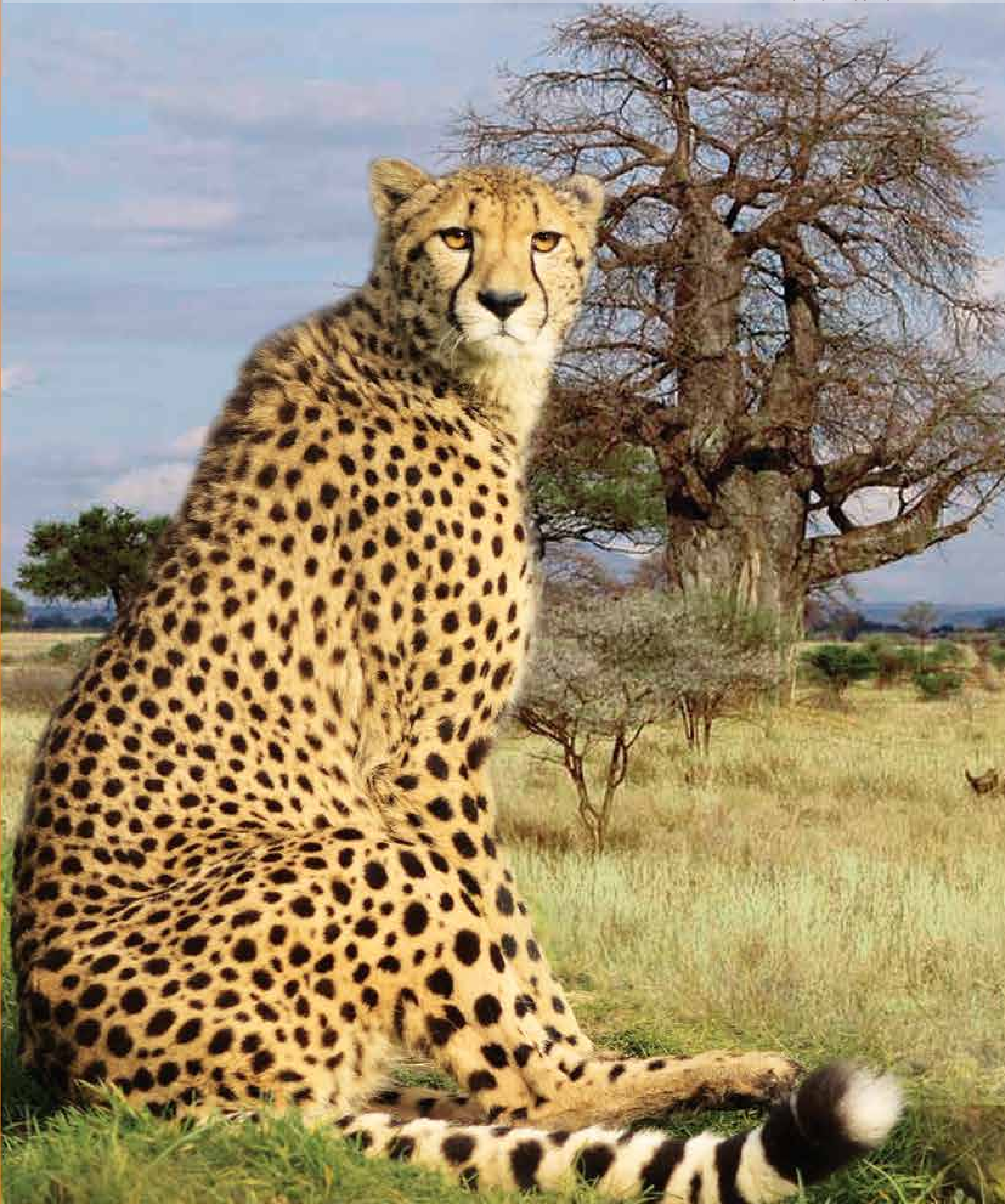
2012 Annual Report and Accounts

TPS EASTERN AFRICA LIMITED

SERENA HOTELS
SAFARI LODGES AND CAMPS
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
Jean-Louis Vinciguerra*
Mseli Abdallah**** (Alternate to Dr. Ramadhani Dau)
Kabir Hyderally***
Mahmood Pyarali Manji
Guedi Ainache*
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	Director of Projects E.A.

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

Daniel Kangu	General Manager	- Nairobi Serena Hotel
Tuva Mwahunga	General Manager	- Serena Beach 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
Nickson Kanyika	Manager	- Mivumo River Lodge and Selous Luxury Camp

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

Charles Mbuya	General Manager	- Zanzibar Serena Inn

TPS (UGANDA) LIMITED [TPS (U)]

Anthony Chege	General Manager	- Kampala Serena Hotel, Uganda

OTHER MANAGED PROPERTIES

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

Operating Subsidiaries and Properties

TOURISM PROMOTION SERVICES (KENYA) LIMITED
Nairobi Serena Hotel
Serena Beach 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
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

TPS (UGANDA) LIMITED
Kampala Serena Hotel - Uganda

Operating Associated Companies and Properties

MOUNTAIN LODGES LIMITED (30%)
Serena Mountain Lodge

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

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

Other Corporate Information

REGISTERED OFFICE
4th Floor, Williamson House
4th Ngong Avenue
P.O. Box 48690-00100
Nairobi, Kenya
Telephone 254 (20) 2710511/2842000
Fax: 254(20) 2718100/1
E-mail: admin@serena.co.ke
Website: www.serenahotels.com

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

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

REGISTRAR
Image Registrars Limited
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 Forty First Annual General Meeting of the Company will be held at the Kenyatta International Conference Centre, Nairobi, on 30th May 2013, at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Fortieth Annual General Meeting held on 29th May 2012 and the Extraordinary General Meeting held on 11th January 2013.

2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2012, together with the Directors' and Auditors' Reports thereon.

3. To approve payment of a final dividend for 2012 of Kshs. 1.30 per share, subject to withholding tax, where applicable, to the Members on the Register at the close of business on 30th May 2013. However, 41,252,568 new shares for the acquisition of up to 79.19% of TPS (Uganda) Limited's shares will not qualify for the year 2012 dividend. Payment of the dividend to be made on or about 20th June 2013.

4. To elect Directors:

(a) Mr. Jean-Louis Vinciguerra retires by rotation in accordance with Article No. 111,112 &113 of the Company's Articles of Association and being eligible, offers himself for re-election.
(b) Mr. Kabir Hyderally 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) Dr. Ramadhani Dau 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.

5. To approve the Directors' remuneration for 2012.

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 2012 and to authorise the Directors to fix the Auditors' remuneration for 2013.

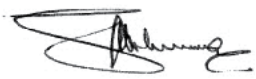
8. To transact any other ordinary Business of an Annual General Meeting.

SPECIAL BUSINESS

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

"THAT on the basis of the recommendation of the Board, 100% acquisition of TPS (OP) Limited as a special purpose vehicle by Tourism Promotion Services (Kenya) Limited to own and manage Sweetwaters Tented Camp and Olpajeta House in line with the Group's business diversification strategy be and is hereby ratified".

By Order of the Board.



D.K. Ng'ang'a
COMPANY SECRETARY

Dated at Nairobi this 08 April, 2013

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 26 May 2013.

Notisi Kuhusu Mkutano Wa Pamoja Wa Mwaka

Notisi inatolewa hapa kwamba, mkutano mkuu wa 41 wa pamoja wa mwaka wa Kampuni utafanyika katika jumba la Kenyatta International Conference Centre, Nairobi, Mei 30, 2013 kuanzia saa nane unusu ili kuangazia maswala yafuatayo ya kibiashara:

SHUGHULI ZA KAWAIDA:

1. Kuthibitisha kumbukumbu za mkutano wa 40 wa pamoja wa mwaka uliofanyika Mei 29, 2012 pamoja na Mkutano wa pamoja usio wa kawaida uliofanyika Januari 11, 2013.

2. Kupokea, kuzingatia na endapo itakubalika, kupitisha hesabu ya mapato na matumizi ya pesa kwa kipindi cha mwaka uliomalizika Desemba 31, 2012 pamoja na ripoti kutoka kwa wakurugenzi na wakaguzi wa pesa.

3. Kupitisha malipo ya mwisho ya mgawo wa faida ya mwaka 2012 ya Kshs. 1.30 kwa kila hisa kwa kutegemea ushuru ulioshikiliwa pale inapohitajika kwa wanachama ambao majina yao yatakuwa kwenye sajili kufikia Mei 30, 2013. Lakini, hisa 41,252,568 za umiliki wa hadi asilimia 79.19 wa hisa za TPS (Uganda) Limited, hazitashirikishwa kwenye mgawo wa faida wa mwaka 2012. Malipo ya mgawo wa faida yatolewe kabla ya Juni 20, 2013.

4. Kuwachagua wakurugenzi:

a) Bw. Jean-Louis Vinciguerra anastaafu kwa zamu kwa mujibu wa vifungu nambari 111, 112 na 113 vya sheria za kampuni na kwa kuwa hali inamruhusu, anajitokeza ili kuchaguliwa tena.
b) Bw. Kabir Hyderally anastaafu kwa zamu kwa mujibu wa vifungu nambari 111, 112 na 113 vya sheria za kampuni na kwa kuwa hali inamruhusu, anajitokeza ili kuchaguliwa tena.
c) Dkt. Ramadhani Dau anastaafu kwa zamu kwa mujibu wa vifungu nambari 111, 112 na 113 vya sheria za kampuni na kwa kuwa hali inamruhusu, anajitokeza ili kuchaguliwa tena.

5. Kupitisha marupurupu ya wakurugenzi ya mwaka 2012.

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 2012 na kuwaruhusu wakurugenzi kuamua malipo yao ya pesa mwaka 2013.
8. Kuendesha shughuli nyingine zozote zinazohusiana na mkutano mkuu wa pamoja wa Mwaka.

SHUGHULI MAALUMU

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

"KWAMBA kwa msingi wa pendekezo kutoka kwa Halmashauri, asilimia mia moja (100%) ya umiliki wa TPS (OP) Limited kama chombo maalumu cha Tourism Promotion Services (Kenya) Limited cha kumiliki na kusimamia Sweetwaters Tented Camp na Olpajeta House kufungamana na mkakati wa kampuni wa upanuzi iwe na ipitishwe".

Kwa Amri ya Halmashauri

D.K. Ng'ang'a
KATIBU WA KAMPUNI

Imenukuliwa Nairobi Aprili 8, 2013.

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 ripori hii kujazwa kikamilifu na kutiwa sahihi na mwanachama na kupokelewa kupitia ofisi ya msajili wa kampuni iliyosajiliwa kabla ya saa tano asubuhi Mei 26, 2013.

Chairman's Statement

MR. FRANCIS OKOMO-OKELLO
Chairman

On behalf of the Board of Directors of TPS Eastern Africa Limited (TPSEAL/the Company/ the Group), I am delighted to present to you the Annual Report and Financial Statements of the Company for the year ended 31st December 2012.

During the year 2012, TPSEAL faced challenging times on the business front due to a combination of factors, such as, the consequences of the Euro Zone crisis, increased energy costs, fragile security and political environments, travel advisories and other forms of security alerts issued by foreign government agencies. However, I am pleased to report that, notwithstanding the challenges, the Company managed to meet its financial commitments, maintain market share, maintain the assets in good condition so as to avoid compromising standards of product and service and has implemented efficiency measures to reduce energy, procurement and general operating costs without sacrificing operating standards.

During the year under review, the Group achieved a turnover of KShs. 5.3 billion (2011: KShs. 5.5 billion), a decline of 2.2% and achieved a Profit Before Tax of KShs. 722 million (2011: KShs. 853 million), a 15.4% decline. It is noteworthy that the total Management fees received by TPSEAL from TPS (Uganda) Limited, Tourism Promotion Services (Rwanda) Limited TPS (R), Tanruss Investment Limited (TIL) and Hoteis Polana S.A. for the year 2012 was equivalent to KShs. 167.6 million (2011: KShs. 73.4 million – excludes Management Fees from TIL). Taking all factors into account, the Company's performance for the year 2012 is salutary.

It will be recalled that following the success of Serena's regionalization strategy and in an effort to diversify the Company's revenue stream, TPS (R) and Dar es Salaam Serena Hotel TPS (D) acquired the status of "Associated Companies" of TPSEAL, effective 1st July 2011 and 1st November 2011, respectively. Thus, the period under review marks the first complete year that TPSEAL has consolidated 20.15% of TPS (R) and 25.1% of TPS (D) results.

The Group continued to be a significant contributor to the revenues of the governments of Kenya and Tanzania. The Group paid, in aggregate, the equivalent of KShs 1,084 million (2011: KShs 1,075 million) in direct and indirect taxes and equivalent of KShs 189 million (2011: KShs 199 million) to local authorities in royalty/rent payments in the various jurisdictions during 2012.

In view of the favourable results, the Board of Directors is pleased to recommend for approval the payment of a final dividend for year 2012 of KShs 1.30 per share subject to payment of withholding tax, where applicable. The dividend will be payable on or about June 20, 2013 to members on the Register at the close of business on May 30, 2013. As further noted below, on 11th January 2013, shareholders approved the acquisition of TPS (Uganda) Limited by swapping up to 41,252,568 shares of TPSEA which would give up to 79.19% interest in TPS (Uganda) Limited. The new shares will not qualify for the year 2012 dividend.

Whilst during the period under review, the corporate market segment performed

Room interior at Sweetwaters Tented Camp

The new 'Morani Wing' at Sweetwaters Tented Camp satisfactorily as the majority of clientele in this segment are locally or regionally based, tourist arrivals to destination Kenya declined significantly due to the challenges mentioned earlier. This led to the Kenya safari circuit suffering quite heavily as most itineraries were either cancelled or scaled down during the first six months and unfortunately we did not see any major recovery during the summer period. Furthermore, the reduction in charter loads and hence cancellation of some charters to Mombasa during the year 2012 did not help.

The Mara region for the first time in many years, recorded challenging business levels and it was unfortunate that during a time when the properties in the Mara were trying to maximize on every opportunity to increase sales, the poor road conditions became a serious hindrance during the rainy season thereby further negatively impacting business levels. It is encouraging to note that the refurbishment of the public areas at Mara Serena Safari Lodge due for completion in June 2013 have been well received by suppliers of business and will position the Lodge as the best available in its category.

The strengthening of the TPS (K) safari circuit in July 2011 with the addition of Lake Elmenteita Serena Camp has been well received and the property has recorded a fast growth in its repeat clientele base.

