TPS

TOURISM PROMOTION SERVICES LIMITED

ANNUAL REPORT AND ACCOUNTS 1998

Contents

Cover Picture:
Mombasa Serena Beach Hotel

DIRECTORS AND ADMINISTRATION

BOARD OF DIRECTORS:	Timothy C J Ramtu	*Chairman*
	Mahmud T A Jan Mohamed	*Managing Director*
	Abdulmalek J Virani	*Finance Director*
	Zaherally K Ahamed	
	Thomas I G Barrasford	
	Abdul M Jaffer	
	Mahmood P Manji	
	Francis Okomo-Okello	
	William Robinson	*Resigned on 28 July, 1998*
	Brian V Wilson	*Appointed on 28 July, 1998*
	Martin Geake	*Resigned on 8 December, 1998*
	Robert Ahomka-Lindsay	*Appointed on 17 December, 1998*
COMPANY SECRETARY:	Madren Nderu	
PRINCIPAL OFFICERS:	Peter Mbogua	*Director of Regional Sales and Marketing*
	Mark F Holden	*General Manager - Nairobi Serena*
	Mark W Wamagata Gathuri	*General Manager - Mombasa Serena*
	Gerald Macharia	*Manager - Amboseli Serena*
	Rosemary Mugambi	*Manager - Samburu Serena*
	Cyprian Waweru	*Manager - Mara Serena*
	Herman Mwasaghua	*Manager - Mountain Lodge*
REGISTERED OFFICE:	4th Floor, Williamson House 4th Ngong Avenue P O Box 48690, Nairobi, Kenya	
HOTELS AND LODGES:	Nairobi Serena Hotel	
	Mombasa Serena Beach Hotel	
	Amboseli Serena Safari Lodge	
	Samburu Serena Safari Lodge	
	Mara Serena Safari Lodge	
	Mountain Lodge	*Managed by TPS Group*
AUDITORS:	PricewaterhouseCoopers Certified Public Accountants Queensway House, Kaunda Street P O Box 43963, Nairobi, Kenya	
PRINCIPAL BANKERS:	Barclays Bank of Kenya Limited P O Box 30120, Nairobi, Kenya	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirtieth Annual General Meeting of the Company will be held at the Amphitheatre, Kenyatta International Conference Centre, Nairobi on Monday, 14th June, 1999 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the Minutes of the Twenty-ninth Annual General Meeting held on 8th June, 1998.

2. To receive, consider and adopt the Accounts for the year ended 31st December, 1998, together with the Directors' and Auditors' Reports thereon.

3. To approve payment of a final dividend of Kshs. 1.00 per ordinary share of Kshs. 5.00 subject to withholding tax where applicable, to the Members on the Register at the close of business on 14th June, 1999.

4. To elect Directors:

(a) Mr. F O Okello retires by rotation in accordance with Articles No. 95 and 96 of the Company's Articles of Association and being eligible, offers himself for re-election.
(b) Mr. B Wilson retires in accordance with Article 93 of the Company's Articles of Association and being eligible, offers himself for re-election.
(c) Mr. R Ahomka-Lindsay retires in accordance with Article 93 of the Company's Articles of Association and being eligible, offers himself for re-election.

5. To approve the Directors' remuneration.

6. To note that the Company's Auditors, PricewaterhouseCoopers, were appointed as auditors during the year following the merger of the former Auditors, Coopers & Lybrand with Price Waterhouse and being eligible, continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

7. To note the Auditors' remuneration for the year 1998 and to authorise the Directors to fix the Auditors' remuneration for the year 1999.

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

SPECIAL BUSINESS

9. Mr. T C J Ramtu retires by rotation in accordance with Articles No. 95 and 96 of the Company's Articles of Association. Special Notice has been received by the Company pursuant to Section 142 of the Companies Act (Cap. 486) that the following resolution be proposed in accordance with Section 186(5) of the said Act for the consideration of the shareholders:

   "THAT Mr. T C J Ramtu (a Director retiring by rotation) who is over the age of 70 years, be and is hereby re-elected as a Director of the Company".

By Order of the Board.

Madren Nderu
Company Secretary

Nairobi
30 March, 1999

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 by the member and must be received at the registered office of the Company not later than 3.00 p.m. on Saturday, 12th June, 1999.

