	Shs'000	Shs'000
At start of the year	216,251	55,051
Investment during the year	56,986	161,200
Total cost of investment	273,237	216,251
Reclassified under investment in associates (Note 22)	(273,237)	-
	-	216,251

Shs 161.2 million was invested by the Company in 2010 to increase its interest in the shareholding in Tourism Promotion Services (Rwanda) Limited, a company incorporated in Rwanda, from 8% to 17%. The directors designated this investment as an 'Available-for-sale financial asset' that was carried at fair value as the investment would be held for the foreseeable future.

On 30 June 2011, the Company acquired a further 3.15% shareholding from existing shareholders for an amount of Shs 56.99 million bringing the total shareholding in Tourism Promotion Services (Rwanda) Limited to 20.15%. This is now reclassified as an associate company with the profits being consolidated using the equity method. The disclosure on associates is shown on note 22.

There were no fair value gains or losses in the year (2010: Nil).

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 1 January 2010					
As previously reported					
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
Prior year adjustment	36,606	-	-	-	36,606
As restated	3,666,093	510,498	11,691	97,806	4,286,088
Year ended 31 December 2010					
Opening net book amount	3,666,093	510,498	11,691	97,806	4,286,088
Additions	1,266,769	306,322	42,618	225,282	1,840,991
Disposals	(134,793)	(10,687)	-	-	(145,480)
Transfers	16,728	33,609	1,178	(51,515)	-
Depreciation charge	(133,140)	(113,803)	(10,674)	-	(257,617)
Revaluation	2,577,570	-	-	-	2,577,570
Translation differences	(42,889)	(8,273)	(147)	(1,579)	(52,888)
Closing net book amount	7,216,338	717,666	44,666	269,994	8,248,664
At 31 December 2010					
At cost or revaluation	9,088,950	2,069,915	234,849	270,432	11,664,146
Accumulated depreciation	(1,404,998)	(1,361,571)	(167,207)	-	(2,933,776)
Translation differences	(467,614)	9,322	(22,976)	(438)	(481,706)
Net book amount	7,216,338	717,666	44,666	269,994	8,248,664

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
Year ended 31 December 2011					
Opening net book amount	7,216,338	717,666	44,666	269,994	8,248,664
Additions	124,000	299,235	35,555	323,648	782,438
Disposals	-	(1,860)	-	-	(1,860)
Transfers	292,804	24,197	-	(317,001)	-
Depreciation charge	(224,302)	(89,042)	(17,490)	-	(330,834)
Translation differences	113,554	14,862	1,290	928	130,634
Closing net book amount	7,522,394	965,058	64,021	277,569	8,829,042
At 31 December 2011					
At cost or revaluation	9,505,754	2,391,487	270,404	277,080	12,444,725
Accumulated depreciation	(1,629,300)	(1,450,613)	(184,697)	-	(3,264,610)
Translation differences	(354,060)	24,184	(21,686)	489	(351,073)
Net book amount	7,522,394	965,058	64,021	277,569	8,829,042

18 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

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

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

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

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

	Group	
	2011 Shs'000	2010 Shs'000
Cost	6,083,433	5,300,995
Accumulated depreciation	(2,084,780)	(1,753,946)
Net book amount	3,998,652	3,547,049

19 NON-CURRENT RECEIVABLES

	Company	
	2011 Shs'000	2010 Shs'000
At start of the year	141,575	-
Advanced during the year	212,280	141,575
Repayment	(353,855)	-
At end of year	-	141,575

All non-current receivables relate to advances to Tourism Promotion Services (Tanzania) Limited, a subsidiary of the Group, and were due within 5 years from the statement of financial position date but were fully repaid during the year. The interest rate on the advance was 11.8% per annum.

20 INTANGIBLE ASSET - GROUP

Goodwill	2011 Shs'000	2010 Shs'000
Cost	1,057,861	1,077,869
Impairment	-	(20,008)
Net book amount	1,057,861	1,057,861

Impairment during the year 2010 relates to the write off of goodwill relating to Samburu Serena Safari Lodge which forms part of the Kenya operating segments. This lodge was fully damaged by floods in March 2010 and has since not been operational.