Demand for Serena Tanzania in the year 2012 was satisfactory with positive growth recorded, however the rate of growth was not as buoyant as expected due to the challenges associated with the uncertain global economic outlook, the establishment of new properties outside the parks and loss of business ex Zanzibar and Mombasa which made the business landscape more difficult. Business outlook for the year 2013 for Serena Tanzania is positive due to the robust investment opportunities and the leisure market continues to perceive Tanzania as a preferred safari destination.

The entry of the Serena Brand into Dar es Salaam in November 2011 has resulted in increased business levels. The performance of (TPS (D)), an Associate Company of TPSEAL, during the year 2012 was encouraging and above the feasibility study projections thereby contributing positively to TPSEAL results. The performance of Selous properties continues to improve albeit below expected levels and efforts are continuing to aggressively market the Selous properties.

Business levels in Zanzibar during 2012 was rather challenging due to the impact of the Euro Zone crisis, reduced charter load ex Mombasa and it took quite a while for tourists to return to Zanzibar after the demonstrations in early 2012. The recent faith-based violence (attacks on priests and churches) in Zanzibar is of great concern. Management continues to aggressively market a more experiential Zanzibar itinerary (beach-historical-cultural aspects within Stone Town) to make the destination more appealing for the leisure client; a development which has helped to gradually increase the leisure traffic and was complemented by increased business levels from the local East African resident and corporate market segments. The expanded and upgraded Zanzibar International Airport has led to an increase in the number of international flights to Zanzibar.

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. Management continues to carry out sales and marketing campaigns, attending trade fairs and promotional activities with special packages developed to increase occupancies from various source markets including

Room interior at Kampala Serena Hotel

Kampala Serena Hotel

the new and emerging markets such as in Middle East, India, China, Russia, Japan and Brazil. Serena continued with the 'Alternative Markets Strategy' adopted at the beginning of the year 2012 to supplement the gap created by the drop in business emanating from the European source markets. This has seen a general increase in business levels for TPSEAL from Africa, Asia and America.

During the period under review, the domestic market segment and the East African corporate sector has assisted to bridge the drop in bookings from the traditional European source markets.

In line with the Company's policy to invest in existing properties, the Company implemented renovations and refurbishments at: Serena Beach Hotel & Spa - 16 Village Wing bedrooms completed in December 2012; Sweetwaters Tented Camp - opened the new "Morani Wing" with 11 new tents on 1st July 2012; and phased bedroom rehabilitation at Ngorongoro Serena Safari Lodge and Serengeti Serena Safari Lodge during the period under review which have been received well by the guests. Mara Serena Safari Lodge public areas upgrade is expected to be completed in June 2013.

Following the Extra Ordinary General Meeting held on 11th January 2013 at which the Shareholders approved the acquisition of up to 79.19% of TPS (Uganda) Limited, effective that date the Company achieved a strategic milestone in line with its diversification strategy by acquiring majority interest in TPS (Uganda) Limited. This indeed re-enforces TPSEAL's status as a truly East African holding Company with interests in the East African countries. The regional 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 in the medium to long-term and in the process affording TPSEA current and future shareholders higher returns.

During the year under review, Serena Hotels are proud to have won the 2012 coveted African Business Award in the "Best Hospitality, Travel and Tourism in Africa" category and was recognized for "branding its Country or Region as an attractive tourism destination in Africa, ultimately benefitting the African tourism industry and the Continent as a whole". The criteria for the award also cited Serena's respect for "local communities and of cultural, historical and environmental heritage". Serena Hotels were also honoured with awards and accolades from: SGS Certification after monitoring its hygiene standards; Travel + Leisure, a leading international travel publication; at the Conde Nast Travellers Choice Awards; World Travel Awards 2012-2013; International Hotel Awards 2011- 2012; and The Business Initiative Direction, Geneva 2012 Gold category of International Prize Award for Star Quality.

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 17 of this Annual Report.

The Board and Management remain confident that notwithstanding the challenging but promising business environment, the Company has the business resilience to continue to focus on it's long-term growth prospects, thus maintaining its leading position in the industry.

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 2012 would not have been achieved. I would also like to acknowledge, with appreciation, the invaluable support which I continue to receive from my colleagues on the Board and which has helped to steer the Group's business activities and strategies successfully during year 2012.

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, even though there remains a lot to be done in terms of improving the supportive infrastructure and promoting East Africa as a must visit tourist destination, I wish to thank the Governments within the East African Region for facilitating the growth of the tourism industry, and also the various regulatory authorities as well as the other stakeholders for their continued catalytic support which is critical for the sustained growth of the industry across the region.

Francis Okomo-Okello
CHAIRMAN

Taarifa ya Mwenyekiti

MR. FRANCIS OKOMO-OKELLO
Mwenyekiti

Kwa niaba ya Halmashauri ya wakurugenzi wa TPS Eastern Africa Limited (TPSEAL/ Kampuni/ Kundi), nina furaha kuwatangazia ripoti ya mwaka pamoja na taarifa kuhusu matumizi ya pesa ya Kampuni kwa kipindi cha mwaka uliomalizika Desemba 31, 2012.

Wakati wa kipindi cha Mwaka 2012, TPSEAL ilikumbana na vipindi vya changamoto nyingi katika biashara zake kutokana na mkusanyiko wa hali mbali mbali kama vile athari za wasi wasi katika kanda ya bara ulaya, kuongezeka kwa gharama za kawi, usalama hafifu na mazingira ya kisiasa, tahadhari zilizotolewa kwa wasafiri na aina nyingine za tahadhari za usalama zilizotolewa na mawakala wa serikali za kigeni. Hata hivyo, nina furaha kuripoti kwamba, licha ya changamoto hizi, kampuni iliweza kutimiza wajibu wake kifedha ,kudumisha nafasi yake katika soko, kudumisha raslimali zake katika hali nzuri , kujiepusha kuathiri viwango vya bidhaa zake na huduma na kubuni njia zinazofaa ili kupunguza gharama za kawi, uagizaji wa bidhaa na uendeshaji shughuli bila kuathiri viwango vya utekelezaji kazi.

Wakati wa kipindi hiki cha mwaka unaoangaziwa, Kundi lilipata jumla ya Shilingi bilioni 5.3 (mwaka 2011 bilioni 5.5) hili likiwa ni punguko la asilimia 2.2 (2.2%) na kupata faida kabla ya ushuru ya shilingi milioni 722 (2011 milioni 853) hili likiwa punguko la asilimia 15.4 (15.4%). Ni muhimu kufahamu kwamba, jumla ya ada za usimamizi zilizopokelewa na TPSEAL kutoka TPS (Uganda) Limited na Tourism Promotion Services (Rwanda) Limited, Tanruss Investment Limited (TIL) na Hoteis Polana S.A kwa kipindi cha mwaka 2012 ilikuwa sawa na shilingi milioni 167.6 (mwaka 2011 milioni 73.4 bila kujumuisha ada kutoka TIL). Kwa kuzingatia hali zote, matokeo ya kampuni mwaka 2012 yalikuwa bora.

Itakumbukwa kwamba, kufutia kufaulu kwa mkakati wa Serena katika kanda na kupitia juhudi za kupanua njia za mapato kwa kampuni, TPS (R) na TPS (D) zilipokea hadhi "kampuni tanzu'' (Associated Companies) za Serena kuanzia Julai Mosi mwaka 2011 na Novemba mosi mwaka 2011 mtawalia. Kwa hivyo, kipindi cha mwaka unaongaziwa kinatimiza mwaka mmoja tangu TPSEAL ilipojumuisha kwa pamoja asilimia 20.15 (21.15%) ya matokeo ya TPS (R) na asilimia 25.1 (25.1%) ya TPS (D).

Kundi limebakia kuwa mchangiaji mkuu katika hazina za serikali za Kenya na Tanzania. Kwa wastani , kundi lililipa kiwango sawa na shilingi milioni 1,084 (2011 milioni 1,075) pesa za Kenya kwa ushuru wa moja kwa moja au usio wa moja kwa moja na kiwango kingine sawa cha shilingi milioni 189 (2011 milioni 199) kwa mabaraza ya serikali za wilaya kama ada ya uhusiano mwema /ukodishaji katika miliki mbali mbali mwaka 2012.

Kufuatia matokeo haya ya kufana, Halmashauri ya wakurugenzi ina furaha kupendekeza mgawo wa faida wa Kshs. 1.30 kwa kila hisa baada ya kupitishwa wa mwaka 2012 kwa kutegemea kulipwa ushuru ulioshikiliwa pale inapohitajika. Malipo ya mgawo wa faida yatatolewa kabla au kufikia Juni 20, 2013 kwa wanachama ambao majina yao yatakuwa kwenye sajili kufikia Mei 30, 2012. Mnamo Januari 11, 2013, wanahisa walipitisha umiliki wa TPS (Uganda) Limited baada ya kubadilishana hisa 41, 252, 568 za TPSEA ambazo zingetoa hadi asilimia 79.19 ya riba kwa TPS (Uganda) Limited. Hisa hizi hazitashirikishwa kwenye mgawo wa faida wa mwaka 2012. Katika kipindi hiki cha mwaka unaoangaziwa, kitengo cha masoko ya mashirika kilifanya vyema kutokana na idadi ya wateja wa humu nchini au kanda. Idadi ya watalii waliozuru Kenya ilipungua kutokana na sababu zilizotajwa hapo awali. Hii ilisababisha mikondo ya safari za watalii kuathirika sana kwani safari nyingi zilifutiliwa au kupunguzwa wakati wa kipindi cha miezi 6 ya kwanza.

Kwa bahati mbaya, hatukuweza kuona imariko lolote la maana wakati wa majira ya joto. Zaidi ya hayo, kupunguka kwa safari za ndege na kupelekea kufutuliwa kwa baadhi ya safari za ndege kwenda Mombasa wakati wa kipindi cha mwaka 2012 hakukusaidia.

Kwa mara ya kwanza baada ya kipindi cha muda wa miaka mingi, eneo la Mara lilikumbana na changamoto za viwango vya biashara na ilikuwa hali ambayo haikuridhisha wakati raslimali zilizoko Mara zilikuwa zikijaribu kutumia nafasi yoyote iliyojitokeza kuongeza biashara zake. Hali mbaya ya barabara ilikuwa kikwazo kikubwa wakati wa msimu wa mvua na kuathiri zaidi viwango vya biashara. Inatia moyo kufahamu kwamba, ukarabati wa maeneo ya umma katika hoteli ya Mara Serena Safari Lodge ambao unatarajiwa kukamilika Juni 2013 umepokelewa vyema na washika dau kwenye biashara na utaiweka hoteli katika nafasi bora zaidi katika kitengo chake.

Uimarishaji wa miondo ya safari ya TPS (K) mwezi Julai mwaka 2011 na kuongezwa kwa kampi ya Lake Elmentaita Serena Camp kumepokelewa vyema na raslimali hii imesajili ukuaji wa kasi kwa wateja wanaozuru mara kwa mara.

Mahitaji ya Serena huko Tanzania mwaka 2012 yamekuwa ni ya kuridhisha huku kukiwa na ukuaji mzuri. Hata hivyo, kiwango cha ukuaji hakikuwa cha kufurahisha kama ilivyotarajiwa kutokana na changamoto zilizotokana na mtazamo wa uchumi ambao haukuwa na uhakika kiuchumi duniani. Kuanzishwa kwa raslimali mpya nje ya mbuga ya wanyama pori na upungufu wa biashara maeneo ya Zanzibar na Mombasa pia kulipelekea mazingira ya biashara kuwa mangumu. Mtazamo wa biashara wa Serena Tanzania mwaka 2013 unaonekana kuwa mzuri kutokana na nafasi za uwekezaji imara huku soko la starehe likiashiria Tanzania kama kituo kinachopendelewa kwa safari.

Kuingia kwa sura ya Serena Dar es Salaam mwezi Novemba mwaka 2011 kumepelekea kuongezeka kwa viwango vya biashara. Matokeo ya Dar es Salaam Serena Hotel (TPS (D)) ambayo ni kampuni tanzu ya TPSEAL mwaka 2012 kulitia moyo zaidi malengo ya utafiti uliofanywa na hivyo kuchangia vyema kwa matokeo ya TPSEAL. Matokeo ya raslimali za Selous yanaendelea kuimarika licha ya viwango vya chini vinavyotarajiwa. Hata hivyo, juhudi kubwa zinafanywa ili kuvumisha soko la raslimali za Selous.

Viwango vya biashara Zanzibar mwaka 2012 vilikumbwa na changamoto kutokana na athari za wasi wasi kanda ya bara Uropa, kupungua kwa safari za ndege kutoka Mombasa na ilichukua muda kabla ya watalii kurejea Zanzibar baada ya kutokea kwa maandamano mwaka 2012. Ghasia za hivi majuzi za kidini (mashambulizi dhidi ya wahubiri na makanisa) Zanzibar zinazua wasi wasi. Usimamizi unaendelea kwa dhati kutangaza mandhari halisi za Zanzibar (fuo za bahari- maeneo ya kihistoria, swala la utamaduni katikati mwa mji huu) ili kufanya kituo hiki kuvutia mteja anayetaka kustarehe zoezi ambalo kwa taratibu limesaidia kuongezeka kwa idadi ya watalii na kuchochewa zaidi na kuongezeka kwa viwango vya biashara kutoka kwa wakazi wa eneo la Afrika Mashariki na soko la mashirika. Kupanuliwa na kuimarishwa kwa sura ya uwanja wa kimataifa wa ndege wa Zanzibar, kumepelekea kuongezeka kwa idadi ya ndege zinazotua Zanzibar.

Kufungamana na mazingira ya utelekezaji biashara, kumekuwa na ongezeko la nyumba za kulala kwenye mji wa Nairobi, nje na ndani ya hifadhi za wanyama pori na kusababisha kuchipuka kwa ushindani mkali. Hili likisalia kuwa changamoto, kupitia mbinu dhabiti za utangazaji, usimamizi umepata mafanikio katika kitengo cha usafiri kwa kuangazia utoaji wa thamani badala ya kupunguza bei.

Usimamizi unazidi kufanya kampeini za mauzo na utangazaji , kuhudhuria maonyesho ya kibiashara na shughuli za matoleo maalumu ili kuongeza idadi ya wageni kutoka vituo vya masoko yakiwemo mapya yanayoibuka kama vile Mashariki ya kati, India, Uchina, Urusi, Ujapan na Brazil. Serena iliendelea na "mkakati wa masoko mbadala'' (Alternative Markets Strategy) ulioanzishwa mapema mwaka 2012 ili kujaza nafasi ya pengo lilioachwa wazi baada ya kupungua kwa biashara kutoka masoko ya bara ulaya. Hali hii imeshuhudia kuongezeka kwa jumla ya viwango vya biashara ya TPSEAL katika bara Afrika, Asia na Amerika.

