TPS

TOURISM PROMOTION SERVICES LIMITED

Annual Report and Accounts 1999

Contents

Bush Breakfast near Amboseli Serena

1. Tourism Promotion Services (E A) Limited -- Periodicals
2. Visitors, foreign -- Kenya -- Periodicals

Directors and Administration

BOARD OF DIRECTORS:

Timothy C J Ramtu	*Chairman*
Mahmud Jan Mohamed	*Managing Director*
Abdulmalek J Virani	*Finance Director*
Zaherally K Ahamed	
Shiraz Janmohamed	*Appointed on 28 March 2000 *******
Abdul I Paroo	*Alternate to Mr. Janmohamed and appointed on 28 March 2000 *******
Robert Ahomka-Lindsay	*Resigned on 27 October 1999 **
Thomas I G Barrasford	*Resigned on 23 July 1999 **
Janine D Gleeson	*Appointed on 17 December 1999 **
David M Icharia	*Alternate to Mrs. Gleeson and appointed on 17 December 1999*
Abdul M Jaffer	*Resigned on 27 October 1999 ***
M P Manji	
Francis Okomo-Okello	
Brian V Wilson ***	

BOARD AUDIT & FINANCE COMMITTEE:

Zaherally K Ahamed	*Chairman*
Robert Ahomka-Lindsay	*Resigned on 27 October 1999 **
Janine D Gleeson	*Appointed on 17 December 1999 **
Michael Hooper	*Appointed on 17 December 1999 *****
M P Manji	

* British ** American *** Irish **** Zimbabwean ***** Canadian

COMPANY SECRETARY:
Madren Nderu

PRINCIPAL OFFICERS:

Peter Mbogua	*Regional Sales and Marketing Director*
Detlef Winter	*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*
Joseph Ole Mpaa	*Manager – Kilaguni Serena*
Herman Mwasaghua	*Manager – Mountain Lodge*

REGISTERED OFFICE:
4th Floor, Williamson House,
4th Ngong Avenue
P O Box 48690, Nairobi, Kenya
Telephone : 710511 Fax : 718100/1
E-mail : admin@serena.co.ke
Website : www.serenahotels.com

HOTELS AND LODGES:

Nairobi Serena	*Hotel*
Mombasa Serena	*Beach Hotel*
Amboseli Serena	*Safari Lodge*
Samburu Serena	*Safari Lodge*
Mara Serena	*Safari Lodge*
Kilaguni Serena	*Safari Lodge*
Mountain Lodge	*Managed by Serena*

AUDITORS:
PricewaterhouseCoopers
Certified Public Accountants
Rahimtulla Tower
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 Thirty-first Annual General Meeting of the Company will be held at the Amphitheatre, Kenyatta International Conference Centre, Nairobi on Wednesday, 14th June, 2000 at 3.00 p.m. to transact the following business:

1. To confirm the Minutes of the Thirtieth Annual General Meeting held on 14th June, 1999.

2. To receive, consider and adopt the Accounts for the year ended 31st December, 1999, together with the Directors' and Auditors' Reports thereon.

3. To approve payment of a final dividend for 1999 of Kshs. 1.00 per 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, 2000.

4. To elect Directors:

(a) Mr. M P Manji, 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) Mrs. J D Gleeson, retires in accordance with Article 93 of the Company's Articles of Association and being eligible, offers herself for re-election.

(c) Mr. Shiraz Janmohamed, 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, being eligible, continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

7. To note the Auditors' renumeration for the year 1999 and to authorise the Directors to fix the Auditors' remuneration for the year 2000.

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

By Order of the Board

Madren Nderu
Company Secretary

Nairobi
28 March, 2000

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 offices of the Company not later than 3.00 p.m. on Monday, 12th June, 2000.

Chairman's Statement

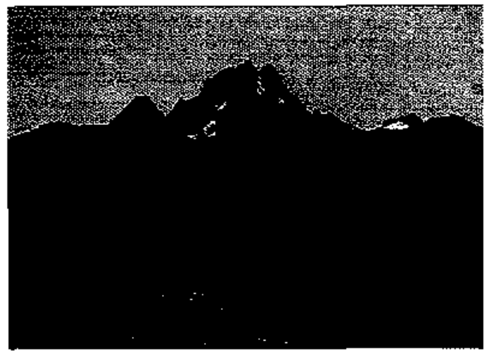
It gives me great pleasure to present to you the Annual Report of Tourism Promotion Services Limited for the year ended 31 December 1999.

During 1999, as predicted, difficulties for destination Kenya endured and the general economic uncertainties that faced Kenya, negatively impacted hotel occupancies and resulted in difficult trading conditions.

The general economic environment witnessed significant swings in interest rates and inflationary pressures became apparent. The Board and Management continued to adopt a prudent and pragmatic approach to guide your company through these difficult times resulting in the Company achieving a 21.2% increase in turnover, and a 38.3% increase in profit attributable to shareholders over previous year. In view of these favourable results, the Board will recommend to the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend for 1999 of 20% or Kshs. 1.00 per share of Kshs. 5.00.

MOUNTAIN LODGE - Wildlife at the Waterhole

Shareholders will note the increased disclosure of financial information in this report, which reflects our adoption of International Accounting Standards.



MOUNTAIN LODGE - View of Mt. Kenya from the lodge

I am pleased to report that the Company successfully achieved year 2000 compliance in respect of computer systems and processes, and the continuing investments in information technology will stand the Company in good stead for the future.