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:

	2011 Shs'000	2010 Shs'000
Tourism Promotion Services (Kenya) Limited	324,643	324,643
Tourism Promotion Services (Tanzania) Limited	576,345	576,345
Tourism Promotion Services (Zanzibar) Limited	154,671	154,671
Tourism Promotion Services (Mangapwani) Limited	2,202	2,202
	1,057,861	1,057,861

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

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

Key assumptions used for value-in-use calculations:

	Kenya	Tanzania	Zanzibar
EBITDA margin1	23%	37%	37%
Growth rate2	2%	2%	2%
Discount rate3	12.3%	12.5%	12.5%

1 Budgeted EBITDA margin

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

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

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

21 INVESTMENT IN SUBSIDIARIES (AT COST)

The Company's interest in its subsidiaries (Tourism Promotion Services (Kenya) Limited – TPS(K), Tourism Promotion Services (Tanzania) Limited – TPS(T), Tourism Promotion Services (Zanzibar) Limited – TPS(Z), Tourism Promotion Services (Mangapwani) Limited – TPS(Mgp), Tourism Promotion Services (South Africa)(Pty) Limited – TPS(SA) 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 2010	828,621	1,216,768	437,423	45,795	1	-	2,528,608
Additional investment	-	271,015[1]	-	-	-	-	271,015
At 31 December 2010 and 2011	828,621	1,487,783	437,423	45,795	1	-	2,799,623
Country of Incorporation	Kenya	Tanzania	Tanzania	Tanzania	South Africa	Kenya	
% interest held – 2010 and 2011	100%	100%	100%	100%	100%	75%	

[1] TPS(T) is an owner and operator of hotel and lodge facilities in Tanzania, serving the business and tourist markets. During 2010, TPS Eastern Africa Limited invested in additional equity in TPS(T) and the funds were utilised to purchase two previously managed lodges, Mountain Village in Arusha and Mbuzi Mawe Tented Camp in Western Serengeti. The additional investment formed part of the purchase price for the two lodges while the balance of the funds were invested in TPS(T) as long term loans.

Other indirect subsidiaries include Jaja Limited (100% subsidiary of TPS(K), which owns Lake Elmenteita Serena Camp, and Upekee Lodges Limited (51% subsidiary of TPS(T)) which owns two properties; Mivumo River Lodge and Selous Luxury Camp situated in the Selous Game Reserve in Southern Tanzania.

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

22 INVESTMENT IN ASSOCIATES

	Group	
	2011 Shs'000	2010 Shs'000
At start of the year	30,718	29,630
Reclassification of 'Available-for- sale asset' (Note 17)	273,237	-
Additional investment during the year [1]	363,721	-
Share of associate results before tax [2]	27,747	415
Share of tax	(8,415)	673
Net share of results after tax	19,332	1,088
At end of year	687,008	30,718

	Company	
	2011 Shs'000	2010 Shs'000
At start of the year	-	-
Reclassification of 'Available-for- sale asset' (Note 17)	273,237	-
Additional investment during the year [1]	363,721	-
At end of year	636,958	-

[1] On 1 November 2011, the Company acquired 20% in TPS (D) Limited, a Kenyan domiciled entity which was set up as the holding company to acquire the Movenpick Hotel (now Dar es Salaam Serena Hotel) in Dar es Salaam, Tanzania. TPS (D) Limited is a 100% owner of an off shore company, TPS (Cayman) Limited (previously Kingdom 5-KR-90 Limited) which owns the Tanzanian operating company, Tanruss Investments Limited, the owner of Dar es Salaam Serena Hotel.Other shareholders in TPS (D) Limited include The Aga Khan Fund for Economic Development, S.A, PDM Holdings Limited, PROPARCO and NORFUND.

[2] In addition to the share of results of Mountain Lodges Limited for the full year, the amounts indicated also include six months share of results of Tourism Promotion Services (Rwanda) Limited from 1 July 2011 and two months share of results for TPS (D) Limited from 1 November 2011.

