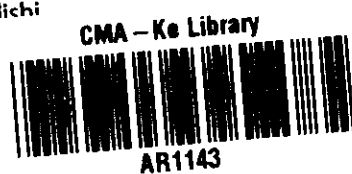
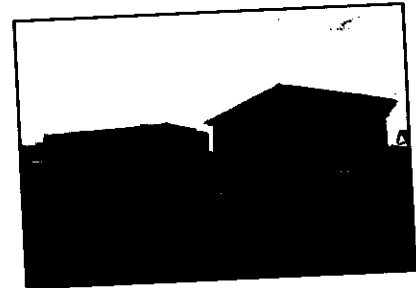


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1- Express Kenya Limited - Nairobi
2- Express Kenya Limited - Nairobi

Directors, Officers And Administration

DIRECTORS

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

*Dutch

COMPANY SECRETARY

Equatorial Secretaries and Registrars
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

AUDITORS

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

2007/1143

Notice of Annual General Meeting

for the year ended 31 December 2005

NOTICE IS HEREBY GIVEN that the Thirty Fifth Annual General Meeting of the members of Express Kenya Limited will be held at The Norfolk Hotel, Nairobi on Friday the 14th July 2006 at 10.00 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 Fourth Annual General Meeting held on 4th June 2005.
4. To receive, consider and if thought fit, adopt the Annual Report and Financial Statements for the year ended 31st December 2005, 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 2005.
6. To elect Directors in accordance with the Company's Articles of Association. Mr. R B Markham retires by rotation in accordance with Article 113 of the Company's Articles of Association and, being eligible, offers himself for re-election.
7. To approve the Directors' fees.
8. To appoint Auditors until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to determine their remuneration.
9. Any other business for which sufficient notice has been given.

SPECIAL BUSINESS

10. To consider and if deemed appropriate, pass the following resolutions as Ordinary Resolutions:
 - (i) "That pursuant to Article 55 of the Company's Articles of Association, and subject to the approval of the Capital Markets Authority being obtained pursuant to rule G. 01 of the General continuing obligations of The Capital Markets Authority Rules 2002, and the Nairobi Stock Exchange admitting the listing of new ordinary shares of the Company, and upon the recommendation of the Board, it is desirable to capitalize a sum of **Kshs.16,092,632** being part of the amount standing to the credit of Share Premium Account as at 31st December 2005 and accordingly that such sum be set free for distribution amongst the shareholders of existing ordinary shares in the capital of the Company as per the Members Register as at the date of the closure of the Register, 14th July 2006, on condition that the same be not paid in cash but applied in paying up in full at par **3,218,526** of the unissued ordinary shares of **Kshs 5** each in the authorised Share Capital of the Company, and that such **3,218,526** shares credited as fully paid –up be accordingly be allotted to such shareholders in the proportion of **one** new share for every **ten** of

existing 32,185,264 shares then held by such Shareholders respectively (fractions of share to be disregarded) and that the shares so distributed shall be treated for all purposes as an increase in nominal amount of capital of the Company held by each such Shareholder and not as income and further that such shares shall rank *pari passu* for all purposes with the existing shares in the capital of the Company and the Directors be and are authorized and directed to give effect to this resolution".

- (ii) "That should any of the said **3,218,526** bonus shares not be issued by reason of a share being disregarded, the Directors may allot and issue the same to such persons and upon such terms and conditions that they may think fit".

BY ORDER OF THE BOARD

Equatorial Secretaries and Registrars
Kalamu House, Waiyaki Way, Westlands
P O Box 47323, 00100
Nairobi
Date: 2nd June 2006

NOTE 1

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/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, 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 10.00 a.m. Wednesday 12th July 2006.

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 15.6% in 2004 to 24.5% in 2005.'

The year 2005 began with great hope and optimism by the business community.

From a turnaround position recorded in 2004, the Company has maintained a steady growth in 2005 with a remarkable achievement against a background of unfavorable operating circumstances/conditions mainly attributed to rising oil prices, insecurity and poor infrastructure particularly the road network.

Despite the inherent problems and risks riddling the freight industry coupled with cut throat competition, the year marked a continued profitability growth for Express Kenya Limited owing to strong and effective management of core business and cost control on finance and other divisions. Gross Profit margin rose from 15.6% in 2004 to 24.5% in 2005.

