FOLD 1

TPS

Please affix
Stamp here

The Company Secretary
Tourism Promotion Services Limited
4th Floor, Williamson House, 4th Ngong Avenue
P O Box 48690 – 00100 GPO
Nairobi, Kenya

FOLD 2

(PLEASE COMPLETE IN BLOCK LETTERS)

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 Friday 29th April 2005 at 11.00 a.m.

As witnessed by my/our hand this ....day of...2005

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 – 00100 GPO Nairobi, Kenya so as to be received not later than 11.00 a.m. on Wednesday 27th April 2005.

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 liability Company/Corporation, this form of Proxy must be completed under its 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.

SERENA HOTELS

SAFARI LODGES • HOTELS • RESORTS

NOTICE TO ALL THE SHAREHOLDERS

The Nairobi Stock Exchange and the Central Depository and Settlement Corporation (CDSC) prescribed that all Public Listed Companies which includes your Company, immobilize their shares to be traded on the Nairobi Stock Exchange. Immobilization of shares of Tourism Promotion Services Limited (TPSL) commenced on 21st December 2004 and no shares can be traded in TPSL unless these shares have been immobilised.

Immobilisation refers to the depositing of certificated shares into a Central Depository System (CDS) account. The CDS is a computer system that facilitates holding of securities in electronic accounts and manages the services offered by the CDSC. This system would not have any impact on the value of your investment in the Company.

The shareholder or investor is now required under the law to open and maintain a securities account with the CDS to facilitate his trading in the future. Shares that you deposit or buy would be credited to your account with the CDS, while shares that you sell would be debited from your account with the CDS.

It is not mandatory to immobilize your shares if you do not intend to sell your shares in the near future. CDS allows a shareholder to withdraw his securities after opening the CDS account and revert to a physical certificate; however such a shareholder would not be able to trade under the system.

To open a securities account, you would be required to consult a Central Depository Agent as described under the Central Depositories Act, 2000 and the Central Depository Rules, 2004. Stockbrokers and custodian departments of some banks are Central Depository Agents. To open such an account with the CDS, you would need your original national identity card or passport, and a recent passport size photograph.

For more information please contact the Company Secretary or the Registrar of the Company on P.O Box 48690 – 00100 GPO Nairobi or telephone number 2710511/2842000.

D. A. Angulu
Company Secretary
25 February 2005

27 Related party transactions (continued)

Advances to Tourism Promotion Services (Management) Limited include car loans to directors of the company as follows;

v) Loans to directors

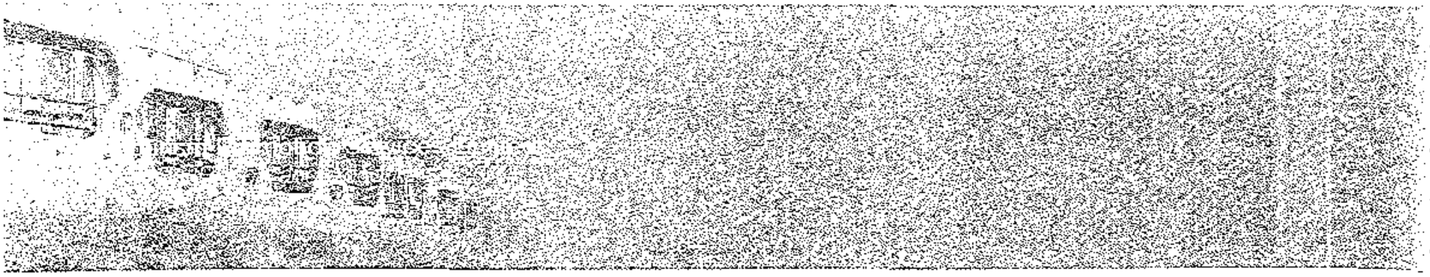
	2004	2003
	Shs'000	Shs'000
At start of year	3,325	3,931
Loan repayments received	(2,000)	(1,188)
Interest charged	326	582
At end of year	1,651	3,325

The loans advanced to directors have the following terms and conditions:

2004	Amount	Term	Security	Interest rate
	Shs '000	Years	Shs '000	
Mahmud Janmohamed	1,651	5	4,392	5%
2003				
Mahmud Janmohamed	2,343	5	4,392	5%
A J Virani	982	5	1,300	5%

vi) Directors' remuneration

	2004	2003
	Shs'000	Shs'000
Fees for services as a director	360	360
Other emoluments	19,762	18,021
	20,122	18,381



27 Related party transactions (continued)

(c) Loans to Tourism Promotion Services (Tanzania) Ltd

	2004	2003
	Shs'000	Shs'000
At start of year	16,744	9,610
Loans advanced during the year	154,331	249,166
Loan repayments received	(140,654)	(242,032)
At end of year	30,421	16,744

(d) Loans to/(from) Mountain Lodges Ltd

	2004	2003
	Shs'000	Shs'000
At start of year	(9,340)	(21,891)
Loans advanced during the year	124,155	97,692
Loan repayments received	(106,528)	(85,141)
At end of year	8,287	(9,340)

(e) Loans to/(from) Tourism Promotion Services (Zanzibar) Ltd and others

	2004	2003
	Shs'000	Shs'000
At start of year	9,049	(3,176)
Loans advanced during the year	32,233	72,803
Loan repayments received	(34,395)	(60,578)
At end of year	6,887	9,049
Total loans receivable from related parties	348,018	333,515

Advances to TPS Holdings Limited and Tourism Promotion Services (Management) Limited are repayable on demand and attract interest at the company's cost of borrowing.

Advances to and from other related parties are repayable on demand and are interest free.