22 INVESTMENT IN ASSOCIATES (CONTINUED)

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

	% interest held	Assets Shs'000	Liabilities Shs'000	Revenues Shs'000	Profit Shs'000
2011					
Mountain Lodges Limited	29.90	161,483	48,864	100,494	14,231
Tourism Promotion Services (Rwanda) Limited [1]	20.15	2,412,448	982,093	1,270,957	16,766
TPS (D) Limited [2]	20.00	2,175,781	1,933,304	194,948	66,830
		4,749,712	2,964,262	1,566,399	97,828
2010					
Mountain Lodges Limited	29.90	146,067	43,000	80,072	3,639
Tourism Promotion Services (Rwanda) Limited	-	-	-	-	-
TPS (D) Limited	-	-	-	-	-
		146,067	43,000	80,072	3,639

[1] Only 6 month results of Tourism Promotion Services (Rwanda) Limited from July to December 2011 have been included in the Group income statement.

[2] Only 2 month results of TPS (D) Limited for November and December 2011 have been included in the Group income statement.

23 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011 Shs'000	2010 Shs'000	2011 Shs'000	2010 Shs'000
Trade receivables – third parties	908,639	792,641	-	-
Less: provision for impairment of receivables	(64,367)	(50,239)	-	-
Trade receivables – other related companies (Note 28)	1,981	1,682	-	-
Net trade receivables	846,253	744,084	-	-
Prepayments	115,181	38,556	-	-
Advances to related companies (Note 28)	177,576	99,001	174,838	72,403
Other receivables	497,217	105,318	390,463	7,001
	1,636,227	986,959	565,301	79,404

Notes to the Financial Statements (continued)

23 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	50,239	62,193	-	-
Provision in the year	30,378	(2,575)	-	-
Receivables written off during the year as uncollectible	(16,250)	(9,379)	-	-
At end of year	64,367	50,239	-	-

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	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
US Dollar	483,567	422,969	-	-
Euro	2,092	2,361	-	-
Sterling Pound	9,977	7,105	-	-
Kenya Shillings	1,005,573	506,181	565,301	79,404
Tanzania Shillings	135,018	48,343	-	-
	1,636,227	986,959	565,301	79,404

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000
Cash at bank and in hand	257,835	257,595	1,853	183,458
Short term bank deposits	145,279	791,652	-	540,082
	403,114	1,049,247	1,853	723,540

The weighted average effective interest rate on short-term bank deposits at the year-end was 19.0 % (2010: 8.2 %). 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	
	2011	2010
	Shs'000	Shs'000
Cash and bank balances as above	257,835	257,595
Bank overdrafts (Note 14)	(63,070)	(58,251)
	194,765	199,344

25 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2011 Shs'000	2010 Shs'000	2011 Shs'000	2010 Shs'000
Trade payables	647,568	427,747	-	-
Trade payables – related companies (Note 28)	5,179	6,363	-	-
Advances from related companies (Note 28)	48,971	252,637	-	-
Accrued expenses and other payables	437,299	518,741	4,881	5,760
	1,139,017	1,205,488	4,881	5,760

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

26 CASH GENERATED FROM OPERATIONS

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

	Group	
	2011 Shs'000	2010 Shs'000
Profit before income tax	853,133	692,933
Adjustments for:		
Net interest expense (Note 8)	109,923	136,266
Depreciation (Note 18)	330,834	257,617
Impairment of goodwill (Note 20)	-	20,008
Loss/(profit) on sale of property, plant and equipment	1,562	(81,953)
Share of profit from associates (Note 22)	(19,332)	(1,088)
Effect of currency translation	(53,857)	9,996
Changes in working capital		
- receivables and prepayments	(649,268)	(83,963)
- inventories	(75,812)	(32,875)
- payables and accrued expenses	(66,471)	594,190
- provisions for liabilities and charges	20,854	1,661
Cash generated from operations	451,566	1,512,792

27 NON CONTROLLING INTEREST

	2011 Shs '000	2010 Shs '000
At start of the year	97,213	-
On investment by minority shareholder	52,522	111,882
Share of loss for the year	(52,880)	(14,669)
At end of year	96,855	97,213

In 2010, Tourism Promotion Services (Tanzania) Limited, a 100% subsidiary of the TPS Eastern Africa Limited, invested in the purchase of 51% equity in Upekee Lodges Limited (ULL) while 49% was invested by Export Holdings Limited, a company that owned two lodges in the Selous Game Reserve in Southern Tanzania. The proceeds from both shareholders were used to purchase assets of the two lodges, now owned and managed under Upekee Lodges Limited. Upekee Lodges Limited is incorporated in Tanzania and has the same year end as the Company.