CHAIRMAN'S STATEMENT

It gives me great pleasure to present to you the Annual Report of Tourism Promotion Services Limited for the year ended 31 December, 1998. The year 1998 presented greater challenges than the previous year.

During 1998, as predicted, difficulties for destination Kenya endured with reduced foreign tourist arrivals and the general economic uncertainties that faced Kenya negatively impacting hotel occupancies and resulting in difficult trading conditions.

The Board and Management continued to adopt a prudent and pragmatic approach to guide your company through these difficult times and despite turnover being below previous year's level, profit after taxation was better than in 1997 and the earnings per share increased by 47% year on year. The Directors have recommended for approval at the Annual General Meeting to be held on 14th June, 1999, the payment of a final dividend for the year of 20% or one Kenya Shilling on each share of five Kenya Shillings par value.

Shareholders will be pleased to note that the company's Management implemented a number of initiatives and reduced overhead costs by regionalising senior positions at Head Office level together with significant reductions in costs in other areas of operation. On behalf of the Board and our shareholders, may I take this opportunity to thank all our staff for the excellent work done during the year and encourage them to redouble their efforts in the times ahead to produce higher returns for themselves and the shareholders.

As part of our on-going goal of achieving a complete safari circuit in Kenya, your company has taken over management of the 42-room Mountain Lodge in Nyeri with effect from October, 1998 and invested in 20% shareholding in Mountain Lodges Limited, the owning company. The lodge is regarded by many as having an excellent game viewing experience for the area and Management have already implemented quality service and standards which continue to be our strength in the marketplace.

It is to be expected that the difficulties for destination Kenya, experienced in 1998 are likely to endure during 1999. Likewise the poor infrastructure remains a handicap to the industry in the region. The loss in tourism earnings to Kenya during 1997 and 1998 and the loss of jobs in the tourism sector will, it is hoped by all of us in the industry, stimulate the authorities into taking some positive action in improving infrastructure and committing the necessary funds towards destination marketing.

The major challenge of ensuring that the company is Year 2000 compliant has been a major task undertaken in 1998 with a programme having been established to tackle the problem. The company has conducted a detailed compliance review of its computer systems and processes and has implemented a plan to replace and modify the equipment and software affected. Given the complexity of the problem, it is impossible to guarantee that no Year 2000 problems will remain. However, the Board believes that the company will achieve an acceptable state of readiness and provide safe and continuous service to our customers through the Year 2000 and beyond.

Finally, I convey my warm gratitude to my co-directors for their valuable contribution and to our shareholders and our customers for their continued support and loyalty in a difficult year.

Timothy C J Ramtu
Chairman

REPORT OF THE DIRECTORS

The directors present the audited financial statements for the year ended 31 December, 1998.

PRINCIPAL ACTIVITY

The company is an owner and operator of hotel and lodge facilities in Kenya, servicing the business and tourist markets.

RESULTS AND DIVIDENDS

The results for the year are set out on page 7. The directors did not declare an interim dividend during the year. The directors recommend a final dividend of Shs.1 per ordinary share amounting to Shs.38,679,000.

FOREIGN EXCHANGE BANKINGS

During the last five financial years 1994 to 1998 the company's total direct foreign exchange bankings amounted to Shs.4.31 billion.

STATUTORY CONTRIBUTION TO NATIONAL ECONOMY

During the last five financial years 1994 to 1998, the company made statutory contributions totalling Shs.959,751 million, comprising accommodation tax, value added tax, training levy, payments to local authorities and income tax.

DIRECTORS

The names of the directors are set out on page 2.

Mr W. Robinson resigned as a director on 28 July 1998 and Mr B. Wilson was appointed as a director on the same date. Mr M. Geake resigned as a director on 8 December 1998 and Mr R. Ahomka-Lindsay was appointed as a director on 17 December 1998.

In accordance with Articles No.95 and 96 of the Company's Articles of Association, Mr F.O. Okello retires by rotation and being eligible, offers himself for re-election. Messrs. B. Wilson and R. Ahomka-Lindsay retire under Article No.93 of the Company's Articles of Association as this is the first Annual General Meeting since their appointment and being eligible, offer themselves for re-election.