Wakati wa kipindi kinachoangaziwa, kitengo cha soko la mashirika humu nchini na Afrika mashariki kimesaidia kupunguza pengo la watalii kutoka masoko ya kawaida ya uropa.

Kufungamana na sera zake za kuwekeza katika raslimali zilizoko ,kampuni ilitekeleza zoezi la ukarabati na urekebishaji wa hoteli za Serena Beach & Spa- vyumba 16 vya kulala katika Village Wing uliokamilika Desemba 2012; Sweewaters Tented Camp – ilifungua kitengo kipya kwa jina '' New Morani Wing'' ikiwa na hema 11 mpya Julai mosi 2012 na kukarabati vyumba vya kulala katika Ngorongoro Serena Safari Lodge na Serengeti Serena Safari Lodge wakati wa kipindi hiki cha mwaka unaongaziwa. Ukarabati huu umepokelewa vyema na watalii. Uimarishaji wa maeneo ya umma katika Mara Serena Safari Lodge unatarajiwa kukamilika mwezi Juni 2013.

Kufuatia mkutano mkuu wa pamoja usio wa kawaida uliofanyika Januari 11, 2013 ambapo wanahisa waliidhinisha umiliki wa hadi asilimia 79.19 (79.19%) TPS (Uganda) Limited kuanzia tarehe hiyo, kampuni iliafikia ufanisi wa mkakati wake wa upanuzi kwa kumiliki nafasi kubwa katika TPS (Uganda) Limited. Bila shaka, hali hii inainua hadhi ya TPSEAL kama kampuni mlezi Afrika mashariki kwa kuwa na umiliki mkubwa katika mataifa haya. Uwekezaji katika kanda hii utasambaza hatari za uwekezaji na kuwepo kwa matokeo ya kufana yaliyobashiriwa ya TPS (U), umiliki wake unatarajiwa kuimarisha faida na mapato ya kila hisa ya pamoja ya TPSEAL kwa kipindi kifupi na kirefu na wakati huo kuwawezesha wanahisa wa sasa na wa siku zijazo wa TPSEAL kupata mapato ya juu.

Wakati wa kipindi hiki cha mwaka unaoangaziwa, hoteli za Serena zilikuwa na fahari ya kupokea tuzo la kibiashara la ''2012 coveted African Business Award'' katika kitengo cha '' best Hospitality, Travel and Tousrism in Africa'' na ilitambuliwa kwa kuweka alama ya taifa lake au kanda kama kituo cha kuwavutia watalii barani Afrika na hivyo kufaidi biashara ya Utalii wa kiafrika na bara nzima kwa jumla''. Mfumo wa uzawadiaji pia ulitambua heshima ya Serena kwa '' jamii ya humu nchini na utamaduni, historian a urathi wa mazingira''. Hoteli za Serena pia zilitunukiwa zawadi na tuzo kutoka; SGS baada ya kuthibitisha na kutathmini viwango vya usafi; Travel + Leisure jarida linaloongoza la kimataifa kuhusu usafiri; katika 'Conde Nast Travellers Choice awards' tuzo la world Travel la mwaka 2012-2013 , tuzo la kimataifa la International Hotel Awards 2011-2012 na tuzo la Business Initiative Direction , Geneva 2012 Gold category of International Prize Award for Star Quality.

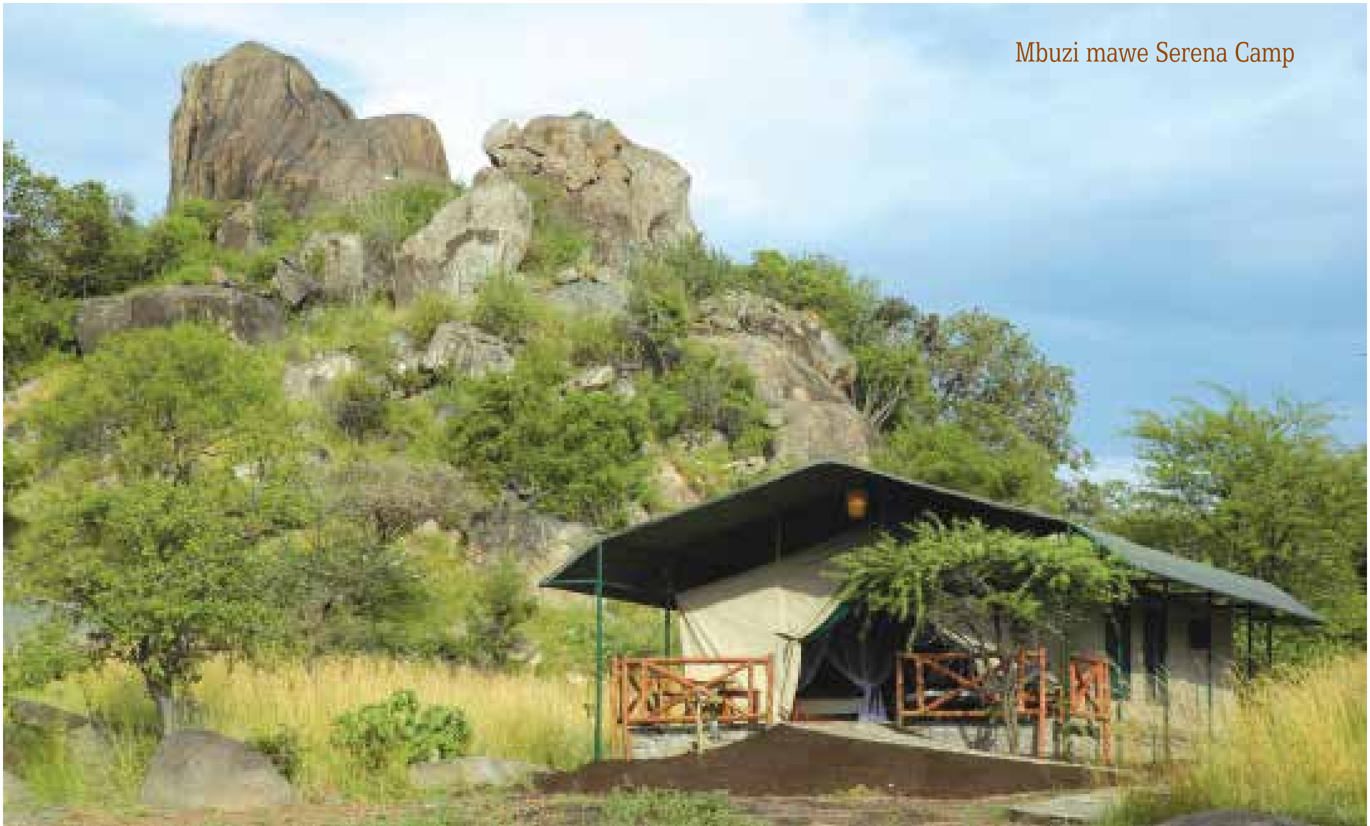
Kundi liliendelea kuzindua mikakati ya habari na mawasiliano , taratibu bora za kitengo cha usimamizi wa wafanyakazi na shughuli za wajibu wa shirika kwa jamii (CSR) ambazo zinakamilisha mikakati yake ya muda mrefu ya kibiashara wakati inapoendelea kupanua nafasi mpya za kibiashara kufungamana na sera 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 imejumuishwa kupitia kurasa za 18 hadi 21 za ripoti hii ya mwaka.

Halmashauri na usimamizi zina imani kwamba, licha ya kuhimili changamoto na mazingira yenye matumaini, kampuni ina biashara imara kuendelea kuangazia matazamio yake ya muda mrefu ya ukuaji hivyo kudumisha nafasi ya uongozi katika biashara.

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 2012 hayangekuweko. Pia, ningependa kutambua na kushukuru mchango kutoka kwa wanahalmashauri wenzangu ambao umewezesha shughuli za biashara mikakati ya kundi kufaulu kipindi cha mwaka wa 2012.

Ningependa kutambua kwa dhati mchango muhimu na uaminifu ambao tunazidi kupokea kutoka kwa wanahisa wetu, wateja na washika dau wengine katika biashara hii. Mwisho, ingawa kuna mengi ambayo yanastahili kufanywa kuimarisha miundo misingi inayosaidia na kuimarisha Afrika Mashariki kama kituo cha lazima kutemebelewa na watalii, ningependa kuzishukuru serikali za mataifa ya Afrika Mashariki kwa kurahisisha ukuaji wa sekta ya utalii na pia halmashauri mbali mbali za utawala pamoja na washika dau kutokana na msaada wao ambao ni muhimu kwa kuthibiti ukuaji wa biashara kote eneo hili.

Francis Okomo-Okello
Mwenyekiti


Mbuzi mawe Serena Camp

The Managing Director's Report

MR. MAHMUD JAN MOHAMED
Managing Director

For the fifth consecutive year, the Company successfully navigated through a rather challenging business landscape for the tourism industry in East Africa. This has been through implementing the well tested business model and focusing on the Company's long-term prospects while maintaining a balanced risk management approach. This approach has seen the Group expand its operations geographically and position itself in strategic locations in the East Africa region; a situation which has resulted in the Company benefiting from cost and management synergies and economies of scale in a structured manner. Despite a continuing degree of turbulence, I am delighted to note that TPSEAL recorded satisfactory performance in the year 2012.

The Company continues to face the challenges associated with the global economic crisis and the Eurozone crisis, security concerns and resultant travel advisories issued by governments of certain source markets.The uncertainity associated with the ICC trials and the General Elections in Kenya negatively impacted the 1st half of the year 2013. Business forecast for the period July to October 2013 is at healthy levels particularly for the safari and corporate market segments. During the period under review, activities from the corporate market segment in Serena Kenya have been at satisfactory levels however activities on the leisure market front have been rather slow and it has been difficult to forecast business levels, due to sudden shifts in market sentiment and bookings at short notice. Whilst business levels in Serena Zanzibar were a challenge as mentioned in the Chairman's Statement, Serena Tanzania performance was encouraging and this trend is expected to continue in year 2013.

Implementing the Company's long-term development strategy while maintaining a balanced risk management approach, the addition of Lake Elmenteita Serena Camp and two properties (Selous Luxury Camp and Mivumo River Lodge) in the Selous National Reserve (Southern Tanzania) continued to strengthen the Serena Safari Circuits and whilst performance at the Units has improved, Management expects that the financial benefits will be realized over the medium to long term. The entry of the Serena Brand into Dar es Salaam in November 2011 and the opening of the new "Morani Wing" at the Sweetwaters Tented Camp with 11 new tents have resulted in increased business levels.

Management expects that during year 2013, concentration will be on improving productivity and efficiency within existing Units, invest in existing assets to ensure that the properties remain ahead of new competition and seek opportunities to invest in "low hanging fruits" as mentioned further in this paragraph which provides a quick and healthy return on investment and customer satisfaction. In addition to the expected "organic growth" of the Company, the following developments are expected to contribute positively towards TPSEAL's overall results for the year 2013: integration of TPS (U) with TPSEAL effective 11th January

Cafe Maghreb restaurant at Nairobi Serena Hotel

Restaurant at Amboseli Serena Safari Lodge

2013; completion of Mara Serena Safari Lodge and Sweetwaters Tented Camp public area upgrade by June 2013; the 16 Village Wing bedroom refurbishment at Serena Beach Hotel & Spa completed in December 2012; the bedroom rehabilitation at Ngorongoro Serena Safari Lodge and Serengeti Serena Safari Lodge completed in December 2012; continued phased bedroom upgrade for lodges, camps and Serena Beach Hotel and Spa; diversification of source markets; continuous product and service improvement and operating cost reduction without compromising on standards.

As you may be aware, the City of Nairobi has and continues to experience development of a number of executive and fully serviced apartments and the entrance of new international Hotel brands offering competitive products. With the changing perceptions of Africa as an investment destination and a robust portfolio of investment opportunities in Kenya including infrastructure projects aimed at making Kenya a Regional Business Hub and with a rising middle class and increased consumer spending, Management and the Board of Directors will review the Company's mid and long term strategy in relation to the Nairobi Serena Hotel during year 2013.

During the year 2012 the Company continued to carry out Sales and Marketing campaigns, participated in trade fairs and promotional activities with special packages developed to increase occupancies from various source markets. A more creative and pro-active sales and marketing strategy in response to the rapid changes in the trends of customers' preferences was implemented so as to pursue new business opportunities, enlist new source markets, increase the brand outreach and drive repeat and incremental business coupled with efficient yield management to ensure that the Company optimised on every opportunity. The Company also continued to diversify and make concerted efforts in the domestic market, by engaging local and international tour operators while also focusing on the new and emerging markets in line with the "Alternative Markets Strategy" adopted at the beginning of 2012 covering the Middle East, India, China, Russia, Japan and Brazil to supplement the gap created by the drop in business from the European source markets.

The increase in direct flights to East Africa (Etihad, Korean Air, Qatar Airways, Kenya Airways, Turkish Air, KLM and Ethiopian Air) connecting Nairobi and Tanzania with new markets complements Management's Sales and Marketing penetration efforts to increase business levels from the emerging source markets. However, Virgin Atlantic withdrew its operations and flights to Kenya with effect from 24th September 2012 and Gulf Air with effect from 13th November 2012; and Air Berlin and One Time (South African) have withdrawn their Charter flights into Mombasa. No new Charters are being committed for the winter season (November 2012 to April 2013) due to the uncertainty related to the General Elections in Kenya.

The diverse efforts implemented by the Company during 2012 bore fruit as TPS Eastern Africa Limited results for the year are considered satisfactory. For the year 2012, TPS Eastern Africa achieved a turnover of KShs. 5.3 billion (2011: KShs. 5.5 billion), a decline of 2.2% and achieved a Profit Before Tax of KShs. 722 million (2011: KShs. 853 million), a 15.4% decline. The 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.

