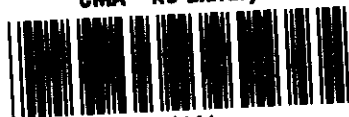


CONTENTS

Directors, Officers and Administration	2
Notice of the Annual General Meeting	3
Chairman's Report	4 - 5
Corporate Governance	6
Report of the Directors	7
Statement of Directors' Responsibilities	8
Report of the Auditors	9
Consolidated Profit and Loss Account	10
Consolidated Balance Sheet	11
Company Balance Sheet	12
Consolidated Cash Flow Statement	13
Consolidated Statement of Changes in Equity	14
Company statement of Changes in Equity	15
Notes to the Consolidated Financial Statement	16 - 28
List of Major Shareholders	29
Financial Highlights	30
Proxy Form / Fomu ya Uwakilishi	31



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Directors, Officers And Administration

DIRECTORS

Dr CW Obura (*Chairman*)
RB Markham
Hector Diniz
G Barnhoorn*
R Braganza (*Resigned 31 March 2005*)

* *Dutch*

COMPANY SECRETARY

Atanas Kariuki Maina (*Resigned 27 October 2004*)

Equatorial Secretaries and Registrars (*Appointed 27 October 2004*)
Kalamu House, Waiyaki Way, Westlands
PO Box 47323 00100
Nairobi

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Express House
Etcoville, Road A, Off Enterprise Road
Industrial Area
PO Box 40433, 00100
Nairobi

BANKERS

Commercial Bank of Africa
Wabera Street
PO Box 30437
Nairobi

Middle East Bank
Mebank Tower, Millimani Road
PO Box 47387, 00100
Nairobi

AUDITORS

KPMG Kenya
Lonrho House, 16th Floor
PO Box 40612
00100 Nairobi GPO

2007/1141

Notice of Annual General Meeting

for the year ended 31 December 2004

NOTICE IS HEREBY GIVEN that the Thirty Fourth Annual General Meeting of the members of Express Kenya limited will be held at Etcoville, Road A, off Enterprise Road, Industrial area, Nairobi on Saturday the 4th June 2005 at 10.30 a.m. to transact the following business :

1. To table the proxies and to note the presence of a quorum.
2. To read the Notice convening the meeting.
3. To confirm the Minutes of the Thirty Third Annual General Meeting held on 12th June 2004.
4. To receive, consider and if thought fit, adopt the Annual Report and Financial Statements for the year ended 31st December 2004, together with the Directors and Auditor's reports thereon.
5. To note that the Board does not recommend the payment of a dividend for the year ended 31st December 2004.
6. To conduct elections of the directors for candidates validly nominated in accordance with the Articles of Association of the company.
7. To appoint Messrs KPMG Kenya, the company's Auditors for the period ending with the next annual general meeting of the Company and to authorize the directors to determine their remuneration.
8. Any other business for which sufficient notice has been given.

By order of the Board

Equatorial Secretaries & Registrars
Kalamu House, Waiyaki Way, Westlands
P.O.Box 47323, 00100
Nairobi
Date: 9 May 2005

Note 1

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member. A perforated form of proxy is given on page 31 for use by the members who do not propose to be present at the meeting and must be duly completed 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, GPO, Nairobi or with the Registrars, Barclays Advisory & Registrar Services Limited, 1st floor, Bank House, Moi Avenue, P.O.Box 30120-00100, Nairobi so as to reach the company not later than 10.30 a.m. Thursday 2 nd June 2005.

Note 2

Any member qualified to be present and vote at the meeting, may by notice duly signed by him/ her and delivered to the registered office of the company not less than seven (7) days and not more than forty two (42) days before the day appointed for this meeting propose any other person for appointment to the Board. Such notice must be accompanied by a notice signed by the person proposed indicating his/her willingness to be appointed.

Chairman's Report



'Gross profit margin rose from 10.3% in 2003 to 15.6% in 2004.'

OVERVIEW

The implementations of the strategic plan to return the company to its core business as a leading road freight and logistics company were the main focus for the year 2004.

Coming from a dismal negative performance recorded in 2003 the company strived to manage its internal resources with maximum efficiency to combat the inherent problems and risks riddling the freight industry. Discontinuation of non profitable business and the exit of Kuehne & Nagel International A G and their affiliate clientele resulted in a decrease in turnover of 23%.

However, a turnaround position was recorded in 2004. Gross profit margin rose from 10.3% in 2003 to 15.6% in 2004. This can be attributed to the upward restructuring of rates and better business strategies.

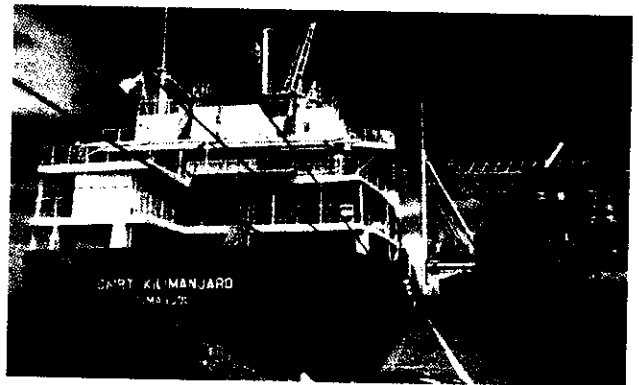


Express Kenya Limited continues to face many challenges all around in its core markets including rising oil prices and poor infrastructure, particularly the road and rail network. Another area of concern is the increased competition in certain markets which limit margins earned in core business.