Strategy

The Company's strategy of expanding its freight logistics division, including the technical Support Division and improvement of the physical facilities at Etcoville is on course.

Already underway is the acquisition of a brand new fleet of Mitsubishi Fuso FV515 Prime Movers among other



related machinery and equipment. The total capital to be invested is estimated at Ksh 450 million (US\$ 6.25 million). This will see the strengthening of the core business particularly transport which will go a long way in enhancing further growth and profitability in the coming years.

Express Kenya Limited entered into fleet partnership with a leading fuel company from September 2005. This coupled with more stringent controls and monitoring of the fleet, drastically reduced fuel cost hence a key saving and important contributor to future profitability. Also, due to high

maintenance costs experienced with the current fleet of prime movers, a negotiated maintenance package comes with the new fleet that should also see a relative dramatic drop in maintenance costs.

Net financing costs have reduced dramatically from KSh.17.2 million in 2004 to KSh 7.8 million in 2005, and continue to be monitored very closely to maintain the shrinking trend and moderate the same. However, this position may be altered partially in the coming year to cater for the capital investments.

As the fleet grows to desired levels, the Company plans on disposing off some of the older trucks and other assets.

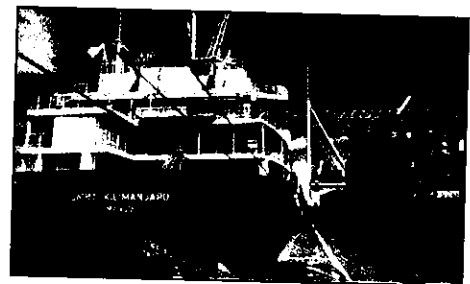
All the savings and disposal funds realized from the above undertakings shall be deployed towards the projects in the Company strategy for growth.

Also to foster business growth the Company has employed the services of a General Manager, Commercial and Operations and also plans on putting up a strong sales team to boost the client base.

The performance of various operations will now be highlighted:

Seafreight Operations

The gross profit margin grew by 5.9% as compared to the previous year. Tough reforms and measures to curb corruption and



modernization of customs systems employed by the Kenya Revenue Authority should pay off in improving our service, capacity and general operational profitability.

The major challenge still remains the stiff competition experienced from other major players. Nevertheless, growth is expected both in volumes handled and on the client base. Significant growth in profit is anticipated in the coming year and onwards.

The sea freight operation and related staff were relocated from Etcoville to the Airport office. This move has seen its amalgamation with the Airfreight operation which in turn has resulted in greater savings on economies of scale and

Chairman's Report

continued

improvement on service levels due to having all clearing services under one roof.

Airfreight Operations

The existence of this service is key as a support for other operations in the Company. This department has therefore been



maintained as such as the Company strives on to build profitable business partnerships.

The Gross profit margin for this department rose from 8.5% in 2004 to 14% in 2005. This followed the close monitoring of the performance to prevent erosion of Company's profit and strictly ensuring profitability of transactions.

A vigorous strategy to market this service and increase the client base and profitability is now in place. It is expected that volumes handled and profitability will grow exponentially in the future periods.

Warehouse Operations

This operation prides itself on the quality of service offered notably strategic convenient placing of commercial clients, speed



of operation, trustworthy personnel and enhanced security accorded to stored goods.

Sizeable increase in demand for this facility is prominent. Close monitoring and reorganization of storage is carried out regularly, ensuring maximum utilization of facilities and enhancing profitability. Gross Profit margins rose to 95.65% in 2005 up from 91.73% in 2004.

Packing and Removals

To benefit from economies of scale, the operations and personnel under this department are managed under the warehouse operations.

Jobs undertaken are carefully scrutinized to ensure profitability and evasion of the inherent risks riddling this

unique service. Gross profit margin has been maintained. A slow growth resulted towards the close of the year and is expected to develop exponentially.



Transport & Logistics

Over the last decade or so, we have witnessed sustained neglect of the development and maintenance of Kenya's infrastructure.



We have witnessed continued dilapidation of the road network which is key to our operations. Maintenance cost of trucks have increased furthermore, the turnaround time of these vehicles has drastically deteriorated.