In terms of Articles No.95 and 96 of the Company's Articles of Association, Mr T.C.J. Ramtu (being a Director who is over the age of 70 years) is due for retirement by rotation and a Special Notice having been received pursuant to Section 142 of the Companies Act (Cap.486), it is proposed that he be re-elected as a Director under Section 186(5) of the said Act.

AUDITORS

PricewaterhouseCoopers were appointed as auditors during the year following the merger of the former auditors Coopers & Lybrand with Price Waterhouse and continue in office in accordance with Section 159(2) of the Companies Act.

By Order of the Board.

Madren Nderu
Company Secretary

Nairobi
30 March, 1999

Report of the Auditors

TO THE MEMBERS OF TOURISM PROMOTION SERVICES LIMITED

1. We have audited the financial statements set out on pages 7 to 17. We have obtained the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. The financial statements of the company on page 8 are in agreement with the books of account.

2. RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements which give a true and fair view of the company's and group's state of affairs and the group profit or loss. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

3. BASIS OF OPINION

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements . It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

4. OPINION

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the group's and company's financial affairs at 31 December 1998 and of the group profit and cashflows for the year then ended and comply with the Companies Act (Cap 486).

PricewaterhouseCoopers
Certified Public Accountants of Kenya

30 March 1999

Group Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	*1998 Shs'000*	*1997 Shs'000*
TURNOVER		1,032,305	1,131,189
OPERATING PROFIT		64,708	88,490
SURPLUS ON ASSET DISPOSAL	2	24,653	-
SHARE OF RESULTS OF ASSOCIATE	9	(145)	-
PROFIT BEFORE TAXATION	3	89,216	88,490
TAXATION	5	(22,854)	(43,176)
PROFIT AFTER TAXATION		66,362	45,314
DIVIDENDS	6	(38,679)	(38,679)
RETAINED PROFIT FOR THE YEAR:			
Company		27,828	6,635
Associate		(145)	-
		27,683	6,635
EARNINGS PER SHARE	7	1.72	1.17

STATEMENT OF GROUP RETAINED PROFITS

1 JANUARY 1998		82,193	66,922
TRANSFER FROM CAPITAL RESERVE OF EXCESS DEPRECIATION ON REVALUED ASSETS		8,635	8,637
RETAINED PROFIT FOR THE YEAR		27,683	6,634
31 DECEMBER 1998	16	118,511	82,193

BALANCE SHEETS

AS AT 31 DECEMBER 1998

	Note	*1998 Group Shs'000*	*1998 Company Shs'000*	*1997 Group & Company Shs'000*
FIXED ASSETS	8	643,155	643,155	652,151
INVESTMENT IN ASSOCIATE	9	10,210	10,355	-
CURRENT ASSETS				
Stocks	10	73,088	73,088	83,736
Debtors	11	214,568	214,568	181,715
Due from group companies	19	-	-	6,941
Bank balances and cash		15,079	15,079	5,189
		302,735	302,735	277,581
CURRENT LIABILITIES				
Creditors	12	170,045	170,045	148,693
Bank overdraft	13	73,843	73,843	53,829
Due to group companies	19	13,433	13,433	-
Loans repayable within one year	14	51,282	51,282	64,375
Taxation		(5,038)	(5,038)	7,696
Dividends	6	38,679	38,679	19,340
		342,244	342,244	293,933
NET CURRENT LIABILITIES		(39,509)	(39,509)	(16,352)
LONG TERM LOANS	14	(52,312)	(52,312)	(101,938)
		561,544	561,689	533,861
SHARE CAPITAL	15	193,395	193,395	193,395
RESERVES	16	368,149	368,294	340,466
		561,544	561,689	533,861

The financial statements on page 7 to 17 were approved by the Board of Directors on 30 March 1999 and signed on its behalf by:

Timothy C J Ramtu *Director*
Mahmud T A Jan Mohamed *Director*

GROUP CASHFLOW STATEMENT

AS AT 31 DECEMBER 1998

	1998 *Shs'000*	*1997* *Shs'000*
Cashflows from operating activities (note A)	166,516	110,986
Returns on investments and servicing of finance		
Interest paid	(23,914)	(30,369)
Dividends paid	(19,340)	(118,435)
Net cash outflows from returns on investments and servicing of finance	(43,254)	(148,804)
Cashflows from investing activities		
Purchase of fixed assets	(91,650)	(44,686)
Insurance proceeds (note 2)	31,399	6,528
Purchase of investment in associate	(10,355)	-
Net cash outflows from investing activities	(70,606)	(38,158)
Cashflows from financing activities		
Loans repaid	(62,780)	(16,812)
Loans raised	-	44,625
Net cash inflows from financing activities	(62,780)	(27,813)
Net decrease in cash and cash equivalents	(10,124)	(48,163)
Cash and cash equivalents brought forward (note B)	(48,640)	(477)
Cash and cash equivalents carried forward (note B)	(58,764)	(48,640)

NOTES TO THE CASHFLOW STATEMENT

	1998 Shs'000	1997 Shs'000
A. CASHFLOWS FROM OPERATING ACTIVITIES		
Cashflows from operating activities		
Profit before taxation	89,216	88,490
Adjustments for:		
Depreciation	93,900	85,108
Interest paid	23,914	30,369
Profit on disposal of fixed assets	(24,653)	(2,383)
Unrealised exchange loss	61	15,999
Share of results of associate	145	-
Operating profit before working capital changes	182,583	217,583
Decrease/(increase) in stocks	10,648	(1,845)
Increase in debtors	(32,944)	(2,029)
Decrease in amounts due from group companies	6,941	8,379
Increase/(Decrease) in creditors	21,443	(37,671)
Increase/(decrease) in amounts due to group companies	13,433	(23,610)
Cash generated from operations	202,104	160,807
Tax paid	(35,588)	(49,821)
Net cash from operating activities	166,516	110,986
B. ANALYSIS OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET		
Bank balances and cash	15,079	5,189
Bank overdrafts	(73,843)	(53,829)
	(58,764)	(48,640)

1. PRINCIPAL ACCOUNTING POLICIES

The accounts are prepared in accordance with the historical cost convention, including the revaluation of fixed assets. The following is a summary of the more important accounting policies used.

(a) Consolidation basis:

The group profit and loss account and balance sheet include the results of the company and its share of the results of its associate company made up to the end of the financial year.

(b) Investment in associate:

The investment in the associated undertaking, Mountain Lodges Limited is accounted for under the equity method of accounting. The company has 20% of the voting rights and though it does not have control, it exercises significant influence through a 10-year management contract.

Equity accounting involves recognising in the profit and loss account the company's share of the associate's profit or loss. The company's interest in the associate is carried in the balance sheet at an amount that reflects it's share of the net assets of the associate.

(c) Fixed assets and depreciation:

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write off the cost, or valuation, of fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned.

The principal annual rates used for this purpose are:-

Leasehold land and buildings	Over the period of the lease.
Lift installations	10%
Plant, equipment, furniture, and air-conditioners	20%
Computers	30%
Motor vehicles	25%

Operating equipment consisting of linen, cutlery and glassware is stated at cost. Replacements are charged as an operating expense.

Fixed assets are revalued periodically by independent professionally qualified valuers and the surplus/deficit over net book value is included as a movement on capital reserve. To the extent that any deficit is not covered by a surplus brought forward it is charged to the profit and loss account. In subsequent years transfers are made to retained profits in order to amortise the surplus over the remaining useful lives of the assets.

(d) Stocks:

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a 'first in first out' basis. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of the realisation. Where necessary provision is made for obsolete, slow moving and defective stocks.

(e) Foreign currencies:

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the end of the financial year. All foreign exchange gains and losses are taken to the profit and loss account in the year in which they arise.

(f) Deferred taxation:

Provision is made for deferred taxation using the liability method on all material timing differences between the treatment of certain items for taxation purposes and their treatment for accounts purposes to the extent that it is probable that a liability or asset will crystallise.

(g) Turnover:

Turnover, which excludes government taxation and service charges, is the aggregate value charged for all goods and services rendered by the company.

(h) Bad and doubtful debts:

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

(i) Retirement benefits:

The expected costs of providing retirement pensions under defined benefit pension schemes are charged to the profit and loss account over the periods benefitting from the employees' services.