A significant operational milestone was achieved towards the end of 2011

Restaurant at Lake Manyara Serena Safari Lodge

Restaurant at Zanzibar Serena Inn

when the Group installed Solar Water Heating Systems at Serena Beach Hotel & Spa (SBHS), Kigali Serena Hotel (KiSH), Lake Kivu Serena Hotel (LKSH), Kampala Serena Hotel (KSH) and Lake Elmenteita Serena Camp (LESC). This has, in year 2012, resulted in significant savings in the respective properties and complements the energy saving efforts that are in place at the Safari Lodges located within the National Parks where the dependency on generators has significantly been reduced over the years due to the inverter systems in place which allow for optimum conservation of energy and minimum fuel-use, noise and air-pollution. In this connection, it is noteworthy that over a four-year period (Year 2009 to 2012), the Company has saved approximately USD 1.3 million; 1.1 million litres of fuel and 38,855 generator hours (equivalent to 4.4 years of 24 hours generator usage) as a result of installation of the invertors at seven Lodges in Kenya and Tanzania.

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 financial results.

On the ICT front, Management continues to constantly review developments and adopt suitable technological solutions which complement its other business strategies thereby leading to operational efficiency, improved guest experience and enhanced top-line and bottom-line results. The Company continued to invest in enhancing network security, upgrading and consolidating its hardware, software and smart applications to meet the abovementioned 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 2012, 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 website. On the electronic marketing front, during the period the Company embraced social media as a key marketing tool given the rapid changes in the customers' media consumption preferences which increasingly favor social media. Currently Serena Hotels are on the following social platforms: Twitter, Face Book, Google Plus, Instagram, Via.me and You Tube.

To encourage local and regional business, improve the yield in all operating areas of the Group and to remain competitive against other global


Rufiji river in Selous National Park in Tanzania

hotel chains, the Serena Loyalty Prestige Card was launched in December 2011 and has resulted in increased repeat business and customer loyalty to the Serena brand. 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 and to date Serena Africa has 4,815 members, of which 3,835 are classic members, 728 are gold members and 252 are platinum members.

Serena continues to believe that employees constitute a key determinant for the long-term sustainable success, growth and reputation of the Company. With the changing nature of guest expectations, Serena continues to validate its belief that it is indeed the quality of service that will continue to determine the destination choices which customers make. In this connection and in line with the Group's Productivity Improvement Strategy, substantial amounts of resources were invested in Staff/Management training, development and welfare programs, some of which include: the in-house Management Development Programme; soft and technical skills training; and culinary skills enhancement. Thus, the provision of rewarding careers, quality training and exposure as well as capacity building remains a strategic priority for the Serena Hotels. I would like to personally congratulate each member of the Serena team for the continuous support and exemplary dedication they have shown to the company in 2012.

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 28 and 31 of this Annual Report.

I would like to appeal to the Governments within the East African Region to provide the Tourism Industry with an enabling environment and to commit 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 2012. I also wish to express my gratitude to the shareholders, customers and various stakeholders for their continued support in the years gone by. We at Serena look forward to this continued support during the year 2013.

Mahmud Jan Mohamed
MANAGING DIRECTOR

Sunset in Selous National Park in Tanzania

Taarifa kutoka kwa Meneja Mkurugenzi

MR. MAHMUD JAN MOHAMED
Meneja Mkurugenzi

Kwa kipindi cha mwaka wa tano mfululizo,kampuni ilipitia mazingira ya kibiashara ya utalii yenye changamoto Afrika Mashariki. Hii ni kupitia uzinduzi wa mbinu bora za kibiashara zilizofanyiwa majaribio na kuangazia mitazamo ya muda mrefu huku tukidumisha usawa. Hali hii imeshuhudia kampuni ikipanua shughuli zake kijegrofia na kujiweka katika nafasi bora eneo la kanda ya Afrika Mashariki hali ambayo imeshuhudia kampuni ikifaidi kutokana na gharama na usimamizi imara na chumi ndogo kwa muundo bora. Licha ya kuongezeka kwa kiwango cha hali ya wasi wasi, nina furaha kusema kwamba , TPSEAL iliandikisha matokeo ya kufana mwaka 2012.

Kampuni inazidi kukabiliana na changamoto zinazotokana na wasi wasi wa kiuchumi duniani na taharuki za hivi karibuni bara uropa na ushauri kuhusiana na usafiri unaotolewa kutoka masoko ya mataifa ya watalii na hali isiyotabirika inayoandamana na kesi za ICC na uchaguzi mkuu kwa jumla nchini Kenya ziliathiri biashara katika kipindi cha miezi sita ya kwanza mwaka huu. Biashara ya kipindi cha Julai hadi Oktoba inaonekana kunawiri sana hasa katika kitengo cha makampuni. Wakati wa kipindi cha mwaka unaongaziwa, shughuli za mashirika Serena Kenya zimekuwa katika viwango vya kuridhisha. Hata hivyo, shughuli katika masoko ya starehe zimekuwa hafifu na imekuwa vigumu kutoa mtazamo wa viwango vya biashara kutokana na mabadiliko ya ghafla katika vitengo vya biashara na maombi ya nyumba kwa muda mfupi. Huku viwango vya biashara katika Serena Zanzibar zikikumbwa na changamoto kama ilivyotajwa hapo awali kupitia taarifa ya mwenyekiti, matokeo ya Serena Tanzania yalikuwa ni ya kutia moyo hali inayotarajiwa kuendelea mwaka 2013.

Kuanzishwa kwa mkakati wa maendeleo wa kampuni wa muda mrefu na kudumisha mfumo sawa wa usimamizi wa tahadhari, kuongezwa kwa kampi ya Lake Elmentaita Serena Camp na Raslimali mbili (Selous Luxury Camp na Mivumo River Lodge) zilizoko mbuga ya wanyama pori ya Selous National Reserve (Kusini mwa Tanzania), kuliendelea kuimarisha mikondo ya safari za Serena na huku matokeo katika vitengo vyake yakiwa yameimarika, usimamizi unatarajia kuona manufaa yanayotokana na mapato kwa muda wa kadri na mrefu. Kuingia kwa Serena jijini Dar es Salaam mwezi Novemba mwaka 2011 na kufunguliwa kwa kitengo kipya cha "New Morani Wing" katika Sweetwaters Tented Camp kikiwa na hema 11 mpya kumechangia kuongezeka kwa viwango vipya vya biashara.

Usimamizi unatarajia kwamba, wakati wa kipindi cha mwaka 2013, mtazamo utakuwa kuimarisha uzalishaji na ufanisi katika vitengo vilivyoko, kuwekeza katika raslimali zilizoko ili kuhakikisha kwamba raslimali zinasalia kuongoza dhidi ya washindani wapya na kutafuta nafasi za kuwekeza katika "masoko ya haraka" kama ilivyofafanuliwa zaidi kupitia aya hii hali itakayoleta mapato ya haraka na makubwa katika uwekezaji na kuridhisha wateja. Licha ya matarajio yanayotarajiwa ya ukuaji wa kampuni, maendeleo yafuatayo yanatarajiwa kuchangia vyema kwa matokeo ya jumla ya TPSEAL mwaka 2013; kujumuishwa kwa TPS (U) katika TPSEAL kuanzia Januari 11, 2013; kukamilishwa kwa

Room interior at Amboseli Serena Safari Lodge

Beach dinner at Serena Beach Hotel & Spa, Mombasa uimarishaji wa maeneo ya umma katika Mara Serena Safari Lodge na Sweetwaters Tented Camp ifikiapo Juni 2013 na kukarabatiwa kwa vyuma 16 vya kulala katika Serena Beach Hotel & Spa mwezi Desemba mwaka 2012; ukarabati wa Ngorongoro Serena Safari Lodge na Serengeti Serena Safari Lodge ulikamilika mwezi Desemba mwaka 2012; kuendelea kuimarishwa kwa hali ya vyumba vya kulala katika mahoteli, kampi na Serena Beach Hotel & spa ; kupanua masoko ya watalii; kuendelea kuimarisha bidhaa na huduma na kupunguza gharama za utekelezaji bila kuathiri ubora wa bidhaa.

Kama mnavyofahamu, jiji la Nairobi limekuwa na linaendelea kukumbwa na maendeleo ya idadi kadhaa ya majumba ya kifahari yanayojitoseheleza kwa huduma na kuingia kwa hoteli mpya za kimataifa zinazotoa huduma za ushindani. Kutokana na mabadiliko ya hisia ya Afrika kama kituo cha uwekezaji na kuchipuka haraka kwa nafasi za uwekezaji nchini Kenya ikiwemo miradi ya miundo misingi yenye nia ya kuifanya Kenya kama kituo cha kibiashara eneo hili na kutokana na kuongezeka kwa idadi ya vijana wa makamo na kuongezeka kwa matumizi ya wateja, usimamizi na halmashauri ya wakurugenzi zitafanyia mabadliko mkakati wa kampuni wa muda mfupi na mrefu kufungamana na hoteli ya Nairobi Serena Mwaka 2013.

Wakati wa kipindi cha mwaka 2012, kampuni iliendelea kutekeleza kampeini za mauzo na uvumishaji, kushiriki maonyesho ya kibiashara na shughuli za utangazaji kupitia matoleo maalumu yaliyobuniwa ili kuongeza idadi ya watalii kutoka masoko mbali mbali. Mkakati bunifu na imara wa mauzo na uvumishaji ambao ungeangazia mabadiliko ya haraka kufungamana na mienendo na mahitaji ya wateja ulizinduliwa kukabiliana na nafasi mpya za kibiashara, kuorodhesha masoko mapya, kuongeza ufahamu na kuchochea marudio ya bidhaa, na kuongeza biashara kupitia usimamizi unaofaa wa mapato kuhakikisha kwamba ilitumia vyema kila nafasi iliyojitokeza. Pia, kampuni ilizidi kupanua na kufanya juhudi za pamoja katika soko la humu nchini kwa kuwahusisha wadau wa soko la watalii wa humu nchini na kimataifa huku ikiangazia masoko mapya yanayochipuka kufungamana na mkakati wake wa "masoko mbadala" ambao ulizinduliwa mapema mwaka 2012 katika mashariki ya kati, India, Uchina, Urusi, Ujapan na Brazil ili kujaza pengo lililoachwa kutokana na kushuka kwa biashara kutoka masoko ya Ulaya.

Kuongezeka kwa safari za ndege za moja kwa moja Afrika Mashariki (Etihad, Korean Air, Qatar Airways, Kenya Airways, Turkish Air, KLM na Ethiopian Air) zinazounganisha Nairobi na Tanzania na masoko mapya kunaongezea nguvu juhudi za usimamizi za mauzo na uvumishaji na kupanua viwango vya biashara kutoka masoko ya watalii. Hata hivyo, shirika la ndege la Virgin Atlantic lilisitisha shughuli zake za ndege nchini Kenya kuanzia Septemba 24, 2012 huku Gulf Air ikisimamisha biashara zake kuanzia Novemba 13, 2012. Pia Air Berlin One Time (Afrika Kusini) zimeondoa safari zake kwenda Mombasa. Hakuna ndege mpya zilizowekwa kuhudumu msimu wa baridi (Novemba 2012 hadi Aprili 2013) kutokana na hali isiyotabirika kuhusiana na uchaguzi mkuu nchini Kenya.

Juhudi mbali mbali zilizozinduliwa na kampuni mwaka 2012 zilizaa matunda kwani matokeo ya TPS Eastern Africa Limited kipindi cha mwaka yanachukuliwa kama ya kufana. Katika kipindi cha mwaka 2012, TPS Eastern Africa ilipata matokeo ya jumla ya shilingi bilioni 5.3 (Mwaka 2011 bilioni 5.5) hili likiwa punguko la asilimia 2.2 (2.2%) na kupata faida kabla ya ushuru ya shilingi milioni 722 (2011 ilikuwa milioni 853) punguko la asilimia 15.4 (15.4%). Matokeo haya yamepatikana licha ya mazingira yasiyotarajiwa ya kiuchumi yaliyochangiwa na msukumo

Wildlife at Olpajeta Conservancy in Nanyuki

Taarifa kutoka kwa Meneja Mkurugenzi (kuendelea)

dhidi ya mifumuko ya bei za bidhaa kutokana na gharama za juu za kawi na vyakula, viwango vya ubadilishanaji wa fedha za kigeni na gharama za juu za riba.

Mafanikio makubwa ya uendeshaji kazi yalipatikana mwishoni mwa Mwaka 2011 wakati kundi liliweka mitambo ya kupasha maji moto inayotumia kawi ya jua katika hoteli ya Serena Beach Hotel & Spa (SBHS), Kigali Serena Hotel (KiSH), Lake Kivu Serena Hotel (LKSH), Kampala Serena Hotel (KSH) na Lake Elmentaita Serena Camp (LESC).

Haya yote yalipelekea kuokoa mapato ya maana katika raslimali husika na kuongezea nguvu juhudi za kuokoa kawi ambazo bado zinaendelea katika hoteli zilizoko katika mbuga za wanyama pori za kitaifa ambapo utegemeaji wa mitambo ya jenereta umekuwa ukipunguzwa kwa miaka kutokana na kuwepo kwa mfumo wa "kubadilisha" ambao unatoa nafasi ya uhifadhi kikamilifu wa kawi na matumizi ya chini ya mafuta, kelele na uchafuzi wa hewa. Kwa sababu hii, ni muhimu kwamba, kwa muda wa kipindi cha miaka minne (Mwaka 2009 hadi 2012), kampuni imeokoa takriban Dola milioni 1.3 za marekani; lita milioni 1.1 za mafuta na saa 38, 855 za jenereta (sawa na miaka 4.4 ya saa 24 ya matumizi ya jenereta) kutokana na kuwekwa kwa mitambo ya kubadilisha kawi kwenye hoteli saba nchini Kenya na Tanzania.

Ili kuepuka kuathiri mafanikio ya muda mrefu ya ushindani na nafasi katika masoko, usimamizi unazidi kutambua umuhimu wa kukamilisha mkakati wa biashara kupitia teknolojia inayofaa ya habari na mawasiliano (ICT) , usimamizi wa kitengo cha wafanyakazi (HRM) na mipango ya wajibu wa shirika kwa jamii (CSR) hivyo kupelekea kuimarisha matamanio ya wateja na kuimarisha matokeo ya kifedha.

Katika mfumo wa teknolojia ya habari na mawasiliano, kila mara, usimamizi unaendelea kutathmini maendeleo na uvumbuzi wa teknolojia mpya ambao unaongezea nguvu mikakati yake mingine ya kibiashara hivyo kuimarisha utenda kazi, kuimarisha matamanio ya wateja na kuhamasisha matokeo ya juu na chini. Kampuni ilizidi kuwekeza katika uimarishaji wa mtandao wa usalama, kustawisha na kuweka 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 2012, 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 wa hoteli za Serena.Wakati wa kipindi hiki, kampuni ilitumia mtandao wa kijamii kama chombo maalumu cha uvumishaji kufuatia mabadiliko ya kasi ya mbinu ya mawasiliano inayopendelewa na wateja ambayo kwa kiwango kikubwa inapendelea mtandao wa kijamii. Kwa sasa, Serena iko kwenye mitandao ifuatayo; Twitter, Face Book, Google Plus, Instagram, Via.me na You Tube.