As part of our on-going goal of achieving a complete safari circuit in Kenya, your Company acquired a long-term lease for Kilaguni Lodge in Tsavo West National Park. The lodge is regarded by many as having an excellent game viewing experience and Management have already implemented quality service and standards which continue to be our strength in the market place.

On behalf of the Board and our shareholders, may I take this opportunity to thank all our staff for their excellent performance and encourage them to redouble their efforts in the times ahead to produce higher returns for themselves and the shareholders.

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

KILAGUNI SERENA

The directors submit their report together with the audited financial statements for the year ended 31 December 1999 which disclose the state of affairs of the group and company.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The net profit for the year was Shs 79,336,000. The directors recommend the approval of a dividend of Shs 38,679,000 (1998: Shs 38,679,000).

DIRECTORS

The directors who held office as at 31 December 1999 were:

TCJ Ramtu	(Chairman)
M Jan Mohamed	(Managing Director)
AJ Virani	(Finance Director)
ZK Ahamed	
FO Okello	
MP Manji	
B Wilson	
JD Gleeson	
DM Icharia	(Alternate to JD Gleeson)

SECRETARY
M Nderu

Mr TIG Barrasford resigned as a director on 23 July 1999. Mr AM Jaffer and Mr R Ahomka-Lindsay resigned as directors on 27 October 1999. Mrs JD Gleeson was appointed as a director on 17 December 1999.

In accordance with Articles No 95 and 96 of the Company's Articles of Association, Mr MP Manji retires by rotation and being eligible, offers himself for re-election. Mrs JD Gleeson retires under Article No 93 as this is the first Annual General Meeting since her appointment and being eligible, offers herself for re-election.

AUDITORS

The company's auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

By Order of the Board

Madrew Nderu

Company Secretary
28 March 2000
Nairobi

Report of the Auditors

To the members of Tourism Promotion Services Limited

We have audited the financial statements set out on pages 7 to 25. 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. The company balance sheet is in agreement with the books of account.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements which give a true and fair view of the company's state of affairs and its 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.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. 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.

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 the financial affairs of the company and the group as at 31 December 1999 and of the profit and cash flows of the group for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
28 March 2000
Nairobi

Consolidated Profit and Loss Account

for the year ended 31 December 1999

	Notes	1999 Shs'000	1998 (Restated) Shs'000
Sales		1,187,792	979,711
Cost of sales		(255,085)	(220,139)
Gross profit		932,707	759,572
Other operating income		28,063	30,665
Net operating costs	1	(876,300)	(724,908)
Operating profit	2	84,470	65,329
Surplus on disposal of assets	3	14,970	24,653
Finance income/(costs)	5	4,884	(621)
Share of results of associate	6	(458)	(145)
Profit before tax		103,866	89,216
Tax	7	(24,530)	(31,854)
Net profit		79,336	57,362
Earnings per share (Shs.)	9	2.05	1.48

The notes on pages 13 to 25 form part of these financial statements.

Report of the auditors - page 6.

Consolidated Balance Sheet

for the year ended 31 December 1999

	Notes	1999	1998 (Restated)
		Shs'000	Shs'000
CAPITAL EMPLOYED			
Share capital	10	193,395	193,395
Revaluation reserves	11	477,317	175,220
Retained earnings		193,855	143,967
Shareholders' funds		864,567	512,582
Non-current liabilities			
Borrowings	12	99,791	52,312
Deferred tax	13	164,545	48,962
Provisions for liabilities and charges	14	35,716	27,258
		300,052	128,532
		1,164,619	641,114
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	1,169,480	643,155
Intangible assets	16	8,982	4,883
Investment in associate	6	4,869	5,327
		1,183,331	653,365
Current assets			
Inventories	17	84,665	73,088
Trade and other receivables	18	260,052	214,568
Cash and cash equivalents	19	38,258	15,079
		382,975	302,735
Current liabilities			
Trade and other payables	20	183,552	156,220
Current tax		17,388	(5,038)
Dividends	8	38,679	38,679
Borrowings	12	162,068	125,125
		401,687	314,986
Net current liabilities		(18,712)	(12,251)
		1,164,619	641,114

The financial statements on pages 7 to 25 were approved by the Board of directors on 28 March, 2000 and signed on its behalf by:

T C J RAMTU — Director

M JAN MOHAMED — Director

Company Balance Sheet
for the year ended 31 December 1999

	Notes	1999	1998 (Restated)
		Shs'000	Shs'000
CAPITAL EMPLOYED			
Share capital	10	193,395	193,395
Revaluation reserves	11	477,317	175,220
Retained earnings		194,458	144,112
Shareholders' funds		865,170	512,727
Non-current liabilities			
Borrowings	12	99,791	52,312
Deferred tax	13	164,545	48,962
Provisions for liabilities and charges	14	35,716	27,258
		300,052	128,532
		1,165,222	641,259
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	1,169,480	643,155
Intangible assets	16	4,750	-
Investment in associate	6	9,704	10,355
		1,183,934	653,510
Current assets			
Inventories	17	84,665	73,088
Trade and other receivables	18	260,052	214,568
Cash and cash equivalents	19	38,258	15,079
		382,975	302,735
Current liabilities			
Trade and other payables	20	183,552	156,220
Current tax		17,388	(5,038)
Dividends	8	38,679	38,679
Borrowings	12	162,068	125,125
		401,687	314,986
Net current liabilities		(18,712)	(12,251)
		1,165,222	641,259