2. SURPLUS ON ASSET DISPOSAL

During May 1998, a fire occurred at Samburu Serena Safari Lodge. Following the receipt of insurance proceeds, a surplus of Shs.24.65m over book values of certain fixed assets was realised. Negotiations with the insurers in respect of other assets destroyed by the fire are still in progress and any additional surplus arising will be recognised when settlement is reached.

		1998 Shs'000	1997 Shs'000
3.	**PROFIT BEFORE TAXATION**		
	This is stated after charging:		
	Depreciation	93,900	85,109
	Interest payable	23,914	32,651
	Auditors' remuneration	1,402	1,401
	Flotation costs	-	12,249
	Exchange loss on forex loans	-	22,257
	and after crediting:		
	Interest receivable	-	2,282
	Profit on sale of fixed assets	-	2,323
	Exchange gain on forex loans	1,365	-
4.	**DIRECTORS' EMOLUMENTS**		
	As directors	-	-
	As management	11,006	10,931
5.	**TAXATION**		
	On the taxable profit for the year at 32.5%	22,854	43,176

The effective taxation rate is lower than the standard rate due to timing differences between expenditure incurred and that allowed for tax purposes.

		1998 Shs'000	1997 Shs'000
6.	**DIVIDENDS**		
	Interim paid:		
	Nil (1997: Shs.0.50 per share)	-	19,339
	Final proposed:		
	Shs.1 per share (1997: Shs.0.50 per share)	38,679	19,340
		38,679	38,679

7. EARNINGS PER SHARE

Earnings per share is calculated based on the profit for the year after taxation and on 38,679,000 ordinary shares in issue.

	Leasehold land and buildings and lift installation	Plant equipment, furniture and computers	Motor vehicles	Capital work in progress	TOTAL
	Shs'000	*Shs'000*	*Shs'000*	*Shs'000*	*Shs'000*
8. FIXED ASSETS (Company and Group)					
COST OR VALUATION					
1 January 1998	518,348	254,872	18,679	4,138	796,037
Cost	1,729	87,675	8,180	4,138	101,722
Valuation	516,619	167,197	10,499	-	694,315
Additions	14,675	69,526	5,111	2,338	91,650
Disposals	(463)	(6,733)	-	(1,499)	(8,695)
31 December 1998	532,560	317,665	23,790	4,977	878,992
Cost	15,941	150,468	13,291	4,977	184,677
Valuation	516,619	167,197	10,499	-	694,315
	532,560	317,665	23,790	4,977	878,992
DEPRECIATION					
1 January 1998	27,831	108,701	7,354	-	143,886
Charge for the year	20,420	66,127	7,353	-	93,900
Disposals	(141)	(1,808)	-	-	(1,949)
31 December 1998	48,110	173,020	14,707	-	235,837
NET BOOK VALUE					
31 December 1998	484,450	144,645	9,083	4,977	643,155
31st December 1997	490,517	146,171	11,325	4,138	652,151

Fixed assets were revalued by Ryden Meghraj International Limited, independent registered valuers, at 30 June 1996 on an open market value basis. Subsequent additions are stated at cost.

	1998 Shs'000	1997 Shs'000
9. INVESTMENT IN ASSOCIATE		
Cost of investment (Company)	10,355	-
Share of results before tax	(145)	
Share of tax	-	-
Net share of results of associate	(145)	-
Closing net book amount (Group)	10,210	-

On 1st November 1998 the company acquired a 20% holding of the ordinary share capital of Mountain Lodges Limited, an unquoted Kenyan company. The cost of the investment reflects the company's share of the fair value of the net assets of Mountain Lodges Limited as at that date. Included in these accounts is the company's share of the profit before tax and taxation based on the audited accounts of Mountain Lodges Limited for the year ended 31 December 1998.

	1998 Shs'000	1997 Shs'000
10. STOCKS (Company and Group)		
Stocks comprise:		
Operating stocks	21,304	23,313
Engineering and other stocks	51,784	60,423
	73,088	83,736
11. DEBTORS (Company and Group)		
Debtors comprise:		
Trade debtors	163,589	164,409
Staff loans and advances	5,530	6,001
Sundry debtors and prepayments	45,449	11,305
	214,568	181,715

	1998 Shs'000	1997 Shs'000
12. CREDITORS (Company and Group)		
Creditors comprise:		
Trade creditors	88,634	63,286
Sundry creditors and accruals	81,411	85,407
	170,045	148,693

13. BANK OVERDRAFT (Company and Group)

The bank overdraft and long term loans with Barclays Bank of Kenya Limited are secured by a floating debenture over stocks and debtors, a debenture over immovable property and all other assets, except stocks and debtors, and a legal charge over Nairobi Serena Hotel stamped supplemental to the debenture. The loan is repayable in five equal bi-annual instalments and bears interest at commercial rates as levied by Barclays Bank of Kenya Limited.