Ili kuhamasisha biashara za humu nchini na kanda na kuimarisha matokeo katika nyanja zote za kundi na wakati huo kudumisha ushindani dhidi ya mlolongo wa mahoteli duniani, kadi ya Serena Loyalty Prestige ilizinduliwa mwezi Desemba mwaka 2011 na imepelekea kuongezeka kwa biashara na umaminifu wa wateja kwa bidhaa za Serena. Mpango huu umenuiwa kuwawezesha wamiliki wa kadi ya Serena Prestige Club Card kunufaika kutokana na faida zilizofafanuliwa wakati wanapotembelea hoteli yoyote ya Serena, mahali maalumu pa kutembelea au hoteli kote ulimwenguni. Kufikia sasa, Serena Afrika ina wanachama 4,815 ambapo 3,835 ni wanachama maalumu, 728 ni wanachama wa kitengo cha dhahabu huku 252 wakiwa katika kitengo cha platinamu.

Serena inazidi kuamini kwamba wafanyakazi wake wanatekeleza jukumu kubwa la mafanikio ya muda mrefu, ukuaji na sifa za kampuni. 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 watachagua. Kufungamana na mkakati wa kundi wa kuimarisha uzalishaji, viwango vya maana vya raslimali viliwekezwa kwenye utoaji wa mafunzo kwa wasimamizi na wafanyakazi, mipango ya maendeleo na maslahi miongoni mwao ikiwa; mpango wa usimamizi wa maendeleo; mafunzo kuhusu matumizi ya mitambo ya kompyuta na ufundi na uimarishaji wa taaluma ya mapishi. 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. Mimi binafsi ningependa kumshukuru kila mwanachama wa timu ya Serena kutokana na mchango wake na kujitolea kwa dhati ambako wamedhihirisha mwaka 2012.

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 28 hadi 31 za ripoti hii ya mwaka.

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 ili kudumisha 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 2012. 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 2013.

Mahmud Jan Mohamed
MENEJA MKURUGENZI

Board of Directors

MR. FRANCIS OKOMO-OKELLO – Chairman 1

Mr. Okello (aged 63 yrs) is a qualified lawyer. He holds an LLB degree from the University of Dar-es-Salaam. He is an Albert Parvin Fellow of the Princeton University, Woodrow Wilson School of Public and International Affairs and a Fellow of The Kenya Institute of Bankers (FKIB). He is the Chairman of Barclays Bank of Kenya Limited, a Director of the Nation Media Group Limited, among other Companies. He is a member of the Advisory Board of the Strathmore Business School, Strathmore University - Nairobi and also is a member of the Advisory Committee of the Aga Khan University, Faculty of Arts and Sciences – East Africa. He is currently the Executive Director in charge of Legal and Corporate Affairs at the Industrial Promotion Services Group.

MR. MAHMUD JAN MOHAMED – Managing Director 2

Mr. Jan Mohamed (aged 60 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, British America Tobacco, TPS Central Asia, Mountain Lodges Limited and Air Uganda Limited. He is an associate member of the Hotel Catering Institutional Management Association (UK) and a member of the Cornell Hotel Society (USA).

MR. ABDULMALEK JEEVAN VIRANI - Finance Director 3

Mr. Virani (aged 62 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 59 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. In December 2012, Mr. Manji was awarded the Order of the Grand Warrior of Kenya (OGW) by His Excellency the President of the Republic of Kenya, in recognition of distinguished services rendered to the nation.

DR. RAMADHANI DAU - Non-executive Director 5

Dr. Dau (aged 54 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 75 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.

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

Mr. Vinciguerra (aged 69 yrs) is a graduate of the Institute of Political Studies and completed the programme for Management Development from the Harvard Business School. He currently works with the Aga Khan Fund for Economic Development as Senior Financial Advisor.

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

Mr. Kassim-Lakha (aged 79 yrs) is a Fellow of the Institute of Chartered Accountants in England and Wales and The Institute of Certified Public Accountants of Kenya and an Associate Member of the Chartered Institute of Arbitrators and OPM (Harvard). He is a past Chairman of the Institute of Certified Public Accountants of Kenya and The Association of Professional Societies in East Africa. He is a past Vice-Chairman of The Professional Centre. He is a current Trustee of KCA University.

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MR. KABIR HYDERALLY - Non-executive Director 9

Mr. Hyderally (aged 65 yrs) holds a Bachelor of Commerce Degree and is a Fellow of the Institute of Chartered Accountants. He was formerly the General Manager, Finance at The Jubilee Insurance Company of Kenya Limited.

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MR. GUEDI AINACHE - Non-executive Director 10

Mr. Guédi Aïnaché (aged 37 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 38 yrs) holds a Bachelor of Commerce (Accounting) Degree from KCA University. He is a CPA finalist and a Certified Public Secretary CPS (K). He is also a member of The Institute of Certified Public Secretaries of Kenya (ICPSK).

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Corporate Governance Statement

The Board of TPS Eastern Africa Limited (TPSEAL/ "the Company") is responsible for the overall management, strategic direction and governance of TPSEAL and its subsidiaries ("TPS Group") and is accountable to the shareholders for ensuring that the Company complies with the provisions of the law. To this end, the TPS Group has remained committed to ensuring continuous adherence to the highest standards of corporate governance and business ethics in the interest of the shareholders and other stakeholders at large. The Company has complied with Nairobi Securities Exchange (NSE) Continuing Obligations and the Guidelines on good Corporate Governance Practices by Public Listed Companies in Kenya as issued by the Capital Markets Authority (CMA) (the CMA Guidelines). In this respect, the directors are committed to ensuring that the 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, 2012, the 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 are subject to the provisions of the Company's Articles of Association and CMA Guidelines. The directors have a wide range of business and professional skills and experience and each contributes independently to the Board's deliberations. The directors meet at least four times a year.

With regards to the period under review, 6 Board meetings were held. Special Board meetings are held to deliberate on urgent issues of strategic importance, or as required under the statute, or in compliance with the requirements of regulatory authorities. The directors are given adequate notice for the meetings and timely information so that they can meaningfully contribute at the Board meetings and thus maintain an effective oversight and control over strategic, financial, operational and compliance issues. The Board's independence from the Group's management function has been achieved by separating the functions of the non-executive Chairman and the executive Managing Director, which has resulted in creating in-built checks and balances and balancing the exercise of authority over the Group's affairs. By taking an active leadership role, the Board aims at maximizing shareholders' value and ensuring long-term sustainability of the TPS Group as a whole.

During the year, there were no changes in the composition of the directors of the Company which would be occasioned by either appointments, resignation or otherwise.

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. Reviews are done periodically to compare performance against set targets.

COMMITTEES OF THE BOARD

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

BOARD AUDIT COMMITTEE

Members of this Committee comprise Messrs Ameer Kassim-Lakha (Chairman), Mahmood Manji and 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 Company employees any information on any matters and to seek independent professional advice whenever necessary. The Board reviews the membership of the Board Audit Committee annually in accordance with CMA Guidelines and the Committee's own ToR. The Committee held 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 and reducing the various business risks. The ultimate aim is to formalize the risk management policy which is currently being deliberated by the Committee for eventual formal adoption by the Board. The exercise is aimed at harmonizing the Policy to suit the increasingly risk-prone dynamic business environment.

NOMINATION AND REMUNERATION COMMITTEE

Current members of the Committee are Mr. Jack Kisa (Chairman), Mr. Mahmood Manji and Dr. Ramadhani Dau. The Committee's ToR mandate it to consult experts and to scrutinize the Company's organisational structure and staff establishments and to advice and recommend to the Board appropriate human resources policies and capacity enhancement. The Committee held three (3) meetings during 2012.

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

The Committee conducts a performance evaluation exercise after every two (2) years aimed at evaluating the performance of the Board, the Chairman, the Managing Director and individual directors. This exercise was conducted in the last quarter of 2012.

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 provide an operational framework for the management team. The policy and procedures manuals are updated periodically to incorporate any subsequent changes and ensure that they remain relevant to the Group's operational requirements. Monthly Credit Control, Sales and Marketing, and Finance meetings are held to review these critical aspects of the Company's operations. The internal control function is largely complemented by the Internal Audit function, which is an independent appraisal and review function whose recommendations are discussed and adopted where necessary.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate emoluments paid to non-executive directors during the 2012 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 2012 and the previous financial year (2011) there were 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	0.00098
Mahmood P. Manji	1,456	0.00098
Ameer Kassim-Lakha	1,456	0.00098
Abdulmalek Virani	1,456	0.00098
Mahmud Jan Mohamed	6,720	0.0045

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 of Corporate Records.

OTHER CORPORATE INFORMATION

TPSEAL and its subsidiaries in Kenya, Tanzania and Zanzibar have a total number of 2,843 employees. The Company is a holding Company and does not own any land and buildings.

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

SHAREHOLDERS' PROFILE AS AT 31 DECEMBER 2012

	NAME OF SHAREHOLDER	NO OF SHARES	%
1	Aga Khan Fund for Economic Development,S.A	48,085,158	32.44
2	Standard Chartered Nominees - Non resident A/C 9002	12,652,000	8.54
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	7,772,106	5.24
5	Industrial Promotion Services (Kenya) Limited	7,697,088	5.19
6	Aga Khan University Foundation	6,851,000	4.62
7	PDM (Holdings) Limited	6,607,440	4.46
8	Craysell Investments Limited	4,148,133	2.80
9	Standard Chartered Nominees A/C 9230	2,612,658	1.76
10	Premchand Kanji Shah	2,290,744	1.55
11	Others	38,601,413	26.05
		148,210,640	100

DISTRIBUTION OF SHAREHOLDERS AS AT 31 DECEMBER 2012

	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Less than 500 Shares	3,010	448,201	0.30
500 - 5000 shares	5,558	7,544,068	5.09
5001 - 10,000 shares	255	1,818,841	1.23
10,001 - 100,000	269	8,308,514	5.61
100,001 - 1,000,000	67	16,635,826	11.22
Over 1,000,000	12	113,455,190	76.55
	9,171	148,210,640	100

SHAREHOLDER CATEGORIES

	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
Foreign Investors	141	80,444,877	54.28
Local Institutions	684	51,070,998	34.46
Local Individuals	8,346	16,694,765	11.26
	9,171	148,210,640	100

Corporate Social Responsibility

As part of Serena Hotels business model, the Company continues to align its products and services with stakeholder expectations and believes in measuring success, not just by the financial results, but also by how much the Company has contributed towards local economic development, environmental conservation and the maintenance of social justice. The integrated ethical approach to development makes Serena different from traditional profit-oriented commercial ventures in the tourism sector.

Profits are often reinvested in other projects or special programs in order to stimulate economic activities and improve social and environmental standards. Serena Hotels are designed to cause a "ripple effect" to the local economy and bring excellence and best practices to some of the poorest corners in Africa. About one-third of purchases come from local communities surrounding the Serena units boosting local economic activity. This shows that profitability and development are two notions that can indeed serve each other.

As a result of this sustainable development approach, Serena Hotels was awarded the 2012 winner of the coveted African Business Award in the "Best Hospitality, Travel and Tourism in Africa" category. Serena Hotels was recognized for "branding its country or region as an attractive tourism destination in Africa, ultimately benefitting the African tourism industry and the continent as a whole". The criteria for the award also cited Serena's respect for "local communities and of cultural, historical and environmental heritage".

As we conduct business, we interact with a broad range of stakeholders, including our staff, customers, shareholders, financial partners, suppliers of business, the environment, governments and the local communities. We strive to combine a powerful business sense and a strong sense of social responsibility towards these stakeholders. We have over the years managed to create and sustain long-term relationships, marked by mutual respect and trust. Our guiding principles in managing our economic, social and environmental commitments remain unchanged and this report demonstrates how we are continuing to meet the growing demands of our social responsibilities.

COMMUNITY INVOLVEMENT, INVESTMENT, SUPPORT AND DEVELOPMENT

Economic Empowerment

The Company continues to strive to come up with sustainable means of providing economic empowerment to the local communities living around our properties. Under our supplier and market place policy, we give priority to local suppliers around our units to provide us with fresh foodstuff and other supplies. In some cases training is given to the local entrepreneurs to produce and package their wares in an internationally acceptable manner, thus building capacity and improving their market.

We believe in creating viable economic opportunities for the communities around us and as such, all properties continue to hire local performers to entertain guests, thus exposing our guests to the local culture while economically empowering the people.

All our properties have gift shops which stock local supplies and artifacts from various community welfare groups and occasionally, we direct our guests to purchase such artifacts directly from the communities.

Mrs. Henrietta Mwangola took some time off to visit pupils from the Ltilal Primary School in Tsavo and donated sanitary towels for the girls, sufficient to cover them for a period of three months. The 384 packets donated benefited 65 pupils.

Educational Support

One of Serena's key priority areas is support for youth through the building of education and recreation facilities and the provision of career training opportunities. Through Serena's environmental and community outreach programmes, both property managers and on-site naturalists often visit the local schools in order to more closely engage with the community.

We encourage the youth from the local community to explore the hospitality industry by taking up on-the-job training and internship opportunities at all our properties.

The Company continues to support Schools (some of which are: Oloirobi Primary School in Ngorongoro; Kilimamoja Secondary School and Rift Valley Secondary School in Lake Manyara; Emurtoto Primary School in Mara; Ltilal Primary School and Kabiruini Girls High School in Tsavo; and Lake Elmenteita

Primary School in Kasambara, outside the Soysambu Conservancy etc) around the units through providing building material (for schools, classrooms, teachers office and houses, our maintenance department building pit latrines etc), computers and guests donating towards the purchase of new desks and text books. Our units reward the younger students and pupils who perform well by hosting them for lunch, game drive, educational talks and tree planting and in some of the units, we have staff members who have 'adopted' children by providing education support.

Provision of clean water and access to quality health care

Serena continues to provide free medical consultations and subsidized medication to the local communities at all our units clinics while our Wellness Educators spread the word about optimized healthy living to the staff and the communities living near the units. Meanwhile our lodges provide safe clean drinking water to the local communities thus reducing the exposure to a wide range of water-borne diseases. This has helped improve the overall health of the people around us, our staff and their families and in the long term helps reduce out of office time for staff that may need to personally take care of the ailing family.