The financial statements on pages 7 to 25 were approved by the Board of directors on 28 March, 2000 and signed on its behalf by:

T C J RAMTU Director

M JAN MOHAMED Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 1999

	Notes	Share capital Shs'000	Revaluation reserves Shs'000	Retained earnings Shs'000	Total Shs'000
Balance at 1 January 1998					
As previously stated		193,395	258,273	82,193	533,861
Prior year adjustment					
- adoption of IAS 12	13	-	(77,224)	37,262	(39,962)
As restated		193,395	181,049	119,455	493,899
Transfer of depreciation to retained earnings	11	-	(8,635)	8,635	-
Deferred tax on transfer	11	-	2,806	(2,806)	-
Net gains/(losses) not recognised in the profit and loss account		-	(5,829)	5,829	-
Net profit		-	-	57,362	57,362
Dividend	8	-	-	(38,679)	(38,679)
Balance at 31 December 1998		**193,395**	**175,220**	**143,967**	**512,582**
Balance at 1 January 1999					
As previously stated		193,395	249,638	118,511	561,544
Prior year adjustment					
- adoption of IAS 12	13	-	(74,418)	25,456	(48,962)
As restated		193,395	175,220	143,967	512,582
Revaluation surplus	11	-	432,780	-	432,780
Deferred tax on revaluation	11	-	(121,452)	-	(121,452)
Transfer of depreciation to retained earnings	11	-	(13,170)	13,170	-
Deferred tax on transfer	11	-	3,939	(3,939)	-
Net gains/(losses) not recognised in the profit and loss account		-	302,097	9,231	311,328
Net profit		-	-	79,336	79,336
Dividend	8	-	-	(38,679)	(38,679)
Balance at 31 December 1999		**193,395**	**477,317**	**193,855**	**864,567**

The notes on pages 13 to 25 form part of these financial statements.

Report of the auditors - page 6.

Company Statement of Changes in Equity

for the year ended 31 December 1999

	Notes	Share capital Shs'000	Revaluation reserves Shs'000	Retained earnings Shs'000	Total Shs'000
Balance at 1 January 1998					
As previously stated		193,395	258,273	82,193	533,861
Prior year adjustment					
- adoption of IAS 12	13	-	(77,224)	37,262	(39,962)
As restated		193,395	181,049	119,455	493,899
Transfer of depreciation to retained earnings	11	-	(8,635)	8,635	-
Deferred tax on transfer	11	-	2,806	(2,806)	-
Net gains/(losses) not recognised in the profit and loss account		-	(5,829)	5,829	-
Net profit		-	-	57,507	57,507
Dividend	8	-	-	(38,679)	(38,679)
Balance at 31 December 1998		**193,395**	**175,220**	**144,112**	**512,727**
Balance at 1 January 1999					
As previously stated		193,395	249,638	118,656	561,689
Prior year adjustment					
- adoption of IAS 12	13	-	(74,418)	25,456	(48,962)
As restated		193,395	175,220	144,112	512,727
Revaluation surplus	11	-	432,780	-	432,780
Deferred tax on revaluation	11	-	(121,452)	-	(121,452)
Transfer of depreciation to retained earnings	11	-	(13,170)	13,170	-
Deferred tax on transfer	11	-	3,939	(3,939)	-
Net gains/(losses) not recognised in the profit and loss account		-	302,097	9,231	311,328
Net profit		-	-	79,794	79,794
Dividend	8	-	-	(38,679)	(38,679)
Balance at 31 December 1999		**193,395**	**477,317**	**194,458**	**865,170**

The notes on pages 13 to 25 form part of these financial statements.

Report of the auditors - page 6.

Consolidated Cash flow Statement

for the year ended 31 December 1999

	Notes	1999 Shs'000	1998 Shs'000
Operating activities			
Cash generated from operations	23	211,770	202,104
Interest received		9,449	4,453
Interest paid		(25,695)	(28,368)
Tax paid		(7,971)	(35,588)
Net cash from operating activities		187,553	142,601
Investing activities			
Purchase of property, plant and equipment		(218,050)	(91,650)
Goodwill on acquisition	16	(5,000)	(10,355)
Proceeds from disposals of property, plant and equipment		20,973	31,400
Net cash (used)/generated by investing activities		(202,077)	(70,605)
Financing activities			
Proceeds from long-term borrowings		418,892	-
Payments on long-term borrowings		(287,174)	(62,780)
Dividends paid		(38,679)	(19,340)
Net cash generated/(used) by financing activities		93,039	(82,120)
Increase/(decrease) in cash and cash equivalents		78,515	(10,124)
Movement in cash and cash equivalents			
At 1 January	19	(58,764)	(48,640)
Increase/(decrease) in cash and cash equivalents		78,515	(10,124)
At 31 December	19	19,751	(58,764)

The notes on pages 13 to 25 form part of these financial statements.

Report of the auditors - page 6.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards, which have been adopted with effect from 1 January 1999.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

Basis of consolidation

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, Mountain Lodges Limited, made up to the end of the financial year.

Revenue recognition

Sales are recognised upon performance of services, and are stated net of VAT and discounts.

Interest income is recognised as it accrues, unless collectibility is in doubt.

Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

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.

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 its share of the net assets of the associate.