No provision for impairment losses has been required in 2004 (2003: Nil) for the loans made to directors and other related parties

Notes Forming Part of the Financial Statements (continued)
For the year ended 31 December 2004

27 Related party transactions (continued)

iii) Year-end balances arising from sales/purchases of goods/services

Receivables from:	**2004**	**2003**
	Shs'000	**Shs'000**
Diamond Trust Bank Kenya Limited	274	(51)
Frigoken Limited	108	55
The Jubilee Insurance Company Limited	95	37
	477	41

Payables to:		
Farmer's Choice Limited	3,175	2,731
Premier Food industries Limited	19	34
The Jubilee Insurance Company Limited	36	39
	3,230	2,804

iv) Loans to/(from) related parties	**2004**	**2003**
	Shs'000	**Shs'000**
(a) Loans to TPS Holdings Limited:		
At start of year	25,754	36,670
Loans advanced during the year	38,150	20,230
Loan repayments received	(42,082)	(32,619)
Interest charged	837	1,473
At end of year	22,659	25,754

(b) Loans to Tourism Promotion Services (Management) Ltd	**2004**	**2003**
	Shs'000	**Shs'000**
At start of year	291,308	210,958
Loans advanced during the year	263,605	188,496
Loan repayments received	(286,683)	(133,457)
Interest charged	11,534	25,311
At end of year	279,764	291,308

27 Related party transactions

The Company is controlled by TPS Holdings Limited incorporated in Kenya which owns 76.6% of the Company's shares. The remaining 23.4% of the shares are widely held. The ultimate parent of the group is Aga Khan Fund for Economic Development S.A., a company incorporated in Switzerland. There are various other companies which are related to Tourism Promotion Services Limited through common shareholdings or common directorships and with the ability to exercise significant influence.

The following transactions were carried out with related parties:

i) Sale of goods and services to:	**2004**	**2003**
	Shs'000	**Shs'000**
Mountain Lodges Limited	5,395	4,442
Diamond Trust Bank Kenya Limited	2,470	-
Alltex EPZ Limited	664	-
Farmer's Choice Limited	2	60
Frigoken Limited	166	287
The Jubilee Insurance Company Limited	1,988	950
Directors	611	128
	11,296	5,867

ii) Purchase of goods and services from:	**2004**	**2003**
	Shs'000	**Shs'000**
Tourism Promotion Services (Management) Limited	235,326	175,618
Farmer's Choice Limited	31,124	35,961
Premier Food Industries Limited	607	704
The Jubilee Insurance Company Limited	43,875	8,801
Serena Tourism Promotion Services S.A.	27,940	11,837
	338,872	232,921

The Company sells goods to Mountain Lodges Limited, an associated company, at cost. Sales and purchases to/from other related parties were made at terms and conditions similar to those offered to major customers.

Tourism Promotion Services (Management) Limited incurs expenses on behalf of the Company and manages the property of Mountain Lodge Limited, a related company. All such expenditure is recharged to the Company net of the management fees received from Mountain Lodge Limited.

26 **Cash generated from operations**

Reconciliation of profit before tax to cash generated from operations:

	2004	2003
	Shs'000	**Shs'000**
Profit before tax	197,540	42,968
Adjustments for:		
Depreciation on property, plant and equipment (Note 16)	101,680	91,978
Amortisation of prepaid lease rentals (Note 17)	160	160
Profit on sale of property, plant and equipment	(1,582)	(242)
Amortisation of goodwill	250	250
Impairment of investment in subsidiary (Note 19)	6,000	-
Impairment of goodwill (Note 18)	3,524	324
Interest income	(13,479)	(36,851)
Interest expense	22,442	37,155
Unrealised foreign currency exchange gains	3,195	(167)
Share of results of associate	(3,150)	98
Changes in working capital		
– receivables and prepayments	(33,414)	44,289
– inventories	(6,944)	13,747
– trade and other payables	43,256	(152,555)
– provisions for liabilities and charges	13,231	7,553
Cash generated from operations	332,709	48,707

22 Cash and cash equivalents

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise cash in hand, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities. The year-end cash and cash equivalents comprise the following:

	2004	2003
	Shs'000	Shs'000
Cash and bank balances	27,404	35,819
Bank overdrafts (Note 13)	(34,736)	(16,544)
	(7,332)	19,275

Included in cash and bank balances is Shs 237,000 (2003: Shs 347,000) relating to amounts banked with related parties.

23 Trade and other payables

	2004	2003
	Shs'000	Shs'000
Trade payables	126,333	88,351
Trade payables – related companies (Note 27)	3,230	2,804
VAT payable	4,631	4,450
Accrued expenses and other payables	89,627	84,960
	223,821	180,565

24 Contingent liabilities

At 31 December 2004, the company had given guarantees amounting to Shs 4,360,000 (2003: Shs 4,360,000) to banks on behalf of third parties for utilities.

25 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements amounted to Shs 123,567,000 (2003: nil).

18 Intangible assets

Intangible assets as at 31 December 2003 related to goodwill arising from the purchase of Kilaguni lodge. The amount has been fully written off in the year.

19 Investment in subsidiary

	2004	2003
	Shs'000	Shs'000
At start of year	6,000	6,000
Write off of investment	(6,000)	-
At end of year	-	6,000

Investment in subsidiary relates to Uaso Nyiro Safari Lodge Limited (UNSL), a dormant company incorporated in Kenya and wholly owned by Tourism Promotion Services Limited. An application has been filed during the year to wind up the company. Accordingly, the investment has been written off.

20 Inventories

	2004	2003
	Shs'000	Shs'000
Operating inventories	105,990	99,046

21 Receivables and prepayments

	2004	2003
	Shs'000	Shs'000
Trade receivables – other	216,605	195,225
Less: provision for impairment	(15,559)	(13,586)
Trade receivables – related companies (Note 27)	477	41
	201,523	181,680
Prepayments	6,492	6,184
Loans receivable from related parties (Note 27)	348,018	333,515
Other receivables	9,814	11,054
	565,847	532,433

16 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 start of year	1,058,952	728,975	51,242	6,875	1,846,044
Additions	41,743	46,740	28,088	27,336	143,907
Disposals	-	(2,558)	(11,501)	-	(14,059)
Transfer	-	3,349	-	(3,349)	-
At end of year	1,100,695	776,506	67,829	30,862	1,975,892
Depreciation					
At start of year	25,499	489,754	49,292	-	564,545
Charge for the year	29,890	62,855	8,935	-	101,680
On disposals	-	(2,279)	(11,501)	-	(13,780)
At end of year	55,389	550,330	46,726	-	652,445
Net book amount					
At 31 December 2004	1,045,306	226,176	21,103	30,862	1,323,447
At 31 December 2003	1,033,453	239,221	1,950	6,875	1,281,499

In the opinion of Directors, there is no impairment of property, plant and equipment.

