EXPRESS
KENYA LTD

WAREHOUSING | CONTAINER STORAGE | ROAD TRANSPORT | SEA FREIGHT | AIR FREIGHT | REAL ESTATE

# 2014
## Annual Report and Financial Statements

A Member of Diniz Holdings Limited

# Table of Contents

# Group Information

**BOARD OF DIRECTORS**

Dr. Chris W. Obura - ***Chairman***
Hector Diniz
Pinhas Moskovich *
Kajal Thakker
Davinder Singh Devgun (appointed on September 26, 2014)
Nazir Sayani (resigned on August 8, 2014)
** Israeli*

**CHIEF EXECUTIVE OFFICER**

Hector Diniz

**REGISTERED OFFICE**

Airport Trade Centre
3rd Freight Avenue
Jomo Kenyatta International Airport
P O Box 40433 - 00100, Nairobi

**PRINCIPAL PLACE OF BUSINESS**

Express House
Road A, Off Enterprise Road, Industrial Area
P O Box 40433 - 00100, Nairobi
Telephone: +254 20 300 2371-5
Cellphone: +254 722 204 102-3
Website: www.expresskenya.com

**INDEPENDENT AUDITOR**

PKF Kenya
Certified Public Accountants
P O Box 14077 - 00800, Nairobi

**COMPANY SECRETARY**

Equatorial Secretaries and Registrars
Certified Public Secretaries
P O Box 47323 – 00100, Nairobi

**PRINCIPAL BANKERS**

Commercial Bank of Africa Limited, Nairobi
Diamond Trust Bank Kenya Limited, Nairobi

**LEGAL ADVISOR**

Archer and Wilcock Advocates, Nairobi

**SHARE REGISTRAR**

Custody and Registrars Services Limited
6th Floor, Bruce House, Standard Street
P O Box 8484 – 00100, Nairobi

**SUBSIDIARIES**

Express Mombasa Limited
Container Services Limited
Airporter Limited





# Notice of Annual General Meeting

FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTICE IS HEREBY GIVEN** that the **Forty-Fourth Annual General Meeting** of the Company will be held at **Eka Hotel** along Mombasa Road, Nairobi on **Friday, December 4, 2015 at 11:00 a.m.** to transact the following business:

1. To read the notice convening the meeting, table the proxies and to note the presence of a quorum.
2. To confirm the minutes of the Forty-Third Annual General Meeting of the Company held on September 26, 2014.
3. To receive, consider and adopt the Audited Financial Statements for the year ended December 31, 2014 together with the Chairman's Statement and the Reports of the Directors and Auditors thereon.
4. To note that the Directors do not recommend payment of a dividend (2013: nil) for the financial year ended December 31, 2014.
5. To approve the Directors' remuneration as provided in the Audited Financial Statements for the year ended December 31, 2014.
6. To re-elect a Director:
   a) In accordance with Article 113 of the Company's Articles of Association, Dr. C W Obura retires by rotation and, being eligible, offers himself for re-election.
   b) Special Notice is hereby given that a notice has been received in accordance with Sections 142 and 186 (5) of the Companies Act that it is intended to pass the following resolution as an ordinary resolution:

   "That Dr. C W Obura, who has attained the age of over 70 years, be and is hereby re-elected a director of the Company.
7. To note that PKF Kenya continue in office as Auditors to the Company by virtue of section 159 (2) of the Companies Act (Cap. 486) and to authorise the Directors to fix their remuneration for the ensuing financial year.
8. Any other business of which due notice has been received.

By order of the Board

Equatorial Secretaries and Registrars
**COMPANY SECRETARY**
Nairobi

Dated: October 26, 2015

__NOTE:__ A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member. To be valid, a form of proxy which is attached to this notice must be duly completed and signed by the member and must either be lodged at the **Registered Office of the Company, Express House, Road A, off Enterprise Road,** P O Box 40433-00100, Nairobi or with the Company Secretary, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove P O Box 47323, 00100-Nairobi, so as to reach not later than **11:00 a.m. on Wednesday, December 2, 2015.**

This Annual Report and Proxy Form are available on the Company's website: **www.expresskenya.com**

# Chairman's Statement

On behalf of the Board of Directors, I would like to welcome you all to the 2014 Annual Report and Financial Statements and by extension, to the Company's 44th Annual General Meeting. The year has seen us overcome many obstacles in our path to success and has molded us into a formidable Company, capable of weathering the storms and come out jubilant.

**OPERATING ENVIRONMENT**

On a macro-economic view, economic growth continues to improve and grow, which, according to the IMF, has placed 10 Sub- Saharan Africa economies, Kenya being amongst them, as part of the 20 fastest growing economies in the world. In fact, in 2014, economic growth picked up moderately in Sub-Saharan Africa to an average of 4.5% compared to 4.3% in 2013. It is anticipated that economic growth in the region will pick up to 5.1% in 2017, lifted by infrastructure investments, increased agricultural production and buoyant services. Rising commodity prices (oil and other natural minerals), have also boosted Africa's economic growth. Global focus on oil and other mineral exploitation has largely been in the Northern, West, Central and Southern Africa. However, Eastern Africa has now become the new frontier. Discoveries of large oil and gas deposits, gold and other minerals in Eastern Africa have attracted global attention.

During the year, we carefully monitored the performance of the group, both at scheduled meetings and at other times as the need arose. In particular, the management kept us well informed of all key figures. In its regular reports on the financial condition of the group, management informed us of sales volume developments and market competition issues relevant for the Transport and Logistics segments and highlighted fluctuations in the size of the market base.

Equally, we were kept up to date with respect to the market developments and economic prospects of the world's key regions. We are pleased to report that during the year under review; Express Kenya's security has consistently been upgraded mitigating the numerous theft cases that have maimed our Company from years gone. As a result, the Company has had a reduction in the number of legal proceedings against it; a fact which has reduced our legal provisions.

On the financial services side of the business, the management provided us with regular updates on new

*"We are in the middle of an ambitious transformation plan which requires significant levels of investment. Much has been achieved, but much still remains to be done."*

business segments, with special focus on the real estate sector of the economy, where the Company has decided to venture into.

Against this background, the Board has taken a number of measures aimed at turning around and safeguarding the long term viability of the business. Our business is built on strong foundations and we have been able to take our decisions from a position of financial stability. We are making significant cost savings and reducing capital expenditure to maintain the strength of our balance sheet. Based on this, we can report that the new property business segment is going to be important and will reposition the Company back to its hey-day market capitalization and reclaim its place amongst the NSE-20 share index. Cash management has been and remains critical to the current and future success of the Express Kenya Group.

We are in the middle of an ambitious transformation plan which requires significant levels of investment. Much has been achieved, but much still remains to be done. Our plan to fund this investment from internally generated sources instead of a rights issue, remains soundly based.





# Chairman's Statement *continued*

At the same time, we are pleased to announce that we have recently signed a new financing facility with our banks which further underpins the financial stability of the group in terms of sufficient working capital.

There are many commentators who wonder how well Express Kenya can transition its business model to cope with the robust real estate sector. We would like to inform all that quietly, and without fanfare, the Company is doing this slowly. By putting shareholder expectations at the heart of all we do, the Company is showing its rapid roll-out of the real estate plans and project, its responsiveness to change.

The Company also has not forgotten its long running transport and logistics business and its loyal base of customers. In offering customers a solid and reliable supplier of services, and a wide range of end-user products which is second to none, and has differentiated the Company in the market. We consider customer satisfaction a better measure of progress. In managing our talent, our key focus was to help the business restructure key areas and to live within reduced staff numbers and costs, and still deliver the objectives. During the year, the drive for robust succession planning was sustained to identify critical development needs of would be successors to key positions in the business, and to create talent pipelines in each function.

**THE REAL ESTATE MASTER PLAN**

As mentioned in above during the last AGM, the Company has developed a new business unit which deals in real estate. This new unit is planning on building 224 apartments in its Likoni Road property and this will fall into the phase one category. The master plan of the entire development will constitute three residential phases, as well as a commercial face which will see the development of a world-class mall which will act as the epicentre of Mombasa Road.

The buildings will come up in four main blocks, each consisting of eight floors and basement parking. High speed lifts, solar power, green spaces and world class finishing are some of the spoils the apartments will have to offer. They will constitute a mix of one, two and three bedroom apartments, with the three bedroom apartments giving one a choice of either buying one with or without a servant's quarter.

The tranquility of the location as well as its accessibility and multiple exit points away from traffic make it the ideal place for one to have a home in town.

We have a very strong location advantage, and we are capitalizing on this. The key initiatives underpinning the strategy continue to progress well and we are capturing the benefits of a more global approach: "think globally whilst delivering locally. Our values are as important as ever and our priority is to ensure we work hard to achieve our objectives in the areas our customers really care about. This makes good business sense and also gives us a real competitive advantage.

**APPRECIATION**

Our employees are our greatest asset. With their commitment and talent, they remain central to Express Kenya's success and continue to work so hard on behalf of the shareholders. On behalf of the Board, I would like to thank them for their hard work and dedication during this challenging year as they have dealt professionally with the far-reaching changes associated with our strategy. Finally, thanks to my fellow directors for their contribution as we focus on transforming the operations of the group and continue to strive for improved financial performance.

Dr. Chris W. Obura
**CHAIRMAN**

# Chief Executive Officer's Statement

**DEAR SHAREHOLDERS,**

It is our great pleasure to present to you our 2014 Annual Report and Financial Statements. While this is satisfactory evidence that the Company we have built remains competitive, it is also a signal that our Company's operations are based on strength and resilience.

During the period under review, Kenya became a lower middle-income country, with its economy 25% larger than earlier estimated, following the rebasing of its GDP in September 2014. This same period also saw the creation of the Northern Corridor Integrated Projects Summit by the governments of Kenya, South Sudan, Uganda and Rwanda as a regional integration bloc to push for growth of regional trade. They sought to enforce common visa requirements and abolish trade barriers. Regional Integration was touted to improve the relatively low level of intra-regional trade. In East Africa, The Monetary Union Protocol signed by the Heads of State of the East African Community (EAC) countries (Burundi, Kenya, Rwanda, Tanzania, Uganda) on November 30, 2013, in Kampala, Uganda, represented a major milestone in the EAC regional integration process. It outlined a 10-year roadmap toward monetary union for an economic community with a combined GDP of more than US$100 billion and a population of 145 million.

That said, it is worthy to note that the Kenyan government budgetary operations resulted in a budget deficit, on commitment basis, of 6.2 percent of GDP in the year. The increase was attributed to issuance of Treasury securities to finance the budget deficit, the issuance of a Euro Bond of US$ 2 billion in June 2014 to fund infrastructure projects and the depreciation of the Kenya shilling against the major world currencies.The Kenyan shilling weakened against the dollar with the average exchange rate at KShs 89.05 compared to KShs 85.92 in the prior year. Admittedly, this led to an increment in the Companys operational costs, more so those associated with the Air and Sea freight operations as fluctuations in the exchange rate greatly affected their dollar based activities.

*"Diversity that reflects the wider society is the key to increased creativity and a better understanding of the needs of our society"*

The year that was saw the Company improve its debt collection aggressiveness to record an impressive 33% jump in its outstanding over the previous year. This was welcome news as it resulted in lesser provisions being provided for the same and freeing up the Companys working capital. The Company also experienced a steady hold over its gross profit margin percentage in comparison to the previous year despite the plummet in revenue.

During the year, the Company experienced an increment in its administrative, operating and financial expenses and costs due to the implementation of the real estate division. It is in this year that the Company made major breakthroughs in getting approvals for its new division as well as commencing studies into the viability of the project. After attaining a clean bill of works from the relevant departments and agencies, the Company embarked on the long and highly expensive project of paying the necessary fees and charges to various government ministries, including the Nairobi County Council inter-alia. The project also led to the increment of financial charges as the Company had to make use of the good relationship it has with its main shareholders to fund some of the related charges. This was done with the full realization and with the careful consideration that the Company did not upset its carefully structured gearing ratio.





# Chief Executive Officer's Statement *continued*

It is important to note that despite the shift to the real estate sector, the Company was still going strong and steady with its core business of transport and logistics, a fact that will continue into the foreseeable future.

**MOVING FORWARD**

We are extremely pleased to report that in the year 2015, our intensive preparations in the previous year have paid off and Express Kenya Limited is indeed on the right track. Kenya's economy is estimated to have grown by 5.4%in 2014 and is projected to grow by 6.9% in 2015, 6.6% in 2016 and 7.0% in 2017. The momentum for growthaccording to the "2015 Economic Survey" is expected tobe sustained by a stable macroeconomic environment, continued investment in infrastructure, an improved business environment, exports and regional integration.

At the onset of the year under review, the transportation industry in Kenya has been heavily influenced by the threat of terrorism and the shifting preferences of European visitors as a result of the economic crisis. This has led to the downward pull of the Kenyan shilling which resulted in a14% devaluation against the U.S. dollar by mid-year. This has further led to an increment in the KBRR following the Central Bank's intervention, to curb the run-away inflation that would have arisen, leading to an increment in the cost of loans. The high cost of borrowing has acted as our biggest impediment this year given that this is the year the project was set to begin but despite the setback, it has not dampened our spirits. Our investments and strategic initiatives embarked upon in the previous years meant that Express Kenya Limited has been able to face the economic downturn with an already restructured, flexible and competitive business. We thus continue to pursue our strategic objective of becoming the first Company in the Nairobi Securities Exchanges main and alternative segment counters, with a fully fledged arm dealing exclusively with the real estate market in Kenya.