Notes to the Accounts
continued

Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is initially recorded at cost. Land and buildings are subsequently shown at market value, based on triennial valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation.

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

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life as follows:

Land and buildings	Over the period of the lease
Computers	3 years
Motor vehicles	4 years
Plant and machinery	5 years
Lift installations	10 years

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Intangible assets

On acquisition, the excess of the purchase price over the fair value of the net identifiable assets acquired is recorded as goodwill in the balance sheet. Goodwill is amortised to the profit and loss account on a straight line basis over the useful life. The amortisation period is determined at the time of acquisition, based upon the particular circumstances.

Accounting for leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. At central stores, cost is determined on a weighted average basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off in the year in which they are identified.

Accounting policies (continued)

Provisions

Employee entitlements to annual leave and long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service awards as a result of services rendered by employees up to the balance sheet date.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Pension obligations

The company operates a defined contribution pension scheme for all its employees. The scheme is administered by and is funded from contributions from both the company and employees.

The company's contributions to the defined contribution pension scheme are charged to the profit and loss account in the year to which they relate.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of International Accounting Standards which the company has implemented in the year ended 31 December 1999.

Notes to the Accounts
continued

1 Net operating costs

Net operating costs comprise the following:	1999 Shs'000	1998 Shs'000
Staff costs (note 4)	225,607	195,585
Administrative expenses	316,951	257,575
Other operating expenses	333,742	271,748
	876,300	724,908

2 Operating profit

The following items have been charged in arriving at operating profit:

	1999 Shs'000	1998 Shs'000
Depreciation on property, plant and equipment	118,501	93,900
Operating lease rentals	28,402	22,528
Auditors' remuneration	1,526	1,495
Directors' remuneration		
- fees	420	420
- management	12,776	11,006

3 Surplus on disposal of assets

Surplus on disposal of assets relates to the excess of insurance proceeds over the carrying values of assets destroyed during a fire at Samburu Serena Safari Lodge in 1998.

4 Staff costs

The following items are included within staff costs:

	1999 Shs'000	1998 Shs'000
Termination benefits	1,317	4,173
Pension costs - defined contribution plans	11,179	10,115
The number of persons employed by the group at the year end was:	1,094	1,017

5 Finance income/(costs)

	1999 Shs'000	1998 Shs'000
Interest income:		
Bank deposits	7,491	4,453
Staff loans	1,958	488
	9,449	4,941
Net foreign exchange gains/(losses)	21,130	23,293
Interest expense		
Bank loans	(14,679)	(19,921)
Bank overdraft	(5,815)	(7,166)
Other loans	(5,201)	(1,768)
	4,884	(621)

6 Investments in associates

	1999 Shs'000	1998 Shs'000
Opening net book amount	5,327	-
Acquisition	-	5,472
Share of loss before tax	(511)	(145)
Share of tax	53	-
Net share of loss for the year	(458)	(145)
Closing net book amount	4,869	5,327
Investment (company)	9,704	10,355

The associate, Mountain Lodges Limited, whose principal business is to cater for tourists, is an unlisted company incorporated in Kenya. There were no changes in the 20% interest held in the associate during the year.

7 Tax

	1999 Shs'000	1998 Shs'000
Current tax	30,399	22,854
Deferred tax (Note 13)	(5,869)	9,000
	24,530	31,854

7 Tax (continued)

The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	1999 Shs'000	1998 Shs'000
Profit before tax	103,866	89,216
Tax calculated at a tax rate of 32.5% (1998 - 32.5 %)	33,756	28,995
Tax effect of:		
Income not subject to tax	(8,025)	(13,884)
Expenses not deductible for tax purposes	12,511	16,743
Change in tax rate	(13,712)	-
Tax charge	24,530	31,854

8 Dividends per share

At the annual general meeting on 14 June 2000, a dividend in respect of 1999 of Shs 1.00 per share amounting to a total of Shs 38,679,000 is to be proposed. The proposed amount has been provided for in accordance with the Companies Act.

Payment of dividends is subject to withholding tax at the rate of 5% for Kenyan residents and 10% for non-residents.

9 Earnings per share

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of Shs 79,336,000 by the number of ordinary shares in issue of 38,679,000.

10 Share capital	Number of shares (Thousands)	Ordinary shares Shs'000
Authorised, issued and fully paid at par value of Shs 5.00 per share	38,679	193,395

11 Revaluation reserves

Revaluation reserve relate to surpluses arising from the revaluation of land and buildings. The movement in revaluation reserve during the year is as follows:

	1999 Shs'000	1998 Shs'000
1 January		
As previously stated	249,638	258,273
Adoption of IAS 12 (Note 13)	(74,418)	(77,224)
As restated	175,220	181,049
Revaluation surplus in the year	432,780	-
Deferred tax on revaluation	(121,452)	-
Transfer of excess depreciation	(13,170)	(8,635)
Deferred tax on transfer	3,939	2,806
31 December	477,317	175,220

The revaluation reserves are non-distributable.

12 Borrowings

	1999 Shs'000	1998 Shs'000
Total borrowings	261,859	177,437
Less: current portion	(162,068)	(125,125)
Non-current portion	99,791	52,312

The borrowings are made up as follows:

	1999	1998
Non-current		
Bank loans	99,791	52,312
Current		
Bank overdraft	18,507	73,843
Bank loans	83,561	51,282
Commercial paper	60,000	-
	162,068	125,125
Total borrowings	261,859	177,437

12 Borrowings (continued)

Bank loans and overdrafts are secured by a floating debenture over stocks, debtors and certain land and buildings, including immovable property.