Included under land and buildings are lodges with a net book value of Shs 328,503,471 (2003: Shs 316,950,763) constructed on land which is leased from various local councils.

Land and buildings were last revalued on 31 December 2002 by Hass Consult, independent professional valuers. Valuations were made on the basis of earnings for existing use.

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

	2004 Shs'000	2003 Shs'000
Cost	579,610	537,867
Accumulated depreciation	(102,266)	(78,923)
	477,344	458,944

17 Prepaid operating lease rentals

	2004 Shs'000	2003 Shs'000
Net book amount		
At start of year	13,373	13,533
Amortisation charge for year	(160)	(160)
At end of year	13,213	13,373
Cost of prepaid operating lease rentals	15,800	15,800
Accumulated amortisation	(2,587)	(2,427)
	13,213	13,373

14 Deferred tax

Deferred tax is calculated using the enacted tax rate of 30% (2003: 30%). The movement on the deferred tax account is as follows:

	2004 Shs'000	2003 Shs'000
At start of year	191,094	188,366
Income statement charge/(credit) (Note 8)	2,358	2,728
Tax charged to equity	-	-
At end of year	193,452	191,094

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:

	1.1.2004 Shs'000	Charged/ (credited) to P/L Shs'000	31.12.2004 Shs'000
Deferred tax liabilities			
Property, plant and equipment:			
– on historical cost	38,399	9,539	47,938
– on revaluation surpluses	170,455	(1,964)	168,491
Unrealised exchange gains	7,447	1,153	8,600
	216,301	8,728	225,029
Deferred tax assets			
Provisions	(24,645)	(5,194)	(29,839)
Unrealised exchange losses	(562)	(1,176)	(1,738)
	(25,207)	(6,370)	(31,577)
Net deferred tax liability	191,094	2,358	193,452

Deferred tax of Shs 1,964,000 (2003: Shs 1,964,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred tax on the difference between the actual depreciation on the land and buildings and the equivalent depreciation based on the historical cost of the property.

15 Provisions for liabilities and charges

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

	2004 Shs'000	2003 Shs'000
At start of year	73,266	65,713
Additional provisions	17,452	10,860
Utilised during year	(4,221)	(3,307)
At end of year	86,497	73,266

Notes Forming Part of the Financial Statements *(continued)*
For the year ended 31 December 2004

13 Borrowings

The borrowings are made up as follows:

	2004 Shs'000	2003 Shs'000
Non-current		
Bank loans	48,565	122,533
Current		
Bank overdrafts	34,736	16,544
Bank loans	304,089	237,710
Commercial paper	-	149,118
	338,825	403,372
Total borrowings	387,390	525,905

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

The weighted average effective interest rates at the year-end were as follows:

		2004	2003
– bank overdrafts	: US Dollars	2.77%	3.12%
	: Kenya Shillings	3.60%	4.74%
– bank borrowings	: US Dollars	4.53%	4.22%
	: Kenya Shillings	4.09%	7.73%
– commercial paper	: US Dollars	-	2.31%
	: Kenya Shillings	-	4.65%

Maturity of non-current borrowings is as follows:

	2004 Shs'000	2003 Shs'000
Between 1 and 2 years	48,565	41,769
Between 2 and 5 years	-	80,764
	48,565	122,533

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

In the opinion of the Directors, it is impracticable to assign fair values to the Company's long-term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

8 Corporate tax expense (continued)

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

	2004 Shs'000	2003 Shs'000
Profit before corporate tax	197,540	42,968
Tax calculated at a tax rate of 30 % (2003: 30%)	59,262	12,890
Tax effect of:		
Income not subject to tax	(945)	-
Expenses not deductible for tax purposes	7,469	2,555
Share of tax of associate	1,228	(118)
Under provision of current tax in prior year	-	2,564
Tax expense	67,014	17,891

9 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting.

A dividend in respect of the year ended 31 December 2004 of Shs 1.10 per share (2003: Shs 1.10) amounting to Shs 42,546,900 (2003: Shs 42,546,900) is to be proposed at the forthcoming annual general meeting.

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

10 Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2004	2003
Net profit attributable to shareholders (Shs'000)	130,526	25,077
Weighted average number of ordinary shares in issues (thousands)	38,679	38,679
Basic earnings per share (Shs)	3.37	0.65

There were no outstanding potentially dilutive shares at 31 December 2004 or 2003. Diluted earnings per share is therefore the same as basic earnings per share.

11 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Authorised, issued and fully paid up at par value of Shs 5.00 per share		
At start and end of year	38,679	193,395

12 Revaluation reserve

Revaluation reserve relates to surpluses arising from the revaluation of land and buildings less attributable deferred tax. The revaluation reserve is non-distributable. The movement in revaluation reserve is shown in the statement of changes in equity.

5 Staff costs

	2004 Shs'000	2003 Shs'000
The following items are included within staff costs:		
Retirement benefits costs:		
– Gratuity charge (Note 15)	17,452	10,860
– Defined contribution scheme	9,015	5,392
– National Social Security Fund	3,442	2,990

The number of persons employed by the Company at the year-end was 1,215 (2003: 1,121).

6 Net finance income

	2004 Shs'000	2003 Shs'000
Interest income:		
– related party loans	12,371	34,729
– staff loans	1,108	2,122
	13,479	36,851
Net foreign currency exchange gain	(4,326)	9,071
Interest expense:		
– bank borrowings	(21,482)	(32,913)
– commercial paper	(960)	(4,242)
	(26,768)	(28,084)
Net finance income	(13,289)	8,767

7 Investment in associate

	2004 Shs'000	2003 Shs'000
At start of year		
As previously stated	13,790	13,770
Reclassification of goodwill	3,156	3,406
	16,946	17,176
Share of associate result before tax	2,900	(348)
Share of tax	(1,228)	118
Net share of result after tax	1,672	(230)
	18,618	16,946

The investment in associate as at 31 December 2004 includes goodwill of Shs 2,906,000 net of accumulated amortisation (2003: Shs 3,156,000).The adjustment relates to the inclusion of goodwill and its related amortisation into the value of the Company's investment in the associate. Previously, this amount was disclosed under Intangible assets.The share of results before tax is net of the goodwill amortisation of Shs 250,000 (2003: Shs 250,000).