The performance of various operations will now be highlighted.

Seafreight Operations

The turnover of this operation was negatively affected by the departure of Kuehne & Nagel International A G resulting in a drop of 23.96%. Nevertheless, gross profit margin went up by 1.5%. The major challenge still remains the cutthroat competition experienced from other major players.

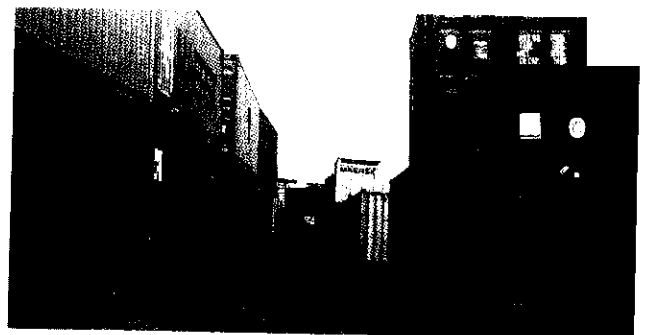


Warehouse Operations

With the closure of the non core tea & coffee operations, turnover drastically dropped. However commercial warehousing and general cargo storage facilities have continued to operate at improved gross profit margins of 91.73% in 2004 up from 50.66% in 2003 mainly due to a review in rates and cost reduction.

Kitui Road property was disposed off and the proceeds of which were utilised to bring down the bank overdraft. The strategy employed on improvement of the physical facilities materialised into the completion of construction of 3 new go downs which with the increase in demand for this facility should go a long way into enhancing the performance of this business unit.

Container storage contributed to the revenues of this section. Grading and levelling of the container yard increased the storage capacity for the containers and improved the loading and offloading operation.



Chairman's Report

continued



Airfreight Operations

The absence of a reliable international forwarding partner and stiff competition in the market resulted in a dismal performance in the year under review.

To counter the negative performance, emphasis was placed on reduction of overheads and provision of quality service. A slow growth resulted towards the close of the year.

The board continues to closely monitor the performance of this department to prevent any further erosion of the company's profits and ensure a quick recovery of the same.

Transport & Logistics

Over Ksh 250 million was invested in the purchase of trucks and trailers and in the expansion of the workshop and technical department to create sufficient capacity to handle trucks and trailers efficiently. It is expected that in the year to come, EKL will sign the new contract of transporting KBL products to various destinations in Kenya.

Consequent to the fleet expansion, gross profit and turn over were much higher in the year under review compared to 2003. Gross profit margin also increased by 1.4 %.

The revision of contract rates and the Board's close monitoring of this department to ensure operational efficiency, should result in greater profitability for the company for the coming year and beyond.



Packing and Removals

The sale of Kitui Road Property and consequent relocation of this operation to Etcoville did result in cost saving synergies. The overheads drastically dropped by over Ksh 2 million. The gross profit for the department recorded an increase. Gross profit margin also increased by 3.6%.



Travel Division

As discussed with shareholders in the last AGM in 2004, the year saw the disposal of the non-performing travel sector that was costing the company at least Ksh 3 million in losses every month. The sale was finalised at Ksh 27.5 million. The net assets value for this sector as per the valuation were Ksh 10 million. The new owners also took over liabilities of over Ksh 20 million.

Finally on behalf of the board of directors, I extend my thanks to the management and staff who have continued to support and implement the various initiatives of the Board during the period and we look forward to their continued support for the mutual benefits of the shareholders, the staff and the other stakeholders.

Dr. C. W. Obura

Chairman

(Signature of Dr. C. W. Obura)

Corporate Governance

for the year ended 31 December 2004

OBJECTIVE

The Company is continually improving on its corporate governance practises at all levels with the view to preserving and enhancing the shareholders investments in harmony with the interests of the wider society.

The Board of Directors of Express Kenya Limited is the principal organ responsible for giving leadership and direction on matters of cooperate Governance in line with the Capital Markets Authority (CMA) Guidelines and good corporate governance practices generally.

The Board continues to ensure that all disclosure requirements and other continuing obligations of the CMA are compiled.

The performance of the management on the implementations of the strategic plan of the company is reviewed by the Board on a regular basis in order to ensure that effectiveness and efficiency of all programmes is attained in line with the set goals.

The Board acknowledges that it is responsible for ensuring the transparency, accountability and integrity of the financial systems and internal control mechanisms in the organisation and hereby confirms that sufficient safeguards have been put in place and are reviewed on a regular basis.

Audit Committee

The committee is in place and its membership is drawn from the non executive directors. The committee reviews on a regular basis, the management programs, accounting systems and the internal controls. The committee is chaired by Mr. H. Diniz.

At the disposal of the committee, is an Internal Auditor working closely with the committee and the Board on all audit issues.

The committee is also responsible for reviewing all audit matters with the External Auditors. International Financial Reporting Standards have already been implemented in the reports to the shareholders.

Remunerations Committees

The committee is responsible for reviewing remuneration of executive directors and Senior Management.

The non-executive directors did not receive any remuneration during the year under review while the executive directors remuneration was based on their respective contracts of employment.

Nomination Committee

A nomination Committee comprising of all the non executive directors is already in place and is in the process of identifying qualified persons that would add value to the board who may be nominated to the Board as independent directors in the coming year in order to diversify the resource base and quality of the Board.

Major Shareholders

A schedule containing names, numbers of shares and actual percentages of 20 largest shareholders is provided on page 29.

Matters arising

Some of the tough issues that rocked the company were major claims coming up from the past which had never been reported before. A number of them have been handled or the process is underway.