Gross profit for the year reached KSh 118 million against KSh 93 million in the year 2004. Despite the challenges of the ever increasing fuel prices and high cost of maintenance, gross profit margin was maintained at approximately 27%.

With the ongoing fleet expansion, the Board is circumspectly structuring regional business opportunities, the focus being on the East and Central Africa region. The car carrier fleet is also to be expanded to cater for the growing regional demand.

The Board and Management team are continually establishing controls and monitoring devices to keep on check the inherent problems and risks as the Company strives to tap more of the growing business generated within the various regional trading blocks as well as locally. This will see the institution of mechanisms such as the online tracking system and ensuring maximum utility of the fleet management system.

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

Corporate Governance

for the year ended 31 December 2005

OBJECTIVE

The Company is continually improving on its corporate governance practices 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 Corporate 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 complied with.

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 organization and hereby confirms that sufficient safeguards have been put in place and are reviewed on a regular basis.

Audit Committee

The committee is chaired by Mr. H. Diniz. The Internal Auditor is an ex-officio member of the committee.

Its main function include overseeing financial reporting and is responsible for the detailed review of all audit matters; consideration of the appointment of external auditors and the maintenance of a professional relationship with them; and for reviewing the accounting principle, policies and practices adopted in the preparation of public financial information.

Other functions include evaluating the effectiveness of the internal auditing function, including its purposes, activities, scope and adequacy and approve the annual Internal Audit plan. Also, it evaluates policies, procedures and systems introduced by management, thus ensuring that these are functioning effectively.

Remunerations Committees

The committee is responsible for the review and approval of remuneration packages for Executive Directors and Senior Management.

Other functions include ; determine ,approve, and develop the company's general policy on remuneration as well as specific policy on executive remuneration; review the general levels of remuneration for directors of the board as well as its committee.

Nominations Committee

The committee's main responsibility is making recommendations to the Board in respect to appointment of new directors. Also, it reviews employment equity skills development and succession planning.

Risk Management and Internal Controls

The system of internal control in place has defined operational procedures and financial controls to ensure that assets are safeguarded, transactions are properly authorized and recorded and that material errors and irregularities are either prevented or detected within a reasonable period of time.

In reviewing the effectiveness of the systems of internal control and risk management, the Board constantly monitors the operational and financial aspects of the Company's activities through the Audit Committee, the advice of external auditors and recommendations from the regular management meetings that are relevant to any operational and financial risk that the company may face.

The Board continues to investigate ways of further enhancing existing risk management strategies and procedures. Pursuant to this, it has recommended procuring the services of a consultant security company to look into security systems and controls in the whole organization.

Major Shareholders

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

Report of the Directors

for the year ended 31 December 2005

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2005.

1. Principal activities

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

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 (2004 – 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 28 March 2006.

BY ORDER OF THE BOARD

Equatorial Secretaries and Registrars

Date: 28 March 2006

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: 28 March 2006

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 2005. 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 2005 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: 28 March 2006

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Consolidated Profit and Loss Account

for the year ended 31 December 2005

	Note	2005 KShs '000	2004 KShs '000
Revenue		1,055,414	1,762,203
Cost of sales		(796,450)	(1,486,576)
Gross profit		258,964	275,627
Profit on sale of property and equipment		4,533	4,458
Operating and administrative costs		(159,684)	(188,505)
Depreciation		(19,370)	(55,506)
Profit from operations		84,443	36,074
Net financing costs	3	(7,863)	(17,204)
Profit before exceptional item		76,580	18,870
Loss on disposal of Travel Division	2	-	(8,633)
Profit before tax	4	76,580	10,237
Income tax expense	5	(22,650)	(5,627)
Profit after tax		53,930	4,610
Basic and dilutive earnings per share	6	KShs 1.68	KShs 0.14

The notes set out on pages 15 to 28 form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 December 2005

