

AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 31st DECEMBER 2018

The Board of Directors of TPS Eastern Africa PLC is pleased to announce the audited results and financial statements for the year ended 31st December 2018

CONSOLIDATED SUMMARISED INCOME STATEMENT		
	Year ended	
	31-Dec-18	31-Dec-17
	Shs'000	Shs'000
Sales	6,593,441	6,408,206
Profit before exchange difference, interest, depreciation, results of associates and taxation	795,111	831,525
Finance income	7,101	14,425
Finance costs	(126,517)	(149,347)
Depreciation on property, plant and equipment	(408,248)	(406,496)
Share of results of associates	(23,998)	(29,360)
Profit before income tax	243,449	280,747
Income tax expense	(64,444)	(141,282)
Profit after taxation	179,005	119,465
Attributable to:		
Equity holders of the Company	125,710	65,209
Non-controlling interest	53,295	54,256
	179,005	119,465
Profit per share attributable to the equity holders of the Company		
- basic (Shs per share)	0.69	0.36
Weighted average number of shares ('000s)	182,174	182,174

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
	Year ended	
	31-Dec-18	31-Dec-17
	Shs'000	Shs'000
Profit after taxation	179,005	119,465
Other comprehensive income: Items net of tax		
Currency translation differences	(142,287)	50,725
Total comprehensive profit	36,718	170,190
Attributable to:		
Equity holders of the Company	(16,577)	115,936
Non-controlling interest	53,295	54,254
	36,718	170,190

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	As at	
	31-Dec-18	31-Dec-17
	Shs'000	Shs'000
CAPITAL EMPLOYED		
Equity	9,137,574	9,164,617
Non-current liabilities	3,585,478	5,868,808
	12,723,052	15,033,425
REPRESENTED BY		
Non-current assets	15,483,109	14,840,164
Net current (liabilities)/assets	(2,760,057)	193,261
	12,723,052	15,033,425

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY									
	Share capital	Share premium	Revaluation reserves	Translation reserves	Retained earnings	Proposed dividends	Non-controlling interest	Total	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2017									
At start of year	182,174	4,392,668	2,534,165	(1,069,755)	2,260,456	63,761	1,004,048	9,367,517	
Comprehensive income for the year	-	-	-	-	65,209	-	54,256	119,465	
Profit for the year	-	-	-	-	65,209	-	54,256	119,465	
Other comprehensive income:									
Currency translation differences	-	-	-	50,725	-	-	-	50,725	
Transfer of excess depreciation to retained earnings	-	-	(76,192)	-	76,192	-	-	-	
Deferred income tax on transfer	-	-	22,858	-	(22,858)	-	-	-	
Total other comprehensive income	-	-	(53,335)	50,725	53,335	-	-	50,725	
Total comprehensive income for the year	-	-	(53,335)	50,725	118,544	-	54,256	170,190	
Transactions with owners									
Acquisition of non-controlling interest	-	-	-	-	-	-	(309,329)	(309,329)	
Dividends:									
- final for 2016 paid	-	-	-	-	(63,761)	63,761	-	(63,761)	
- proposed for 2017	-	-	-	-	(63,761)	-	(309,329)	(373,090)	
At end of year	182,174	4,392,668	2,480,830	(1,019,030)	2,315,239	63,761	748,975	9,164,617	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY									
	Share capital	Share premium	Revaluation reserves	Translation reserves	Retained earnings	Proposed dividends	Non-controlling interest	Total	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2018									
At start of year	182,174	4,392,668	2,480,830	(1,019,030)	2,315,239	63,761	748,975	9,164,617	
Comprehensive income for the year	-	-	-	-	125,710	-	53,295	179,005	
Profit for the year	-	-	-	-	125,710	-	53,295	179,005	
Other comprehensive income:									
Currency translation differences	-	-	-	(142,287)	-	-	-	(142,287)	
Transfer of excess depreciation to retained earnings	-	-	(81,976)	-	81,976	-	-	-	
Deferred income tax on transfer	-	-	24,593	-	(24,593)	-	-	-	
Total other comprehensive income	-	-	(57,383)	(142,287)	57,383	-	-	(142,287)	
Total comprehensive income for the year	-	-	(57,383)	(142,287)	183,093	-	53,295	36,718	
Transactions with owners									
Dividends:									
- final for 2017 paid	-	-	-	-	(63,761)	63,761	-	(63,761)	
- proposed for 2018	-	-	-	-	(63,761)	-	-	(63,761)	
At end of year	182,174	4,392,668	2,423,447	(1,161,317)	2,434,571	63,761	802,270	9,137,574	

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS			
	Year ended		
	31-Dec-18	31-Dec-17	
	Shs'000	Shs'000	Shs'000
Net cash generated from operating activities	628,520	798,138	
Net cash used in investing activities	(1,272,340)	(2,207,006)	
Net cash (used in)/ generated from financing activities	(269,779)	460,169	
Decrease in cash and cash equivalents	(913,599)	(948,699)	
Movement in cash and cash equivalents			
At start of period	611,779	1,425,891	
Effects of currency translation differences	(913,599)	(948,699)	
Decrease in cash and cash equivalents	121,257	134,587	
At end of period	(180,563)	611,779	

COMMENTARY

Following the stabilisation of Kenya's political environment in the second quarter 2018, market sentiment continues to indicate a consistent return of confidence in the tourism sector. Indeed this optimism has been prevalent beyond Kenya and extended across the East African region.