Report of the Directors

for the year ended 31 december 2004

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2004.

1. Principal activities

The group provides clearing and forwarding services for both air and sea, as well as warehousing and logistics services.

In the year under review, the group disposed its Travel Division. Note 21(b) summarises the details of the sale.

2. Results

The results of the group are set out on page 10.

3. Dividend

The directors do not recommend the payment of a dividend (2003 – Nil).

4. Directors

The directors who served during the year are set out on page 2.

5. Auditors

The auditors, KPMG Kenya, have indicated their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap. 486).

6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 9 May 2005.

BY ORDER OF THE BOARD

Equatorial Secretaries Registrars

Date: 9 May 2005

Statement of Directors' Responsibilities

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of each financial year and of the operating results of the group for that year. It also requires the directors to ensure the group and the company keep proper accounting records, which disclose with reasonable accuracy the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

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

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

Director: Dr. C W Obura

Director: H R Diniz

Date: 9 May 2005

Report of the Independent Auditors

to the members of Express Kenya Limited

We have audited the financial statements set out on pages 10 to 28 for the year ended 31 December 2004. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. The balance sheet of the Company is in agreement with the books of account.

Respective responsibilities of directors and independent auditors

As stated on page 8, the directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the group and the company and of the group's operating results. Our responsibility is to express an opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the group and company's financial position at 31 December 2004 and of the group's operating results and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

KPMG Kenya
CERTIFIED PUBLIC ACCOUNTANTS
P O Box 40612 - 00100
Date: 9 May 2005

Consolidated Profit and Loss Account

for the year ended 31 December 2004

	Note	2004 KShs '000	2003 KShs '000
Revenue		1,762,203	3,964,581
Cost of sales		(1,486,576)	(3,556,534)
Gross profit		275,627	408,047
Profit on sale of property and equipment		4,458	-
Operating and administrative costs		(188,505)	(418,601)
Depreciation		(55,506)	(61,510)
Profit/(loss) from operations		36,074	(72,064)
Net financing costs	4	(17,204)	(36,763)
Profit/(loss) before exceptional item		18,870	(108,827)
Loss on disposal of Travel Division	3	(8,633)	-
Profit / (loss) before tax	5	10,237	(108,827)
Income tax (expense)/credit	6	(5,627)	40,676
Profit / (loss) after tax		4,610	(68,151)
Basic and dilutive earnings /(loss) per share	7	KShs 0.14	KShs (14.20)

The notes set out on pages 16 to 28 form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 December 2004

	Note	2004 KShs '000	2003 KShs '000
ASSETS			
Non current assets			
Property, plant and equipment	8(a)	377,903	338,210
Prepaid operating lease rentals	10	9,629	10,932
Goodwill	11	-	-
		387,532	349,142
Current assets			
Stocks	12	9,251	1,815
Debtors	13	190,919	410,922
Tax recoverable		19,914	17,104
Cash and bank balances	14	2,192	31,999
		222,276	461,840
TOTAL ASSETS		609,808	810,982
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	160,925	24,000
Reserves (Page 9)		38,154	(12,532)
		199,079	11,468
Non current liabilities			
Deferred tax	16(a)	19,030	16,269
Finance lease payables	17	-	4,578
Loans from related parties	18	-	106,999
		19,030	127,846
Current liabilities			
Interest bearing loans and borrowings	19	223,502	223,888
Creditors	20	168,197	447,780
		391,699	671,668
TOTAL EQUITY AND LIABILITIES		609,808	810,982

The financial statements on pages 10 to 28 were approved by the Board of Directors on 9 May 2005 and were signed on its behalf by:

Director: Dr C W Obura

Director: H R Diniz

The notes set out on pages 16 to 28 form an integral part of these financial statements.

Company Balance Sheet

at 31 December 2004

	Note	2004 KShs '000	2003 KShs '000
ASSETS			
Non current assets			
Property, plant and equipment	8(b)	349,807	309,336
Investment in subsidiaries	9	7,491	16,923
Prepaid operating lease rentals	10	8,760	10,042
		366,058	336,301
Current assets			
Stocks	12	9,251	1,815
Debtors	13	190,861	399,783
Tax recoverable		19,920	16,868
Cash and bank balances	14	2,192	30,711
		222,224	449,177
TOTAL ASSETS		588,282	785,478
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	160,925	24,000
Reserves (Page 10)		(11,734)	(43,737)
		149,191	(19,737)
Non current liabilities			
Deferred tax	16(b)	12,192	6,566
Finance lease payables	17	-	4,578
Loans from related parties	18	-	106,999
		12,192	118,143
Current liabilities			
Interest bearing loans and borrowings	19	223,502	223,888
Creditors	20	203,397	463,184
		426,899	687,072
TOTAL EQUITY AND LIABILITIES		588,282	785,478

The financial statements on pages 10 to 28 were approved by the Board of Directors on 9 May 2005 and were signed on its behalf by:

Director: Dr C W Obura

Director: H R Diniz

The notes set out on pages 16 to 28 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2004

	Note	2004 KShs '000	2003 KShs '000
Cash inflows from operating activities	21(a)	34,040	16,962
Investing activities			
Purchase of property and equipment		(176,026)	(67,611)
Proceeds from sale of property and equipment		40,459	7,170
Sale of Travel Division, net of cash disposed	21(b)	(2,603)	-
Cash outflows from investing activities		(138,170)	(60,441)
Financing activities			
Decrease in money market borrowing		-	(100,000)
Finance lease paid		(1,076)	-
Loan received		-	2,880
Proceeds from sale of shares		88,313	-
Rights issue expense		(6,993)	(7,492)
Loan repaid		(10,000)	(14,012)
Loans from related parties		-	114,491
Cash inflows/(outflows) from financing activities		70,244	(4,133)
Net decrease in cash and cash equivalents	21(c)	(33,886)	(47,612)