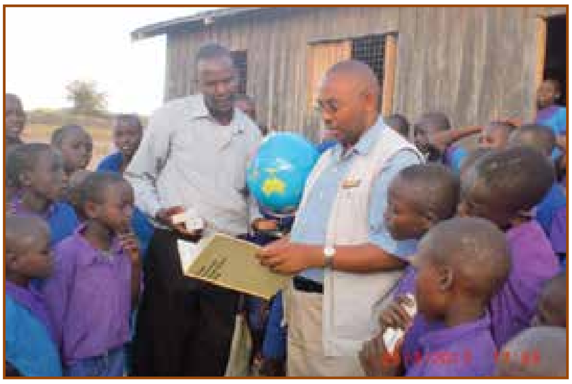
As part of the Serena Wellness Program, the Company in the last quarter 2012 partnered with Lions Kenya though an initiative dubbed "Revive your Eye-sight". Serena Hotels and Lions Kenya intend to take free eye medical clinics to different parts of Kenya and eventually to the rest of East Africa.

To inaugurate this initiative, Serena Hotels and Lions Kenya carried out a free eye clinic and further referrals were conducted by a team of six doctors from the "Texas Eye Glass and Training Mission to Kenya" in January 2013. The 300 beneficiaries were the Lake Elmenteita Serena Camp staff, the surrounding communities and schools located within and around the Soysambu Conservancy.

Charitable Donations

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

Also TPS Serena Hotels Staff in East Africa donated approximately USD 5,000 towards the 18th Genocide Commemoration in Rwanda in honour of the lives lost and the resilience of those who survived the Genocide. The donation was made to the "Abahumurizanya", a genocide orphans Association that Kigali Serena Hotel supports and to the "FARG Umudugudu Group" in Rugerero Sector, Rubavu District that Lake Kivu Serena Hotel supports.



Amboseli Serena Safari Lodge Manager Mr. Herman Mwasaghua hands over stationery to pupils of Enkong Narok Primary School.

Communities and members of staff undergo examination during the eye clinic at Lake Elmenteita Serena Camp

Kigali Serena Hotel General Manager- Charles Muia (center) with the community representatives

Serena Hotels staff led by regional Sales & Marketing Director Ms. Rosemary Mugambi (center) receive The Ecowarrior Awards 2012

Turtles at Serena Beach Hotel & Spa

Butterfly hatchling at Serena Beach Hotel & Spa

Serena Hotels- Mount Kenya Re-afforestation Programme

PROTECTING A FRAGILE ENVIRONMENT

The Company's developments and operations are guided by an eco policy that is aimed at conserving the environment. In year 2012, Serena Beach Hotel and Spa was recognized at the Eco-Warrior Awards where Eco-Tourism Kenya recognized its efforts and achievements with the Butterfly and Turtle Conservation programme.

Turtle Conservation Project at Serena Beach Hotel & Spa (SBHS)

Our turtle conservation project which protects the nesting sites of Green, Olive Ridley and Hawksbill Turtles continues to grow significantly benefiting not just the turtles but also the local fishermen. The fishermen are encouraged to participate with a financial incentive scheme, for reporting any threatened turtle nests and eggs. Since inception of the project by SBHS over two decades ago, 267 turtle nests have been protected (Green Turtle: 226; Hawksbill Turtle: 22; and Olive Ridley Turtle: 19) as were reported and secured with the help of the local fishermen, beach operators and Kenya Wildlife Service Rangers. During this period 33,491 eggs have been secured at the Hotel hatcheries of which 26,647 hatchlings (80%) have been released into the Indian Ocean.

Butterfly Conservation Project at Serena Beach Hotel & Spa (SBHS)

Kenya boasts some 870 species of butterfly, 35% of which are to be found in the Coastal forests. However, due to the radical shrinkage of these forests, most of the butterflies had largely disappeared from Kenya's coast and this necessitated the launch of the project in 2002 where we breed and re-introduce indigenous butterfly species to the coastal landscape. The Hotel has succeeded in breeding 65 species to-date. In year 2012, SBHS had 21,161 hatched butterflies that were released and during the 10-year period (year 2003 to year 2012), 202,302 hatched butterflies were released.

Re-afforestation Programme

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 Maunderit Forest in the Mau, Nairobi City Park and at all Serena properties. It is encouraging to note that over 10 million trees have been planted over the last 13 years through the Company's various re-afforestation programs (at our lodges, forests, schools and communities). Management in the year 2012 began an exercise of mapping the trees after which the Company will apply for Carbon Credit.

Our major success stories have been in the Hombe Forest in the Mount Kenya National Park (UNESCO World Heritage Site) that suffered from the adverse effects of deforestation and to date over 5 million trees have been planted; and at Amboseli National Park where the destruction of forests by elephants is well on the way to being reversed.

These sustainable efforts have led to recognition and Serena Hotels have received funding of USD 50,000 to plant 100,000 trees in 2012/2013. In 2012 alone, various Serena units came together to surpass the targeted 50,000 trees by planting 53,807 tree seedlings in/around the units as follows:

- Serena Mountain Lodge - 27,800
- Amboseli Serena Safari Lodge - 8,809
- Kilaguni Serena Safari Lodge - 4,781
- Sweet Waters Tented Camp - 3,880
- Lake Elmenteita Serena Camp - 2,500
- Mara Serena Safari Lodge - 2,107
- Ngorongoro Serena Safari Lodge - 1,880
- Lake Manyara Serena Safari Lodge- 1,050
- Serena Beach Hotel & Spa - 1,000

To mark the World Environment Day and World Earth Week, our units across East Africa planted over 20,000 trees in partnership with various organizations including the Aga Khan Fund for Economic Development (AKFED), Aga Khan Educational Schools (AKES), Lions Group of Kenya, Ministry of Youth Affairs and Sports and Serena Staff from East Africa, our guests and dignitaries.

Two International celebrities, Miss America 2012- Amanda Vilanova and True Blood Movie star- Kristin Bauer Van Straten also supported our efforts by planting a tree each at the Amboseli Serena Safari Lodge. Amanda was in the country for various charity initiatives while Kristin was on a mission to help save elephants from being killed for their tusks, and to raise awareness of the deadly ivory trade.

Serena Hotels made another mark in "Going Green" by participating in the second phase of the "Plant Your Age initiative" by joining in a tree-planting initiative at the Nairobi National Park in November 2012. The initiative which had participants of different ages witnessed 10,000 tree seedlings planted on a single day. The initiative aimed at encouraging young people to plant the number of trees that were equivalent to their age to help increase the country's forest cover.

Conservation of Energy and Water

We have continued with our energy and water conservation efforts across all Serena properties. This has mainly been achieved through the installation of solar water heating systems at 5 of the Serena City Hotels and Resorts, invertor systems at the Lodges for optimum energy consumption and reduced usage of the generator thus reduction in fuel usage, heat conversion systems whereby heat exhaust from the incinerators is converted into energy to heat water thus leading to a reduction in energy required for the boiler, usage of energy saving bulbs and the phased adoption of the "Information Technology going green" strategy where the old HP Servers have been replaced with a virtual server environment.

Water Consumption is closely monitored at all units. Serena has an extensive range of water saving measures in place and the Company continues in a phased manner to invest in bio-digesters which is a system that treats effluent water to allow it to be re-used for irrigation and animal consumption at the waterhole in an environmentally sensitive manner.

Miss America 2012- Amanda Vilanova (left) and True Blood Movie star- Kristin Bauer Van Straten (right)

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2012 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 533,683,000 (2011: Shs 668,771,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 192,673,832 (2011: Shs 192,673,832).

DIRECTORS

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

Francis Okomo-Okello	(Chairman)
Mahmud Jan Mohamed	(Managing Director)
Abdulmalek Virani	(Finance Director)
Ameer Kassim-Lakha	
Dr. Ramadhani Dau	
Jack J Kisa	
Jean-Louis Vinciguerra	
Mseli Abdallah	(Alternate to Dr. Ramadhani Dau)
Kabir Hyderally	
Mahmood Pyarali Manji	
Ashish Sharma	(Alternate to Mr. Jean-Louis Vinciguerra)
Guedi Ainache	

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 NG'ANG'A
COMPANY SECRETARY

08 April 2013

Statement of Directors' Responsibilities

The Kenyan Companies Act (Cap 486 of the Laws of Kenya) requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the Group's profit or loss. It also requires the directors to ensure that the Company and its subsidiaries keep 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 controls 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
08 April 2013

Mr. Mahmud Jan Mohamed
Managing Director
08 April 2013

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

Report on the financial statements

We have audited the accompanying financial statements of TPS Eastern Africa Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 35 to 86. These financial statements comprise the consolidated statement of financial position as at 31 December 2012 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 2012 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2012 and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

08 April 2013
Nairobi.

Consolidated Income Statment

for the year ended 31 December 2012

	Notes	2012 Shs'000	2011 Shs'000
Sales	5	5,343,960	5,465,975
Other operating income		393,724	271,378
Inventory expensed		(1,130,794)	(929,234)
Employee benefits expense	7	(1,636,436)	(1,576,219)
Other operating expenses		(1,805,628)	(1,963,175)
Profit before depreciation, interest and income tax expense		1,164,826	1,268,725
Depreciation on property, plant and equipment	18	(303,694)	(330,834)
Finance income	8	17,496	59,757
Finance costs	8	(199,934)	(163,847)
Share of profit of associates	22	42,822	19,332
Profit before income tax	6	721,516	853,133
Income tax expense	9	(227,928)	(237,242)
Profit for the year (Shs 199,384,000 (2011: Shs 219,900,000) has been dealt with in the accounts of the Company)		493,588	615,891
Attributable to:			
Equity holders of the Company		533,683	668,771
Non controlling interest	27	(40,095)	(52,880)
		493,588	615,891
Earnings per share for profit attributable to the equity holders of the Company - basic and diluted (Shs per share)	10	3.60	4.51

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	2012 Shs'000	2011 Shs'000
Profit for the year	493,588	615,891
Other comprehensive income:		
Items net of tax		
Currency translation differences	(166,328)	67,290
Total comprehensive income for the year	327,260	683,181
Attributable to:		
Equity holders of the Company	367,355	736,061
Non controlling interest	(40,095)	(52,880)
Total comprehensive income for the year	327,260	683,181

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 Shs'000	2011 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	2,370,118	2,404,495
Translation reserve		(256,921)	(90,593)
Retained earnings		2,638,137	2,262,751
Proposed dividends	11	192,674	192,674
		8,124,650	7,949,969
Non controlling interest	27	56,760	96,855
Total equity		8,181,410	8,046,824
Non-current liabilities			
Borrowings	14	1,326,720	1,659,372
Deferred income tax liability	15	1,783,363	1,678,659
Retirement benefit obligations	16	146,622	131,689
Total non-current liabilities		3,256,705	3,469,720
Total equity and non-current liabilities		11,438,115	11,516,544
Non-current assets			
Property, plant and equipment	18	9,090,486	8,829,042
Intangible assets	20	1,057,861	1,057,861
Investment in associates	22	933,202	687,008
Non-current receivable	19	115,497	-
Deferred income tax asset	15	216,753	143,000
		11,413,799	10,716,911
Current assets			
Inventories		369,306	375,588
Receivables and prepayments	23	1,443,766	1,636,227
Cash and cash equivalents	24	257,205	403,114
		2,070,277	2,414,929
Current liabilities			
Payables and accrued expenses	25	1,258,031	1,139,017
Current income tax		16,010	9,585
Borrowings	14	771,920	466,694
		2,045,961	1,615,296
Net current assets		24,316	799,633
		11,438,115	11,516,544

The financial statements on pages 35 to 86 were approved and authorised for issue by the board of directors on 08 April 2013 and signed on its behalf by:

Mr. Francis Okomo - Okello
Chairman

Mr. Mahmud Jan Mohamed
Managing Director

Company Statement of Financial Position
for the year ended 31 December 2012

	Notes	2012 Shs'000	2011 Shs'000
Equity			
Share capital	12	148,211	148,211
Share premium	12	3,032,431	3,032,431
Retained earnings		622,663	615,953
Proposed dividends	11	192,674	192,674
Total equity		3,995,979	3,989,269
Non-current assets			
Investment in subsidiaries	21	2,799,623	2,799,623
Investment in associates	22	840,330	636,958
Non-current receivable	19	115,497	-
		3,755,450	3,436,581
Current assets			
Receivables and prepayments	23	242,337	565,301
Cash and cash equivalents	24	572	1,853
		242,909	567,154
Current liabilities			
Payables and accrued expenses	25	2,380	4,881
Current income tax		-	9,585
		2,380	14,466
Net current assets		240,529	552,688
		3,995,979	3,989,269

The financial statements on pages 35 to 86 were approved for issue by the board of directors on 08 April 2013 and signed on its behalf by:

Mr. Francis Okomo - Okello
Chairman

Mr. Mahmud Jan Mohamed
Managing Director

Consolidated Statement of Changes in Equity

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

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2012

	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 2012									
At start of year		148,211	3,032,431	2,404,495	(90,593)	2,262,751	192,674	96,855	8,046,824
Comprehensive income for the year									
Profit for the year		-	-	-	-	533,683	-	(40,095)	493,588
Other comprehensive income:									
Currency translation differences		-	-	-	(166,328)	-	-	-	(166,328)
Transfer of excess depreciation to retained earnings		-	-	(49,111)	-	49,111	-	-	-
Deferred income tax on transfer	15	-	-	14,734	-	(14,734)	-	-	-
Total other comprehensive income		-	-	(34,377)	(166,328)	34,377	-	-	(166,328)
Total comprehensive income for the year		-	-	(34,377)	(166,328)	568,060	-	(40,095)	327,260
Transactions with owners									
Additional investment	27	-	-	-	-	-	-	-	-
Dividends:									
- final for 2011 paid	11	-	-	-	-	-	(192,674)	-	(192,674)
- proposed for 2012	11	-	-	-	-	(192,674)	192,674	-	-
		-	-	-	-	(192,674)	-	-	(192,674)
At end of year		148,211	3,032,431	2,370,118	(256,921)	2,638,137	192,674	56,760	8,181,410

Company Statement of Changes in Equity

for the year ended 31 December 2012

	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

Company Statement of Changes in Equity (continued)

for the year ended 31 December 2012

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Notes	2012 Shs'000	2011 Shs'000
Operating activities			
Cash generated from operations	26	1,472,310	505,423
Interest paid		(172,057)	(163,847)
Interest received		17,496	53,924
Income tax paid		(137,997)	(152,972)
Net cash generated from operating activities		1,179,752	242,528
Investing activities			
Purchase of property, plant and equipment	18	(748,445)	(782,438)
Proceeds from disposal of property, plant and equipment		2,463	298
Investment in associates	17 & 22	(203,372)	(420,706)
Short-term bank deposits - net		145,279	646,373
Cash inflow from non-controlling interest of Upekee Lodges Limited	27	-	52,522
Non-current receivable	19	(115,497)	-
Net cash used in investing activities		(919,572)	(503,951)
Financing activities			
Proceeds from short term borrowings		200,000	-
Long-term borrowings - net		(373,911)	495,965
Dividends paid to Company's shareholders	11	(192,674)	(185,264)
Net cash (used)/generated from financing activities		(366,585)	310,701
Net (decrease)/increase in cash and cash equivalents		(106,405)	49,278
Movement in cash and cash equivalents			
At start of year		194,765	199,344
Decrease in cash		(106,405)	49,278
Effect of currency translation differences		(40,710)	(53,857)
At end of year	24	47,650	194,765

Notes to the Financial Statements

1 GENERAL INFORMATION

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

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

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

For the Kenya Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and profit and loss account by the 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

- There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that would be expected to have a material impact on the Group.