	1999	1998
Weighted average effective interest rates:		
- bank overdrafts : foreign currency	7.0%	Not applicable
: local	Not applicable	17%
- bank borrowings	7.5%	7.0%
- commercial paper	17.3%	Not applicable

	1999 Shs'000	1998 Shs'000
Maturity of non-current borrowings:		
Between 1 and 2 years	99,791	52,312

13 Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (1998: 32.5%). The movement on the deferred tax account is as follows:

	1999 Shs'000	1998 Shs'000
At beginning of the year		
- as previously stated	-	-
- prior year adjustment	48,962	39,962
- as restated	48,962	39,962
Income statement (credit)/charge (Note 7)	(5,869)	9,000
Tax effect of revaluations (Note 11)	121,452	-
At end of year	164,545	48,962

The prior year adjustment results from the adoption of IAS 12, income taxes, during the year.

Deferred tax assets and liabilities, deferred tax charge/(credit) in the profit and loss account, and deferred tax charge/(credit) in equity are attributable to the following items:

	1.1.99 Shs'000	Charged/ (credited) to P/L Shs'000	Charged/ (credited) to equity Shs'000	31.12.99 Shs'000
Deferred tax liabilities				
Accelerated tax depreciation55,829	(1,024)	-	54,805	
Property revaluations	-	-	121,452	121,452
	55,829	(1,024)	121,452	176,257
Deferred tax assets				
Provisions	(9,381)	(2,249)	-	(11,630)
Other temporary differences	2,514	(2,596)	-	(82)
	(6,867)	(4,845)	-	(11,712)
Net deferred tax liability	48,962	(5,869)	121,452	164,545

14 Provisions for liabilities and charges

	Gratuity Shs'000
At 1 January 1999	27,258
Additional provisions during the year	11,169
	38,427
Utilised during year	(2,711)
At 31 December 1999	35,716

15 Property, plant and equipment

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost or valuation					
At 1 January 1999	530,813	320,343	23,790	4,092	879,038
Additions	99,559	93,260	17,090	8,141	218,050
Disposals	(6,646)	(2,068)	(3,245)	-	(11,959)
Revaluation	432,780	-	-	-	432,780
At 31 December 1999	1,056,506	411,535	37,635	12,233	1,517,909
Depreciation					
At 1 January 1999	47,510	173,666	14,707	-	235,883
Charge for the year	33,560	75,617	9,324	-	118,501
On disposals	(986)	(2,068)	(2,901)	-	(5,955)
At 31 December 1999	80,084	247,215	21,130	-	348,429
Net book amount					
At 31 December 1999	976,422	164,320	16,505	12,233	1,169,480
At 31 December 1998	483,303	146,677	9,083	4,092	643,155

Land and buildings were revalued on 31 December, 1999 by Mohamed A. Samji, an independent professional valuer. Valuations were made on the basis of earnings and market value for existing use. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to revaluation in shareholders' equity (Note 11).

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	1999 Shs'000	1998 Shs'000
Cost	393,712	300,799
Accumulated depreciation	(90,330)	(69,940)
	303,382	230,859

Bank borrowings are secured on properties to the value of Shs 119,300,000 (1998: Shs 119,300,000).

16 Intangible assets

Intangible assets relate to goodwill arising from acquisitions. The movement during the year is as follows:

	Group Shs'000	Company Shs'000
1 January	4,883	-
Acquisitions in the year	5,000	5,000
	9,883	5,000
Amortisation	(901)	(250)
31 December	8,982	4,750

During the year, the company paid Shs 5 million goodwill to acquire a long-term lease for Kilaguni Lodge.

The goodwill arising on the acquisition of the lease for Kilaguni Lodge is being amortised on a straight line basis over 20 years and that in respect of investment in the associate on a straight line basis over 15 years. These are the periods over which the directors estimate that the value of the underlying businesses will exceed the value of the underlying assets.

17 Inventories

Operating inventories	84,665	73,088

18 Trade and other receivables

	1999 Shs'000	1998 Shs'000
Trade receivables	154,239	168,074
Prepayments	4,960	-
Receivables from related companies (note 24)	58,373	-
Other receivables	42,480	46,494
	260,052	214,568

19 Cash and cash equivalents

	1999 Shs'000	1998 Shs'000
Cash at bank and in hand	23,258	15,079
Short term deposits	15,000	-
	38,258	15,079

The weighted average effective interest rate on short term bank deposits was 10.7% (1998: 13.5%).

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

	1999 Shs'000	1998 Shs'000
Cash and bank balances as above	38,258	15,079
Bank overdrafts (Note 12)	(18,507)	(73,843)
	19,751	(58,764)

20 Trade and other payables

	1999 Shs'000	1998 Shs'000
Trade payables	92,586	84,071
Amounts due to related companies (Note 24)	8,834	28,149
VAT payable	13,939	4,185
Accrued expenses	41,800	19,789
Other payables	26,393	20,026
	183,552	156,220

21 Contingent liabilities

The company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

22 Commitments

Capital commitments

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

	1999 Shs'000	1998 Shs'000
Property, plant and equipment	-	45,223

23 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	1999 Shs'000	1998 Shs'000
Profit before tax	103,866	89,216
Adjustments for:		
Depreciation (note 15)	118,501	93,900
Profit on sale of property, plant and equipment	(14,970)	(24,653)
Amortisation of goodwill	901	-
Interest expense	16,246	23,914
Shares of results of associates	458	145
Changes in working capital		
- trade and other receivables	(45,484)	(26,003)
- inventories	(11,577)	10,648
- trade and other payables	27,332	40,140
- provisions for liabilities and charges	8,458	(5,264)
Unrealised forex loss	8,039	61
Cash generated from operations	211,770	202,104

24 Related party transactions

The Company is controlled by TPS Holdings Limited incorporated in Kenya.