The notes set out on pages 16 to 28 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2004

	Share capital KShs'000	Share Premium KShs'000	Revaluation reserve KShs'000	Revenue reserve KShs'000	Total KShs'000
Balance at 1 January 2003	24,000	-	89,396	(33,507)	79,889
Net loss for the year	-	-	-	(68,151)	(68,151)
Exchange loss arising on translation of subsidiary	-	-	-	(270)	(270)
Excess depreciation transfer	-	-	(3,085)	3,085	-
Deferred tax on excess depreciation transfer	-	-	926	(926)	-
Balance at 31 December 2003	24,000	-	87,237	(99,769)	11,468
Net profit for the year	-	-	-	4,610	4,610
Reserves released on disposal of Travel Division	-	-	-	19,482	19,482
Reserves realised on disposal of property	-	-	(11,183)	11,183	-
Excess depreciation transfer	-	-	(2,736)	2,736	-
Deferred tax on excess depreciation transfer	-	-	821	(821)	-
Issue of shares	136,925	26,594	-	-	163,519
Balance at 31 December 2004	160,925	26,594	74,139	(62,579)	199,079

The notes set out on pages 16 to 28 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2004

	Share capital KShs '000	Share premium KShs'000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Total KShs'000
Balance at 1 January 2003	24,000	-	75,129	(61,465)	37,664
Net loss for the year	-	-	-	(57,401)	(57,401)
Excess depreciation transfer	-	-	(2,599)	2,599	-
Deferred tax on excess depreciation transfer	-	-	780	(780)	-
Balance at 31 December 2003	24,000	-	73,310	(117,047)	(19,737)
Net profit for the year	-	-	-	5,409	5,409
Reserves realised on disposal of property	-	-	(11,183)	11,183	-
Excess depreciation transfer	-	-	(1,172)	1,172	-
Deferred tax on excess depreciation transfer	-	-	352	(352)	-
Issue of shares	136,925	26,594	-	-	163,519
Balance at 31 December 2004	160,925	26,594	61,307	(99,635)	149,191

The notes set out on pages 16 to 28 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

The financial statements are prepared under the historical cost convention, modified by revaluation of certain assets. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events, actual results may ultimately differ from those estimates.

(b) Consolidation principles

The consolidated financial statements include the Company and subsidiaries in which the company holds more than 50% of the voting rights. A listing of the company's significant subsidiaries is set out in Note 9.

All inter-company balances and transactions, including unrealised inter-company profits, are eliminated.

(c) Revenue recognition

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

(d) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings (KShs) at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date. Resulting exchange differences are recognised in the income statement for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of transaction.

Foreign exchange differences arising on the translation of foreign subsidiary are recognised directly in equity.

(e) Property, plant and equipment

Items of property, plant and equipment are stated at purchase price or valuation less accumulated depreciation.

Depreciation is charged on a straight line basis over the estimated useful lives of the assets. The rates of depreciation used are based on the following estimated useful lives:

Freehold land	Nil
Plant and equipment	5 to 12 years
Fixtures and fittings	5 to 10 years

(f) Investments

Other investments comprise participation in an entity in which the company neither holds, directly or indirectly, 20% or more of the voting powers or exercises significant influence. The investments are carried at cost less any amounts written off other than temporary declines in the value of the investment.

(g) Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of stocks is based on the first-in first out principle.

(h) Trade and other debtors

Trade and other receivables are stated at nominal value, less writedowns for any amounts expected to be irrecoverable.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

(i) Employment benefits

Employees of the company are eligible for retirement benefits under a defined contribution plan provided through a separate fund arrangement.

Contributions to the defined contribution plan are charged to the income statement as incurred.

(j) Taxation

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Income tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rate currently enacted.

(k) Cash and cash equivalent

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

(l) Segment reporting

The group which initially presented segmental information is based on two segment formats i.e. Freight Division and Travel Division, sold off the Travel Division, consequently segmental information has not been disclosed as there are no longer separately identifiable divisions.

(m) Impairment of assets

The carrying amounts of the Group's assets, other than stocks and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised immediately.

(n) Interest bearing borrowings

Interest bearing borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowings.

(o) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(p) Financial Instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the group include receivables arising from day to day sale of goods and services and cash and bank balances.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio every balance sheet date to ensure that all financial instruments are appropriately classified.

Financial instruments are measured initially at cost, including transaction costs.

Originated loans and receivables which include receivables arising from day to day sale of goods and services, are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method.

A financial asset is derecognised when the group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

(q) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. The cost of goodwill is amortised on a straight-line basis over a period of five years.

(r) Finance lease payables

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

2. SEGMENTAL REPORTING

The group which previously comprised two divisions i.e. Travel Division and Freight Division, sold off the Travel Division to some former Directors of the group, effective 1 January 2004. The net assets disposed off are analysed as per note 21(b). There being no other identifiable segments, the directors do not consider it necessary to disclose segmental information.