The associate, Mountain Lodges Limited, whose principal business is to provide lodge facilities for tourists, is an unlisted Company incorporated in Kenya.

8 Corporate tax expense

	2004 Shs'000	2003 Shs'000
Current corporate tax	63,428	12,717
Deferred tax (Note 14)	2,358	2,728
Share of tax of associate (Note 7)	1,228	(118)
Under provision of corporate tax in prior year	-	2,564
	67,014	17,891

Notes Forming Part of the Financial Statements
for the year ended 31 December 2004

1 General information

Tourism Promotion Services Limited is incorporated in Kenya under the Kenyan Companies Act as a public limited liability Company, and is domiciled in Kenya. The address of its registered office is:

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

2 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including credit risk, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance within the options available in Kenya to hedge against such risks.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit history

3 Segmental information

The Company only has one business segment which is the operation of hotels and lodges and operates in only one geographical segment – Kenya. As such, there is no segmental information to disclose.

4 Operating profit

The following items have been charged (credited) in arriving at operating profit:	2004 Shs'000	2003 Shs'000
Depreciation on property, plant and equipment (Note 16)	101,680	91,978
Repairs and maintenance expenditure on property, plant and equipment	61,284	44,856
Profit on disposal of property, plant and equipment	(1,582)	(242)
Operating lease rentals	59,930	43,244
Receivables – provision for impairment losses	3,530	556
Provision for impairment of goodwill (Note 18)	3,199	-
Provision for impairment of investment in subsidiary (Note 19)	6,000	-
Staff costs (Note 5)	402,515	332,617
Auditors' remuneration	2,116	1,960

(l) Employee entitlements

(i) Post-employment benefits

For unionised employees, the Company has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the Union. Employees who resign after serving for periods of between five years and ten years, receive eighteen days salary and house allowance for each completed year of service at the rate of pay applicable at the date of resigning. Those who resign after serving for more than ten years receive twenty four days salary and house allowance for each completed year of service. The provision for liability recognised in the balance sheet is the estimated entitlement as a result of services rendered by employees up to the balance sheet date. Any increase or decrease in the provision is taken to the profit and loss account.

The Company operates a defined contribution post-employment benefit scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Company and the employees. The Company and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme. The Company's contributions to both these defined contribution schemes are charged to the profit and loss account in the year in which they fall due. The Company has no further obligation once the contributions have been paid.

(l) (ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(m) Borrowings

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

(n) Corporate tax

Corporate tax is the amount of tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act.

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

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

(o) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes a presentation in the current year.

(g) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation for buildings. 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 expected useful life as follows:

Buildings	Over the period of the lease
Computers	3 years
Motor vehicles	4 years
Furniture and fittings	8 years
Lift installations	10 years
Freehold land is not depreciated	

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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.

(h) Intangible assets

On acquisition, the excess of the purchase price over the fair value of the net identifiable assets acquired is recorded as an intangible asset in the balance sheet. Goodwill on acquisition of associates is included in investment in associates. Goodwill is amortised to the profit and loss account on the straight-line basis over its estimated useful life. The carrying amount of goodwill is reviewed at each balance sheet date to determine whether circumstances or events indicate that there may be uncertainty over the carrying amount.

(i) Accounting for leases

Leases of assets under which significant 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.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of businesses, less selling expenses.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of trade receivables is established where there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is recognised in the profit and loss account. The amount of provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings (Shs) rounded to the nearest thousands and are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(b) Consolidation

The Company is controlled by TPS Holdings Group. The Company results and those of its subsidiary, the Uaso Nyiro Lodge Limited are therefore consolidated at the group level. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between the group Companies are eliminated. The accounting policies for the Company and its subsidiary are similar to those of TPS Holdings Group.

(c) Revenue recognition

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

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Dividends are recognised as income in the period in which the right to receive payment is established.

(d) 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.

(e) Investment in subsidiary

The investment in the subsidiary is stated in the balance sheet at cost. Where, in the opinion of the Directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

(f) Investment in associate

Investment in associate is accounted for by the equity method of accounting. Under this method the Company's share of the post acquisition profits or losses of associates is recognised in the income statement and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the cost of investment. An associate is an entity in which the Company generally has between 20% and 50% of the voting rights, or over which the Company has significant influence, but which it does not control. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition.

Cash Flow Statement
for the year ended 31 December 2004

	Notes	2004	2003
		Shs'000	Shs'000
Operating activities			
Cash generated from operations	26	332,709	48,707
Interest received		13,479	36,851
Interest paid		(22,442)	(37,155)
Corporate tax paid		(5,858)	(42,816)
Net cash from operating activities		317,888	5,587
Investing activities			
Purchase of property, plant and equipment		(143,907)	(62,527)
Proceeds from disposals of property, plant and equipment		1,861	318
Net cash used in investing activities		(142,046)	(62,209)
Financing activities			
Payments of commercial paper		(149,118)	21,625
Proceeds from bank borrowings		217,000	157,690
Payments of bank borrowings		(227,784)	(75,705)
Dividends paid		(42,547)	(42,547)
Net cash (used in)/generated from financing activities		(202,449)	61,063
(Decrease)/increase in cash and cash equivalents		(26,607)	4,441
Movement in cash and cash equivalents			
At start of year		19,275	14,834
(Decrease)/increase		(26,607)	4,441
At end of year	22	(7,332)	19,275