The following transactions were carried out with related parties:

i) Sale of goods and services

The company transfers goods to Mountain Lodges Limited, an associated company, at cost.

ii) Purchase of goods and services

	1999 Shs'000	1998 Shs'000
Other related parties	163,641	162,269

iii) Outstanding balances arising from sale and purchase of goods/services

	1999 Shs'000	1998 Shs'000
Receivables from other related companies	58,373	-
Payables to other related companies	(8,834)	(28,149)

25 Country of incorporation and registered office

The company is incorporated in Kenya under the Companies Act and domiciled in Kenya. The address of its registered office is:

Tourism Promotion Services Limited
George Williamson House
4th Ngong Avenue
NAIROBI

26 Parent company

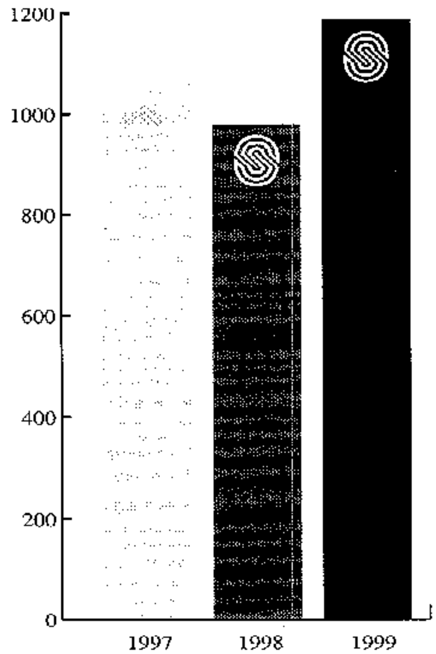
The parent company is TPS Holdings Limited, incorporated in Kenya.

27 Currency

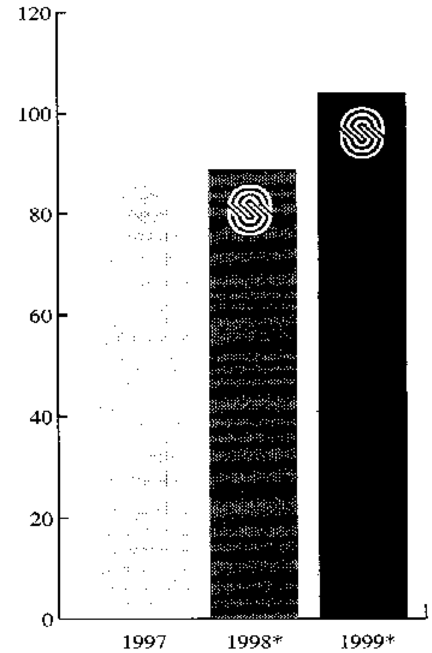
These financial statements are presented in Kenya Shillings (Shs).

Financial Highlights

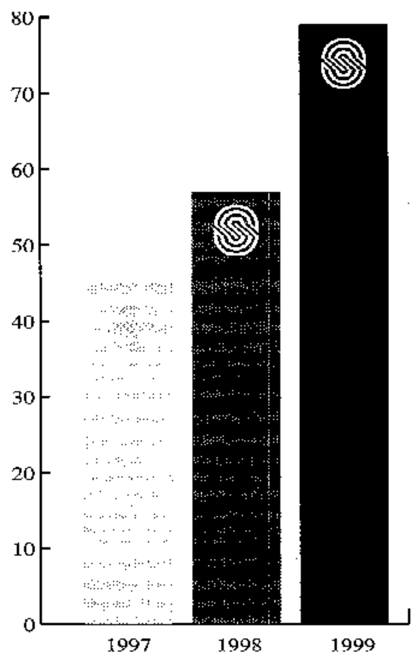
TURNOVER
(in KShs '000)



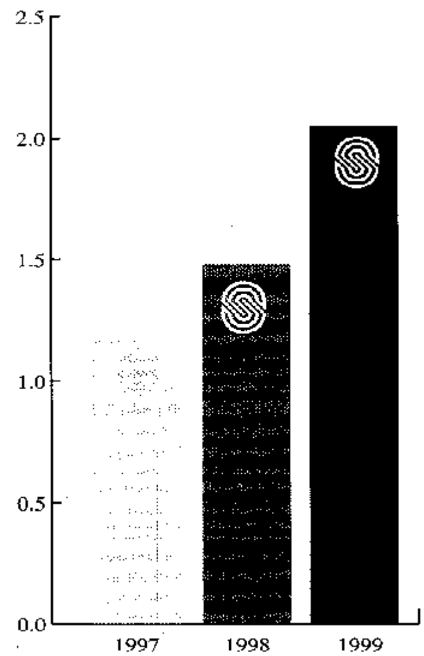
PROFIT BEFORE TAX
(in KShs '000)



PROFIT AFTER TAX
(in KShs '000)



EARNINGS PER SHARE
(in KShs.)