3. LOSS ON DISPOSAL OF TRAVEL DIVISION

	KShs'000
Net assets disposed (note 21 (b))	16,651
Add: Accumulated losses in a subsidiary disposed as part of the Travel Division	19,482
	<hr/> 36,133
Proceeds on disposal	(27,500)
	<hr/>
Loss on disposal	8,633

4. NET FINANCING COSTS

	2004 KShs'000	2003 KShs'000
Interest income	-	512
Foreign exchange gains	926	4,061
	<hr/> 926	<hr/> 4,573
Interest expense	(17,463)	(33,223)
Foreign exchange losses	(667)	(8,113)
	<hr/> (18,130)	<hr/> (41,336)
Net finance cost	(17,204)	(36,763)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

5. PROFIT/(LOSS) BEFORE TAX

	2004 KShs '000	2003 KShs '000
Profit/(loss) before tax is arrived at after charging:		
Total staff costs	101,219	217,160
Directors' emoluments:		
- Fees	-	-
- Other	6,000	16,751
Depreciation	55,506	61,510
Auditors' remuneration:		
- Charge for the year	1,200	1,500

The average number of people engaged during the year were:

	2004	2003
Freight division	265	284
Travel division	-	170
Central services	14	16
Total	279	470

Included in staff costs are contributions to a defined contribution plan for employees. During the year, the company expensed KShs 2,335,697 in contributions payable (2003 – KShs 6,262,514).

6. INCOME TAX

	2004 KShs '000	2003 KShs '000
Current tax at 30%	-	-
Change in deferred tax (Note 16)	5,627	(25,927)
Reinstatement of deferred tax asset	-	(14,749)
Income tax expense/(credit)	5,627	(40,676)

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

Accounting profit/(loss) before tax	10,237	(108,827)
Tax at the applicable tax rate of 30%	3,071	(32,648)
Reinstatement/(write down) of deferred tax asset	-	(14,749)
Impact of disposal of Travel Division	2,866	-
Non-taxable income and non-deductible costs	(309)	6,721
Income tax expense/(credit)	5,627	(40,676)

7. BASIC AND DILUTIVE EARNINGS/ LOSS PER SHARE

	2004 KShs '000	2003 KShs '000
The basic and dilutive earnings/ (loss) per share is based on:		
Basic and dilutive earnings /(Loss) after tax – in KShs'000	4,610	(68,151)
Weighted average number of ordinary shares in issue during the year	32,185,000	4,800,000
Basic and dilutive earnings/(Loss) per share (in KShs)	0.14	(14.20)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

8. PROPERTY, PLANT AND EQUIPMENT

a) Group:

	Freehold land KShs '000	Leasehold buildings		Plant and equipment KShs '000	Total KShs '000
		long term KShs '000	short term KShs '000		
Group:					
Cost or valuation:					
At 1 January 2004	30	122,970	81,288	398,749	603,037
Division sold off	-	-	-	(121,720)	(121,720)
Additions	-	246	22,449	153,331	176,026
Disposals	-	(36,246)	-	(11,949)	(48,195)
At 31 December 2004	30	86,970	103,737	418,411	609,148
Cost	30	-	23,737	418,411	442,178
Valuation	-	86,970	80,000	-	166,970
	30	86,970	103,737	418,411	609,148
Depreciation:					
At 1 January 2004	-	4,745	4,991	255,091	264,827
Division sold off	-	-	-	(75,865)	(75,865)
Charge for the year	-	1,317	5,174	49,015	55,506
Disposals	-	(2,087)	-	(11,136)	(13,223)
At 31 December 2004	-	3,975	10,165	217,105	231,245
Net book value:					
At 31 December 2004	30	82,995	93,572	201,306	377,903
At 31 December 2003	30	118,225	76,297	143,658	338,210

Land and buildings of the company were valued by independent professional valuers on an open market basis as at 31 December 2001. The resulting surplus was credited to a revaluation reserve.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

b) Company:

	Freehold land KShs '000	Leasehold buildings long term KShs '000	short term KShs '000	Plant and equipment KShs '000	Total KShs '000
Cost or valuation:					
At 1 January 2004	30	92,970	81,288	398,462	572,750
Additions	-	246	22,449	153,331	176,026
Sale of Travel Division	-	-	-	(121,433)	(121,433)
Disposal	-	(36,246)	-	(11,949)	(48,195)
At 31 December 2004	30	56,970	103,737	418,411	579,148
Cost	30	34,180	23,737	418,411	476,358
Valuation	-	22,790	80,000	-	102,790
	30	56,970	103,737	418,411	579,148
Depreciation:					
At 1 January 2004	-	3,600	4,991	254,823	263,414
Sale of Travel Division	-	-	-	(75,578)	(75,578)
Charge for the year	-	558	5,174	48,996	54,728
Disposals	-	(2,087)	-	(11,136)	(13,223)
At 31 December 2004	-	2,071	10,165	217,105	229,341
Net book value:					
At 31 December 2004	30	54,899	93,572	201,306	349,807
At 31 December 2003	30	89,370	76,297	143,639	309,336

Land and buildings of the group were valued by independent professional valuers on an open market basis as at 31 December 2001. The resulting surplus was credited to a revaluation reserve.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

9. INVESTMENT IN SUBSIDIARIES

Company

The significant subsidiary undertakings are:

	Country	Ownership	2004 KShs'000	2003 KShs'000
Express Mombasa Limited	Kenya	100%	2,810	2,810
Container Services Limited	Kenya	100%	2,150	2,150
Airporter Limited	Kenya	100%	2,531	2,531
Express Uganda Limited	Uganda	100%	-	9,432
			7,491	16,923