The year has seen the Company appoint a full team from the architect and his team consisting of the main contractor, electrical and mechanical contractor as well as the quantity surveyor, amongst others already in place. We have taken time to get the real estate project started but now we have everything right from the Bills of Quantities to the architectural and structural designs down to the quality of interior decorations of the project in place. That in place, we anticipate that our business model has extra-ordinary potential and that the construction business stream will allow us to invest in more project developments in the future. This long term strategy will go hand in hand with our provision of logistic services within the essential supply chains of all our customers. To do so successfully, we will need to focus on increasing diversity. Diversity that reflects the wider society is the key to increased creativity and a better understanding of the needs of our society.

**APPRECIATION**

I would like to thank our shareholders for their ongoing support and our customer base for their loyalty to our business. We would like to thank the Board of Directors and the senior leadership team for their contribution over the past year. Most importantly, and on behalf of the Board and Senior management team, we would like to thank all our employees whose day-to-day efforts have helped us reach and exceed our targeted goals.

Hector Diniz

**CHIEF EXECUTIVE OFFICER**

# *Corporate Governance*

FOR THE YEAR ENDED DECEMBER 31, 2014

Corporate governance has become a vital cornerstone for modern companies to be directed and controlled. This is achieved by the Board implementing a set of rules, practices and processes to ensure balance in the interest of many stakeholders in the company. Stakeholders include its shareholders, management, customers, suppliers, financiers, the government and the community.

The Board recognizes the importance of good corporate governance so as to create and sustain growth in shareholder value. The company continues to comply with the Corporate Governance Guidelines set by The Capital Market Authority, The Companies Act, IFRS and additional regulations set forth for the industry as well as internally. The Code makes it clear that corporate governance is about what the board of a company does and how it sets the company's values.

As mentioned, stakeholders are varied and their interests would thus be diverse e.g. the government may be involved in ensuring brand continues to grow so as to boost their tax revenue, a company may seek to maximize profits to ensure profitability increases. Shareholders may also vary in terms of shareholding and those with higher percentage of ownership may worry more on their returns than those with smaller shares and vice versa. The board thus has the task of ensuring that there is as much as possible, harmonization that takes into account all the stakeholder interests. Failure to achieve this would translate to a possible failure in the corporate governance of the company. This would further lead to a breakdown and subsequent failure in the same which would be detrimental.


*Gala dinner in recognition of long serving members of staff*

External regulation can only play a limited part in ensuring that a deep-seated and beneficial culture as that described above exists. Equally, however, the task of ensuring this desirable state and adhering to best corporate governance practice belongs to the various stakeholders, who can and should, through their proper participation, ensure this is attained.

## OBJECTIVE

So as to fully attain ethical and moral business ideals, a company should fully embrace and adapt, at all levels, corporate governance. This is key to good management practice as well as full accountability to the shareholders. A company should aim to have over and above ethical morals that promote other entities or if it operates within a group, a company should serve as an ideal model.

To do this, one must recognize that the interest of different stakeholders may carry different weight but does however, not suggest those with a major interest do not supersede those with less. The Corporate Governance Code dictates that all stakeholder opinions are of equivalent value & importance.

Express Kenya Limited has a well-defined and structured corporate governance framework in place to support the Board's aim of achieving long term and sustainable shareholder value. The methodology is designed to generate all round support because of the fact that every stakeholder, no matter how small, is given the opportunity to express his/her view, through the continuous monitoring of stakeholder perceptions. It is key to the approach that organizations truly respect all interests. The approach can be said to embrace liberty, equality and community, as it aspires to produce the most powerful and effective result in the company.

In all kinds of situations, from the leaders of some of the largest companies in the world to the owner/managers of small entrepreneurial businesses, a common rule stands out. That the Governance, Goals and Business Strategy must be compatible and there must be congruence between the expectations of the various interested parties.

At the Annual Shareholders' Meeting, shareholders listed in the register of shareholders on the record date who notify the Company of their intention to participate in the meeting are entitled to attend it either personally or by proxy through a representative or substitute.





# *Corporate Governance* *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

The notice of the meeting is issued on the Company's website, which provides information on how shareholders shall proceed in order to vote by proxy.

## DIRECTORATE

Good and effective corporate governance is heavily reliant on the skills and experience of individuals on the Board of Directors and their synergy towards achieving increased long term value for shareholders and thus ensuring the business continues as a going concern.

## MANAGEMENT STRUCTURE AND BOARD COMMITTEE

**Management Advisory Committee (MAC).**

The Management Advisory Committee, consisting of the Board and all Heads of Divisions, meets at least once a month to monitor performance across the organization. The committee reviews existing programs and priorities to ensure that they remain responsive to emerging and proposed developments, deals with business issues which have cross-divisional impacts and plays a key role in managing corporate risk.

**Audit Committee**

The committees' membership is drawn from the non-executive Directors and is chaired by Mr. Pinhas Moskovich. . The internal auditor is an ex-official member of the committee.

The Board places a high degree of importance on having systems and processes independently examined and assessed by the company's Internal Auditors .The Audit Committee thus provide independent governance assurance to the Board of Directors. Its role is to oversee the internal audit function, management programs, accounting systems and to provide objective advice to the Board in relation to its operation and development.

An Audit Plan is prepared each year, following consultation with the Board, senior management and input from the Chair of Internal Audit. The Chairman of the Board approves the Plan and ensures that steps are taken concerning shortcomings and implementing the proposed actions that emerge from internal and external auditing.

**Remunerations Committee**

The key role of the Committee is to ensure the Company's ability effectively motivate, retain and provide incentive to the people it needs to deliver the Board's strategy. This is done by attracting, retaining and competitively rewarding colleagues with the ability, experience, skill, values and behavior required to ensure it delivers.

While discharging this role, the Company ensures that it adequately remunerates the people to achieve its' objectives. By doing so the Company protects and promotes the interests of its shareholders. This is done on the basis of transparent compliance and engagement with the regulators.

**Nomination Committee**

The Nomination Committee is responsible for making recommendations on board appointments and on maintaining a balance of skills and experience on the board and its committees. It is chaired by an Independent Director.

Succession planning for the board is a matter which is devolved primarily to the Nomination Committee, although the committee's deliberations are reported to and debated by the full board. The board itself also regularly reviews more general succession planning for the senior management of the Group.

Transparency is fundamental to the Nominating Committee's processes. The selected candidates are pre-screened and then their names are tabled to the Chair who then approves the appointment of candidates whose profiles correspond to the Company's needs.

In addition to the best candidate for the job, the Nominating Committee seeks a broad regional and professional representation, gender balance, and candidates from countries with different levels of economic development.

# Corporate Governance

FOR THE YEAR ENDED DECEMBER 31, 2014

**RISK MANAGEMENT AND INTERNAL CONTROLS**

Responsibility for risk management resides at all levels within the Group, from the Board and the Executive Committee down through the organization to each business manager. Express Kenya Limited distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, risk oversight committees, the independent Group Risk function, the Board Risk Committee and, ultimately, the Board.

This culture is operationalized and embedded in our organizational structure. Independent risk teams are in place within each of our major businesses to support close working relationships with and knowledge of business teams taking on the risk. These teams ultimately report to the Chief Executive Officer.

The overall mission is to deliver effective and efficient risk management that is consistent with Express Kenya Limited's commercial objectives, through providing functional capability and control as well as independent and appropriate challenges at every level, from a single transaction to an aggregate portfolio view, while ensuring 'no surprises'.

As such, the business plans of the Company must incur a level of risk that falls within the Board's tolerance, or be modified accordingly.

**CORPORATE SOCIAL RESPONSIBILITY**

The public image of a corporation will quite accurately reflect the culture of that body. It follows, then, that good corporate governance has to be in the bones and bloodstream of the organization since this in turn will be reflected in the culture. To carry the analogy further, in the same way that healthy blood and bones are reflected in the naturally healthy look of a person, so an organization whose internal functions are healthy will naturally look so from an external perspective.

Express Kenya Limited recognizes that, as a company that has been operation for the last 97 years, it forms a cornerstone for the growth of the culture. It has thus embarked on several sponsorships and donations to ensure that it leaves a strong fingerprint. This is so as to foster the same to the other entities and thus ensure growth by example.

We strive to continued participation in more activities which aim at improving the lives of those in the society that we live in.

**RESIGNATIONS AND APPOINTMENTS**

This has been effectively covered on page 3 within the Notice of the AGM under Article 6.

**MAJOR SHAREHOLDERS**

A schedule containing names, number of shares and actual percentages of the thirty (30) largest shareholders, ownership by nationality as well as the dematerialized shares is provided on page 48.

**FINANCIAL HIGHLIGHTS**

Financial Highlights illustrating the performance of the Company have also been provided.





# Report of the Directors

FOR THE YEAR ENDED DECEMBER 31, 2014

The Directors submit their report and the audited consolidated financial statements for the year ended December 31, 2014, which disclose the state of affairs of the Company and its subsidiaries (together, the 'Group').

**PRINCIPAL ACTIVITIES**

The principal activities of the Group are that of clearing and forwarding services for both air and sea as well as warehousing and logistics services. The group is in the process of venturing into real estate development.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 KShs | 2013 KShs | 2014 KShs | 2013 KShs |
| RESULTS | | | | |
| (Loss) before tax | (76,435,323) | (1,695,503)) | (81,238,662) | (1,490,003) |
| Tax credit | (917,083) | 1,924,902 | (917,083) | 1,924,902 |
| Profit for the year | (77,352,406) | 229,399 | (82,155,745) | 434,899 |

**DIVIDEND**

The Directors do not recommend the declaration of a dividend for the year (2013: Nil).

**DIRECTORS**

The Directors who held office during the year and to the date of this report are shown on page 2.

In accordance with the Company's Articles of Association, Dr. C W Obura retire in accordance with Articles 113.

**AUDITOR**

The Company's Auditor, PKF Kenya, has indicated its willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

By order of the Board

Equatorial Secretaries and Registrars
**COMPANY SECRETARY**
Nairobi

Dated: April 28, 2015

# *Statement of Directors' Responsibilities*

FOR THE YEAR ENDED DECEMBER 31, 2014

The Kenyan Companies Act requires the Directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the company and its subsidiaries (together the 'Group') and of its profit or loss for that year. It also requires the Directors to ensure that the Group maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and its subsidiaries. The Directors are also responsible for safeguarding the assets of the Group.

The Directors accept responsibility for the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

ii. Selecting and applying appropriate accounting policies;

iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the financial position of the group as at December 31, 2014 and financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Approved by the Board of Directors on April 28, 2015 and signed on its behalf by:

**DIRECTOR** **DIRECTOR**



Annual Report and Financial Statements **2014**

# *Report of The Independent Auditor*

FOR THE YEAR ENDED DECEMBER 31, 2014

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Express Kenya Limited and its subsidiaries (together, the 'Group') set out on pages 14 to 47 which comprise the consolidated and Company statement of financial position as at December 31, 2014 and the consolidated and Company statement of profit or loss, consolidated and Company statement of changes in equity, consolidated and Company statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

**DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Kenyan Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an independent opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2014, and the Group and Company's financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

**REPORT ON OTHER LEGAL REQUIREMENTS**

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

(i) 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;

(ii) In our opinion, proper books of account have been kept by the Group, so far as appears from our examination of those books; and

(iii) The Group's statements of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.

PKF Kenya

**CERTIFIED PUBLIC ACCOUNTANTS**
PIN NO. P051130467R
Nairobi

Dated: April 28, 2015

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Ritesh Haresh Mirchandani - P/No. 1631.
266/15

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2014

| | Notes | 2014 KShs | 2013 KShs |
|---|---|---|---|
| Revenue | 4 | 173,032,504 | 387,493,948 |
| Direct costs | | (141,185,250) | (323,440,024) |
| **Gross profit** | | 31,847,254 | 64,053,924 |
| Other operating income | 5 | 164,461 | 15,468,592 |
| Administrative expenses | | (53,008,498) | (48,792,437) |
| Other operating expenses | | (41,279,737) | (24,411,791) |
| **Operating (loss)/profit** | 6 | (62,276,520) | 6,318,288 |
| Finance costs | 8 | (14,158,803) | (8,013,791) |
| **(Loss) before tax** | | (76,435,323) | (1,695,503) |
| Tax (charge)/credit | 9 | (917,083) | 1,924,902 |
| **(Loss)/profit for the year** | | **(77,352,406)** | **229,399** |
| **Other comprehensive (loss)/income:** | | | |
| • Revaluation surplus on property, plant and equipment | 12 | 84,348,403 | - |
| • Deferred tax on revaluation surplus | 12 | (25,304,521) | - |
| | | 59,043,882 | - |
| **Total comprehensive (loss)/income for the year** | | **(18,308,524)** | **229,399** |
| **(Loss)/profit for the year is attributable to:** | | | |
| • **Owners of the Company** | | **(18,308,524)** | **229,399** |
| **(Loss)/earnings per share** | | | |
| Basic and diluted (loss)/earnings per share | 10 | (2.18) | 0.01 |

*The notes on pages 22 to 47 form an integral part of these financial statements.*

*Report of the independent auditor - page 13.*







## Company Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2014

| | Notes | 2014 KShs | 2013 KShs |
|---|---|---|---|
| Revenue | 4 | 173,032,504 | 387,493,948 |
| Direct costs | | (141,185,250) | (323,440,024) |
| **Gross profit** | | 31,847,254 | 64,053,924 |
| Other operating income | 5 | 164,461 | 15,468,592 |
| Administrative expenses | | (57,811,837) | (48,586,937) |
| Other operating expenses | | (41,279,737) | (24,411,791) |
| **Operating (loss)/profit** | 6 | (67,079,859) | 6,523,788 |
| Finance costs | 8 | (14,158,803) | (8,013,791) |
| **(Loss) before tax** | | (81,238,662) | (1,490,003) |
| Tax (charge)/credit | 9 | (917,083) | 1,924,902 |
| **(Loss)/profit for the year** | | **(82,155,745)** | **434,899** |
| **Other comprehensive (loss)/income:** | | | |
| • Revaluation surplus on property, plant and equipment | 12 | 84,348,403 | - |
| • Deferred tax on revaluation surplus | 12 | (25,304,521) | - |
| | | 59,043,882 | - |
| **Total comprehensive (loss)/income for the year** | | **(23,111,863)** | **434,899** |
| **(Loss)/earnings per share** | | | |
| Basic and diluted (loss)/earnings per share | 10 | (2.32) | 0.01 |