	1998 Shs'000	1997 Shs'000
14. LONG TERM LOAN (Company and Group)		
Barclays Bank of Kenya Limited	103,594	166,313
Less: Repayable within one year	(51,282)	(64,375)
	52,312	101,938

Refer to note 13 for details of security held.

15. SHARE CAPITAL

Ordinary shares:		
Authorised, issued and fully paid:		
38,679,000 shares of Shs.5 each	193,395	193,395

16. RESERVES

(a) Group:	Capital reserve Shs'000	Retained profits Shs'000	TOTAL Shs'000
1st January 1998	258,273	82,193	340,466
Release of excess depreciation on revaluation	(8,635)	8,635	-
Retained profit for the year	-	27,683	27,683
31 December 1998	249,638	118,511	368,149

		Capital reserve Shs'000	Retained profits Shs'000	TOTAL Shs'000
16.	**RESERVES (continued)**			
(b)	**Company:**			
	1st January 1998	258,273	82,193	340,466
	Release of excess depreciation on revaluation	(8,635)	8,635	-
	Retained profit for the year	-	27,828	27,828
	31 December 1998	249,638	118,656	368,294

		1998 Shs'000	1997 Shs'000
17.	**CAPITAL COMMITMENTS**		
	Contracted for	-	-
	Approved but not contracted for	45,223	129,767

18. DORMANT SUBSIDIARY

The company has a fully owned subsidiary, Uaso Nyiro Safari Lodge Limited, which is dormant.

19. RELATED PARTY TRANSACTIONS

The company's fellow subsidiary, Tourism Promotion Services (Management) Limited, provides certain management services including marketing, financial services, reservations and procurement which is provided at cost.

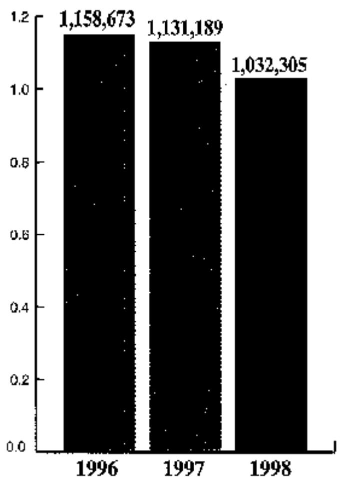
20. ULTIMATE HOLDING COMPANY

The ultimate holding company is TPS Holdings Limited, a company incorporated in Kenya.

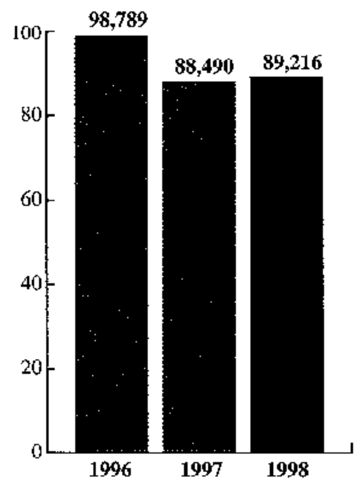
FINANCIAL HIGHLIGHTS

THREE YEARS PERFORMANCE

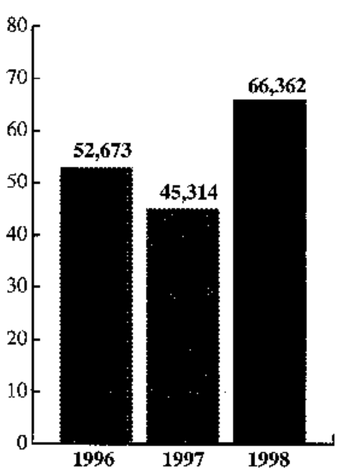
TURNOVER
(in Kshs. '000)