10. PREPAID OPERATING LEASE RENTALS

	Group KShs'000	Company KShs'000
Carrying amount of leasehold land as at 1 January 2004	10,932	10,042
Amortisation for the year	(274)	(253)
Less disposal	(1,029)	(1,029)
Balance as at 31 December 2004	9,629	8,760

11. GOODWILL

Group

	2004 KShs'000	2003 KShs'000
At cost	-	2,514
Amortisation	-	(570)
Exchange difference	-	-
Write off of goodwill	-	(1,944)
	-	-

12. STOCKS

	2004 KShs'000	2003 KShs'000
Group and company		
General stocks at cost	9,251	1,815

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

13. DEBTORS

	Group		Company	
	2004 KShs '000	2003 KShs '000	2004 KShs '000	2003 KShs '000
Trade debtors	152,965	343,654	153,133	311,224
Prepayments	-	64,322	-	47,029
Due from related companies	227	-	-	41,147
Other debtors	37,727	2,946	37,728	383
	190,919	410,922	190,861	399,783

Services to related companies were transacted at terms and conditions similar to those offered to major customers.

14. CASH AND BANK BALANCES

	Group		Company	
	2004 KShs '000	2003 KShs '000	2004 KShs '000	2003 KShs '000
Cash on hand	2,192	2,951	2,192	2,951
Bank balances	-	29,048	-	27,760
	2,192	31,999	2,192	30,711

15. SHARE CAPITAL

	2004 KShs '000		2003 KShs '000	
	Authorised			
43,200,000 (2002 - 4,800,000) ordinary shares of KShs.5 each	216,000		24,000	
Issued and fully paid				
	Number of shares (In thousands)		Value of shares	
	2004 KShs'000	2003 KShs'000	2004	2003
At 1 January	4,800	4,800	24,000	24,000
Issued in the year	27,385	-	136,925	-
At 31 December	32,185	4,800	160,925	24,000

At a shareholders meeting held in November 2003, the shareholders approved an increase in share capital via a rights issue. 27,385,264 shares were issued and allotted in the year. The shares were issued at a price of KShs 6.5 per share and realised a total of KShs 178,004,216 of which KShs 88,313,000 was settled cash and the balance was offset against the shareholders loans.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

16. DEFERRED TAX

a) Group

Movements during the year are as follows:

	At 01.01.2004 KShs'000	Transferred on disposal of Travel Division KShs'000	Recognised in income KShs'000	At 31.12.2004 KShs'000
Arising from:				
Property, plant & equipment	50,517	-	3,817	54,334
Tax losses carried forward	(24,925)	-	(4,902)	(29,827)
General provision	(12,189)	-	6,712	(5,477)
Other provisions	2,866	(2,866)	-	-
Total	16,269	(2,866)	5,627	19,030

b) Company

Movements during the year are as follows:

	At 01.01.2004 KShs'000	Recognised in income KShs'000	At 31.12.2004 KShs'000
Arising from:			
Property, plant & equipment	43,679	3,817	47,496
General provisions	(12,188)	6,711	(5,477)
Tax losses carried forward	(24,925)	(4,902)	(29,827)
Total	6,566	5,626	12,192

17. FINANCE LEASE PAYABLES

The company has been availed a hire purchase facility of KShs 30 million with National Industrial Credit Bank Limited. The hire purchase facility meets the criteria for classification as a finance lease under International Accounting Standard 17 (Leases). The facility is used to finance the purchase of trucks/vehicles. Repayments will be made in 36 monthly instalments. The interest rate is 18% per annum.

Future principal payments under the finance lease:

	2004 KShs'000	2003 KShs'000
Within one year (see note 19 below)	1,520	5,985
More than one year and not later than five years	-	4,578
	1,520	10,563

18. LOANS FROM RELATED PARTIES

Ectoville Investments Limited, the ultimate holding company and other related parties, had advanced KShs 106,999,000 in lieu of its share of the rights issue in 2003. The movement in the loans in the year is as follows.

	Group and Company KShs'000
At 1 January 2004	106,999
Less:	
Applied against issue of share capital	(82,199)
Applied against intercompany balances	(10,000)
Transferred to Travel Division upon disposal of the division	(14,800)
At 31 December 2004	-

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

19. INTEREST BEARING LOANS AND BORROWINGS – Group and Company

	2004 KShs '000	2003 KShs'000
Bank overdraft	221,982	217,903
Finance lease payables	1,520	5,985
	223,502	223,888

The money market borrowing and bank overdraft facilities have been secured by debentures issued by the company over all its assets for KShs.200,000,000 and supplemented by legal charge over LR 12596/1 and LR NO Mombasa/Block1/335 of KShs.150,000,000 and KShs 70,000,000 respectively.

The overdraft was at 12.5% for the Kenya Shilling facility and 3.5% above LIBOR for the dollars facility. These amounts are repayable on demand

20. CREDITORS

	Group		Company	
	2004 KShs '000	2003 KShs '000	2004 KShs '000	2003 KShs '000
Accounts payable – trade	110,968	261,212	110,915	254,192
Payable to related companies	-	-	35,248	35,249
Other payables and accrued expenses	57,229	186,568	57,234	173,743
	168,197	447,780	203,397	463,184

Services from related parties were transacted at terms and conditions similar to those offered to major customers.