*The notes on pages 22 to 47 form an integral part of these financial statements.*

*Report of the independent auditor - page 13.*

# Consolidated Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2014

| | | AS AT DECEMBER 31 | |
|---|---|---|---|
| | | 2014 | 2013 |
| | Notes | KShs | KShs |
| **CAPITAL EMPLOYED** | | | |
| Share capital | 11 | 177,018,950 | 177,018,950 |
| Share premium | | 10,501,719 | 10,501,719 |
| Revaluation reserve | 12 | 142,389,206 | 85,060,857 |
| Retained (deficit) | | (149,702,223) | (74,065,350) |
| **Shareholders' funds** | | 180,207,652 | 198,516,176 |
| **Non-current liabilities** | | | |
| Borrowings | 13 | 56,558,210 | 32,479,634 |
| Deferred tax | 14 | 114,565,060 | 88,343,456 |
| | | 171,123,270 | 120,823,090 |
| | | **351,330,922** | **319,339,266** |
| **REPRESENTED BY** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 402,898,684 | 377,327,262 |
| **Current assets** | | | |
| Inventories - work-in-progress | 17 | 2,668,440 | - |
| Trade and other receivables | 18 | 42,202,058 | 63,366,012 |
| Cash and cash equivalents | 19 | 966,688 | 12,808,120 |
| Tax recoverable | | 29,186,232 | 27,024,019 |
| | | 75,023,418 | 103,198,151 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 54,349,479 | 115,137,835 |
| Borrowings | 13 | 57,691,701 | 30,238,370 |
| Provision for legal claims | 21 | 14,550,000 | 15,809,942 |
| | | 126,591,180 | 161,186,147 |
| **Net current (liabilities)** | | (51,567,762) | (57,987,996) |
| | | **351,330,922** | **319,339,266** |

The financial statements on pages 14 to 47 were authorised for issue by the Board of Directors on April 28, 2015 and were signed on its behalf by:

**DIRECTOR** | **DIRECTOR**

*The notes on pages 22 to 47 form an integral part of these financial statements.*

*Report of the independent auditor - page 13.*





# Company Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2014

| | | AS AT DECEMBER 31 | |
|---|---|---|---|
| | | 2014 | 2013 |
| | Notes | KShs | KShs |
| **CAPITAL EMPLOYED** | | | |
| Share capital | 11 | 177,018,950 | 177,018,950 |
| Share premium | | 10,501,719 | 10,501,719 |
| Revaluation reserve | 12 | 142,389,206 | 85,060,857 |
| Retained (deficit) | | (149,752,485) | (69,312,273) |
| **Shareholders' funds** | | 180,157,390 | 203,269,253 |
| **Non-current liabilities** | | | |
| Borrowings | 13 | 56,558,210 | 32,479,634 |
| Deferred tax | 14 | 114,565,060 | 88,343,456 |
| | | 171,123,270 | 120,823,090 |
| | | **351,280,660** | **324,092,343** |
| **REPRESENTED BY** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 402,875,945 | 377,304,523 |
| Investment in subsidiaries | 16 | 2,557,160 | 7,491,000 |
| | | 405,433,105 | 384,795,523 |
| **Current assets** | | | |
| Inventories - work-in-progress | 17 | 2,668,440 | - |
| Trade and other receivables | 18 | 42,202,058 | 63,366,012 |
| Cash and cash equivalents | 19 | 966,688 | 12,808,120 |
| Tax recoverable | | 29,186,232 | 27,024,019 |
| | | 75,023,418 | 103,198,151 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 56,934,162 | 117,853,019 |
| Borrowings | 13 | 57,691,701 | 30,238,370 |
| Provision for legal claims | 21 | 14,550,000 | 15,809,942 |
| | | 129,175,863 | 163,901,331 |
| **Net current (liabilities)** | | (54,152,445) | (60,703,180) |
| | | **351,280,660** | **324,092,343** |

The financial statements on pages 14 to 47 were authorised for issue by the Board of Directors on April 28, 2015 and were signed on its behalf by:

**DIRECTOR** | **DIRECTOR**

*The notes on pages 22 to 47 form an integral part of these financial statements.*

*Report of the independent auditor - page 13.*

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2014

| | Notes | Share Capital KShs | Share Premium KShs | Revaluation Reserve KShs | Retained (Deficit) KShs | Total Shareholders Funds KShs |
|---|---|---|---|---|---|---|
| **Year ended December 31, 2013** | | | | | | |
| At start of year | | 177,018,950 | 10,501,719 | 86,796,793 | (76,030,685) | 198,286,777 |
| Profit for the year | | - | - | - | 229,399 | 229,399 |
| Transfer of excess depreciation | 12 | - | - | (2,479,908) | 2,479,908 | - |
| Deferred tax on excess depreciation transfer | 12 | - | - | 743,972 | (743,972) | - |
| **At end of year** | | **177,018,950** | **10,501,719** | **85,060,857** | **(74,065,350)** | **198,516,176** |
| **Year ended December 31, 2014** | | | | | | |
| At start of year | | 177,018,950 | 10,501,719 | 85,060,857 | (74,065,350) | 198,516,176 |
| Other comprehensive income for the year: | | | | | | |
| • (Loss) for the year | | - | - | - | (77,352,406) | (77,352,406) |
| • Revaluation surplus on property, plant and equipment | | - | - | 84,348,403 | - | 84,348,403 |
| • Deferred tax on revaluation surplus | | - | - | (25,304,521) | - | (25,304,521) |
| Total comprehensive income/(loss) for the year | | - | - | 59,043,882 | (77,352,406) | (18,308,524) |
| Transfer of excess depreciation | 12 | - | - | (2,450,761) | 2,450,761 | - |
| Deferred tax on excess depreciation transfer | 12 | - | - | 735,228 | (735,228) | - |
| **At end of year** | | **177,018,950** | **10,501,719** | **142,389,206** | **(149,702,223)** | **180,207,652** |

*The notes on pages 22 to 47 form an integral part of these financial statements.*

*Report of the independent auditor - page 13.*







# Company Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2014

| | Notes | Share Capital KShs | Share Premium KShs | Revaluation Reserve KShs | Retained (Deficit) KShs | TOTAL KShs |
|---|---|---|---|---|---|---|
| **Year ended December 31, 2013** | | | | | | |
| At start of year | | 177,018,950 | 10,501,719 | 86,796,793 | (71,483,108) | 202,834,354 |
| Profit for the year | | - | - | - | 434,899 | 434,899 |
| Transfer of excess depreciation | 12 | - | - | (2,479,908) | 2,479,908 | - |
| Deferred tax on excess depreciation transfer | 12 | - | - | 743,972 | (743,972) | - |
| **At end of year** | | **177,018,950** | **10,501,719** | **85,060,857** | **(69,312,273)** | **203,269,253** |
| **Year ended December 31, 2014** | | | | | | |
| At start of year | | 177,018,950 | 10,501,719 | 85,060,857 | (69,312,273) | 203,269,253 |
| Other comprehensive income for the year: | | | | | | |
| • (Loss) for the year | 12 | - | - | - | (82,155,745) | (82,155,745) |
| • Revaluation surplus on property, plant and equipment | 12 | - | - | 84,348,403 | - | 84,348,403 |
| • Deferred tax on revaluation surplus | 12 | - | - | (25,304,521) | - | (25,304,521) |
| Total comprehensive income/(loss) for the year | | - | - | 59,043,882 | (82,155,745) | (23,111,863) |
| Transfer of excess depreciation | 12 | - | - | (2,450,761) | 2,450,761 | - |
| Deferred tax on excess depreciation transfer | 12 | - | - | 735,228 | (735,228) | - |
| **At end of year** | | **177,018,950** | **10,501,719** | **142,389,206** | **(149,752,485)** | **180,157,390** |

*The notes on pages 22 to 47 form an integral part of these financial statements.*

*Report of the independent auditor - page 13.*

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2014

| | Notes | 2014 KShs | 2013 KShs |
|---|---|---|---|
| **Operating activities** | | | |
| Cash (used in)/from operations | 22 | (68,508,037) | 26,628,839 |
| Interest paid | | (13,881,411) | (8,076,305) |
| Tax paid | | (2,162,213) | (1,836,848) |
| Net cash (used in)from operating activities | | (84,551,661) | 16,715,686 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 15 | (26,121,000) | (1,118,159) |
| Addition to inventories - work-in-progress | 17 | (180,000) | - |
| Proceeds from disposal of property, plant and equipment | | 47,756,714 | 14,353,013 |
| Net cash from investing activities | | 21,455,714 | 13,234,854 |
| **Financing activities** | | | |
| Net proceeds from bank borrowings | | 49,455,979 | - |
| Net repayment of finance leases | | (7,836,478) | (38,518,414) |
| Net (repayment of)/proceeds from borrowings from related parties | | (18,340,000) | 4,315,920 |
| Net cash from/(used in) financing activities | | 23,279,501 | (34,202,494) |
| **(Decrease) in cash and cash equivalents** | | **(39,816,446)** | **(4,251,954)** |
| **Movement in cash and cash equivalents** | | | |
| At start of year | | (9,593,772) | (5,404,332) |
| (Decrease) | | (39,816,446) | (4,251,954) |
| Effect of exchange rate changes | | (277,392) | 62,514 |
| **At end of year** | **19** | **(49,687,610)** | **(9,593,772)** |

*The notes on pages 22 to 47 form an integral part of these financial statements.*

*Report of the independent auditor - page 13.*





# Company Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2014

| | Notes | 2014 KShs | 2013 KShs |
|---|---|---|---|
| **Operating activities** | | | |
| Cash from operations | 22 | (68,508,037) | 26,628,839 |
| Interest paid | | (13,881,411) | (8,076,305) |
| Tax paid | | (2,162,213) | (1,836,848) |
| Net cash (used in)/from operating activities | | (84,551,661) | 16,715,686 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 15 | (26,121,000) | (1,118,159) |
| Addition to inventories - work-in-progress | 17 | (180,000) | - |
| Proceeds from disposal of property, plant and equipment | | 47,756,714 | 14,353,013 |
| Net cash from investing activities | | 21,455,714 | 13,234,854 |
| **Financing activities** | | | |
| Net proceeds from bank borrowings | | 49,455,979 | - |
| Net repayment of finance leases | | (7,836,478) | (38,518,414) |
| Net (repayment of)/proceeds from borrowings from related parties | | (18,340,000) | 4,315,920 |
| Net cash from/(used in) financing activities | | 23,279,501 | (34,202,494) |
| **(Decrease) in cash and cash equivalents** | | **(39,816,446)** | **(4,251,954)** |
| **Movement in cash and cash equivalents** | | | |
| At start of year | | (9,593,772) | (5,404,332) |
| (Decrease) | | (39,816,446) | (4,251,954) |
| Effect of exchange rate changes | | (277,392) | 62,514 |
| **At end of year** | **19** | **(49,687,610)** | **(9,593,772)** |

*The notes on pages 22 to 47 form an integral part of these financial statements.*

*Report of the independent auditor - page 13.*

# Notes
FOR THE YEAR ENDED DECEMBER 31, 2014

## 1. SIGNIFICANT ACCOUNTING POLICIES
The principal accounting policies adopted in the preparation of these consolidated 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 consolidated financial statements are prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS), as modified by the revaluation of certain items of property, plant and equipment in line with the requirements of International Accounting Standard 16 (IAS 16) on Property, Plant and Equipment.

The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as 'net realisable value' or 'value in use'.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements comply with the requirements of the Kenyan Companies Act. The statement of profit or loss and statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

#### (i) New and Amended Standards Adopted By The Group
The following new and revised Standards and Interpretations have been adopted in the current year. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements:
- Amendments to IFRS 2 in respect of definitions.
- Amendments to IFRS 3 in respect of accounting for contingent consideration.
- Amendments to IFRS 10, 12 and IAS 27 in respect of definition of Investment Entity and the requirements for an entity that meets this definition not to consolidate it's subsidiaries but instead measure them at fair value through profit or loss.
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities clarifying the meaning of current legal enforceable right of set off and simultaneous realisation and settlement.
- Amendments to IAS 36 in respect of recoverable amount disclosures for non financial assets.
- Amendments to IAS 39 in respect of Novation of Derivatives and Continuation of Hedge Accounting.
- IFRIC Interpretation 21 - Levies which deals with recognition of liability to pay imposed by a Government.





# Notes continued
FOR THE YEAR ENDED DECEMBER 31, 2014

#### (ii ) New Standards, Amendments and Interpretations Issued But Not Effective
At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:
- IFRS 5 in respect of guidance on reclassifications which will be effective for the accounting periods beginning on or after July 1, 2016.
- IFRS 7 in respect of guidance on service contracts representing continuing involvement in a transferred asset which will be effective for the accounting periods beginning on or after 1 July 2016.
- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective for accounting periods beginning on or after 1 January 2016.
- IFRS 14 in respect of Regulatory Deferral Accounts which will be effective for accounting periods beginning on or after January 1, 2016.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after January 1, 2017.
- Amendments to IAS 16 and IAS 38 in respect of Clarification of Acceptable Methods of Depreciation and Amortisation which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 41 in respect of Bearer Plants which will be effective for accounting periods beginning on or after January 1, 2016.
- Amendments to IAS 19 in respect of Defined Benefit Plans: Employee Contributions which will be effective for accounting periods beginning on or after July 1, 2014.
- Annual improvements to IFRS's which will be effective for accounting periods beginning on or after July 1, 2014 as follows:
  - IFRS 2: Definition of vesting conditions
  - IFRS 3: Accounting for contingent consideration in a business combination
  - IFRS 8: Aggregation of operating segments and reconciliation of total reportable segment assets to entity's assets
  - IFRS 13: Carrying of short term receivables and payables at invoiced amounts
  - IAS 16 and IAS 38: Proportionate restatement of depreciation/amortisation accumulated on revaluation
  - IAS 24 - Management fee paid to a management entity
  - IFRS 3 - Scope exclusions for joint ventures
  - IAS 40 - Application of IAS 40 vs. IFRS 3 on acquisition of investment property.

