TPS EASTERN AFRICA LIMITED

The Board of Directors of TPS Eastern Africa Limited is pleased to announce the audited results for the year ended 31 December 2015.

Condensed consolidated income statement

	2015	2014
	Shs' 000	Shs' 000
Sales	6,189,360	6,337,210
Earnings before exchange loss, interest, depreciation and taxation	**551,492**	**782,387**
Unrealised exchange loss on foreign currency loans	(121,566)	(17,608)
Net interest expense	(224,232)	(154,419)
Depreciation on property, plant and equipment	(426,566)	(426,237)
Share of results of associates	9,896	35,978
(Loss)/profit before income tax	**(210,976)**	**220,101**
Current income tax	5,865	(54,686)
Deferred income tax	(75,502)	109,004
(Loss)/profit after tax	**(280,613)**	**274,419**
Attributable to:		
Equity holders of the Company	(296,571)	245,910
Non controlling interest	15,958	28,509
	(280,613)	**274,419**

Other information

	2015	2014
Proposed dividend	**44,554**	**245,935**
Accumulated retained earnings	**2,309,434**	**2,603,955**
(Loss)/earnings per share attributable to the equity holders of the Company - basic & diluted (Shs per share)	(1.63)	1.35
Weighted average number of shares (000s)	**182,174**	**182,174**

Commentary

The Company navigated through another challenging year for the tourism industry in East Africa which negatively impacted performance due to a combination of external factors that were beyond Management's control. During year 2015, total arrivals at Jomo Kenyatta International Airport (Nairobi) and Moi International Airport (Mombasa) recorded a drop of approximately 30% and 70%, respectively, compared to year 2012 when travel advisories were not in place. Tourist arrivals into Tanzania recorded a drop of approximately 30% in year 2015 compared to year 2014.

The continued negative international publicity since 2013 on the East African Region in relation to insecurity, terrorism threats, elevated travel advisories issued by foreign government agencies of the main source markets and poaching menace cumulatively led to withdrawal of Charter flights to Kenya and a slowdown in international leisure bookings to Kenya, Tanzania and Zanzibar Stone Town.

The introduction of Value Added Tax on tourism services and park fees in September 2013 unfortunately made destination Kenya uncompetitive relative to the other safari destinations. In the middle of the third quarter of 2014, the Ebola epidemic originating from West African countries negatively impacted all African tourist destinations during year 2015.

During the period under review, activities from the domestic leisure market segments in Kenya were at satisfactory levels and the Company's East African diversified portfolio recorded encouraging business levels in the corporate business segment - a trend that is expected to continue during year 2016.

In 2015 the Company took measures, to the extent possible, to safeguard shareholder value, meet its financial commitments, maintain market share, maintain the assets in good physical condition so as to avoid compromising standards of product and service, and implement efficiency measures to reduce energy, procurement and general operating costs without sacrificing operating standards despite the above setbacks.

On a positive note, the United Kingdom Government lifted its travel advisory on 19th June 2015, other European source markets Governments toned down their advisories, and the second half of year 2015 included extensive positive coverage of East Africa in the international media due to high profile events which Management feels, has, to some extent, helped to restore confidence among travellers, investors and East African citizens.

Based on current forecasts for year 2016, Serena Tanzania and Serena Uganda are expected to record satisfactory performance on both the leisure and corporate market segments. Given the serious attention being paid to security issues, the incentives provided by the Kenyan Government late last year and early 2016 to revive the tourism industryand the improvements in international relations by the Government of Kenya, the tourism industry remains confident that, at least, the second half of year 2016 should witness a reversal of fortunes in the Kenyan tourism Industry. Current indications for the safari business segment are positive from July 2016. However, the Kenyan coastal region will continue to record low occupancies, although improvement is forecasted from November 2016.

In the year 2015, TPS Eastern Africa Limited (TPSEAL) recorded a turnover of KShs. 6.19 billion (2014: KShs. 6.34 billion) and Earnings Before Exchange Loss, Interest, Depreciation and Taxation of KShs. 551 million (2014: KShs. 782 million).

The Company faced a volatile economic environment characterised by exchange rate fluctuations and increased interest cost that led to TPSEAL recording Loss Before Tax at KShs. 211 million (2014: Profit Before Tax at KShs. 220 million). During the period under review, Unrealised Exchange Loss on Foreign Currency Loans and Interest cost were above year 2014 by KShs. 104 million and KShs. 70 million respectively. Loss After Tax was recorded at KShs. 281 million (2014: Profit After Tax of KShs. 274 million).

During year 2016, Serena Hotels commenced the refurbishment of Nairobi Serena Hotel and extension of the Kampala Serena Hotel in a phased manner to minimize disruption to guest services. The investments are necessary to enable the Company's City Hotels portfolio to increase their market share in the future, thus improving TPSEAL's consolidated profitability and shareholder returns in the medium to long-term.

The Company will continue to implement refurbishment of the other existing properties, appropriate Human Resource Management practices and sound Corporate Social Responsibility programmes that complement its long-term business strategy, just as it continues to pursue new business opportunities in line with its diversification policy and strategy that extends the marketing and sales outreach to non-traditional markets.

The Company and its subsidiaries continue to be significant contributors to the revenues of the Governments of Kenya, Tanzania and Uganda. The Group paid, in aggregate, the equivalent of KShs. 1,505 million (2014: KShs. 1,471 million) in direct and indirect taxes and equivalent of KShs. 191 million (2014: KShs. 160 million) to counties and local authorities in royalties and rents in the various jurisdictions during 2015.

Dividend

The Directors are recommending for approval, at the forthcoming Annual General Meeting, payment of a final dividend for 2015 of KShs 0.25 per share (2014: KShs 1.35 per share), subject to payment of withholding tax, where applicable. The dividend will be payable on or about July 30, 2016 to members on the Register at the close of business on June 30, 2016. It will be noted that, despite the challenging business conditions, guided by an optimistic outlook for the future prospects of the tourism industry in East Africa, the Board of Directors is pleased to recommend for approval by the Shareholders, a modest final dividend payment.

Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on Thursday, June 30, 2016, at 11.00 a.m. at the Kenyatta International Conference Centre, Nairobi.

By Order of the Board

Dominic Ng'ang'a
Company Secretary

April 28, 2016
Nairobi

The above results are an extract from the audited financial statements for the Group for the year ended 31 December 2015.

SERENA HOTELS

SAFARI LODGES AND CAMPS

HOTELS . RESORTS