	Note	Group		Company	
		2005 KShs'000	2004 KShs'000	2005 KShs'000	2004 KShs'000
ASSETS					
Non current assets					
Property, plant and equipment	7	386,085	377,903	386,085	349,807
Non-current asset held for sale	8	27,444	-	-	-
Investment in subsidiaries	9	-	-	7,491	7,491
Prepaid operating lease rentals	10	9,354	9,629	8,506	8,760
Intangible asset	11	1,055	-	1,055	-
		423,938	387,532	403,137	366,058
Current assets					
Stocks	12	9,668	9,251	9,668	9,251
Debtors	13	153,603	190,919	153,545	190,861
Tax recoverable		27,205	19,914	27,212	19,920
Cash and bank balances	14	1,777	2,192	1,777	2,192
		192,253	222,276	192,202	222,224
TOTAL ASSETS		616,191	609,808	595,339	588,282
EQUITY AND LIABILITIES					
Capital and reserves (Pages 13 & 14)					
Share capital	15	160,925	160,925	160,925	160,925
Reserves		92,084	38,154	42,867	(11,734)
		253,009	199,079	203,792	149,191
Non current liabilities					
Deferred tax	16	41,680	19,030	34,842	12,192
Current liabilities					
Interest bearing loans and borrowings	18	119,426	223,502	119,426	223,502
Creditors	19	202,076	168,197	237,279	203,397
		321,502	391,699	356,705	426,899
TOTAL EQUITY AND LIABILITIES		616,191	609,808	595,339	588,282

The financial statements on pages 10 to 28 were approved by the Board of Directors on 28 March 2006 and were signed on its behalf by:

Director: **Dr. C. W. Obura**

Director: **H. R. Diniz**

The notes set out on pages 15 to 28 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Note	2005 KShs '000	2004 KShs '000
Cash inflows from operating activities	20(a)	155,241	34,040
Investing activities			
Purchase of property and equipment		(63,855)	(176,026)
Purchase of intangible asset		(1,117)	-
Proceeds from sale of property and equipment		13,392	40,459
Sale of Travel Division, net of cash disposed		-	(2,603)
Cash outflows from investing activities		(51,580)	(138,170)
Financing activities			
Finance lease paid		(960)	(1,076)
Proceeds from sale of shares		-	88,313
Rights issue expense		-	(6,993)
Loan repaid		-	(10,000)
Cash outflows from financing activities		(960)	70,244
Net increase/(decrease) in cash and cash equivalents	20(b)	102,701	(33,886)

The notes set out on pages 15 to 28 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

	Share capital KShs '000	Share Premium KShs'000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Total KShs '000
Balance at 1 January 2004	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
Net profit for the year	-	-	-	53,930	53,930
Excess depreciation transfer	-	-	(4,887)	4,887	-
Deferred tax on excess depreciation transfer	-	-	1,466	(1,466)	-
Balance at 31 December 2005	160,925	26,594	70,718	(5,228)	253,009

The notes set out on pages 15 to 28 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2005

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Revenue reserve KShs'000	Total KShs'000
Balance at 1 January 2004	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
Net profit for the year	-	-	-	54,601	54,601
Excess depreciation transfer	-	-	(4,245)	4,245	-
Deferred tax on excess depreciation transfer	-	-	1,274	(1,274)	-
Balance at 31 December 2005	160,925	26,594	58,336	(42,063)	203,792

The notes set out on pages 15 to 28 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

(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) Foreign currencies

(i) Functional and presentation currencies

Items included in the financial statements of the group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Kenya shilling which is the company's functional currency.

(ii) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings 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 profit and loss account for the year.

(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:

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

Freehold land	Nil
Motor vehicles	4 years
Plant and equipment	5 to 12 years
Fixtures and fittings	5 to 10 years

Excess depreciation is the difference between the depreciation charge for the year based on the revalued amount and the original cost of the related property and equipment. On an annual basis, the amount relating to the excess depreciation is transferred from revaluation reserves to retained earnings to recognise the use of the property and equipment.

The assets residual values and useful lives are reviewed and adjusted as appropriate at each balance sheet date.

(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.

(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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

(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) 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.

(m) 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.

(n) 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.

(o) Financial instruments

(i) Classification

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. These are classified as follows:

Financial assets at fair value through profit and loss are those financial instruments that the company holds principally for the purpose of short-term profit taking.

Loans and receivables are loans and receivables created by the company providing money to a debtor. Loans and receivables comprise debtors.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the company has the intent and ability to hold to maturity.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the company, or held to maturity.

(ii) Recognition

The company recognises available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised in the profit and loss account.