The Group has assessed the impact of implementing the above and expects no material impact on the financial statements. There are no other Standards, Amendments, or Interpretations that are not yet effective that would be expected to have a material impact on the Group.

### B) KEY SOURCES OF ESTIMATION UNCERTAINTY
In the application of the accounting policies, the Directors are required to make the judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The Directors have made the following significant accounting estimates and assumptions:
***Useful lives of property, plant and equipment*** - Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the Directors determined no significant changes in the useful lives and residual values.

***Fair value measurement and valuation process*** - In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group makes use of financial models or engages third party qualified valuers to perform the valuation techniques and inputs to the model.

# Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 1. SIGNIFICANT ACCOUNTING POLICIES *continued*

### C) SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

***Impairment of trade receivables*** - The Group reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

***Tax losses*** - The Group has not recognised deferred tax assets on tax losses. In determining whether these tax losses will be utilised, the management makes judgement as to whether these will be utilised before they are forfeited based on the requirement of the Income Tax Act.

***Control of subsidiaries*** - The Directors assess whether or not the Group has control over any entity based on whether or not the Group has the practical ability to direct the relevant activities of the entity unilaterally. In making their judgement, the Directors considered the groups absolute size of holding in the entity and the relative size of dispersion of the shareholdings owned by the other shareholders.

***Leasehold land*** - Land that is held under lease from the Government of Kenya has been classified as a finance lease. In forming this judgement, the Directors have considered the fact that while the title to the land does not pass to the Group and that the term of the current lease does not represent a major part of the economic useful life of the land, the Group is expected to continually seek renewal of the lease on expiry and that such renewal will be forthcoming from the Government resulting in the risks and rewards incidental to ownership of the land to accrue to the Group. In addition the Directors considered the prepaid lease rentals and incentives including rental commitments over the lease term to represent substantially all of the fair value of the land at the inception of the lease with any residual value accruing to the lessor being negligible thereby meeting the criteria for classification as a finance lease under International Accounting Standard 17 on Leases.

### D) SEGMENTAL REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

### E) REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the performance of services, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts, after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

- Sales of services are recognised upon performance of the services rendered.
- Rental income is accrued by reference to time on a straight line basis over the lease term.

### F) INVESTMENT IN SUBSIDIARIES / CONSOLIDATION

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. Control is achieved when the company; has power over the trustee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.





# Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 1. SIGNIFICANT ACCOUNTING POLICIES *continued*

The Group also assesses the existence of control where it does not have a majority of the voting rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances such as where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements etc.

When the Company has assessed and has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company reassesses whether or not it controls an investee. If facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group balances, income and expenses on transactions between group companies are eliminated.

Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary adjustments are made to financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policy.

Subsequent to initial recognition, subsidiaries acquired are reported at cost less accumulated impairment losses.

### G) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Buildings are subsequently shown at market value, based on periodic, but at least triennial valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Management classify the fair values of non-financial assets based on the qualitative characteristics of the fair valuation as at the financial year end. The three hierarchy levels used by management are:

- ***Level 1:*** Where fair values are based on unadjusted quoted prices in active markets for identical assets.
- ***Level 2:*** Where fair values are based on adjusted quoted prices and observable prices of similar assets.
- ***Level 3:*** Where fair values are not based on observable market data and inputs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to profit

# Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 1. SIGNIFICANT ACCOUNTING POLICIES *continued*

### G) PROPERTY, PLANT AND EQUIPMENT *continued*

loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Freehold and leasehold land is not depreciated.

Capital work in progress relates to borehole drilling and land improvement that have not been completed. Capital work in progress is not depreciated.

Depreciation on all other assets is calculated on a straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over their estimated useful life as follows:

| | |
|---|---|
| Buildings | 50 years |
| Plant and machinery | 8 years |
| Furniture, fittings and equipment | 8 years |
| Motor vehicles | 5 years |
| Computer, faxes and copiers | 3 1/3 years |
| Beer containers | 4 years |

Freehold and leasehold land is not depreciated.

The assets residual values and useful lives are reviewed, and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the 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 in the statement of changes in equity.

### H) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies during the year are converted into Kenya Shillings (the functional currency), at the rates ruling at the transaction dates.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

### I) FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Management determines the classification of financial instruments at the time of initial recognition.

***Financial Assets***

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The Group's financial assets which include trade and other receivables, cash and bank balances and tax recoverable fall into the following category:

- ***Loans and receivables:*** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in profit or loss.





Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the Group will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in the fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial asset's effective interest rate.

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss in the year in which they occur.

***Financial Liabilities***

The Group's financial liabilities which include borrowings, trade and other payables and provision for legal claims fall into the following category:

- ***Financial liabilities measured at amortised cost:*** These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

All financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or expired.

***Offsetting Financial Instruments***

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### J) CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

### K) INVENTORIES - WORK-IN-PROGRESS

Inventories - work-in-progress comprise leasehold land and work in progress. These are stated at the lower of cost and net realisable value. The cost of work-in-progress comprises all costs attributable to construction of apartments and includes borrowing costs specifically associated with the construction.

### L) SHARE CAPITAL

Ordinary shares are classified as equity.

# Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2014

## 1. SIGNIFICANT ACCOUNTING POLICIES *continued*

### M) DIVIDENDS
Proposed dividends are disclosed as a separate component of equity until declared.
Dividends are recognized as a liability in the period in which they are approved by the Group's shareholders.

### N) TAXATION
The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss.

***Current Tax***
Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

***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 only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

### O) ACCOUNTING FOR LEASES
***The Company as a Lessee***
Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Leases of property, plant and equipment, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at cost. Each lease payment is allocated between the liability and finance charges. The interest element is charged to profit or loss over the lease period and is included under finance costs. Such property, plant and equipment is depreciated over its useful life.

***The Company as a Lessor***
Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position.

Leased assets are recorded at historical cost less depreciation.

Depreciation is calculated on the straight line basis to write down the cost of leased assets to their residual values over their estimated useful life using annual rates consistent with the normal depreciation policies for similar assets under property, plant and equipment.

Gains and losses on disposal of leased assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

### P) RETIREMENT BENEFIT OBLIGATIONS
The Group operates a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The scheme is administered by an insurance company. The Group's contributions to the defined contribution retirement benefit scheme are charged to profit or loss in the year to which they relate.

The Group and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The Group's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

### Q) COMPARATIVES
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.





Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2014

## 2. BASIS OF PREPARING THE FINANCIAL STATEMENTS
At the reporting date, current liabilities exceeded current assets by Shs. 51,567,762 (2013: Shs. 57,987,996) and the Group had accumulated losses of Shs. 149,702,223 (2013: Shs. 74,065,350).

The Directors have commenced on plans to diversify the business of the Group to include real estate development. The land to commence such development is already under the ownership of the Group. The realestate development will be carried out over four phases with the first phase expected to commence in mid 2015, being residential property development.

The Directors have carried out market survey to ascertain that there will be significant buyer interest in the project. The Group is also in advanced discussions with real estate agents to assist in marketing of the project with early uptake expected to be strong.

The Group maintains good working relationships with its bankers. The Group has access to over 15 acres of prime land valued in excess of Shs. 900 million which is available to be used to secure the financing for the group. The Directors are at an advance stage of negotiating facilities with the various bankers and based on the progress to date, are confident that these negotiations will materialise into sufficient long term funding for the project and the other ongoing working capital needs of the business for a period not less than 12 months from the date of approval of these financial statements.

Whilst the Group's current operations themselves are not likely to generate adequate cash flows, the real estate development plans are expected to generate surplus cash flows from pre-sales, booking deposits andbank finance to be able to assist the Group in settling liabilities that have arisen out of the current operations. This in turn will assist in reducing the finance costs the Group incurs on an annual basis.

Based on the factors discussed above, the Directors consider it appropriate to prepare financial statements on a going concern basis, which assumes that the Group will continue in operations in the the foreseeable future.

The validity of the going concern assumption is based on the continuation of the real estate development plans, successfully obtaining funding for the same and the Group having neither the intention nor the need to liquidate its assets.

## 3. SEGMENT INFORMATION
The Group has three reportable segments which are the strategic business units offering different services and managed jointly. The operations of each reportable segment are as follows:

- ***Clearing and forwarding:*** includes distribution of products to various parts of the country on behalf of customers and handling of customers' goods in and out of the country.
- ***Warehousing:*** includes storage of customers' goods in the Group's warehousing facility.
- ***Real estate:*** includes the real estate development arm of the Group.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance based on each segment's gross profit and (loss)/profit before tax.

For each of the strategic business units, the Managing Director (who is also the chief operating decision maker) reviews internal management reports. Information regarding the results of each reportable segment is described below. Performance is measured based on each segment's gross margin contribution as indicated in the internal management reports that are reviewed by the Managing Director.

As its geographic operations are confined to a single country, no disclosures by geography are applicable. All revenue, costs, assets and liabilities arise and are held in Kenya.

The Group does not allocate tax expense to reportable segments.

## Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2014

### 3. SEGMENT INFORMATION *continued*

The segment results are as follows:

| | Clearing and Forwarding KShs | Warehousing KShs | Total KShs |
|---|---|---|---|
| **Year ended December 31, 2014** | | | |
| Revenue (Note 4) | 131,560,773 | 41,471,731 | 173,032,504 |
| Direct costs | (126,541,478) | (14,643,772) | (141,185,250) |
| **Gross profit** | **5,019,295** | **26,827,959** | **31,847,2544** |
| Other operating income (Note 5) | 164,461 | - | 164,461 |
| Operating and administrative expenses | (71,689,613) | (22,598,623) | (94,288,235) |
| Finance costs (Note 8) | (14,158,803) | - | (14,158,803) |
| **(Loss)/profit before tax** | **(80,664,659)** | **4,229,336** | **(76,435,323)** |
| Tax credit (Note 9) | (917,083) | - | (917,083) |
| **(Loss)/profit for the year** | **(81,581,742)** | **4,229,336** | **(77,352,406)** |

| | Clearing and Forwarding KShs | Warehousing KShs | All Others* KShs | Total KShs |
|---|---|---|---|---|
| **Year ended December 31, 2013** | | | | |
| Revenue (Note 4) | 218,965,577 | 161,276,647 | 7,251,724 | 387,493,948 |
| Direct costs | (172,963,128) | (150,476,896) | - | (323,440,024) |
| **Gross (loss)/profit** | **46,002,449** | **10,799,751** | **7,251,724** | **64,053,924** |
| Other operating income (Note 5) | 15,201,877 | 266,715 | - | 15,468,592 |
| Operating and administrative expenses | (41,366,339) | (30,467,914) | (1,369,975) | (73,204,228) |
| Finance costs (Note 8) | (8,013,791) | - | - | (8,013,791) |
| **Profit/(loss) before tax** | **11,824,196** | **(19,401,448)** | **5,881,749** | **(1,695,503)** |
| Tax credit (Note 9) | - | - | 1,924,902 | 1,924,902 |
| **Profit/(loss) for the year** | **11,824,196** | **(19,401,448)** | **7,806,651** | **229,399** |

* *relates to other income and expenses not directly attributable to a specific operating segment. During the year, the Group had no revenue or expenditure relating to the real estate segment.*

Other segment items included in profit or loss are:

| | Clearing and Forwarding KShs | Warehousing KShs | All Others* KShs | Total KShs |
|---|---|---|---|---|
| **Year ended December 31, 2014** | | | | |
| Depreciation on property, plant & equipment | 23,958,217 | 3,260,870 | - | 27,219,087 |
| **Year ended December 31, 2013** | | | | |
| Depreciation on property, plant & equipment | 39,010,750 | 4,019,602 | - | 43,030,352 |

* *relates to other income and expenses not directly attributable to a specific operating segment*






## Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2014

### 3. SEGMENT INFORMATION *continued*

The segment assets, liabilities and capital expenditure for the period then ended are as follows:

| | Clearing and Forwarding KShs | Warehousing KShs | Real Estate KShs | All Others* KShs | Total KShs |
|---|---|---|---|---|---|
| **Year ended December 31, 2014** | | | | | |
| Assets | 237,830,011 | 208,237,419 | 2,668,440 | - | 448,735,870 |
| Liabilities | 150,182,500 | 32,966,890 | - | - | 183,149,390 |
| Capital expenditure: | | | | | |
| • additions to property, plant and equipment | 1,508,000 | 24,613,000 | - | - | 26,121,000 |
| **Year ended December 31, 2013** | | | | | |
| Assets | 240,355,739 | 213,145,655 | 193,000 | - | 453,501,394 |
| Liabilities | 158,805,940 | 34,859,841 | - | - | 193,665,781 |
| Capital expenditure: | | | | | |
| • additions to property, plant and equipment | - | - | - | 1,118,159 | 1,118,159 |

* *relates to other income and expenses not directly attributable to a specific operating segment*

Segment assets comprise primarily property, plant and equipment, trade and other receivables, inventories and operating cash and bank balances. They exclude deferred tax and tax recoverable.

Segment liabilities comprise operating liabilities, corporate borrowings and provision for legal cliams.