Statement of changes in equity
for the year ended 31 December 2004

	Share capital Shs'000	Revaluation reserve Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2003					
At start of year	193,395	416,210	368,978	42,547	1,021,130
Transfer of excess depreciation	-	(6,547)	6,547	-	-
Deferred tax on transfer	-	1,964	(1,964)	-	-
Net gains/(losses) recognised directly in equity	-	(4,583)	4,583	-	-
Net profit for the year	-	-	25,077	-	25,077
Total recognised income for 2003	-	(4,583)	29,660	-	25,077
Dividends:					
– Final for 2002 paid	-	-	-	(42,547)	(42,547)
– Proposed for 2003	-	-	(42,547)	42,547	-
At end of year	193,395	411,627	356,091	42,547	1,003,660
Year ended 31 December 2004					
At start of year	193,395	411,627	356,091	42,547	1,003,660
Transfer of excess depreciation	-	(6,547)	6,547	-	-
Deferred tax on transfer	-	1,964	(1,964)	-	-
Net gains/(losses) recognised directly in equity	-	(4,583)	4,583	-	-
Net profit for the year	-	-	130,526	-	130,526
Total recognised income for 2004	-	(4,583)	135,109	-	130,526
Dividends:					
– Final for 2003 paid	-	-	-	(42,547)	(42,547)
– Proposed for 2004	-	-	(42,547)	42,547	-
At end of year	193,395	407,044	448,653	42,547	1,091,639

Balance Sheet

for the year ended 31 December 2004

	Notes	2004 Shs'000	As restated 2003 Shs'000
CAPITAL EMPLOYED			
Share capital	11	193,395	193,395
Revaluation reserve	12	407,044	411,627
Retained earnings		448,653	356,091
Proposed dividends	9	42,547	42,547
Shareholders' funds		1,091,639	1,003,660
Non-current liabilities			
Borrowings	13	48,565	122,533
Deferred tax	14	193,452	191,094
Provisions for liabilities and charges	15	86,497	73,266
		328,514	386,893
		1,420,153	1,390,553
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	16	1,323,447	1,281,499
Prepaid operating lease rental	17	13,213	13,373
Intangible assets	18	-	3,524
Investment in subsidiary	19	-	6,000
Investment in associate	7	18,618	16,946
		1,355,278	1,321,342
Current assets			
Inventories	20	105,990	99,046
Receivables and prepayments	21	565,847	532,433
Cash and cash equivalents	22	27,404	35,819
		699,241	667,298
Current liabilities			
Trade and other payables	23	223,821	180,565
Corporate tax		71,720	14,150
Borrowings	13	338,825	403,372
		634,366	598,087
Net current assets		64,875	69,211
		1,420,153	1,390,553

The financial statements on pages 14 to 33 were approved for issue by the Board of directors on 26 February 2005 and signed on its behalf by:

Director

Director

	Notes	2004 Shs'000	2003 Shs'000
Sales		1,672,490	1,217,130
Cost of sales		(342,693)	(260,057)
Gross profit		1,329,797	957,073
Other operating income		166,387	99,113
Staff costs		(402,515)	(332,617)
Administration expenses		(320,349)	(237,988)
Other operating expenses		(565,391)	(451,032)
Operating profit	4	207,929	34,549
Net finance income	6	(13,289)	8,767
Share of results of associate	7	2,900	(348)
Profit before corporate tax		197,540	42,968
Corporate tax expense	8	(67,014)	(17,891)
Profit for the year		130,526	25,077
Earnings per share (Shs)			
Basic and diluted	10	3.37	0.65
Dividends:			
Proposed final dividend for the year	9	42,547	42,547

Report of the Independent Auditors to the Members of Tourism Promotion Services Limited

We have audited the financial statements of Tourism Promotion Services Limited for the year ended 31 December 2004, set out on pages 14 to 33.

Respective responsibilities of Directors and Auditors

The Directors are responsible for the preparation of financial statements as set out on page 12. Our responsibility is to express an independent opinion on the financial statements based on our audit.

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.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept and the financial statements, which are in agreement with the Company's books of account, give a true and fair view of the state of the Company's financial affairs at 31 December 2004 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi

26 February 2005

The Kenyan Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the twelve months from the date of this statement.

Francis Okomo-Okello
Director

Mahmud Jan Mohamed
Director

26 February 2005

The Directors submit their report together with the audited financial statements for the year ended 31 December 2004 which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The Company 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 of Shs 130,526,000 (2003: Shs 25,077,000) has been added to retained earnings. The Directors recommend the approval of 22% (2003: 22%) dividend amounting to Shs 42,546,900 (2003: Shs 42,546,900).

DIRECTORS

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

F O Okello	(Chairman)
M Jan Mohamed	(Managing Director)
A J Virani	(Finance Director)
I D Cheyne	
F Lucien	(Alternate to Iain Cheyne – Resigned 10 September 2004)
J Harris	(Alternate to Iain Cheyne – Appointed 10 September 2004)
J J Kisa	
K Gatabaki	
M P Manji	

In accordance with Articles no. 95 and 96 of the Company's Articles of Association, Mr. I D Cheyne retires by rotation and, being eligible, offers himself for re-election.

In accordance with Articles no 95 and 96 of the Company's Articles of Association, Mr. J J Kisa retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

The Company's Auditors, PricewaterhouseCoopers, continue in office in accordance with section 159(2) of the Kenyan Companies Act.

By order of the Board

SECRETARY

D A Angulu

26 February 2005

The ten largest shareholdings	Number of shareholders	Number of shares held	% Shareholding
1. TPS Holdings Limited		29,653,900	76.67%
2. Mr Premchand K Shah		1,219,687	3.15%
3. Craysell Investments Limited		554,987	1.43%
4. Wildlife Safari Kenya Limited		227,492	0.59%
5. Barclays (Kenya) Nominees - 5 A/cs		114,666	0.30%
6. Mr Sadrudin Karim Jiwa		107,386	0.28%
7. Mr Hassanali Asaria		100,354	0.26%
8. Dr Emmanuel Nuwokpor Ayim		71,922	0.19%
9. The Heritage A.I.I Insurance Company		71,068	0.18%
10. Phoenix of East Africa		53,391	0.14%
TOTAL		**32,174,853**	**83.19%**

Shares Distribution

Shares range			
1 - 500	4,443	2,099,129	5.43%
501 - 5,000	4,567	3,441,957	8.90%
5,001 - 10,000	41	283,255	0.73%
10,001 - 100,000	42	876,237	2.26%
100,001 - 1,000,000	5	1,104,835	2.86%
1,000,0001 and over	2	30,873,587	79.82%
TOTAL	**9,100**	**38,679,000**	**100.00%**

INTERNAL CONTROLS

The Company has a well-defined organisational structure with appropriate segregation of responsibilities. This is complimented with detailed policy and procedure manuals, which provide a guiding framework to the Management team. Monthly Credit Control, Sales and Marketing and Finance Review meetings are held to review these critical aspects of the Company's operations.