28 RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

	Group	
i) Sale of goods and services to:	2011 Shs'000	2010 Shs'000
Mountain Lodges Limited	8,586	7,946
Diamond Trust Bank Kenya Limited	5,596	5,490
Farmer's Choice Limited	-	7
Frigoken Limited	1,074	315
The Jubilee Insurance Company Limited	5,296	4,127
TPS (Uganda) Limited	28,280	23,421
Tourism Promotion Services (Rwanda) Limited	26,904	22,861
Hoteis Polana, S.A.	24,465	9,417
Nation Media Group	4,236	5,232
Industrial Promotion Services (Kenya) Limited	1,099	869
Directors & key management	3,690	2,380
ii) Purchase of goods and services from:		
Farmer's Choice Limited	89,670	62,235
The Aga Khan Hospital (Tanzania) Limited	602	-
Premier Food industries Limited	-	15
The Jubilee Insurance Company Limited	6,993	4,025
Diamond Trust Bank Tanzania Limited	5,407	-
Serena Tourism Promotion Services, S.A.	189,455	147,123
Nation Media Group	1,341	400

28 RELATED PARTY TRANSACTIONS (CONTINUED)

iii) Key management compensation

	Group 2011 Shs'000	Group 2010 Shs'000
Salaries and other short-term employment benefits	150,893	157,167

iv) Directors' remuneration

	Company 2011 Shs'000	Company 2010 Shs'000
Fees for services as a non-executive director	1,070	1,250
Emoluments to executive directors (included in key management compensation above)	70,172	58,812
Total remuneration of directors of the Company	71,242	60,062

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

	Group 2011 Shs'000	Group 2010 Shs'000
Trade receivables from related parties:		
Nation Media Group	-	932
Industrial Promotion Services (Kenya) Limited	-	88
The Jubilee Insurance Company Limited	1,981	662
	1,981	1,682
Other receivables from related parties:		
Mountain Lodges Limited	1,500	694
TPS (Uganda) Limited	10,766	5,921
Hoteis Polana, S.A.	97,553	69,430
Tourism Promotion Services (Rwanda) Limited	1,308	16,109
Arusha Duluti Mountain Village	-	267
Ol Pejeta Ranching Ltd - Hotel Division	15,238	5,403
Serena Tourism Promotion Services S.A.	3,131	-
Tourism Promotion Services (Burundi) S.A.	2,822	1,177
Tanruss Investment Limited	38,081	-
TPS (D) Limited	7,177	-
	177,576	99,001
	179,557	100,683

Notes to the Financial Statements (continued)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Company	
	2011	2010
	Shs'000	Shs'000
Other receivables from related parties:		
Tourism Promotion Services (Kenya) Limited	91,611	4,692
Tourism Promotion Services (Tanzania) Limited	74,392	49,152
Tourism Promotion Services (Zanzibar) Limited	8,816	18,540
Tourism Promotion Services (Management) Limited	19	19
	174,838	72,403

	Group	
	2011	2010
	Shs'000	Shs'000
Trade payables to related parties:		
Farmer's Choice Limited	4,938	6,048
Nation Media Group	-	103
The Jubilee Insurance Company Limited	241	212
	5,179	6,363
Other payables to related parties:		
Mountain Lodges Limited	149	166
TPS (Uganda) Limited	20,970	15,862
Hoteis Polana, S.A.	578	251
Tourism Promotion Services (Rwanda) Limited	26,978	37,554
Export Holdings Limited	-	198,804
Ol Pejeta Ranching Limited - Hotel Division	76	-
Tanruss Investment Limited	192	-
TPS (D) Limited	28	-
	48,971	252,637
	54,150	259,000

vi) Loans to directors of the Company

	2011	2010
	Shs'000	Shs'000
At start of year	1,076	1,696
Loans advanced	57	102
Loan repayments received	(725)	(722)
At end of year	408	1,076
Less: current portion	(408)	(669)
Non-current portion	-	407