NOTES ON ACCOUNTS

1. The 1999 accounts and prior years comparatives have been restated following the adoption of International Accounting Standards.
2. * Includes insurance proceeds resulting in a surplus of Kshs. 14.97 million for 1999 (1998 - Kshs. 24.65 million) over book values of certain fixed assets.

Serena Hotels adopts a Baby Cheetah

On Saturday 4th of September 1999, Francis Uvyu, a driver-guide with Serena Hotels, drove guests from the Mara Serena Safari Lodge, for a game drive over the vast Masai Mara plains, when he spotted a baby cheetah.

Francis stopped the van for his guests to get a closer look, obviously anticipating to spot the mother hovering around. To his surprise and that of his guests, there was no Mother cheetah in the vicinity.

By virtue of his experience in game, Francis knew that the baby cheetah, without the protection of a mother would be easy prey for scavenging hyenas, jackals, lions etc. that roam the Mara Triangle.

Having made sure there was no dangerous animal around, Francis got out of the vehicle and returned holding a week old baby cheetah. He thereafter "radio-called" the Mara Serena Safari Lodge to inform the Game Warden about the abandoned cheetah and requested that a vehicle be sent out to help in tracing the mother.

Suresh Sofat, Chairman, Somak Holidays
Charles Njonjo, Chairman, KWS
Nehemiah Rotich, Director, KWS
with 'Mara - Serena'

As radio messages were exchanged in search of a decision on the fate of the baby cheetah, somebody was following the conversation with undivided attention. This was none other than the Chairman of Kenya Wildlife Services, Mr. Charles Njonjo, a guest at Mara Serena Safari Lodge, who by a stroke of luck happened to be on a game drive within the expanses of the Masai Mara. Mr. Njonjo interrupted his game drive and requested his driver to take him and his wife to the spot where the baby cheetah was. After seeing the baby cheetah, Mr. Njonjo drove back to the lodge where he personally contacted his officers at KWS Headquarters in Nairobi.

Mr. Njonjo was then advised by his officers on how to nurture the baby cheetah. He decided that the baby cheetah should accompany him back to Nairobi for further attention.

After the fate of the forsaken baby cheetah was settled by the KWS chairman, the Lodge Manager, Mr. Cyprian Waweru, constructed a cage and arranged for a baby feeding bottle and milk. The baby cheetah was then a guest at the Mara Serena Safari Lodge and was booked in to room 9 and a member of staff was assigned to oversee to its comfort and safety.

At midnight, he noticed that the baby cheetah was not closing its eyes while sleeping and was also breathing heavily. Taking no chances, the member of staff who was assigned to the baby cheetah called upon the Manager, who rushed to the room and verified that all was fine. At 4:00 a.m., the baby cheetah was rather cold, and the member of staff got in to share the bed with him. The baby cheetah accompanied Mr. Charles Njonjo on an Air Kenya scheduled flight from the Masai Mara to Nairobi on Monday 6th September 1999.

Once in Nairobi, the baby cheetah was transferred to the Mini Orphanage where it is currently under the watchful eye of Chrysee Martins, a volunteer at the Orphanage, Corporal Kennedy Onduku and Sergeant Mathew Muriira, rangers with KWS.

At the suggestion of Mrs. Margaret Njonjo, the baby cheetah, which is male, was named 'Mara-Serena'.

The Managing Director, Mr. Mahmud Jan Mohamed confirmed that Serena Hotels would adopt 'Mara-Serena', and would bear all the costs until he is nurtured back to full health and is able to fend for himself in the wild. The cost of looking after 'Mara-Serena' for the first six months was Kshs. 278,440 (Eq. USD. 4000) and included food, medicines and accommodation.

In becoming 'Mara-Serena's' surrogate parents, Serena Hotels have once again reaffirmed their commitment towards the conservation of the environment and protection of wildlife.

Serena Hotels is the leading Hotel Group in East Africa with high quality Hotels, Resorts and Safari Lodges located in Kenya, Tanzania and Zanzibar.

SERENA HOTELS
KENYA

Kilaguni Lodge Lease Awarded to Serena Hotels

Nehemiah Rotich, Director, KWS and Mahmud Jan Mohamed, MD, Serena Hotels signing the lease

Serena Hotels took over Kilaguni Lodge in Tsavo West National Park on 15th December 1999.

Kilaguni was the first lodge to be built in a Kenyan National Park and was officially opened by His Royal Highness, the Duke of Gloucester in 1962.

The site for Kenya's first game lodge was chosen due to the magnificent sweeping views of the Chyulu Hills and the snow capped Mount Kilimanjaro, its close proximity to Mzima Springs and the Chaimu and Sheitani lava formations.

Serena Hotels, who are considered market leaders, run twelve properties in Kenya, Tanzania and Zanzibar and have over the last few years won awards for quality service and environmental responsibility. Serena Hotels Managing Director, Mahmud Jan Mohamed said "We are delighted to welcome Kilaguni Lodge into the Serena family. Our objective is to reposition Kilaguni Lodge as a premier lodge facility in East Africa and the lodge will undergo renovations immediately to ensure our objective is achieved soonest possible".

He congratulated Kenya Wildlife Service for the transparent and business like manner in which tenders for Kilaguni Lodge were handled.