CORPORATE SOCIAL RESPONSIBILITIES

The Company continues to meet its corporate social responsibilities by promoting the economic activities of local communities in which it operates and being sensitive to the preservation and protection of the environment. There is a continuous review of the health, safety and hygiene requirements of the Company's business, carried out both internally and by external experts.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that Shareholders and the other stakeholders are provided with accurate and timely information about its performance. This is usually done through the distribution of the Company's annual report at least 21 days before the Annual General Meeting, release of half year and end year results through the press and regulatory bodies, and monthly disclosures of shareholding statistics to the Nairobi Stock Exchange and Capital Markets Authority.

Shareholders have direct access to the Company and all their enquires are responded to in a timely manner. In this regard, the Company complies with its obligations contained in the Nairobi Stock Exchange Listing Rules and The Capital Markets Authority Act applicable in Kenya.

By maintaining an open door policy in terms of communication, the Company ensures that enquiries from Shareholders and the other stakeholders are promptly and satisfactorily attended to.

DIRECTORS EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to Directors during financial year 2004 are disclosed in the notes to the financial statements. Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the Company is a party whereby Directors might have acquired benefits by means of the acquisition of the Company's shares.

There were no non-executive Directors' loans during the year. Executive Directors' loans are disclosed in note 27 to the financial statements.

DIRECTORS' INTEREST

Name of Director	No. of Shares	% Shareholding
1. Mr. Francis Okomo-Okello	643	0.002%
2. Mr. Abdulmalek Virani	16,612	0.043%

SHAREHOLDING

TPSL SHAREHOLDING AS AT 31 DECEMBER 2004

The shareholders profile as at 31 December 2004 was as follows:

		Number of Shareholders	Number of Shares held	% of issued Share capital
1.	Kenyan Individual Investors	8,715	7,389,347	19.10%
2.	Kenyan Institutional Investors	349	31,231,024	80.75%
3.	Other East African Individual Investors	9	9,028	0.02%
4.	Foreign Investors	27	49,601	0.13%
	TOTAL	**9,100**	**38,679,000**	**100%**

The Centre for Corporate Governance defines Corporate Governance as:

"The process by which companies are directed and controlled with the ultimate aim of achieving shareholders' long-term value while taking into account the interest of the other stakeholders."

Tourism Promotion Services Limited recognizes the need to conduct its business in accordance with generally accepted best corporate practices and principles of corporate governance and business ethics. Thus, the Directors attach great importance to the need to conduct the operations of the Company with integrity and in particular, to exceed where possible, the standards prescribed in the guidelines issued by the Capital Markets Authority on Corporate Governance Practices by Public Listed Companies (May 2002) "the CMA Guidelines".

The Board is pleased to report that the Company has substantially complied with these guidelines.

The Board of Tourism Promotion Services Limited consists of seven Directors, two of whom are non-executive independent Directors, while two are executive Directors, i.e the Managing Director and the Finance Director. The Directors are of varied expertise and skills who bring a wealth of relevant experience to the Board deliberations. All the non-executive Directors are subject to periodic retirement and re-election in accordance with the Company's Articles of Association.

The Directors meet at least six times a year. The Board provides direction on general policy and is responsible for maintaining the Company's overall internal control of strategic, financial, operational and compliance issues. The Directors are given accurate and timely information so that they can discharge their functions effectively. Responsibility for implementing strategy and for day to day operations is delegated by the Board to the Managing Director and his top Management team.

COMMITTEES OF THE BOARD

The Board has constituted two Committees and has delegated a specific mandate to each of them. The Committees meet regularly under the terms of reference set by the Board.

Audit and Finance Committee

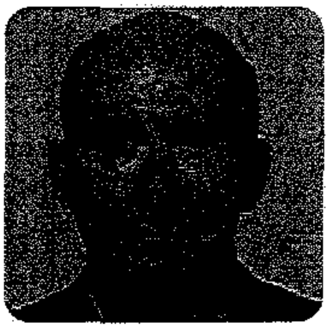
In 1997, the Board established an Audit and Finance Committee. Its membership comprises of two non-executive Directors of the Company and two non-executive Directors of the Management Company, namely Tourism Promotion Services (Management) Limited, as listed on page 2 of the Annual Report. The Board reviews membership of the Audit and Finance Committee annually in accordance with CMA Guidelines. The Committee meets at least 3 times a year or as may be required by business exigencies. The external Auditors, internal Auditors, and executive Directors attend the Committee meetings on as required basis. The Committee's main duties are to review financial information and ensure that the system of internal control is effectively administered. Significant findings identified by the Company's internal and external Auditors are also considered.

Nomination and Remuneration Committee

The Board established a Nomination and Remuneration Committee in year 2003. Its membership comprises of three non-executive Directors as listed on page 2 of the Annual Report. The Committee sits at least 3 times a year, or as may be required. The executive Directors normally attend Committee meetings.

The Committee is mandated to review the salaries, benefits packages, and service contracts of the executive Directors and senior Management and to ensure that the same are competitively structured and linked to performance. The Committee is further mandated to propose new nominees to the Board as may be appropriate and to assess the effectiveness of the Board as a whole, the Committees of the Board, as well as each individual Director and make necessary recommendations to the Board on enhancing the overall level of effectiveness of the Board, its Committees and individual Directors. Executive Directors do not attend those meetings of the Committee that consider their remuneration and benefits.