Capital expenditure comprises additions to property plant and equipment.

| **4. SALES** | GROUP 2014 KShs | GROUP 2013 KShs | COMPANY 2014 KShs | COMPANY 2013 KShs |
|---|---|---|---|---|
| Income | 173,032,504 | 380,242,224 | 173,032,504 | 380,242,224 |
| Rental income | - | 7,251,724 | - | 7,251,724 |
| | **173,032,504** | **387,493,948** | **173,032,504** | **387,493,948** |
| **5. OTHER OPERATING (LOSS)/INCOME** | | | | |
| Gain on disposal of property, plant and equipment | - | 5,267,272 | - | 5,267,272 |
| Miscellaneous income | 164,461 | 9,934,605 | 164,461 | 9,934,605 |
| Insurance claims | - | 266,715 | - | 266,715 |
| | **164,461** | **15,468,592** | **164,461** | **15,468,592** |

# **Notes** *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 6. OPERATING OPERATING (LOSS)/INCOME

The following items have been charged/(credited) in arriving at operating profit:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 KShs | 2013 KShs | 2014 KShs | 2013 KShs |
| Depreciation on property, plant and equipment (Note 15) | 27,219,087 | 43,030,352 | 27,219,087 | 43,030,352 |
| Loss/(gain) on disposal of property, plant and equipment (Note 5) | 1,240,125 | (5,267,272) | 1,240,125 | (5,267,272) |
| Auditors' remuneration | | | | |
| • current year | 1,984,600 | 1,869,600 | 1,915,000 | 1,800,000 |
| • (over)provision in prior years | (60,000) | (60,000) | (60,000) | (60,000) |
| Directors remuneration | 18,200,000 | 18,000,100 | 18,200,000 | 18,000,100 |
| Operating lease rentals | 28,316,896 | 14,463,521 | 28,316,896 | 14,463,521 |
| Repairs and maintenance | 689,767 | 933,959 | 689,767 | 933,959 |
| Bad debt provisions (net of reversals) (Note 18) | 2,149,710 | 1,842,154 | 2,149,710 | 1,842,154 |
| Impairment on property, plant and equipment (Note 15) | 6,193,615 | 3,298,000 | 6,193,615 | 3,298,000 |
| Impairment of investment in subsidiaries (Note 16) | - | - | 4,933,840 | - |
| Staff costs (Note 7) | 30,116,548 | 29,921,596 | 30,116,548 | 29,921,596 |

## 7. STAFF COSTS

| | | | | |
|---|---|---|---|---|
| Salaries and wages: | | | | |
| • direct costs | 17,250,864 | 20,484,586 | 17,250,864 | 20,484,586 |
| • administrative | 11,532,964 | 7,435,082 | 11,532,964 | 7,435,082 |
| Staff welfare and other costs | 781,034 | 1,002,375 | 781,034 | 1,002,375 |
| Pension costs: | | | | |
| • National Social Security Fund | 140,170 | 301,200 | 140,170 | 301,200 |
| • Defined Contribution Scheme | 411,516 | 698,353 | 411,516 | 698,353 |
| | **30,116,548** | **29,921,596** | **30,116,548** | **29,921,596** |

## 8. FINANCE COSTS

| | | | | |
|---|---|---|---|---|
| Net foreign exchange loss/(gain) | 277,392 | (62,514) | 277,392 | (62,514) |
| Interest expense: | | | | |
| • bank overdraft | 7,473,273 | 3,951,428 | 7,473,273 | 3,951,428 |
| • bank loan | 1,182,303 | - | 1,182,303 | - |
| • finance leases | 661,734 | 4,124,877 | 661,734 | 4,124,877 |
| • related party borrowings | 4,564,101 | - | 4,564,101 | - |
| | **14,158,803** | **8,013,791** | **14,158,803** | **8,013,791** |





# **Notes** *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 9. TAX

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 KShs | 2013 KShs | 2014 KShs | 2013 KShs |
| Current tax | - | 2,175,517 | - | |
| 2,175,517 | | | | |
| Deferred tax charge/(credit) (Note 14) | 917,083 | (4,100,419) | 917,083 | (4,100,419) |
| | 917,083 | (1,924,902) | 917,083 | (1,924,902) |
| The tax on the groups's (loss) before tax differs from the theoretical amount that would arise using the basic rate as follows: | | | | |
| (Loss) before tax | (76,435,323) | (1,695,503) | (81,238,662) | (1,490,003) |
| Tax calculated at tax rate of 30% (2013: 30%) | (22,930,597) | (508,651) | (24,371,599) | (447,001) |
| Tax effect of: | | | | |
| • expenses not deductible for tax purposes | 8,867,106 | 1,137,655 | 10,308,108 | 1,076,005 |
| • other permanent differences | - | (58,873) | - | (58,873) |
| • tax loss brought forward | (77,890,659) | (80,385,692) | (77,890,659) | (80,385,692) |
| • tax loss carried forward | 92,871,233 | 77,890,659 | 92,871,233 | 77,890,659 |
| **Tax charge/(credit)** | **917,083** | **(1,924,902)** | **917,083** | **(1,924,902)** |

## 10. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 KShs | 2013 KShs | 2014 KShs | 2013 KShs |
| Net (loss)/profit attributable to shareholders (KShs) | (77,352,406) | 229,399 | (82,155,745) | 434,899 |
| Number of ordinary shares (Number) | 35,403,790 | 35,403,790 | 35,403,790 | 35,403,790 |
| Basic and diluted (loss)/earnings per share (KShs) | (2.18) | 0.01 | (2.32) | 0.01 |

## 11. SHARE CAPITAL

| | GROUP & COMPANY | |
|---|---|---|
| | 2014 | 2013 |
| **Authorised:** | | |
| 250,000,000 (2013: 250,000,000) ordinary shares of KShs. 5 each | 1,250,000,000 | 1,250,000,000 |
| **Issued and fully paid:** | | |
| 35,403,790 (2013: 35,403,790) ordinary shares of KShs. 5 each | 177,018,950 | 177,018,950 |

## 12. REVALUATION RESERVE

| | | |
|---|---|---|
| At start of year | 85,060,857 | 86,796,793 |
| Realized on disposal | 84,348,403 | - |
| Deferred tax reversal on disposal | (25,304,521) | - |
| Transfer of excess depreciation | (2,450,761) | (2,479,908) |
| Deferred tax on excess depreciation transfer (Note 14) | 735,228 | 743,972 |
| **At end of year** | **142,389,206** | **85,060,857** |

The revaluation reserve arose upon the revaluation of buildings. The reserve is not distributable.

# Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 13. BORROWINGS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 KShs | 2013 KShs | 2014 KShs | 2013 KShs |
| **Non-current** | | | | |
| Bank loan | 42,418,576 | - | 42,418,576 | - |
| Borrowings from related parties (Note 23) | 14,139,634 | 32,479,634 | 14,139,634 | 32,479,634 |
| | 56,558,210 | 32,479,634 | 56,558,210 | 32,479,634 |
| **Current** | | | | |
| Bank loan | 7,037,403 | - | 7,037,403 | - |
| Finance leases | - | 7,836,478 | - | 7,836,478 |
| Bank overdraft (Note 19) | 50,654,298 | 22,401,892 | 50,654,298 | 22,401,892 |
| | 57,691,701 | 30,238,370 | 57,691,701 | 30,238,370 |
| **Total borrowings** | **114,249,911** | **62,718,004** | **114,249,911** | **62,718,004** |

The bank borrowings, overdraft and finance leases are secured by the following:

a) Legal charge over L.R. No. 12596/1.
b) Finance lease are secured by a right over the leased assets.
c) Joint, several and personal guarantees of the directors of the company.

Borrowings from related parties are unsecured and with no fixed repayment terms.

Weighted average effective interest rates at the year end were:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 % | 2013 % | 2014 % | 2013 % |
| • finance leases | - | 23.5 | - | 23.5 |
| • related party borrowings - USD | - | 6 | - | 6 |
| • related party borrowings - KShs | 12 | 12 | 12 | 12 |
| • term loan | 17 | - | 17 | - |
| • bank overdraft | 17 | 23 | 17 | 23 |

The borrowing facilities expiring within one year are subject to review at various dates during the next financial year.

In the opinion of the Directors, the carrying amounts of borrowings approximate to their fair value.

The carrying amounts of borrowings are denominated in the following currencies:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 KShs | 2013 KShs | 2014 KShs | 2013 KShs |
| Kenya Shillings | 114,249,911 | 60,978,004 | 114,249,911 | 60,978,004 |
| United States Dollar | - | 1,740,000 | - | 1,740,000 |
| | **114,249,911** | **62,718,004** | **114,249,911** | **62,718,004** |

Maturity based on the repayment structure of non-current borrowings (excluding finance leases) is as follows:

| | | | | |
|---|---|---|---|---|
| Between 1 and 2 years | 42,418,576 | - | 42,418,576 | - |
| No fixed maturity period | 14,139,634 | 32,479,634 | 14,139,634 | 32,479,634 |
| | **56,558,210** | **32,479,634** | **56,558,210** | **32,479,634** |
| Finance leases - minimum lease payments: | | | | |
| Not later than 1 year | - | 7,836,478 | - | 7,836,478 |
| Undrawn facilities as at the reporting date were as follows: | - | 2,675,242 | - | 2,675,242 |





Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 14. DEFERRED TAX

Deferred tax is calculated in full, on all temporary differences under the liability method using a principal tax rate of 30% (2013: 30%). The movement on the deferred tax account is as follows:

| | GROUP & COMPANY | |
|---|---|---|
| | 2014 | 2013 |
| At start of year | 88,343,456 | 92,443,875 |
| Charge/(credit) to profit or loss (Note 9) | 917,083 | (4,100,419) |
| Charge to other comprehensive income (Note 12) | 25,304,521 | - |
| **At end of year** | **114,565,060** | **88,343,456** |

Deferred tax liabilities/(assets) and deferred tax (credit)/charge in profit or loss and other comprehensive income are attributable to the following items:

| | GROUP & COMPANY | | | |
|---|---|---|---|---|
| | At start of year KShs | (Credit)/charge to profit or loss KShs | Charge to other comprehensive income KShs | At end of year KShs |
| **Deferred tax liabilities** | | | | |
| Property, plant and equipment | 64,432,088 | (6,066,342) | - | 58,365,746 |
| Revaluation - buildings | 36,454,654 | (735,228) | 25,304,521 | 61,023,947 |
| | 100,886,742 | (6,801,570) | 25,304,521 | 119,389,693 |
| **Deferred tax (assets)** | | | | |
| Other provisions | (12,541,000) | 7,798,017 | - | (4,742,983) |
| Foreign exchange differences | (2,286) | (79,364) | - | (81,650) |
| | (12,543,286) | 7,718,653 | - | (4,824,633) |
| **Net deferred tax liability** | **88,343,456** | **917,083** | **25,304,521** | **114,565,060** |

Deferred tax assets on tax losses carried forward are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses against. Deferred tax assets amounting to Shs. 92.87 million (2013: Shs. 77.89 million) in respect of tax losses carried forward amounting to Shs. 309.57 million (2013: Shs. 259.64 million) that can be carried forward against future taxable profits have not been recognised.

Tax losses are available for offset for five years following the period they are incurred.

These tax losses expire as follows:

| | KShs | Expiry |
|---|---|---|
| • tax losses arising in 2010 | 28,363,535 | 31/12/2014 |
| • tax losses arising in 2011 | 143,143,135 | 31/12/2015 |
| • tax losses arising in 2012 | 88,128,861 | 31/12/2016 |
| • tax losses arising in 2013 | - | 31/12/2017 |
| • tax losses arising in 2014 | 49,935,245 | 31/12/2018 |

## 15. PROPERTY, PLANT AND EQUIPMENT - GROUP

Year ended December 31, 2014

| | Freehold land KShs | Leasehold land KShs | Buildings KShs | Plant and machinery KShs | Furniture, fittings and equipment KShs | Motor vehicles KShs | Computers, faxes and copiers KShs | Beer containers KShs | Capital work-in-progress KShs | TOTAL KShs |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | | | |
| At start of year | 30,300 | 8,323,425 | 208,735,098 | 29,044,489 | 30,412,505 | 634,304,631 | 37,543,187 | 14,837,469 | 15,572,344 | 978,803,448 |
| Additions | - | - | - | 24,613,000 | - | 1,508,000 | - | - | - | 26,121,000 |
| Transfer | - | - | 14,672,344 | - | - | - | - | - | (14,672,344) | - |
| Transfer to | | | | | | | | | | |
| inventories (Note 17) | - | (1,588,440) | - | - | - | - | - | - | (900,000) | (2,488,440) |
| Surplus on revaluation | - | - | 76,592,558 | - | - | - | - | - | - | 76,592,558 |
| Disposals | - | - | - | (38,156,498) | - | (141,617,129) | - | - | - | (179,773,627) |
| At end of year | 30,300 | 6,734,985 | 300,000,000 | 15,500,991 | 30,412,505 | 494,195,502 | 37,543,187 | 14,837,469 | - | 899,254,939 |
| **Comprising** | | | | | | | | | | |
| Cost | 30,300 | 6,734,985 | - | 15,500,991 | 30,412,505 | 494,195,502 | 37,543,187 | 14,837,469 | - | 599,254,939 |
| Valuation | - | - | 300,000,000 | - | - | - | - | - | - | 300,000,000 |
| | 30,300 | 6,734,985 | 300,000,000 | 15,500,991 | 30,412,505 | 494,195,502 | 37,543,187 | 14,837,469 | - | 899,254,939 |
| **Depreciation** | | | | | | | | | | |
| At start of year | - | - | 7,755,845 | 28,998,541 | 28,117,753 | 495,800,561 | 37,198,311 | 3,605,175 | - | 601,476,186 |
| Reversal on valuation | - | - | (7,755,845) | - | - | - | - | - | - | (7,755,845) |
| Disposals | - | - | - | (13,543,498) | - | (117,233,290) | - | - | - | (130,776,788) |
| Impairment adjustment | - | - | - | - | - | 6,193,615 | - | - | - | 6,193,615 |
| Charge for the year | - | - | 3,260,870 | - | 144,115 | 23,390,782 | 80,996 | 342,323 | - | 27,219,087 |
| At end of year | - | - | 3,260,870 | 15,455,043 | 28,261,868 | 408,151,668 | 37,279,307 | 3,947,498 | - | 496,356,255 |
| **Net book value** | **30,300** | **6,734,985** | **296,739,130** | **45,948** | **2,150,637** | **86,043,833** | **263,880** | **10,889,971** | **-** | **402,898,684** |

Buildings were professionally valued on September 5, 2014 by independent professional valuers on the basis of open market value. The book values of the buildings were adjusted to the revaluation and the resultant surplus, net of deferred tax, was credited to the revaluation reserve.