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.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The application of this amendment will mainly impact the presentation of the primary statements. The effective date is annual periods beginning on or after 1 July 2012 and the ammendments may be early applied.

IFRS 13, 'Fair value measurement', assuming the Group held investment properties as at 31 December 2012, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of IFRS 13 may enhance fair value disclosures in certain circumstances.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Company will be as follows: 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 directors are yet to assess the full impact of the amendments. IAS 19 (revised) allows for early adoption but is retrospectively applicable for annual periods beginning on or after 1 January 2013.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2011, it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The directors are yet to assess IFRS 9's full impact and intend to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

IFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The directors are yet to assess IFRS 10's full impact and intend to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

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 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The directors are yet to assess IFRS 12's full impact and intend to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

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

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

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

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

(iii) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

(iv) Associates

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

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

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

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

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

(v) Separate financial statements

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

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

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Transactions and balances (continued)

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

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

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

(iii) Group companies

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses for each income statement amount are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income in the currency translation reserve.

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

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

(d) Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition

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

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

Revenue is recognised as follows:

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

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

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

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

(f) Property, plant and equipment

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

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

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

During the year the directors revised the residual values of land and buildings and furniture, fittings and equipment from nil to 35% and 25% of cost respectively. The impact of the revision, which has been accounted for as a change in accounting estimate in line with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has led to a reduction of the depreciation charge for the year by Shs 65 million.

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

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

An assessment of the carrying value of operating equipment was performed as at 31 December 2012. The impact of the revision, which has been accounted for as a change in accounting estimate in line with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors, has led to a reduction of Shs 67 million of the operating equipment charge for the year.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets

Goodwill

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

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

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

(h) Impairment of non-financial assets

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

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

(i) Financial assets

(i) Classification

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

Loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

Available-for-sale financial assets (continued)

(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)

(j) Accounting for leases

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

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

(k) Inventories

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

(l) Receivables

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

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

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

(m) Payables

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

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

(n) Share capital

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax

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

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

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

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

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

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

(r) Borrowings

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which they are declared. Dividends are declared upon approval at the annual general meeting. Proposed dividends are 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 2012, 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 5,335,969 (2011: Shs 6,735,365) higher/lower, mainly as a result of US dollar receivables, payables and bank balances.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

(ii) Price risk

The Group does not have any assets subject to price risk as at 31 December 2012 (2011: nil).

(iii) Cash flow and fair value interest rate risk

The Group has borrowings at variable rates. The Group does not hedge itself against interest rate risk. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. At 31 December 2012, an increase/decrease of 10% on interest rate would have resulted in an increase/decrease in consolidated post tax profit of Shs 5,000,397 (2011: 9,591,041).

Credit risk

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

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

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

The maximum exposure for credit risk equals the amounts disclosed on the statement of financial position in 2012 and 2011.

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 2012 Shs'000	Group 2011 Shs'000	Company 2012 Shs'000	Company 2011 Shs'000
Past due but not impaired:				
- by up to 30 days	515,016	394,294	-	-
- by 31 to 60 days	184,346	226,871	-	-
- by 61 to 90 days	9,517	3,678	-	-
- by over 90 days	4,226	21,806	-	-
Total past due but not impaired	713,105	646,649	-	-
Impaired and fully provided for	41,675	64,637	-	-

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 2012:				
- borrowings and interest	939,782	531,239	973,819	-
- trade and other payables	1,258,031	-	-	-
At 31 December 2011:				
- borrowings and interest	638,379	665,855	1,229,535	-
- trade and other payables	1,139,017	-	-	-

(a) Company

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Over 5 years Shs'000
At 31 December 2012:				
- trade and other payables	2,380	-	-	-
At 31 December 2011:				
- trade and other payables	4,881	-	-	-

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 2012 the Group's strategy, which was unchanged from 2011, was to maintain a gearing ratio between 25% and 40%. The gearing ratios at 31 December 2012 and 2011 as follows:

	2012 Shs'000	2011 Shs'000
Total borrowings	2,098,640	2,126,066
Less: cash and cash equivalents	(257,205)	(403,114)
Net debt	1,841,435	1,722,952
Total equity	8,181,410	8,046,824
Total capital	10,022,845	9,769,776
Gearing ratio	18%	18%

5 SEGMENT INFORMATION

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2012 is as follows:

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

The segment information 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	230,535	5,623,075
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	314,224	328,132	146,249	1,954	790,559
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 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:

	2012 Shs' 000	2010 Shs' 000
EBITDA	1,164,826	1,268,725
Depreciation	(303,694)	(330,834)
Share of profit from associate	42,822	19,332
Finance costs – net	(182,438)	(104,090)
Profit before tax	721,516	853,133

The entity is domiciled in Kenya. Its revenue from customers in Kenya is Shs 3,240,338,000 (2011: Shs 3,177,879,000), and the total of revenue from external customers from other countries is Shs 2,103,622,000 (2011: Shs 2,263,632,000). 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	
	2012 Shs'000	2011 Shs'000
Loss on disposal of property, plant and equipment	2,671	1,562
Net foreign currency exchange movements	(28,710)	83,902
Receivables – provision for impairment losses (Note 23)	(22,692)	30,378
Auditors' remuneration (Company: 2012: Shs 2,379,196 2011: Shs 2,265,901)	12,732	12,010
Employee benefit expense (Note 7)	1,636,436	1,576,219
Repairs and maintenance of property, plant and equipment	108,818	115,264

7 EMPLOYEE BENEFITS EXPENSE

	Group	
	2012 Shs'000	2011 Shs'000
The following items are included within employee benefits expense:		
Salaries, wages and other staff costs	1,534,708	1,479,514
Retirement benefits costs:		
- Gratuity charge (Note 16)	23,360	26,138
- Defined contribution scheme	33,394	28,966
- National Social Security Funds	44,974	41,601
	1,636,436	1,576,219

8 FINANCE INCOME AND COSTS

	Group 2012 Shs'000	Group 2011 Shs'000
Interest income:		
- fixed and call deposits	264	52,414
- staff loans	8,441	1,510
- related party loans	8,791	-
Net foreign currency exchange gain on borrowings	-	5,833
Finance income	17,496	59,757
Interest expense:		
- bank borrowings	(172,057)	(163,847)
Net foreign currency exchange loss on borrowings	(27,877)	-
Finance costs	(199,934)	(163,847)
Net finance costs	(182,438)	(163,847)

9 INCOME TAX EXPENSE

	Group 2012 Shs'000	Group 2011 Shs'000
Current income tax	144,422	130,837
Deferred income tax (Note 15)	83,506	106,405
Income tax expense	227,928	237,242

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 2012 Shs'000	Group 2011 Shs'000
Profit before income tax	721,516	853,133
Tax calculated at domestic rates applicable to profits in the respective countries - 30% (2011-30%)	216,455	255,940
Tax effect of:		
Income not subject to tax	(12,206)	(1,388)
Expenses not deductible for tax purposes	19,825	21,647
Over provision of deferred income tax in prior year	6,725	10,681
Deductible investment allowances	(2,871)	(49,638)
Income tax expense	227,928	237,242

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.

	2012	2011
Profit attributable to equity holders of the Company (Shs 000s)	533,683	668,771
Weighted average number of ordinary shares in issue (thousands)	148,211	148,211
Basic earnings per share (Shs)	3.60	4.51

There were no potentially dilutive shares outstanding at 31 December 2012 or 2011. 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 2012 were 148,210,640 shares (2011: 148,210,640 shares). A dividend in respect of qualifying shares for the year ended 31 December 2012 of Shs 1.30 per share (2011: Shs 1.30) amounting to Shs 192,673,832 (2011: Shs 192,673,832) is to be proposed at the forthcoming annual general meeting.

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

12 SHARE CAPITAL

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 2012 & 2011	148,211	148,211	3,032,431
Balance at 31 December 2012 & 2011	148,211	148,211	3,032,431

Total authorised number of ordinary shares is 200,000,000 shares with a par value of Shs 1.00 per share. 148,210,640 (2011: 148,210,640) shares are issued at a par value of Shs 1.00 per share and are fully paid.

13 REVALUATION RESERVE

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

14 BORROWINGS

	Group		Company	
	2012 Shs'000	2011 Shs'000	2012 Shs'000	2011 Shs'000
The borrowings are made up as follows:				
Non-current				
Bank borrowings	1,326,720	1,659,372	-	-
Current				
Bank overdraft	209,555	63,070	-	-
Bank borrowings	362,365	403,624	-	-
Commercial paper	200,000	-	-	-
	771,920	466,694	-	-
Total borrowings	2,098,640	2,126,066	-	-

The borrowings include secured liabilities (bank borrowings and overdraft) in a total amount of Shs 1,498,640,000 (2011: Shs 1,726,066,000), commercial paper Shs 200,000,000 (2011: nil) and long term notes Shs 400,000,000 (2011: 400,000,000). Bank loans and overdrafts are secured by legal charges over certain land, buildings and other assets of the Group, a certificate of shares in the name of TPS Eastern Africa Limited for Tourism Promotion Services (Kenya) Limited in addition to a floating debenture over all assets of Tourism Promotion Services (Kenya) Limited, Tourism Promotion Services (Tanzania) Limited and Tourism Promotion Services (Zanzibar) Limited.

	Group	
The effective interest rates at the year-end were as follows:	2012	2011
Kenya		
- bank borrowings : Kenya Shillings	16.00%	16.74%
- long term notes : Kenya Shillings	11.50%	11.50%
- commercial paper: Kenya Shillings	10.14%	-
Tanzania		
- bank overdrafts: US Dollars (3.25% above 3-month LIBOR)	3.72%	3.50%
- bank borrowings: US Dollars (2% above 3-month LIBOR)	2.47%	2.50%
: Tanzania Shillings – National Bank of Commerce Tanzania Limited	-	13.50%
: Tanzania Shillings – Barclays Bank of Tanzania Limited (existing)	16.00%	11.50%
: Tanzania Shillings – Barclays Bank of Tanzania Limited (new)	13.50%	-
Zanzibar		
- bank overdrafts and bank borrowings: Tanzania Shillings (existing)	12.50%	12.50%
- bank overdrafts and bank borrowings: Tanzania Shillings (new)	13.50%	-

14 BORROWINGS (CONTINUED)

The carrying amounts of short-term borrowings approximate to their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the balance sheet date.

It is impracticable to assign fair values to the Group's long term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

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

15 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (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 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
Year ended 31 December 2012			
At start of year	1,678,659	(143,000)	1,535,659
Income statement charge/(credit) (Note 9)	128,471	(44,965)	83,506
Credit to equity	(23,767)	(28,788)	(52,555)
At end of year	1,783,363	(216,753)	1,566,610

15 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax – Group

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

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

15 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax – Group

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

Year ended 31 December 2011	1.1.2011	Charge/ (credit) to IS	Credit to equity	31.12.2011
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities				
- 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
	1,749,178	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

Deferred income tax of Shs 14,734,000 (2011: Shs 29,402,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on their historical cost.

16 RETIREMENT BENEFIT OBLIGATIONS

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

	Group	
	2012 Shs'000	2011 Shs'000
At start of year	131,689	110,835
Charge to income statement	23,360	26,138
Benefits paid	(8,427)	(5,284)
At end of year	146,622	131,689

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

	Group	
	2012 Shs'000	2011 Shs'000
Current service cost	6,346	7,991
Interest cost	15,576	11,211
Net actuarial losses/(gains) recognised in the year	1,438	6,936
Total, included in employee benefits expense (Note 7)	23,360	26,138

The principal actuarial assumptions used were as follows:	Group	
	2012	2011
- discount rate	12.0%	13.5%
- future salary increases	8.0%	10%

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

Five year summary:

	2012 Shs'000	2011 Shs'000	2010 Shs'000	2009 Shs'000	2008 Shs'000
Present value of defined benefit obligation	146,622	131,689	110,835	109,174	95,103

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	
	2012	2011
	Shs'000	Shs'000
At start of the year	-	216,251
Investment during the year	-	56,986
Total cost of investment	-	273,237
Reclassified under investment in associates (Note 22)	-	(273,237)
	-	-

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 was reclassified as an associate company in the year 2011 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 (2011: Nil).