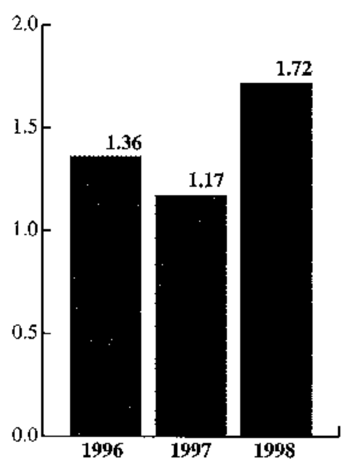
PROFIT BEFORE TAX
(in Kshs. '000)



PROFIT AFTER TAX
(in Kshs. '000)



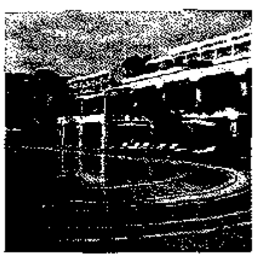
EARNINGS PER SHARE
(in Kshs.)



SERENA HOTELS

Serena Hotels are luxury resorts, safari lodges,
and hotels in some of the world's most
exquisite and remote settings.
Each property is enhanced by its unique surroundings,
and expands horizons for travellers
while respecting local ways of life.
Indigenous design and materials are integrated
with the most modern amenities and
complemented by exceptional service.
An eco-tourism pioneer, Serena Hotels has initiated
important environmental programmes to
protect the Continent's wildlife and
fragile habitats.

NAIROBI SERENA
HOTEL



MOMBASA SERENA
BEACH HOTEL

AMBOSELI SERENA
SAFARI LODGE

MARA SERENA
SAFARI LODGE

SAMBURU SERENA
SAFARI LODGE

MOUNTAIN LODGE
MANAGED BY TPS GROUP

SERENA HOTELS
SAFARI LODGES • HOTELS • RESORTS

SPECIAL OFFER TO SHAREHOLDERS

AN OPPORTUNITY TO VISIT
SERENA SAFARI LODGES • HOTELS • RESORTS

TPS

TOURISM PROMOTION SERVICES LIMITED

MOMBASA SERENA BEACH HOTEL

Per Person Halfboard:

Village rooms	Kshs	3,950.00
Garden room	Kshs	4,600.00

AIR PACKAGE:
From Nairobi, including return airfare, 2 nights Village rooms accommodation and Mombasa Airport Transfers.

Per Person Halfboard: Kshs 15,500.00
Extra night (per person Halfboard): Kshs 3,500.00

Complimentary offers include:
Tennis, squash, windsurfing, sailing and gym - Tea and coffee - Shuttle bus to town twice a day - Sparkling wine for breakfast - Mineral water in bedrooms.

KENYA SAFARI LODGES

SAMBURU SERENA SAFARI LODGE, MARA SERENA SAFARI LODGE, AMBOSELI SERENA SAFARI LODGE AND MOUNTAIN LODGE

Per Person Fullboard: Kshs 3,200.00

AIR PACKAGE MARA/AMBOSELI/ SAMBURU:
From Nairobi, includes return airfare, airstrip transfers, Fullboard accommodation, 2 game drives per Day.

2 nights	Kshs	22,800.00
1 night	Kshs	16,800.00

ZANZIBAR SERENA INN
In the legendary stone town of Zanzibar, an island whose very name evokes East Africa's social past, stands Zanzibar Serena Inn. The ambience is elegant and romantic. The hotel is "A member of Small Luxury Hotels of the World".

Per Person Halfboard: US$ 108.00

Per Person Bed and Breakfast: US$ 88.00

AIR PACKAGE:
With Kenya Airways, from Nairobi or Mombasa, includes return airfare, 2 nights, Halfboard Accommodation and Airport Transfers.

Per Person ex-Nairobi: US$ 495.00
Per Person ex-Mombasa: US$ 340.00
Extra night per person: US$ 105.00

MOMBASA AND ZANZIBAR
Special Offer Coast to Coast
Air Package with Kenya Airways, from Nairobi, which include return and airport transfers in Mombasa and Zanzibar

2 Nights Mombasa Serena Beach Hotel + 1 Night Zanzibar Serena Inn:
Per Person Halfboard: Kshs 32,100.00

TANZANIA SAFARI LODGES

LAKE MANYARA SERENA SAFARI LODGE
With a spectacular view of Lake Manyara, set in the Great Rift Valley, the place is famous for its abundance of bird life and tree climbing lions.