28 RELATED PARTY TRANSACTIONS (CONTINUED)

vi) Loans to directors of the Company (continued)

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

	Amount	Term	Security	Interest rate
2011	Shs'000	Years	Shs'000	
Loan balance	408	5	4,392	8%
2010				
Loan balance	1,076	5	4,392	8%

No provisions for impairment losses have been required in 2010 and 2011 for any related party receivables

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

29 CONTINGENT LIABILITIES

At 31 December 2011, Tourism Promotion Services (Kenya) Limited had given guarantees amounting to Shs 6,389,000 (2010: 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.

30 COMMITMENTS

Capital commitments

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

	Group	
	2011	2010
	Shs'000	Shs'000
Property, plant and equipment	-	-

Operating lease commitments	Group	
	2011	2010
	Shs'000	Shs'000
Not later than 1 year	4,359	3,998
Later than 1 year and not later than 5 years	7,237	5,396
Later than 5 years	49,115	50,113
	60,711	59,507

Notes

Proxy Form

TPS EASTERN AFRICA LIMITED

I/We ______________________________

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

of ______________________________ and failing him, ______________________________

of ______________________________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday 29 May 2012 at 11.00 a.m. and at any adjournment thereof.

No. of shares held: ______________________________ Account number: ______________________________

Signed this ______________________________ day of ______________________________ 2011

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, 8 floor, Transnational Plaza, Mama Ngina Street, P. O. Box 9287-00100, GPO, Nairobi, Kenya, not later than 25 May, 2012 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 kufika ______________________________

Kutoka ______________________________ kama wakala wangu/wetu kupiga kura kwangu/kwetu na kwa niaba yangu/ sisi wakati wa mkutano wa pamoja wa mwaka wa kampuni utakaofanyika Mei 29 2012 kuanzia saa tano asubuhi au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ______________________________ nambari ya akaunti

Imetiwa sahihi ______________________________ Tarehe ______________________________ 2012

Sahihi ______________________________

Sahihi ______________________________

MUHIMU

1) Kwa hiari yako unaweza kumteua Mwenyekiti wa Mkutano kuwa wakala wako
2) Ili kuwa halali, fomu hii ya uwakilishi LAZIMA irudishwe kwa msajili wa hisa za kampuni, Image Registrars, orofa ya nane Jumba la Transnational Plaza, barabara ya Mama Ngina SLP 9287-00100, GPO, Nairobi,Kenya kabla ya Mei 25 2012 saa tano asubuhi.
3) Si lazima kwa mtu aliyeteuliwa kama wakala kuwa mwanachama wa kampuni
4) Endapo mwanachama atakuwa kampuni/shirika, fomu hii ya uwakilishi LAZIMA ijazwe na kupigwa mhuri wake rasmi na afisa au kutiwa sahihi na wakili aliyeruhusiwa kwa njia ya kuandika.
5) Endapo umiliki utakuwa wa pamoja, sahihi ya mmoja wao itatosha lakini majina ya wamiliki wote yaonyeshwe.

SERENA HOTELS
SAFARI LODGES • HOTELS • RESORTS

FOLD 1 / KUNJA 1

Please afix
Stamp here

Bandika
Stampu Hapa

IMAGE REGISTRARS

8th Floor (**Orofa ya nane**), Transnational Plaza,
Mama Ngina Street (**Barabara ya**)
P.O. Box (S.L.P.) 9287-00100 GPO
Nairobi, Kenya

FOLD 2 / KUNJA 2

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………..

SERENA HOTELS
SAFARI LODGES • HOTELS • RESORTS

Cover Photograph of Lake Elmenteita Serena Camp