Leasehold land was professionally valued on 5 September 2014 by Tysons Limited independent professional valuers on the basis of open market value of Shs. 728.2 million (excluding the value of the leasehold land transferred to inventories which has an open market value of Shs. 171.8 million). Both these valuations amount to Shs. 900 million and have not been incorporated in these financial statements.

The fair valuation is categorised under level 3 based on the information set out in accounting policy (i).

## 15. PROPERTY, PLANT AND EQUIPMENT - COMPANY

Year ended December 31, 2014

| | Freehold land KShs | Leasehold land KShs | Buildings KShs | Plant and machinery KShs | Furniture, fittings and equipment KShs | Motor vehicles KShs | Computers, faxes and copiers KShs | Beer containers KShs | Capital work-in-progress KShs | TOTAL KShs |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | | | |
| At start of year | 30,300 | 8,323,425 | 208,735,098 | 29,044,489 | 30,376,961 | 634,304,631 | 37,543,187 | 14,837,469 | 15,572,344 | 978,767,904 |
| Additions | - | - | - | 24,613,000 | - | 1,508,000 | - | - | - | 26,121,000 |
| Transfer | - | - | 14,672,344 | - | - | - | - | - | (14,672,344) | - |
| Transfer to | | | | | | | | | | |
| inventories (Note 17) | - | (1,588,440) | - | - | - | - | - | - | (900,000) | (2,488,440) |
| Surplus on revaluation | - | - | 76,592,558 | - | - | - | - | - | - | 76,592,558 |
| Disposals | - | - | - | (38,156,498) | - | (141,617,129) | - | - | - | (179,773,627) |
| At end of year | 30,300 | 6,734,985 | 300,000,000 | 15,500,991 | 30,376,961 | 494,195,502 | 37,543,187 | 14,837,469 | - | 899,219,395 |
| **Comprising** | | | | | | | | | | |
| Cost | 30,300 | 6,734,985 | - | 15,500,991 | 30,376,961 | 494,195,502 | 37,543,187 | 14,837,469 | - | 599,219,395 |
| Valuation | - | - | 300,000,000 | - | - | - | - | - | - | 300,000,000 |
| | 30,300 | 6,734,985 | 300,000,000 | 15,500,991 | 30,376,961 | 494,195,502 | 37,543,187 | 14,837,469 | - | 899,219,395 |
| **Depreciation** | | | | | | | | | | |
| At start of year | - | - | 7,755,845 | 28,998,541 | 28,104,948 | 495,800,561 | 37,198,311 | 3,605,175 | - | 601,463,381 |
| Reversal on valuation | - | - | (7,755,845) | - | - | - | - | - | - | (7,755,845) |
| Disposals | - | - | - | (13,543,498) | - | (117,233,290) | - | - | - | (130,776,788) |
| Impairment adjustment | - | - | - | - | - | 6,193,615 | - | - | - | 6,193,615 |
| Charge for the year | - | - | 3,260,870 | - | 144,115 | 23,390,782 | 80,996 | 342,323 | - | 27,219,087 |
| At end of year | - | - | 3,260,870 | 15,455,043 | 28,249,063 | 408,151,668 | 37,279,307 | 3,947,498 | - | 496,343,450 |
| **Net book value** | **30,300** | **6,734,985** | **296,739,130** | **45,948** | **2,127,898** | **86,043,833** | **263,880** | **10,889,971** | **-** | **402,875,945** |

### 15. PROPERTY, PLANT AND EQUIPMENT - GROUP

Year ended December 31, 2013

| | Freehold land KShs | Leasehold land KShs | Buildings KShs | Plant and machinery KShs | Furniture, fittings and equipment KShs | Motor vehicles KShs | Computers, faxes and copiers KShs | Beer containers KShs | Capital work-in-progress KShs | TOTAL KShs |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | | | |
| At start of year | 30,300 | 8,323,425 | 208,735,098 | 29,764,075 | 30,472,802 | 719,428,618 | 37,382,737 | 17,372,434 | 14,672,344 | 1,066,181,833 |
| Additions | - | - | - | 47,414 | 10,295 | - | 160,450 | - | 900,000 | 1,118,159 |
| Assets scrapped | - | - | - | - | - | (4,891,521) | - | - | - | (4,891,521) |
| Disposals | - | - | - | (767,000) | (70,592) | (80,232,466) | - | (2,534,965) | - | (83,605,023) |
| At end of year | 30,300 | 8,323,425 | 208,735,098 | 29,044,489 | 30,412,505 | 634,304,631 | 37,543,187 | 14,837,469 | 15,572,344 | 978,803,448 |
| **Comprising** | | | | | | | | | | |
| Cost | 30,300 | 8,323,425 | 69,342,327 | 29,044,489 | 30,412,505 | 634,304,631 | 37,543,187 | 14,837,469 | 15,572,344 | 839,410,677 |
| Valuation | - | - | 139,392,771 | - | - | - | - | - | - | 139,392,771 |
| | 30,300 | 8,323,425 | 208,735,098 | 29,044,489 | 30,412,505 | 634,304,631 | 37,543,187 | 14,837,469 | 15,572,344 | 978,803,448 |
| **Depreciation** | | | | | | | | | | |
| At start of year | - | - | 3,736,243 | 29,759,594 | 27,938,870 | 530,228,854 | 37,097,259 | 5,797,737 | - | 634,558,557 |
| Assets scrapped | - | - | - | - | - | (4,891,441) | - | - | - | (4,891,441) |
| Disposals | - | - | - | (766,980) | (30,044) | (71,187,373) | - | (2,534,885) | - | (74,519,282) |
| Impairment adjustment | - | - | - | - | - | 3,298,000 | - | - | - | 3,298,000 |
| Charge for the year | - | - | 4,019,602 | 5,927 | 208,927 | 38,352,521 | 101,052 | 342,323 | - | 43,030,352 |
| At end of year | - | - | 7,755,845 | 28,998,541 | 28,117,753 | 495,800,561 | 37,198,311 | 3,605,175 | - | 601,476,186 |
| **Net book value** | **30,300** | **8,323,425** | **200,979,253** | **45,948** | **2,294,752** | **138,504,070** | **344,876** | **11,232,294** | **15,572,344** | **377,327,262** |





### 15. PROPERTY, PLANT AND EQUIPMENT - COMPANY

Year ended December 31, 2013

| | Freehold land KShs | Leasehold land KShs | Buildings KShs | Plant and machinery KShs | Furniture, fittings and equipment KShs | Motor vehicles KShs | Computers, faxes and copiers KShs | Beer containers KShs | Capital work-in-progress KShs | TOTAL KShs |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | | | |
| At start of year | 30,300 | 8,323,425 | 208,735,098 | 29,764,075 | 30,437,258 | 719,428,618 | 37,382,737 | 17,372,434 | 14,672,344 | 1,066,181,833 |
| Additions | - | - | - | 47,414 | 10,295 | - | 160,450 | - | 900,000 | 1,118,159 |
| Assets scrapped | - | - | - | - | - | (4,891,521) | - | - | - | (4,891,521) |
| Disposals | - | - | - | (767,000) | (70,592) | (80,232,466) | - | (2,534,965) | - | (83,605,023) |
| At end of year | 30,300 | 8,323,425 | 208,735,098 | 29,044,489 | 30,376,961 | 634,304,631 | 37,543,187 | 14,837,469 | 15,572,344 | 978,767,904 |
| **Comprising** | | | | | | | | | | |
| Cost | 30,300 | 8,323,425 | 69,342,327 | 29,044,489 | 30,376,961 | 634,304,631 | 37,543,187 | 14,837,469 | 15,572,344 | 839,375,133 |
| Valuation | - | - | 139,392,771 | - | - | - | - | - | - | 139,392,771 |
| | 30,300 | 8,323,425 | 208,735,098 | 29,044,489 | 30,376,961 | 634,304,631 | 37,543,187 | 14,837,469 | 15,572,344 | 978,767,904 |
| **Depreciation** | | | | | | | | | | |
| At start of year | - | - | 3,736,243 | 29,759,594 | 27,926,065 | 530,228,854 | 37,097,259 | 5,797,737 | - | 634,545,752 |
| Assets scrapped | - | - | - | - | - | (4,891,441) | - | - | - | (4,891,441) |
| Disposals | - | - | - | (766,980) | (30,044) | (71,187,373) | - | (2,534,885) | - | (74,519,282) |
| Impairment adjustment | - | - | - | - | - | 3,298,000 | - | - | - | 3,298,000 |
| Charge for the year | - | - | 4,019,602 | 5,927 | 208,927 | 38,352,521 | 101,052 | 342,323 | - | 43,030,352 |
| At end of year | - | - | 7,755,845 | 28,998,541 | 28,104,948 | 495,800,561 | 37,198,311 | 3,605,175 | - | 601,463,381 |
| **Net book value** | **30,300** | **8,323,425** | **200,979,253** | **45,948** | **2,272,013** | **138,504,070** | **344,876** | **11,232,294** | **15,572,344** | **377,304,523** |



Annual Report and Financial Statements 2014

**Notes** *continued*
FOR THE YEAR ENDED DECEMBER 31, 2014

# Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 15. PROPERTY, PLANT AND EQUIPMENT CONTINUED (GROUP AND COMPANY)

All the additions made during the year were made through cash payments.

Impairment losses amounting to KShs. 6,193,615 (2013: KShs. 3,298,000) have been recognized in profit or loss under direct costs.

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| Cost | 84,014,671 | 69,342,327 | 84,014,671 | 69,342,327 |
| Accumulated depreciation | (48,230,645) | (38,523,515) | (48,230,645) | (38,523,515) |
| **Net book value** | **35,784,027** | **33,657,082** | **35,784,027** | **33,657,082** |

## 16. INVESTMENT IN SUBSIDIARIES

| | | | COMPANY | |
|---|---|---|---|---|
| | Country of Incorporation | Holding | 2014 KShs | 2013 KShs |
| Express Mombasa Limited | Kenya | 100% | 2,810,000 | 2,810,000 |
| Container Services Limited | Kenya | 100% | 2,150,000 | 2,150,000 |
| Airporter Limited | Kenya | 100% | 2,531,000 | 2,531,000 |
| Impairment provision | | | (4,933,840) | - |
| | | | 2,557,160 | 7,491,000 |

Express Mombasa Limited, Container Services Limited and Airporter Limited are dormant companies.

## 17. INVENTORIES - WORK-IN-PROGRESS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| At start of year | - | - | - | - |
| Additions | 180,000 | - | 180,000 | - |
| Transfer for property, plant and equipment (Note 15) | 2,488,440 | - | 2,488,440 | - |
| **At end of year** | **2,668,440** | **-** | **2,668,440** | **-** |

## 18. TRADE AND OTHER RECEIVABLES

| | | | | |
|---|---|---|---|---|
| Trade receivables | 85,993,391 | 97,898,899 | 85,993,391 | 97,898,899 |
| Less: impairment provisions | (55,080,212) | (52,930,502) | (55,080,212) | (52,930,502) |
| Net trade receivables | 30,913,179 | 44,968,397 | 30,913,179 | 44,968,397 |
| Prepayments and deposits | 1,473,690 | 2,001,071 | 1,473,690 | 2,001,071 |
| Other receivables | 7,476,009 | 8,974,324 | 7,476,009 | 8,974,324 |
| Receivable from related parties (Note 23) | 2,339,180 | 7,422,220 | 2,339,180 | 7,422,220 |
| | **42,202,058** | **63,366,012** | **42,202,058** | **63,366,012** |
| **Movement in impairment provisions** | | | | |
| At start of year | 52,930,502 | 52,825,931 | 52,930,502 | 52,825,931 |
| Additions | 2,149,710 | 1,842,154 | 2,149,710 | 1,842,154 |
| Reversals | - | (1,737,583) | - | (1,737,583) |
| **At end of year** | **55,080,212** | **52,930,502** | **55,080,212** | **52,930,502** |





Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 18. TRADE AND OTHER RECEIVABLES *continued*

The carrying amounts of trade and other receivables are denominated in the following currencies:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| Kenyan Shilling | 31,418,117 | 51,117,371 | 31,418,117 | 51,117,371 |
| United States Dollar | 10,783,941 | 12,248,641 | 10,783,941 | 12,248,641 |
| | **42,202,058** | **63,366,012** | **42,202,058** | **63,366,012** |

In the opinion of the Directors, the carrying amounts of trade and other receivables approximate to their fair value.

The Group's credit risk arises primarily from trade receivables and receivables from related parties. The Directors are of the opinion that the Group's exposure is limited because the debt is widely held. There is no significant concentration of credit risk.

Trade receivables that are over three months due are considered past due.

As of December 31, 2014, trade receivables amounting to KShs. 10,124,403 (2013: KShs. 25,181,284) were past due. The Directors have made a provision for the portion of the receivable whose recovery is in doubt.