21. NOTES TO THE CASH FLOW STATEMENT

	2004 KShs '000	2003 KShs '000
a) Reconciliation of profit/(loss) before tax to cash flow from operating activities		
Group profit/(loss) before tax	10,237	(108,827)
Adjustments for:		
Profit on sale property and equipment	(4,458)	(3,057)
Amortisation of goodwill/lease	274	868
Depreciation	55,506	61,510
Loss on disposal of Travel Division	8,633	-
Goodwill write-off	-	1,944
Net interest expense	17,204	36,763
Operating profit before working capital changes	87,396	(10,799)
Increase in stocks	(7,436)	(323)
Decrease in debtors	19,737	61,484
(Decrease)/increase in creditors	(45,401)	9,628
Effect of exchange rate changes	-	(351)
Cash generated from operations	54,296	59,639
Interest paid	(17,204)	(36,763)
Tax paid	(3,052)	(5,914)
Cash inflows from operating activities	34,040	16,962

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

21. NOTES TO THE CASH FLOW STATEMENT – Continued

b) Disposal of Travel Division

During the previous the group sold the Travel Division, comprising the Express Travel Group and Express Uganda Limited to former directors of the Group. The disposal had the following effect on the assets and liabilities of the group:

	KShs'000
Property, plant and equipment	45,855
Debtors	200,508
Cash and bank balances	30,111
Bank overdraft	(8)
Loans from shareholders	(14,800)
Creditors	(234,423)
Deferred tax	(2,866)
Finance lease payables	(7,968)
Tax receivable	242
Net identifiable assets	16,651
Consideration received – satisfied by cash	27,500
Less:	
Cash disposed of	30,111
Bank overdraft disposed	(8)
Net cash outflow flow on disposal net of cash and cash equivalents	(2,603)

c) Movement in cash and cash equivalents

	2004 KShs'000	2003 KShs'000	Change in the year KShs'000
Cash and bank balances	2,192	31,999	(29,807)
Bank overdraft and other borrowings	(221,982)	(217,903)	(4,079)
	(219,790)	(185,904)	(33,886)

22. CONTINGENT LIABILITIES

	Group		Company	
	2004 KShs'000	2003 KShs'000	2004 KShs'000	2003 KShs'000
Claims, guarantees and discounted bills	38,347	67,250	38,347	40,011

These are guarantees given by the group and the company in the normal course of business to their clients. Apart from these the company has custom bonds issued in favour of its clients in the normal course of business totalling KShs 997,718,703 (2003 – Kshs 1,192,293,875) out of which KShs 512,318,702 was utilised as at 31 December 2004 (2003 – KShs 454,467,731). No material losses are expected to arise from these bonds.

Former employees of the company have sued the company for wrongful termination. The total damages claimed by these employees amount to KShs 10,524,677. KShs 5,700,000 has been provided to cover any loss arising from the claims.

Included in claims, guarantees and discounted bills is USD 202,000 (KShs 15,644,900) being guarantees given by the company to its related company, Express Travel Group.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

23. GROUP NET ASSETS OUTSIDE KENYA

Group net assets outside Kenya are as follows:

	2004 KShs'000	2003 KShs'000
Group net assets/(liabilities) in Uganda	-	(2,815)

24. RELATED PARTY TRANSACTIONS

(i) Directors and employees

The Group has entered into transactions with its employees and directors:

	2004 KShs'000	2003 KShs'000
Balance at 1 January	335	586
Loan repayments received	-	(251)
Transferred to ETG	(335)	-
Balance at 31 December	-	335

The related interest income in 2004 was nil (2003 – KShs 48,615).

(ii) Sale of Travel Division

The group sold the Travel Division, comprising the Express Travel Group, formerly a division within Express Kenya Limited, and Express Uganda Limited, to two directors who were also the shareholders. The net assets sold and proceeds on sale have been analysed under Note 21(b).

(iii) Services from/to related parties

During the year, the Group received freight services/rendered freight services to related parties as follows:

	2004 KShs'000	2003 KShs'000
Invoiced to related parties	1,646	25,526
Invoiced by related parties	(899)	(15,677)
Net transactions	747	9,849

At 31 December 2004, the following balances were outstanding:

Due to related parties	(5,926)	-
Due from related parties	4,989	-
	(937)	-

Transactions with related parties were conducted on arm's length basis.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

25. OPERATING LEASES

	2004 KShs'000	2003 KShs'000
Tenancy payable		
Less than 1 year	2,064	11,408
Between 1 and five years	5,400	27,138
	7,464	38,546
Amounts charged to profit and loss account in respect of operating leases	2,334	14,180
Company		
Tenancy payable		
Less than 1 year	2,064	11,408
Between 1 and five years	5,400	27,138
	7,464	38,546
Amounts charged to profit and loss account in respect of operating leases	2,334	12,766

The group and company leases a number of premises under operating leases. The leases typically run for an initial period of between one to five years with an option to renew the lease after that date.

26. ULTIMATE HOLDING COMPANY

The ultimate holding company is Etcoville Investments Kenya Limited which is incorporated in Kenya.

27. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

28. CURRENCY

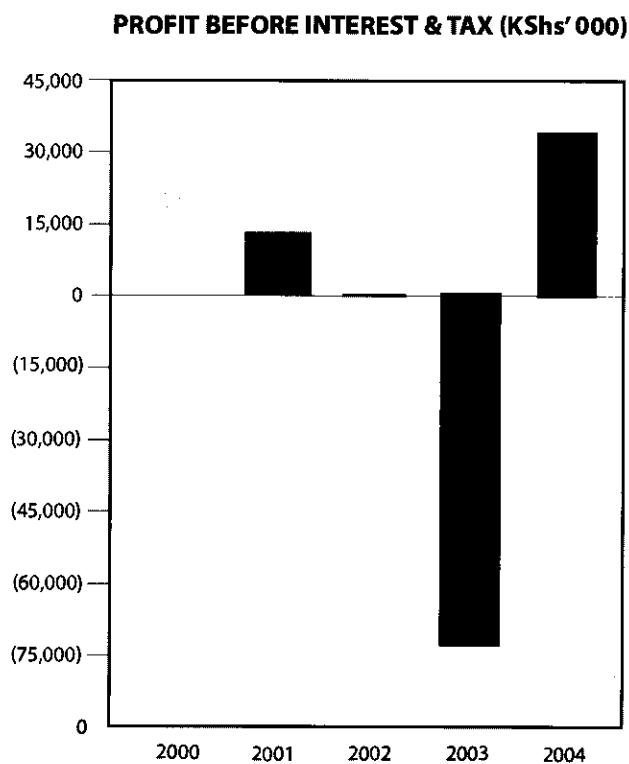
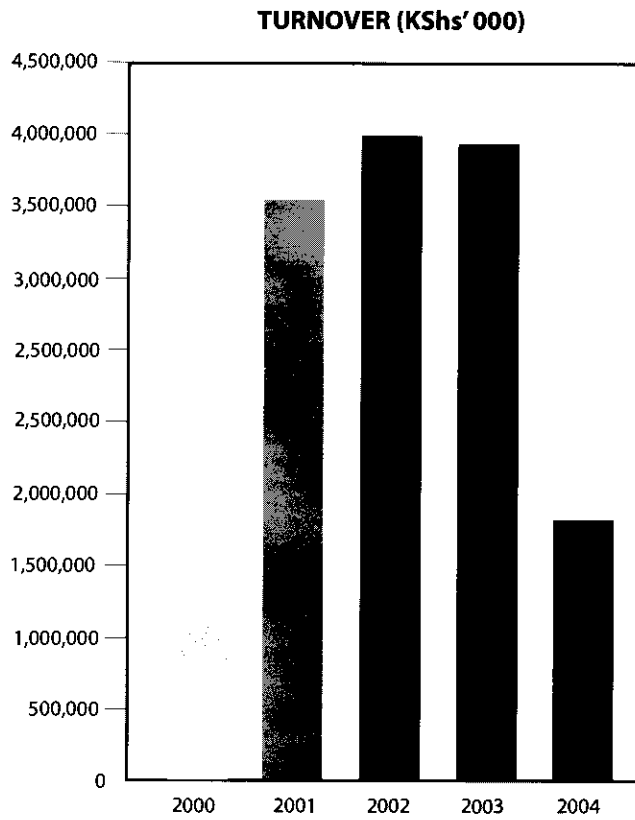
The financial statements are presented in Kenya Shillings (KShs).

List of 20 Major Shareholders

as at 26 April 2004

Name	Number Of Shares	%
Etcoville Holdings Ltd	21,609,252	67.14
Tokaru Limited	4,005,000	12.44
Sanjai & Umesh Raikundalia	898,152	2.79
UAP Provincial Insurance Company Ltd	730,863	2.27
KTDC Utalii Investments Ltd	330,800	1.03
Andrew Kimani Mwangi	300,000	0.93
Dr. Stephen Githii Kionga Kamau	209,870	0.65
Jonathan Harry Erskine Leaky	138,475	0.43
Peter Charles Ochieng Asingo	122,056	0.38
Charles Muchiri Njithi	119,000	0.37
Karsam Serviettes Co. Ltd	80,000	0.25
Dr. Harrison Mwiti M'kiambati	71,216	0.22
Dennis Karanja	54,625	0.17
Mr. Francis P. Ngillah	50,025	0.16
Jeanne Gacheche	50,000	0.16
Savitaben Velji Shah	48,688	0.15
Fechim Investments Limited	46,500	0.14
Lusitano Carvalho	45,657	0.14
Mr Shantilal Chhotabhai Patel	43,200	0.13
Munga Paul Thairu	40,000	0.12
<hr/>		
And:- 1528 other Shareholders	3,191,885	9.92
<hr/>		
Total Number of Shares	32,185,264	100.00
<hr/>		

Financial Highlights



Proxy Form

I/We _____

of _____

being a member(s) of the above named company hereby appoint _____

of _____

or failing him _____

of _____

to vote for me/us/ on my/our behalf at 34th Annual General Meeting of the said company to be held at 10:30 am on Saturday 4th June, 2005 and at any adjournment thereof.

signed this _____ day of _____ 2005

signature _____

A member entitled to attend and vote at this meeting is entitled to appoint a proxy who need not be a member(s).

N.B. This proxy must be deposited at the Registered Office of the Company, P.O. Box 40433 - 00100, Ectoville, Off Enterprise Road, Nairobi at least 48 hours before the time of holding this meeting.

Fomu ya Uwakilishi

Mimi/Sisi _____

wa _____

nikiwa/tukiwa/mwanachama wa kampuni hii iliyotajwa hapa juu 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 34 wa Kampuni hii utakaofanywa saa nne na nusu asubuhi Jumamosi Juni 4, 2005 na katika mkutano wowote utakaoahirishwa.

Imetiwa sahihi leo _____ siku ya _____ 2005.

Sahihi _____

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.

TAZAMA: Fomu hii ya Uwakilishi lazima kufikishwa katika Afisi ya Kampuni hii, Sanduku la Posta 40433 - 00100, Ectoville, karibu na Enterprise Road, Nairobi katika muda usiopungua masaa 48 kabla ya mkutano kufanyika.

STAMP

The Company Secretary
Express Kenya Limited
P.O. Box 40433
00100, Nairobi
Kenya