SERENGETI SERENA SAFARI LODGE
The Serengeti is the main stage for the wildebeest migrations and home to countless other big game.

NGORONGORO SERENA SAFARI LODGE
The Ngorongoro crater is often referred to as the eighth wonder of the world and home to the largest concentration of predators.

All Tanzania Safari Lodges Per person Fullboard: US$ 90.00

Air packages and Ground packages are available on request.

KENYA AND TANZANIA SAFARI LODGES

Complimentary offers include:
Sparkling wine for breakfast - Mineral Water in bedrooms - Pressing service on arrival - Car wash on arrival - Maid accommodation in the Lodges quarters - Free bird and nature walks.

All our packages are subject to flight availability.

The Offer is valid for the period 01st July 1999 to 15th December 1999.

10% discount on the above rates will be offered to Shareholders on presentation of this coupon.

FOR RESERVATIONS, PLEASE CONTACT:

NAIROBI CENTRAL RESERVATIONS OFFICE
P.O. BOX 48690, NAIROBI, KENYA
TEL: (254-2) 711077/8
FAX: (254-2) 718103
E-Mail: cro@serena.co.ke

NAIROBI SERENA HOTEL
P.O. BOX 46302,NAIROBI, KENYA
TEL: (254-2) 725111
FAX: (254-2)-725184
E-Mail: nairobi@serena.co.ke

MOMBASA SERENA BEACH HOTEL
P.O. BOX 90352,MOMBASA, KENYA
TEL: (254-11) 485721
FAX:(254-11) 485453
E-Mail: mombasa@serena.co.ke

SERENA HOTELS
SAFARI LODGES • HOTELS • RESORTS

Our mission is to
create buildings of
outstanding ethnic design
offering the highest standards of
service and product and
providing management and
our staff with an environment
which enables all of us to
deliver operating standards
beyond the level of
our guests' expectations,
resulting in
satisfactory returns to
our shareholders.

SERENA HOTELS
KENYA

We are committed to developing projects
which pay the highest regard to
environmental concerns in
design, planning, construction and operation.

We will be sensitive towards the
monitoring of the interests of the
local population including their
traditions, culture and future development.

We will practice a responsible attitude towards
energy conservation; reducing and recycling waste;
control of sewage disposal, air emissions and pollutants;
reduce use of unfriendly products such as
CFCs, pesticides and other toxic substances;
reduce noise and visual pollution.

We will be sensitive to
the conservation of environmentally protected or
threatened areas, species and scenic aesthetics and
to achieving landscape enhancements where possible,
with indigenous plant material reinforcement.
We must conserve rather than exploit nature.

SERENA HOTELS

SAFARI LODGES • HOTELS • RESORTS

FORM OF PROXY

TPS

TOURISM PROMOTION SERVICES LIMITED

I/We ____

of ____

being a member/members of Tourism Promotion Services Limited, hereby appoint

____

of ____

and failing him, ____

of ____

and failing him, the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday, 14th June, 1999 at 3.00 p.m. and at any adjournment thereof.

SIGNED this ____________________ **day of** ______________ **1999.**

SIGNATURE ______________________________________

SHARE ACCOUNT NUMBER ________________ **NUMBER OF SHARES HELD** ________________

NOTES:

1. To be valid, this Form of Proxy MUST be returned to the Company Secretary, Tourism Promotion Services Limited, 4th Floor, Williamson House, 4th Ngong Avenue, P O Box 48690, Nairobi, Kenya so as to be received not later than 3.00 p.m. on Saturday, 12th June, 1999.
2. A person appointed to act as a proxy need not be a member of the Company.
3. In the case of a member being a limited company/corporation, this Form of Proxy must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. In the case of joint holders, the signature of any one of them will suffice. However, the vote of the first-named holder on the Register of Members (whether voting in person or by proxy) will be accepted to the exclusion of the other joint holders.

FOLD 2

Please affix Stamp here.

TPS

The Company Secretary
Tourism Promotion Services Limited

4th Floor, Williamson House
4th Ngong Avenue
P O Box 48690
Nairobi
Kenya

FOLD 3

(INSERT FLAP INSIDE)