The ageing analysis of these trade receivables is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| 4 to 12 months | 10,124,403 | 25,181,284 | 10,124,403 | 25,181,284 |

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## 19. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| Cash at bank and in hand | 966,688 | 12,808,120 | 966,688 | 12,808,120 |
| For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following: | | | | |
| Cash and bank balances | 966,688 | 12,808,120 | 966,688 | 12,808,120 |
| Bank overdraft (Note 13) | (50,654,298) | (22,401,892) | (50,654,298) | (22,401,892) |
| | (49,687,610) | (9,593,772) | (49,687,610) | (9,593,772) |
| The carrying amounts of cash and cash equivalents are denominated in the following currencies: | | | | |
| Kenya Shillings | 449,017 | 10,920,101 | 449,017 | 10,920,101 |
| United States Dollar | 517,671 | 1,888,019 | 517,671 | 1,888,019 |
| | 966,688 | 12,808,120 | 966,688 | 12,808,120 |

## Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

### 20. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| Trade payables | 6,641,518 | 21,701,840 | 6,593,518 | 21,653,840 |
| Accruals | 2,482,547 | 2,651,265 | 2,482,547 | 2,651,265 |
| Other payables | 13,976,101 | 29,526,788 | 13,441,671 | 29,061,959 |
| Payable to related parties (Note 23) | 27,521,793 | 41,150,422 | 30,688,906 | 44,378,435 |
| Amount due to Directors (Note 23) | 3,727,520 | 20,107,520 | 3,727,520 | 20,107,520 |
| | **54,349,479** | **115,137,835** | **56,934,162** | **117,853,019** |

In the opinion of the Directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

| | | | | |
|---|---|---|---|---|
| Kenya Shillings | 52,302,323 | 112,669,474 | 54,887,006 | 115,384,658 |
| United States Dollar | 1,403,540 | 1,829,291 | 1,403,540 | 1,829,291 |
| Euro | 408,697 | 423,978 | 408,697 | 423,978 |
| Danish Kroner | 191,742 | 176,973 | 191,742 | 176,973 |
| Canadian Dollar | 43,176 | 38,118 | 43,176 | 38,118 |
| | **54,349,479** | **115,137,835** | **56,934,162** | **117,853,019** |

The maturity analysis of trade and other payables is as follows:

| | 0-3 months | 4-12 months | TOTAL |
|---|---|---|---|
| | KShs | KShs | KShs |
| **Year ended December 31, 2014 - Group** | | | |
| Trade payables | 4,919,004 | 1,722,515 | 6,641,518 |
| Accruals | 567,547 | 1,915,000 | 2,482,547 |
| Other payables | 3,800,108 | 10,175,993 | 13,976,101 |
| Payable to related parties | - | 27,521,793 | 27,521,793 |
| Amount due to Directors | - | 3,727,520 | 3,727,520 |
| | **9,286,659** | **45,062,821** | **54,349,479** |
| **Year ended December 31, 2014 - Company** | | | |
| Trade payables | 4,919,004 | 1,674,515 | 6,593,518 |
| Accruals | 567,547 | 1,915,000 | 2,482,547 |
| Other payables | 3,265,678 | 10,175,993 | 13,441,671 |
| Payable to related parties | - | 30,688,906 | 30,688,906 |
| Amount due to Directors | - | 3,727,520 | 3,727,520 |
| | **8,752,229** | **48,181,934** | **56,934,162** |
| **Year ended December 31, 2013 - Group** | | | |
| Trade payables | 5,805,242 | 15,896,598 | 21,701,840 |
| Accruals | 1,896,775 | 754,490 | 2,651,265 |
| Other payables | 6,500,323 | 23,026,465 | 29,526,788 |
| Payable to related parties | - | 41,150,422 | 41,150,422 |
| Amount due to Directors | - | 20,107,520 | 20,107,520 |
| | **14,202,340** | **100,935,495** | **115,137,835** |
| **Year ended December 31, 2013 - Company** | | | |
| Trade payables | 5,792,402 | 15,861,438 | 21,653,840 |
| Accruals | 1,896,775 | 754,490 | 2,651,265 |
| Other payables | 6,035,494 | 23,026,465 | 29,061,959 |
| Payable to related parties | - | 44,378,435 | 44,378,435 |
| Amount due to Directors | - | 20,107,520 | 20,107,520 |
| | **13,724,671** | **104,128,348** | **117,853,019** |





## Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

### 21. PROVISION FOR LEGAL CLAIMS

| | GROUP & COMPANY | |
|---|---|---|
| | 2014 | 2013 |
| | KShs | KShs |
| At start of year | 15,809,942 | 15,809,942 |
| Decrease | (1,259,942) | - |
| **At end of year** | **14,550,000** | **15,809,942** |

The provisions for legal claims arose due to current litigations being handled by the company lawyers and are expected to be paid out. In the opinion of the Directors, it is not possible to estimate the maturity profile of the same.

### 22. CASH (USED IN)/FROM OPERATIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| Reconciliation of (loss) before tax to cash (used in)/ from operations | | | | |
| (Loss) before tax | (76,435,323) | (1,695,503) | (81,238,662) | (1,490,003) |
| **Adjustments for:** | | | | |
| Depreciation on property, plant and equipment (Note 15) | 27,219,087 | 43,030,352 | 27,219,087 | 43,030,352 |
| Assets scrapped (Note 15) | - | 80 | - | 80 |
| Impairment on property, plant and equipment (Note 15) | 6,193,615 | 3,298,000 | 6,193,615 | 3,298,000 |
| Loss/(gain) on disposal of property, plant and equipment (Note 5) | 1,240,125 | (5,267,272) | 1,240,125 | (5,267,272) |
| Interest expense | 13,881,411 | 8,076,305 | 13,881,411 | 8,076,305 |
| Net foreign exchange loss/(gain) | 277,392 | (62,514) | 277,392 | (62,514) |
| Impairment of investment in subsidiaries (Note 16) | - | - | 4,933,840 | - |
| Provision for charges and liabilities (Note 21) | (1,259,942) | (631,955) | (1,259,942) | (631,955) |
| **Changes in working capital:** | | | | |
| • trade and other receivables | 21,163,954 | (46,122,050) | 21,163,954 | (46,122,050) |
| • trade and other payables | (60,788,355) | 26,003,396 | (60,918,856) | 25,797,896 |
| **Cash (used in)/from operations** | **(68,508,037)** | **26,628,839** | **(68,508,037)** | **26,628,839** |

### 23. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is controlled by Etcoville Holdings Limited incorporated in Kenya, which owns 60% of the Company's shares. The remaining 40% of the shares are widely held. The ultimate parent company is Etcoville Investments Limited.

The following transactions were carried out with related parties:

| | GROUP & COMPANY | |
|---|---|---|
| | 2014 | 2013 |
| **i) Sale of services to related parties** | | |
| Other related parties | 45,211 | 5,959,737 |
| **ii) Purchase of goods and services** | | |
| Other related parties | 25,580,382 | 30,780,977 |
| **iii) Key management compensation** | | |
| Directors remuneration - short term employment benefits | 18,000,000 | 18,000,100 |
| Directors fees - short term employment benefits | 200,000 | - |
| | **18,200,000** | **18,000,100** |

# Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 23. RELATED PARTY TRANSACTIONS AND BALANCES *continued*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| **iv) Outstanding balances arising from sale of services** | | | | |
| Receivable from related parties (Note 18) | | | | |
| Other related parties | 710,139 | 5,286,780 | 710,139 | 5,286,780 |
| Parent | 1,629,041 | 2,135,440 | 1,629,041 | 2,135,440 |
| | **2,339,180** | **7,422,220** | **2,339,180** | **7,422,220** |
| **v) Outstanding balances arising from purchase of goods and services** | | | | |
| Payable to related parties (Note 20) | | | | |
| Other related parties | 27,521,794 | 41,150,422 | 27,968,223 | 41,596,851 |
| Subsidiaries | - | - | 2,720,683 | 2,781,583 |
| | **27,521,794** | **41,150,422** | **30,688,906** | **44,378,434** |
| **vi) Amount due to related parties** | | | | |
| Loans due to related parties (Note 13) | | | | |
| • other related parties | 14,139,634 | 32,479,634 | 14,139,634 | 32,479,634 |
| **Amount due to director (Note 20)** | **3,727,520** | **20,107,520** | **3,727,520** | **20,107,520** |

The advances from Directors are unsecured, interest free and have no specific dates of repayment.

## 24. COMMITMENTS

**Operating lease commitments - Group and Company as a lessee**

The future minimum lease payments payable under non-cancellable operating leases are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| Not later than 1 year | 22,131,372 | 12,268,020 | 22,131,372 | 12,444,696 |
| Later than 1 year and not later than 5 years | 42,253,619 | 41,897,148 | 42,253,619 | 29,452,452 |
| | **64,384,991** | **54,165,168** | **64,384,991** | **41,897,148** |

The Group leased a property under non-cancellable operating lease agreements. The lease term is for 6 years and is generally renewable at the end of the tenure of the lease.

## 25. RISK MANAGEMENT OBJECTIVES AND POLICIES

**Financial Risk Management**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.





# Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2014

## 25. RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Risk management is carried out by the management under policies approved by the Board of Directors.

**(a) Market Risk**

- ***Foreign exchange risk*** - The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The risk arises from future transactions, assets and liabilities in the statement of financial position.

The table below summarises the effect on post-tax (loss)/profit had the Kenya Shilling weakened by 10% against the United States Dollar, with all other variables held constant. If the Kenya Shilling strengthened against each currency, the effect would have been the opposite.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| Effect on (loss) - increase | 647,812 | 694,981 | 647,812 | 694,981 |

A 10% sensitivity rate is being used when reporting foreign exchange risk internally to key management personnel and represents managements assessment of the reasonably possible change in foreign exchange rates.

- ***Interest rate risk*** - The Group's exposure to interest rate risk arises from borrowings.

The table below summarises the effect on post-tax profit had interest rates been 1% higher, with all other variables held constant. If the interest rates were lower by 1%, the effect would have been the opposite.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs | KShs | KShs | KShs |
| Effect of profit - decrease | 622,645 | 243,130 | 622,645 | 243,130 |

**(b) Credit Risk**

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

**(c) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's management maintains flexibility in funding by maintaining availability under committed credit lines.

Notes 13 and 20 disclose the maturity analysis of borrowings and trade and other payables respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The key assumptions made in the maturity profile are:

- changes in interest rates have not been accounted for as these cannot be predicted;
- changes in foreign exchange rates have not been accounted for as these cannot be predicted; and
- the borrowings will be repaid based on the repayment schedule agreed with the lenders.

# Notes continued
FOR THE YEAR ENDED DECEMBER 31, 2014

## 25. RISK MANAGEMENT OBJECTIVES AND POLICIES continued

| | Interest Rate % | Less than 1 year KShs | 1-5 years KShs | No fixed maturity period KShs | TOTAL KShs |
|---|---|---|---|---|---|
| **Year ended December 31, 2014 - Group** | | | | | |
| ***Interest bearing liabilities:*** | | | | | |
| • Bank overdraft | 17.0% | 50,654,298 | - | - | 50,654,298 |
| • Bank loan | 17.0% | 8,233,762 | 65,779,957 | - | 74,013,719 |
| • Borrowings from related parties | 12.0% | - | - | 15,836,390 | 15,836,390 |
| ***Non-interest bearing liabilities:*** | | | | | |
| • Trade and other payables | - | 54,349,479 | - | - | 54,349,479 |
| • Provision for legal claims | - | 14,550,000 | - | - | 14,550,000 |
| | | **127,787,539** | **65,779,957** | **15,836,390** | **209,403,886** |
| **Year ended December 31, 2014 - Company** | | | | | |
| ***Interest bearing liabilities:*** | | | | | |
| • Bank overdraft | 17.0% | 50,654,298 | - | - | 50,654,298 |
| • Bank loan | 17.0% | 8,233,762 | 65,779,957 | - | 74,013,719 |
| • Borrowings from related parties | 12.0% | - | - | 15,836,390 | 15,836,390 |
| ***Non-interest bearing liabilities:*** | | | | | |
| • Trade and other payables | - | 54,349,479 | - | - | 54,349,479 |
| • Provision for legal claims | - | 14,550,000 | - | - | 14,550,000 |
| | | **127,787,539** | **65,779,957** | **15,836,390** | **209,403,886** |
| **Year ended December 31, 2013 - Group** | | | | | |
| ***Interest bearing liabilities:*** | | | | | |
| • Bank overdraft | 23.5% | 22,401,892 | - | - | 22,401,892 |
| • Finance leases | 13.5% | 7,836,478 | - | - | 7,836,478 |
| • Borrowings from related parties | 12.0% | - | - | 2,800,000 | 2,800,000 |
| • Borrowings from related parties | 6.0% | - | - | 1,844,400 | 1,844,400 |
| ***Non-interest bearing liabilities:*** | | | | | |
| • Borrowings from related parties | - | - | - | 27,835,234 | 27,835,234 |
| • Trade and other payables | - | 115,137,835 | - | - | 115,137,835 |
| • Provision for legal claims | - | 15,809,942 | - | - | 15,809,942 |
| | | **161,186,147** | **-** | **32,479,634** | **193,665,781** |
| **Year ended December 31, 2013 - Company** | | | | | |
| ***Interest bearing liabilities:*** | | | | | |
| • Bank overdraft | 23.5% | 22,401,892 | - | - | 22,401,892 |
| • Finance leases | 13.5% | 7,836,478 | - | - | 7,836,478 |
| • Borrowings from related parties | 12.0% | - | - | 2,800,000 | 2,800,000 |
| • Borrowings from related parties | 6.0% | - | - | 1,844,400 | 1,844,400 |
| ***Non-interest bearing liabilities:*** | | | | | |
| • Borrowings from related parties | - | - | - | 27,835,234 | 27,835,234 |
| • Trade and other payables | - | 117,853,019 | - | - | 117,853,019 |
| • Provision for legal claims | - | 15,809,942 | - | - | 15,809,942 |
| | | **163,901,331** | **-** | **32,479,634** | **196,380,965** |





Notes continued
FOR THE YEAR ENDED DECEMBER 31, 2014

## 26. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, bonuses paid to Directors or issue new shares. Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt : capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity.