Board of Directors (continued)



JOHN HARRIS (*Alternate to Iain Cheyne*)

Non-executive Director (aged 59). Appointed alternate to Mr. Cheyne on 10 September 2004. He is a Banker and Chartered Accountant, England and Wales. Held management positions in International Banking in UK, Canada, Eastern Europe, the Middle East and the Far East. He is a Director of 3 Companies in Kenya.

JACK J KISA

Non-executive Director (aged 67). He joined the Board on 26 July 2002. He holds a Bachelor of Science Degree (Economics) (London), and M.P.A (Harvard). He served as Principal Economist in the Ministry of Finance and Planning in the 1970's. He was a Director of World Employment Programme in 1974 to 1977. He served as a Project Officer/Economist with World Bank in Washington DC in 1978 to 1995. He retired in 1995 and is currently engaged in business. He is a Director of Diamond Trust Bank.

KUNGU GATABAKI

Non-executive Director (aged 55). He joined the Board on 17 July 2001. An Economist, holding a Bachelor of Science Degree from Legon University, Ghana and a Diploma in Project Planning and Management from Bradford University, UK. He started his working career in the Budget and Planning Department, Firestone East Africa (1969) Ltd in 1972. He moved to Nation Media Group where he served as Marketing Assistant before moving to CDC Group Plc in 1974 where he worked till retirement in 2004. He sits on various Boards in different capacities.

MAHMOOD MANJI

Non-executive Director (aged 51). He joined the Board on 22 March 1996. A Chartered Accountant by profession, he is a career Banker in East Africa. Mr. Manji is the former Group Managing Director of the Diamond Trust Banks in East Africa and CFC Bank Limited. He is the Vice Chairman of Diamond Trust Bank Kenya Limited, Chairman of Property Development and Management Limited and a Director of the Kenya Civil Aviation Authority."

DAMARIS A ANGULU

The Company Secretary, was appointed on 17 March 2003. She holds a Bachelor of Laws Degree from the University of Nairobi and Diploma from the Kenya School of Law. She is an Advocate of the High Court of Kenya and Member of the Chartered Institute of Certified Public Secretaries.

FRANCIS OKOMO-OKELLO

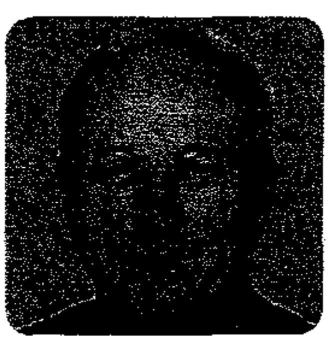
Chairman (aged 55). He joined the Board on 28 April 1986. He was elected Chairman on 30 May 2002. Mr. Okello is a holder of a Bachelor of Laws Degree from the University of Dar-es-Salaam, an Advocate of the High Court of Kenya, an Albert Parvin Fellow of the Princeton University and a Fellow of The Kenya Institute of Bankers (FKIB). He is the Vice Chairman of Barclays Bank of Kenya Limited, a Director of the Nation Media Group Limited, Nation Newspapers Limited among other Companies. Currently, he is the Head of Legal and Corporate Affairs at the Industrial Promotion Services Group of Companies operating in East Africa.

MAHMUD JAN MOHAMED

Managing Director (aged 52). He has vast experience in the hotel industry in East Africa and has worked for the TPS Group of Companies in different capacities rising to the current position. He was founder Chairman of the Kenya Tourism Federation, is a Trustee of the East African Wildlife Society, and a Director of the Centre for Corporate Governance. He is an associate member of the Hotel Catering Institutional Management Association (UK), and a member of the Cornell Hotel Society (USA).

ABDULMALEK J VIRANI

Finance Director (aged 54). A holder of Bachelor of Commerce Degree. He is a Chartered Accountant and a CPA (K). He has worked for TPS Group of Companies for 28 years rising to his current position of Finance Director. He served on Tax and Law Committee of CPA (K). Has extensive training in Leadership and Management Techniques. He is a Director of Mountain Lodges Limited.



IAIN D CHEYNE

Non-executive Director (aged 63). Joined the Board on 20 December 2000. He qualified as Solicitor in 1967 and was in legal practice till 1972 when he joined Lloyds Bank's Legal Department. He rose to the position of General Manager, Strategic Planning and Corporate Banking in 1989 and 1991 respectively. He retired as Managing Director of International Banking in the year 2000. He is a Director of two Companies in Kenya.

Taarifa ya Mwenyekiti

Chairman's Statement

It gives me great pleasure to present to you the Annual Report and Financial Statements of Tourism Promotion Services Limited for the year ended 31 December 2004.

It is generally agreed that the Tourism Sector in Kenya continued to experience difficulties during the first half of year 2004 due to uncertainties associated with travel to destination Kenya. However, the sector witnessed a positive turnaround in the second half of year 2004 with traditional and new markets performing remarkably well.

The Company's investments in pursuit of new business initiatives including identification of new source markets as well as its strategy of controlling operating expenditure without sacrificing standards resulted in the Company achieving satisfactory results during year 2004. Against the background of improved business conditions, the Company achieved a turnover of Shs 1.662 billion as compared to Shs 1.217 billion achieved in the previous year, an increase of 37.4% with a profit before tax of Shs 197.5 million as compared to Shs 42.9 million achieved in the previous year, an increase of 359%. The Company invested Shs 144 million in capital expenditure to ensure that the Company's facilities continued to remain in excellent condition, thereby enabling it to continue to attract quality clients. During the year the Company explored further opportunities to strengthen the safari circuit and in this regard it may be noteworthy to mention that the management contract for Sweetwaters Camp which lies in the heart of the 24,000 acre Sweetwaters Game Reserve, situated in Nanyuki, was awarded to the Company. The management contract will assist the Company in strengthening the safari circuit in Mount Kenya region. The Company is currently implementing the construction of a purpose built conference facility and upgrading of the executive suites at Nairobi Serena Hotel, Nairobi. The project is scheduled to be completed in the second quarter of the current year and will position the Hotel to capture increased business from the conference market segment.