The Company's diversified portfolio in East Africa recorded satisfactory growth in both corporate and domestic leisure segments during the year under review. To complement this, post July 2018, reassuring business levels from the foreign leisure market segment were experienced across the East African Serena Safari Circuits in Kenya, Tanzania and Zanzibar.

The first phase of the redevelopment of Nairobi Serena Hotel was successfully completed in August 2018, leading to improved performance in the fourth quarter 2018. Completion of the new: bedrooms (half room inventory), ballroom, meeting rooms, and public areas generated incremental revenues. Similarly, the 2017 refurbished facilities at Kampala Serena Hotel and Dar es Salaam Serena Hotel contributed positively during the year 2018. Early indications from these strategic business developments are encouraging and validate the Board's vision to reposition the Serena City Hotel brand in Nairobi, Kampala and Dar es Salaam. This progress bodes well for future market share growth in our City Hotels.

Furthermore, our brand footprint continues to strengthen with two key developments in our managed properties, namely: the successful completion of the international 18-hole Golf Course, at Lake Victoria Serena Golf Resort & Spa; and the advanced opening plan for Goma Serena Hotel, scheduled for opening in the third quarter 2019.

The Company continues to operate in a generally subdued global economic and business climate primarily caused by: over supply of hotels and lodges in competitive locations, abrupt changes in laws and regulations adversely impacting an enabling business environment, security alerts, unexpected increases in energy and other related operating costs; and material forex currency fluctuations.

The last few years have provided a real test for companies operating in the East African Tourism industry, so we are pleased to note that despite such turbulence, the Company has continued to demonstrate its 'Built to Last' capability through implementation of its successful business model, and the spirit and service motto of its employees of 'living up to the promise'.

Notwithstanding the challenging business landscape, financial performance from our business strategy was encouraging. During the year under review, TPS Eastern Africa PLC (TPSEAP) achieved a turnover of KShs. 6.59 billion (2017: KShs. 6.41 billion), and a profit after tax of KShs 179.01 million, up by 49.8% (2017: KShs. 119.47 million). Given that Nairobi Serena Hotel was undergoing its redevelopment program (operating at 46% of its room inventory) with significantly reduced meeting space, the Company's performance for the year 2018 is satisfactory. Looking ahead, with full room inventory in place, future projections remain reassuring particularly once the final phase of Nairobi Serena Hotel's redevelopment is completed in June 2019.

The Company and its subsidiaries contributed significantly to the revenues of the governments of Kenya, Tanzania and Uganda in 2018. During the year 2018, the Group paid in aggregate, the equivalent of KShs. 1.564 billion (2017: KShs. 1.481 billion) in direct and indirect taxes; and equivalent of KShs. 438 million (2017: KShs. 353 million) in royalties and rents to the revenues of counties and local authorities in its various East African jurisdictions.

The Group will progress planned refurbishment of its other properties, continue to maintain appropriate Human Resource Management practices, and promote sound Corporate Social Responsibility (CSR) programs that complement its long-term business strategy. The CSR programs remain fully aligned to achieving the Sustainable Development Goals (SDGs) set out by the United Nations Development Programme. Our sustainable business practices continue to complement eco-tourism, environmental conservation, reforestation, education, public health; and essentially community development across Eastern Africa.

Market indications from Serena's suppliers of business impacting Kenya, Tanzania and Uganda are encouraging, with foreign leisure bookings projected to continue on a growth trajectory; whilst the diversified revenue streams from the wider Serena portfolio is similarly favorable for 2019. The Group continues to effectively risk manage its business strategy and thereby maintain the focus on mitigating risks; and capitalise on its brand strength to optimize portfolio performance in 2019, to the extent possible.

The Board and Management express their appreciation to the governments within the East African Region for facilitating the continuous resource allocation required to improve the business environment for destination East Africa.

Dividend.

The Directors are recommending for approval, at the forthcoming Annual General Meeting, payment of a final dividend for 2018 of KShs 0.35 per share (2017: KShs 0.35 per share), subject to payment of withholding tax, where applicable. If approved, the dividend will be payable on or around July 25, 2019 to members on the Register at the close of business on June 25, 2019.

Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on Tuesday, June 25, 2019, at 11.00 a.m. at the Kenyatta International Convention Centre, Nairobi.

By Order of the Board

Dominic Ng'ang'a
Company Secretary

April 25, 2019
Nairobi

The above results are an extract from the audited financial statements for the Group for the year ended December 31, 2018.



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