18 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2011					
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
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

Notes to the Financial Statements (continued)

18 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
At 1 January 2012					
At cost or revaluation	9,505,754	2,391,487	270,404	277,080	12,444,725
Accumulated depreciation	(1,629,300)	(1,450,613)	(184,697)	-	(3,264,610)
Translation differences	(354,060)	24,184	(21,686)	489	(351,073)
Net book amount	7,522,394	965,058	64,021	277,569	8,829,042
Year ended 31 December 2012					
Opening net book amount	7,522,394	965,058	64,021	277,569	8,829,042
Additions	271,172	232,498	11,128	275,761	790,559
Disposals	-	(43,042)	(4,206)	-	(47,248)
Transfers	56,132	3,052	-	(59,184)	-
Depreciation charge	(164,373)	(122,640)	(16,681)	-	(303,694)
Translation differences	(151,830)	(22,181)	(2,310)	(1,852)	(178,173)
Closing net book amount	7,533,495	1,012,745	51,952	492,294	9,090,486
At 31 December 2012					
At cost or revaluation	9,833,058	2,583,995	277,326	493,657	13,088,036
Accumulated depreciation	(1,793,673)	(1,573,253)	(201,378)	-	(3,568,304)
Translation differences	(505,890)	2,003	(23,996)	(1,363)	(529,246)
Net book amount	7,533,495	1,012,745	51,952	492,294	9,090,486

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	
	2012 Shs'000	2011 Shs'000
Cost	6,410,737	6,083,433
Accumulated depreciation	(2,200,042)	(1,753,946)
Net book amount	4,210,695	3,998,653

19 NON-CURRENT RECEIVABLES

	Company and Group	
	2012 Shs'000	2011 Shs'000
At start of the year	-	-
Advanced during the year	188,996	-
Repayment	-	-
At end of year	188,996	141,575
Current	73,499	-
Non-current	115,497	-
	188,996	-

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

20 INTANGIBLE ASSET - GROUP

Goodwill	2012 Shs'000	2011 Shs'000
Cost	1,077,869	1,077,869
Impairment	(20,008)	(20,008)
Net book amount	1,057,861	1,057,861

Impairment tests for goodwill

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

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

	2012 Shs'000	2011 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 margin[1]	23%	37%	37%
Growth rate[2]	2%	2%	2%
Discount rate[3]	12.3%	12.5%	12.5%

[1] Budgeted EBITDA margin

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

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

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

21 INVESTMENT IN SUBSIDIARIES (AT COST)

The Company's interest in its subsidiaries (Tourism Promotion Services (Kenya) Limited – TPS(K), Tourism Promotion Services (Tanzania) Limited – TPS(T), Tourism Promotion Services (Zanzibar) Limited – TPS(Z), Tourism Promotion Services (Mangapwani) Limited – TPS(Mgp), Tourism Promotion Services (South Africa)(Pty) Limited – TPS(SA) 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 2011	828,621	1,487,783	437,423	45,795	1	-	2,799,623
Additional investment	-	-	-	-	-	-	-
At 31 December 2011 and 2012	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%	

Other indirect subsidiaries include Jaja Limited, which owns Lake Elmenteita Serena Camp, and TPS (OP) Limited which owns Sweetwaters Tented Camp and Ol Pejeta House, both of which are 100% subsidiaries of TPS(K), and Upekee Lodges Limited (51% subsidiary of TPS(T)) which owns two properties; 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	
	2012 Shs'000	2011 Shs'000
At start of the year	687,008	30,718
Reclassification of 'Available-for- sale asset'	-	273,237
Additional investment during the year [1]	203,372	363,721
Share of associate results before tax	60,059	27,747
Share of tax	(17,237)	(8,415)
Net share of results after tax	42,822	19,332
At end of year	933,202	687,008

	Company	
	2012 Shs'000	2011 Shs'000
At start of the year	636,958	-
Reclassification of 'Available-for- sale asset'	-	273,237
Additional investment during the year [1]	203,372	363,721
	58,074	-
At end of year	840,330	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. In 2012, TPS Eastern Africa Limited purchased an additional 5.1% in TPS(D) Limited bringing the total shareholding to 25.1%.

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
2012					
Mountain Lodges Limited	29.90	152,675	45,827	81,126	(590)
Tourism Promotion Services (Rwanda) Limited	20.15	2,272,424	839,591	1,312,946	40,803
TPS (D) Limited	25.10	4,007,562	2,112,295	1,147,806	141,550
		6,432,661	2,997,713	2,541,878	181,763
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	2,964,261	1,566,399	97,827

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

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

23 RECEIVABLES AND PREPAYMENTS

	Group 2012 Shs'000	Group 2011 Shs'000	Company 2012 Shs'000	Company 2011 Shs'000
Trade receivables – third parties	972,259	908,639	-	-
Less: provision for impairment of receivables	(41,675)	(64,367)	-	-
Trade receivables – other related companies (Note 28)	558	1,981	-	-
Net trade receivables	931,142	846,253	-	-
Prepayments	99,636	115,181	-	-
Advances to related companies (Note 28)	281,382	177,576	238,075	174,838
Other receivables	131,606	497,217	4,262	390,463
	1,443,766	1,636,227	242,337	565,301

23 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	Group		Company	
	2012 Shs'000	2011 Shs'000	2012 Shs'000	2011 Shs'000
At start of year	64,367	50,239	-	-
Provision in the year	5,118	30,378	-	-
Receivables written off during the year as uncollectible	(27,810)	(16,250)	-	-
At end of year	41,675	64,367	-	-

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	
	2012 Shs'000	2011 Shs'000	2012 Shs'000	2011 Shs'000
US Dollar	486,070	483,567	-	-
Euro	3,407	2,092	-	-
Sterling Pound	3,336	9,977	-	-
Kenya Shillings	711,213	1,005,573	242,337	565,301
Tanzania Shillings	239,740	135,018	-	-
	1,443,766	1,636,227	242,337	565,301

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 Shs'000	2011 Shs'000	2012 Shs'000	2011 Shs'000
Cash at bank and in hand	257,205	257,835	572	1,853
Short term bank deposits	-	145,279	-	-
	257,205	403,114	572	1,853

The weighted average effective interest rate on short-term bank deposits at the end of 2011 was 19.0 %. The deposits had an average maturity of 90 days.

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

	Group	
	2012 Shs'000	2011 Shs'000
Cash and bank balances as above	257,205	257,835
Bank overdrafts (Note 14)	(209,555)	(63,070)
	47,650	194,765

25 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2012 Shs'000	2011 Shs'000	2012 Shs'000	2011 Shs'000
Trade payables	528,633	647,568	-	-
Trade payables – related companies (Note 28)	4,820	5,179	-	-
Advances from related companies (Note 28)	174,240	48,971	-	-
Accrued expenses and other payables	550,338	437,299	2,380	4,881
	1,258,031	1,139,017	2,380	4,881

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	
	2012 Shs'000	2011 Shs'000
Profit before income tax	721,516	853,133
Adjustments for:		
Interest expense (Note 8)	172,057	163,847
Interest income (Note 8)	(17,496)	(53,924)
Depreciation (Note 18)	303,694	330,834
Loss on sale of property, plant and equipment	2,671	1,562
Share of profit from associates (Note 22)	(42,822)	(19,332)
Changes in working capital		
- receivables and prepayments	192,461	(649,268)
- inventories	6,282	(75,812)
- payables and accrued expenses	119,014	(66,471)
- provisions for liabilities and charges	14,933	20,854
Cash generated from operations	1,472,310	505,423

27 NON CONTROLLING INTEREST

	2012 Shs '000	2011 Shs '000
At start of the year	96,855	97,213
On investment by minority shareholder	-	52,522
Share of loss for the year	(40,095)	(52,880)
At end of year	56,760	96,855

Tourism Promotion Services (Tanzania) Limited, a 100% subsidiary of the TPS Eastern Africa Limited, holds 51% equity in Upekee Lodges Limited (ULL) while 49% is held by Export Holdings Limited. ULL is incorporated in the Republic of Tanzania and owns Selous Luxury Camp and Mivumo River Lodge which are both situated in the Selous Game Reserve in Southern Tanzania.

28 RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

	Group	
i) Sale of goods and services to:	2012 Shs'000	2011 Shs'000
Mountain Lodges Limited	8,008	8,586
Diamond Trust Bank Kenya Limited	4,573	5,596
Frigoken Limited	-	1,074
The Jubilee Insurance Company of Kenya Limited	3,293	5,296
TPS (Uganda) Limited	45,764	28,280
Tourism Promotion Services (Rwanda) Limited	34,993	26,904
Hoteis Polana, S.A.	26,523	24,465
Nation Media Group	7,640	4,236
Industrial Promotion Services (Kenya) Limited	672	1,099
Directors & key management	2,392	3,690
ii) Purchase of goods and services from:		
Farmer's Choice Limited	81,694	89,670
The Aga Khan Hospital (Tanzania) Limited	1,948	602
The Jubilee Insurance Company of Kenya Limited	6,226	6,993
Diamond Trust Bank Tanzania Limited	6,388	5,407
Serena Tourism Promotion Services, S.A.	75,091	189,455
Nation Media Group	968	1,341

28 RELATED PARTY TRANSACTIONS (CONTINUED)

iii) Key management compensation

	Group	
	2012	2011
	Shs'000	Shs'000
Salaries and other short-term employment benefits	196,734	172,263

iv) Directors' remuneration

	Company	
	2011	2010
	Shs'000	Shs'000
Fees for services as a non-executive director	1,070	1,070
Emoluments to executive directors (included in key management compensation above)	76,903	70,17
Total remuneration of directors of the Company	77,973	71,242

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

	Group	
	2012	2011
	Shs'000	Shs'000
Trade receivables from related parties:		
Industrial Promotion Services (Kenya) Limited	98	-
Nation Media Group	355	-
The Jubilee Insurance Company of Kenya Limited	105	1,981
	558	1,981
Other receivables from related parties:		
Mountain Lodges Limited	2,219	1,500
TPS (Uganda) Limited	1,977	10,766
Hoteis Polana, S.A.	76,160	97,553
Tourism Promotion Services (Rwanda) Limited	20,120	1,308
Ol Pejeta Ranching Ltd - Hotel Division	-	15,238
Serena Tourism Promotion Services S.A.	356	3,131
Tourism Promotion Services (Burundi) Limited	-	2,822
Tanruss Investment Limited	178,200	38,081
TPS (D) Limited	2,350	7,177
	281,382	177,576
	281,940	179,557

28 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Company	
	2012	2011
	Shs'000	Shs'000
Other receivables from related parties:		
Other receivables from related parties		
Tourism Promotion Services (Kenya) Limited	43,722	91,611
Tourism Promotion Services (Tanzania) Limited	75,449	74,392
Tourism Promotion Services (Zanzibar) Limited	30,463	8,816
Tourism Promotion Services (Management) Limited	20	19
Tourism Promotion Services (South Africa) (Pty) Limited	6,388	-
Tanruss Investment Limited	82,033	-
	238,075	174,838

	Group	
	2012	2011
	Shs'000	Shs'000
Trade payables to related parties:		
Farmer's Choice Limited	4,369	4,938
The Jubilee Insurance Company Limited	451	241
	4,820	5,179
Other payables to related parties:		
Mountain Lodges Limited	30,012	149
TPS (Uganda) Limited	98,436	20,970
Hoteis Polana, S.A.	19,723	578
Tourism Promotion Services (Rwanda) Limited	17,351	26,978
Ol Pejeta Ranching Limited	-	76
Tanruss Investment Limited	3,876	192
TPS (D) Limited	3,666	28
Tourism Promotion Services (Burundi) Limited	1,176	-
	174,240	48,971
	179,060	54,150

vi) Loans to directors of the Company

	2012	2011
	Shs'000	Shs'000
At start of year	408	1,076
Loans advanced	9	57
Loan repayments received	(417)	(725)
At end of year	-	408
Less: current portion	-	(408)
Non-current portion	-	-

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
2012	Shs'000	Years	Shs'000	
Loan balance	-	-	-	-
2011				
Loan balance	408	5	4,392	8%

No provisions for impairment losses have been required in 2011 and 2012 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 2012, Tourism Promotion Services (Kenya) Limited had given guarantees amounting to Shs 5,209,000 (2011: 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	
	2012	2011
	Shs'000	Shs'000
Property, plant and equipment	107,757	-

Operating lease commitments	Group	
	2011	2010
	Shs'000	Shs'000
Not later than 1 year	8,364	4,359
Later than 1 year and not later than 5 years	19,993	7,237
Later than 5 years	180,117	49,115
	208,474	60,711

31 POST BALANCE SHEET EVENT

At an Extraordinary General Meeting held on 11 January 2013 the shareholders of the Company approved the acquisition of up to 79.19% of the issued share capital of TPS (Uganda) Limited ('TPS (U)'). The shareholders authorized the completion of the transaction by allotting new shares in the Company to the Aga Khan Fund for Economic Development ("AKFED") and The National Social Security Fund (Uganda) ("NSSF (U)") in consideration for the acquisition of shares held by the AKFED and NSSF(U) in TPS (U).

Pursuant to the approval of the shareholders, the Board of Directors provisionally allotted 41,252,568 new ordinary shares in the Company to AKFED and NSSF (U) in accordance with the terms of the Share Swap Agreement dated 12 October 2012. The new shares were admitted into the Official List of the Main Investment Market Segment from 1 February 2013.

The Company will confirm the allotment and issue of a further 7,289,100 new ordinary shares to NSSF (U) as part of the consideration for the acquisition, subject to NSSF (U) fulfilling the conditions precedent specific to the completion of the acquisition of the 19,500 ordinary shares in TPS (U) (representing 13.99% of the authorized and issued share capital of TPS (U)) pursuant to the terms of the Share Swap Agreement. The Board of Directors will make a further announcement when it completes the acquisition of the 19,500 shares in TPS (U) from NSSF (U). Under the terms of the Share Swap Agreement, the acquisition of the 19,500 shares held by NSSF (U) will be completed under the same terms as the acquisition of AKFED's shares as at 11 January 2013 and will not be subject to any further changes.

Notes to the Financial Statements (continued)

PRINCIPAL SHAREHOLDERS

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2012 are as follows:

	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	12,652,000	8.54%
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	7,772,106	5.24%
5	Industrial Promotion Services (Kenya) Limited	7,697,088	5.19%
6	Aga Khan University Foundation	6,851,000	4.62%
7	PDM (Holdings) Limited	6,607,440	4.46%
8	Craysell Investments Limited	4,148,133	2.80%
9	Standard Chartered Nominees AC 9230	2,612,658	1.76%
10	Premchand Kanji Shah	2,290,744	1.55%
11	Others	38,601,413	26.04%
		148,210,640	100.00%

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	Number of shares	% Shareholding
Less than 500 shares	3,010	448,201	0.30
500 – 5,000 shares	5,558	7,544,068	5.09
5,001 – 10,000 shares	255	1,818,841	1.23
10,001 – 100,000 shares	269	8,308,514	5.61
100,001 – 1,000,000 shares	67	16,635,826	11.22
Over 1,000,000 shares	12	113,455,190	76.55
Total	9,171	148,210,640	100.00

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 Thursday 30 May 2013 at 2.30 p.m. and at any adjournment thereof.

No. of shares held: ______________________________ Account number: ______________________________

Signed this ______________________________ day of ______________________________ 2013

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 26 May, 2013 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 30 2013 kuanzia saa nane unusu au kuahirishwa kwake.

Idadi ya hisa zinazomilikiwa ______________________________ nambari ya akaunti

Imetiwa sahihi ______________________________ Tarehe ______________________________ 2013

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 26 2013 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

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 AND CAMPS
HOTELS • RESORTS