In view of these favourable results, the Board of Directors will recommend for approval at the forthcoming Annual General Meeting, the payment of a final dividend for 2004 of 22% or Shs 1.10 per share of nominal value of Shs 5.00 each subject to withholding tax where applicable.

During the period under review, the Company was voted the Most Respected Company in East Africa in the Tourism Sector for the second year running in a survey carried out by PricewaterhouseCoopers. In addition, the Mara Serena Safari Lodge was voted one of the 500 Best Hotels in the World by Travel and Leisure Magazine. Mara Serena Safari Lodge was also accorded the honour of being included in the 2004 Gold List of the World's Best Places to stay. Nairobi Serena Hotel, Mombasa Serena Beach Hotel and Mara Serena Safari Lodge were voted winners of "Quest for the Best" award given out by Travel News and Lifestyle Magazine of the East Africa.

With the Tourism Sector generating Shs 42 billion in earnings during 2004 and directly benefiting the various participants in the value chain such as suppliers of commodities, tour drivers and car hire operators, the sector continues to play a significant role in the Country's economic growth and development.

The Company remains a significant contributor to Government revenue and paid Shs. 138 million in direct and indirect taxes and Shs. 58 million to local authorities in royalty/rent payments during 2004. In addition, as a responsible corporate citizen, the Company continues to adhere to the highest standards relating to environmentally and socially responsible practices, and at the same time positively contributes to the economic activities of local communities in which it operates. Serena is an equal opportunity employer and in this regard, the Board and Management ensure that the Company's employment policies and practices conform to international best practices and standards. Looking ahead, it is our expectation that the Government will continue to focus attention on efforts aimed at creating a buoyant tourism industry by providing the necessary infrastructure, security and product initiatives that are needed to enable the sector offer competitive services, employment opportunities and generate economic growth.

The exemplary dedication by Management and Staff warrants special recognition. On behalf of the Board, I would therefore like to thank the Management and Staff at all levels for their diligent industry and commitment that resulted in the realization of such exceptional results.

I also wish to acknowledge with appreciation the vital support that we have continued to receive from our shareholders, customers and other stakeholders without which the Company would not have achieved the results recorded in year 2004.

Francis Okomo-Okello
CHAIRMAN

Notice of Annual General Meeting

Notice is hereby given that the Thirty-Sixth Annual General Meeting of the Company will be held at the Amphitheatre, Kenyatta International Conference Centre, Nairobi on Friday 29th April 2005 at 11.00 a.m. to transact the following business:

1. To confirm the minutes of the thirty-fifth Annual General Meeting held on 7th June 2004.

2. To receive, consider and, if thought fit, adopt the accounts for the year ended 31st December 2004, together with the Directors' and Auditors' Reports thereon.

3. To approve payment of a final dividend for the year 2004 of K.Shs. 1.10 per share of K.Shs. 5.00 subject to withholding tax, where applicable, to the Members on the Register at the close of business on 29th April 2005.

4. To elect Directors:

   (a) Mr. Iain Cheyne, 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. Jack Kisa, 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.

5. To approve the Directors' remuneration for the year 2004.

6. To note that the Company's Auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159 (2) of the Companies Act (Cap. 486).

7. To approve the Auditors' remuneration for the year 2004 and to authorise the Directors to fix the Auditors' remuneration for the year 2005.

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

By Order of the Board

D A ANGULU
Company Secretary
Nairobi 25 February 2005

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 11.00 a.m. Wednesday the 27th April 2005.

1 Tourism promotion services (EA) limited — periodicals —
2 Visitors, foreign — Kenya — periodicals

2687 Tourism Promotion Services Limited
2004

BOARD OF DIRECTORS:

Francis Okomo-Okello

Mahmud Jan Mohamed

Abdulmalek J Virani

Iain D Cheyne*

Frederic Lucien*

John Harris

Kungu Gatabaki

Jack J Kisa

Mahmood P Manji

BOARD AUDIT & FINANCE COMMITTEE

Saleem Karimjee***

Kungu Gatabaki

Kabir Hyderally**

Mahmood P Manji

BOARD NOMINATION AND REMUNERATION COMMITTEE

Jack Kisa

Francis Okomo–Okello

Mahmood P Manji

*British **Tanzanian ***Pakistani

COMPANY SECRETARY

Damaris A Angulu

PRINCIPAL OFFICERS:

Peter Mbogua

Alastair Addison

Charles Ogada

Mark Gathuri

Mugo Maringa

June Kyula

Edwin Chemisto

Tuva Mwahunga

Roselyne Ngure

Stanley Kongoley

REGISTERED OFFICE:

4th Floor, Williamson House
4th Ngong Avenue
P O Box 48690-00100 Nairobi, Kenya
Telephone: 254(2) 2710511
Fax: 254 (2) 2718100/1
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
Mountain Lodge (Managed by Serena)
Kilaguni Serena Safari Lodge

AUDITORS:

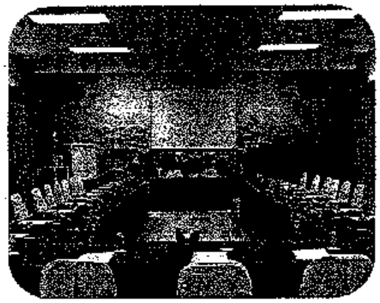
2007/0238

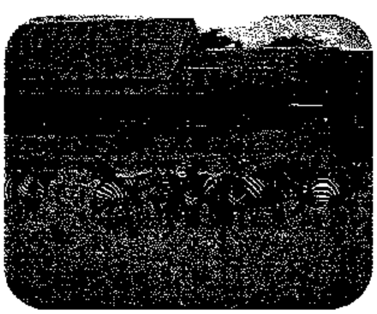
PricewaterhouseCoopers
Certified Public Accountants
Rahimtulla Trust Tower
P O Box 43963-00100 Nairobi, Kenya

PRINCIPAL BANKERS:

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

CONTENTS



ANNUAL REPORT AND ACCOUNTS

2004

TPS

TOURISM PROMOTION SERVICES LIMITED