In October 1998, Serena Hotels were awarded the Management contract for Mountain Lodge in the Mount Kenya region, and in addition to implementing royalty payments to the Forestry Department, retained all staff at the lodge who were retrained to Serena standards.

Industry sources have welcomed the news of the take over of Kilaguni Lodge, which will provide suppliers of business with a quality operation in the famous Tsavo West National Park.

Extension of Lease for Mara Serena Safari Lodge

The lease for Mara Serena Safari Lodge (MSSL) has been renewed by TransMara County Council (TMCC) for a period of thirty-three (33) years with effect from 1 July, 2003.

- MSSL will pay a royalty to TMCC based on gross tariffs.
- To ensure that the exclusive experience of game drives in the Mara Triangle is maintained, new developments will be subject to Environmental Impact Assessment studies and Serena Hotels will enjoy first option on new developments, if any.
- Serena Hotels will continue to provide priority to employment of the local population and have committed to providing on-the-job training to five (5) school-leavers from the district on an on-going basis. The candidates will be identified jointly by TMCC and Serena Hotels. Other projects beneficial to the residents of TransMara district will also be undertaken jointly by both parties.
- Both parties are committed to exploring new opportunities and products to improve client experience and increase revenues by introducing nature walks, a wildlife education centre and cultural activities over the next two years.
- Serena Hotels enjoy excellent relations with TransMara County Council and every effort will be made by both parties to ensure that the Mara Triangle remains an attractive destination for quality clients and provides a unique safari experience in the region.

MARA SERENA

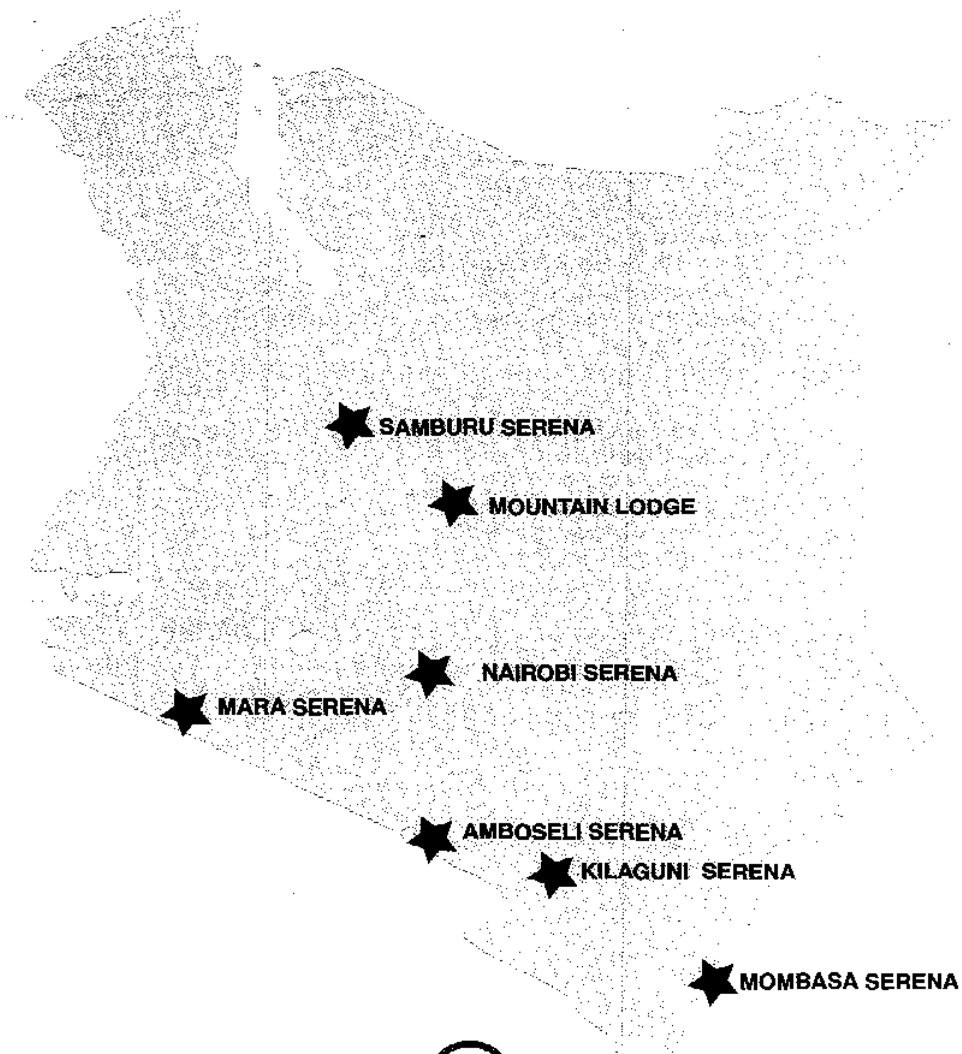
MARA SERENA
Interior of lounge/bar area

A room at
MARA SERENA

SERENA HOTELS
KENYA

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.



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 Wednesday, 14th June, 2000 at 3.00 p.m. and at any adjournment thereof.

As witnessed my/our hand this .... day of ....2000.

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 Monday, 12th June, 2000.

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 but the names of all joint holders should be stated.

FOLD 1

Please affix Stamp here

The Company Secretary
Tourism Promotion Services Limited

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

FOLD 2