The gearing ratios at December 31, 2014 and 2013 were as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2014 KShs | 2013 KShs | 2014 KShs | 2013 KShs |
| Total borrowings (Note 13) | 114,249,911 | 62,718,004 | 114,249,911 | 62,718,004 |
| Less cash and cash equivalents (Note 19) | (966,688) | (12,808,120) | (966,688) | (12,808,120) |
| Net debt | 113,283,223 | 49,909,884 | 113,283,223 | 49,909,884 |
| Total equity | 180,207,652 | 198,516,176 | 180,157,390 | 203,269,253 |
| **Gearing Ratios** | **62.86** | **25.14** | **62.88** | **24.55** |

The decrease in the gearing ratio is primarily due to the repayment of borrowings during the year.

## 27. CONTINGENT LIABILITIES

The Company is a defendant in various legal actions. After seeking appropriate legal advice, the Directors are of the opinion that the outcomes of such actions are not expected to give rise to any significant losses.

The Company has an ongoing in-depth examination by the Kenya Revenue Authority. The examination has not been concluded as at the reporting date. As a result, the Directors are unable to quantify liabilities (if any) arising from the examination.

## 28. INCORPORATION

Express Kenya Limited is incorporated in Kenya under the Companies Act as a public liability company and is domiciled in Kenya.

## 29. PRESENTATION CURRENCY

The financial statements are presented in Kenya Shillings (KShs).

# Company's Top 30 Shareholders

FOR THE YEAR ENDED DECEMBER 31, 2014

| | NAME | NATIONALITY | SHARES | % |
|---|---|---|---|---|
| 1 | ETCOVILLE HOLDINGS LIMITED | Kenyan Company | 21,392,898 | 60.43% |
| 2 | PAUL WANDERI NDUNGU | Kenyan Individual | 1,912,090 | 5.40% |
| 3 | STANDARD CHARTERED NOMINEES A/C 9397 | Kenyan Company | 457,054 | 1.29% |
| 4 | DANIEL KARANJA NDUNGU | Kenyan Individual | 395,056 | 1.12% |
| 5 | KYALO MWANGULU KILELE | Kenyan Individual | 352,000 | 0.99% |
| 6 | YASIN ESMAIL AHMED | Kenyan Individual | 296,700 | 0.84% |
| 7 | CFCFS NOMINEE LTD A/C HDZ | Kenyan Company | 249,600 | 0.71% |
| 8 | ALNASHIR ABDUL KARIM CHATURBHAI POPAT | Kenyan Individual | 237,600 | 0.67% |
| 9 | VISHAL SUDHIRKUMAR SHAH | Foreign Individual | 196,600 | 0.56% |
| 10 | DAVINDAR SINGH DEVGUN | Kenyan Individual | 189,000 | 0.53 % |
| 11 | HECTOR ROBERT DINIZ | Kenyan Individual | 178,700 | 0.50% |
| 12 | THE JUBILEE INSURANCE COMPANY OF KENYA LIMITED | Kenyan Company | 158,600 | 0.45% |
| 13 | PATRICK KARIUKI & AGNES NDUNG'U KARINGE | Kenyan Individual | 157,300 | 0.44% |
| 14 | ANDREW MUKITE MUSANGI | Kenyan Individual | 153,100 | 0.43% |
| 15 | ELEGANT HOLDINGS LIMITED | Kenyan Company | 150,800 | 0.43% |
| 16 | EKTA BIMAL & KUNAL KAMLESH SHAH | Kenyan Individual | 136,700 | 0.39% |
| 17 | KOLLIYOOR BAHULAYAN/DALAVOI RAMAPPA SATHYA GOPAKULIMAR/VADANA | Kenyan Individual | 126,800 | 0.36% |
| 18 | LAVINGTON SECURITY GUARDS LIMITED | Kenyan Company | 125,400 | 0.35% |
| 19 | MACHARIA MIGWi | Kenyan Individual | 110,000 | 0.31% |
| 20 | SUPINDER SINGH SOIN | Kenyan Individual | 106,000 | 0.30% |
| 21 | MANSUKHLAL KESHAVJI SHAH & MITAL MANSUKHLAL SHAH | Kenyan Individual | 99,600 | 0.28% |
| 22 | AJAY KISHORCHANDRA & KARSANDAS KOTECHA | Kenyan Individual | 99,597 | 0.28% |
| 23 | ROBINSON NGIGI GOCO | Kenyan Individual | 98,007 | 0.28% |
| 24 | JOSEPHAT KIMATA WA MUKUI | Kenyan Individual | 92,331 | 0.26% |
| 25 | SIMON SAINING'U | Kenyan Individual | 83,400 | 0.24% |
| 26 | JOHN MWAURA MBUGUA | Kenyan Individual | 71,800 | 0.20% |
| 27 | AFRICAN ALLIANCE KENYA NOMINEES A/C 2020 | Kenyan Company | 70,100 | 0.20% |
| 28 | NOMURA NOMINEES LTD A/C RANGECHEM LTD | Kenyan Company | 62,900 | 0.18% |
| 29 | HASMITA AJITKUMAR & AJITKUMAR RATILAL HARIA | Kenyan Individual | 62,300 | 0.18% |
| 30 | ALPA NISHIT CHHEDA & NISHIT SURENDRAKUMAR CHHEDA | Kenyan Individual | 60,000 | 0.17% |
| | **SHARES SELECTED** | | **27,882,033** | **78.75%** |
| | SHARES NOT SELECTED [ 4,211 Shareholders ] | | 7,521,757 | 21.25% |
| | **SHARES ISSUED** | | **35,403,790** | **100.00%** |
| | **TOTAL SHAREHOLDERS** | | **4,243** | |
| | **CDSC IMMOBILISATION:** | | | |
| | NO. OF SHAREHOLDERS AT THE CDSC | | 3,191 | |
| | NO. OF SHARES HELD AT CDSC | | 34,231,743 | |



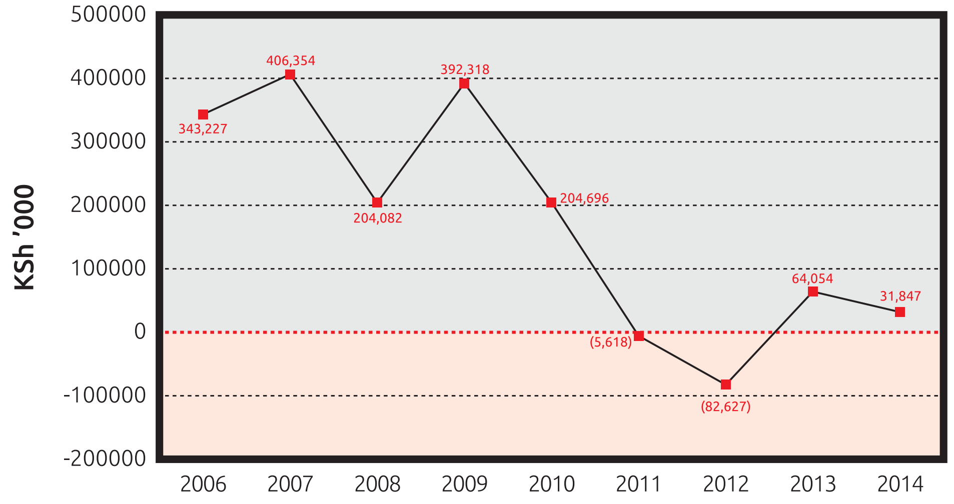


Annual Report and Financial Statements 2014

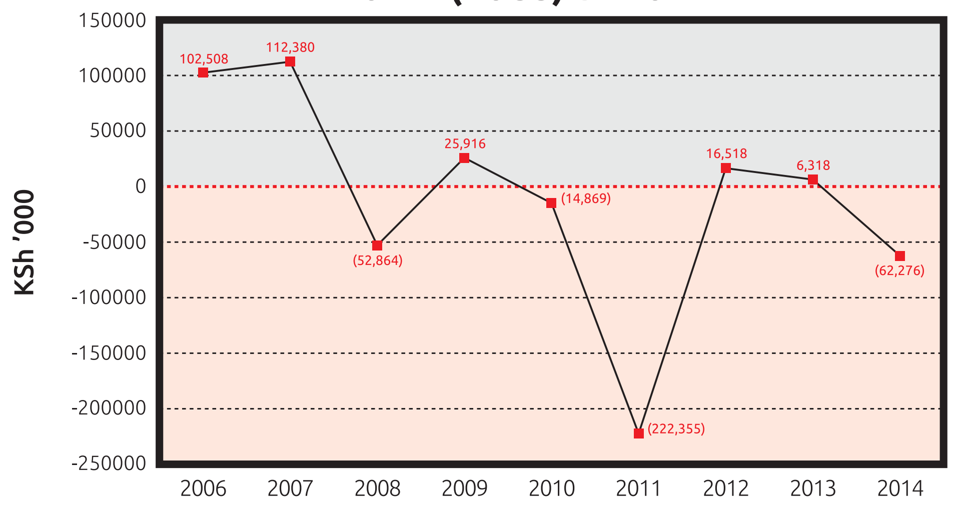
# Financial Highlights

FOR THE YEAR ENDED DECEMBER 31, 2014

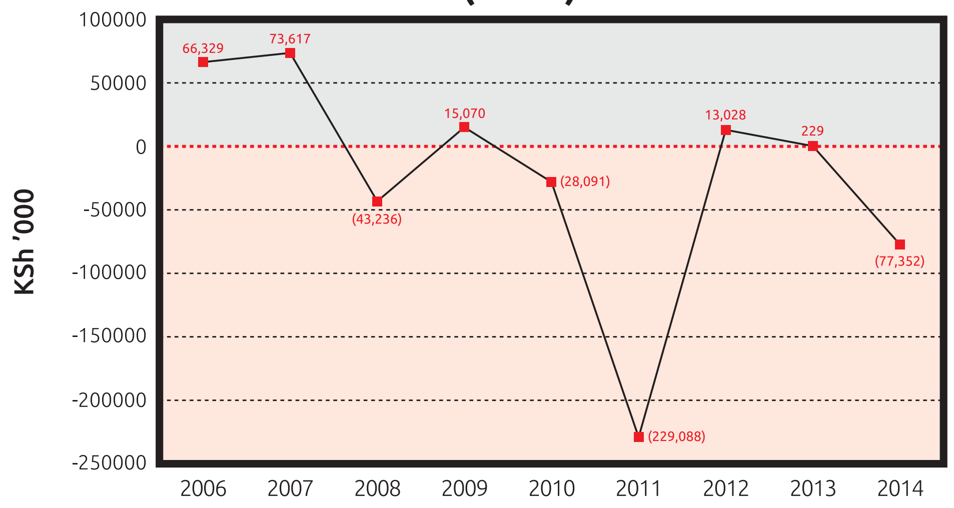
## GROSS PROFIT




## PROFIT (LOSS) BEFORE TAX




## PROFIT (LOSS) AFTER TAX



## Comments





Annual Report and Financial Statements 2014

## Proxy Form

FOR THE FORTY-FOURTH ANNUAL GENERAL MEETING

I/We ______________________________

of ______________________________

being a member(s) of **Express Kenya Limited,** hereby appoint

______________________________

of ______________________________

or failing him/her

______________________________

of ______________________________

as my/our proxy to attend and on a poll vote for me/us on my/our behalf at the **Forty-Fourth Annual General Meeting** of the Company to be held at **11:00 a.m.** on **Friday, December 4, 2015** at **Eka Hotel** along Mombasa Road, Nairobi and at any adjournment thereof.

Signed this ____________ day of ______________________ 2015

Signature ______________________________

**NOTE:**

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy who need not be a member of the Company.
2. In the case a member being a Limited Company, this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. This proxy form must be deposited either at the Registered Office of the Company, **Express House, Road A, off Enterprise Road,** P O Box 40433-00100, Nairobi **OR** with the Company Secretaries, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove, P O Box 47323- 00100, Nairobi so as to reach not later than 48 hours before the meeting.

This Proxy Form is available on the Company's website: **www.expresskenya.com**

## Fomu ya Uwakilishi

Mimi/Sisi ______________________________

wa ______________________________

nikiwa/tukiwa mwanachama/wanachama wa **Express Kenya Limited,** namchagua/tunachagua

______________________________

wa ______________________________

au akikosa yeye/wakikosa wao

______________________________

wa ______________________________

kupiga kura badala ya mimi/sisi kwa niaba yangu/yetu katika **Mkutano Mkuu wa Mwaka wa 44** wa Kampuni hii utakaofanywa **saa tano asubuhi** tarehe **Ijumaa, Decemba 4, 2015** katika **Eka Hotel** iliyo Mombasa Road, Nairobi, na katika mkutano wowote utakaoahirishwa.

Imetiwa sahihi leo ____________ siku ya ______________________ 2015

Sahihi ______________________________

**TAZAMA:**

1. Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu ana haki ya kumchagua mwakilishi au waakilishi ambaye/ambao si lazima kuwa Mshiriki au Washiriki wa Kampuni.

3. Fomu hii ya uwakilishi lazima kufikishwa katika Ofisi ya Kampuni Iliyosajiliwa, **Express House, Road A, off Enterprise Road,** Sanduku la Posta 40433 - 00100, Nairobi **AU** kwa Katibu wa Kampuni, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove, P O Box 47323-00100, Nairobi katika muda usiopungua masaa 48 kabla ya mkutano kufanyika.

STAMP

The Company Secretary
**EXPRESS KENYA LIMITED**
P O Box 40433 - 00100 GPO
Nairobi, Kenya

EXPRESS KENYA LTD

A Member of Diniz *Holdings* Limited