Held-to-maturity assets and loans and receivables are recognised on the day they are transferred to the company.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

(iii) Measurement

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

Subsequent to initial recognition all available-for-sale assets are measured at fair value through profit and loss, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iv) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in the income statement.

(v) Derecognition

A financial asset is derecognised when the company 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.

Available-for-sale assets are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the company commits to sell the assets. The company uses the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity assets and loans and receivables are derecognised on the day they are transferred by the company.

(p) Intangible assets

Where computer software is not an integral part of the related computer hardware, it is recognised as an intangible asset. The software are stated on the balance sheet at cost less accumulated amortisation and impairment losses. Software costs are amortised over five years on a straight line basis from the date they are available for use.

(q) 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.

(r) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

(s) **Offsetting**

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. LOSS ON DISPOSAL OF TRAVEL DIVISION	2004 KShs'000
Net assets disposed	16,651
Add: Accumulated losses in a subsidiary disposed as part of the Travel Division	19,482
	36,133
Proceeds on disposal	(27,500)
Loss on disposal	8,633

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.

3. NET FINANCING COSTS	2005 KShs'000	2004 KShs'000
Foreign exchange gains	8,385	926
Interest expense	(16,248)	(17,463)
Foreign exchange losses	-	(667)
	(16,248)	(18,130)
Net finance cost	(7,863)	(17,204)

4. PROFIT BEFORE TAX	2005 KShs'000	2004 KShs'000
Profit before tax is arrived at after charging:		
Staff costs	85,567	101,219
Directors' emoluments:		
- Fees	9,030	-
- Other	-	6,000
Depreciation	19,370	55,506
Software amortisation	62	-
Auditors' remuneration	1,400	1,200

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

4. PROFIT BEFORE TAX (continued)

The average number of people engaged during the year were:

	2005	2004
Logistics	106	97
Freight division	150	168
Central services	14	14
Total	270	279

Included in staff costs are contributions to a defined contribution plan for employees. During the year, the company expensed KShs 1,659,481 in contributions payable (2004 – KShs 2,335,697).

5. INCOME TAX

	2005 KShs'000	2004 KShs'000
Current tax at 30%	-	-
Change in deferred tax (Note 16)	22,650	5,627
Income tax expense	22,650	5,627

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

Accounting profit before tax	76,580	10,237
Tax at the applicable tax rate of 30%	22,974	3,071
Impact of disposal of Travel Division	-	2,866
Non-taxable income and non-deductible costs	(324)	(310)
Income tax expense	22,650	5,627

6. BASIC AND DILUTIVE EARNINGS PER SHARE

	2005 KShs'000	2004 KShs'000
The basic and dilutive earnings per share is based on:		
Basic and dilutive earnings after tax – in KShs'000	53,930	4,610
Weighted average number of ordinary shares in issue during the year	32,185,000	32,185,000
Basic and dilutive earnings per share (in KShs)	1.68	0.14

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

7. PROPERTY, PLANT AND EQUIPMENT

(a) Group:

Cost or valuation:	Freehold land KShs '000	Leasehold buildings		Plant and equipment KShs '000	Total KShs '000
		long term KShs '000	short term KShs '000		
At 1 January 2005	30	86,970	103,737	418,411	609,148
Additions	-	-	3,000	60,855	63,855
Transfer to non-current assets held for sale	-	(30,000)	-	-	(30,000)
Disposals	-	-	-	(41,180)	(41,180)
At 31 December 2005	30	56,970	106,737	438,086	601,823
Cost	30	34,180	26,737	438,086	499,033
Valuation	-	22,790	80,000	-	102,790
	30	56,970	106,737	438,086	601,823
Depreciation:					
At 1 January 2005	-	3,975	10,165	217,105	231,245
Charge for the year	-	1,837	5,031	12,502	19,370
Transfer to non-current assets held for sale	-	(2,556)	-	-	(2,556)
Disposals	-	-	-	(32,321)	(32,321)
At 31 December 2005	-	3,256	15,196	197,286	215,738
Net book value:					
At 31 December 2005	30	53,714	91,541	240,800	386,085
At 31 December 2004	30	82,995	93,572	201,306	377,903

The company's buildings 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.

The residual values and useful life of vehicles were reviewed during the year in line with the revised IAS 16. The effect of these changes have been accounted for in the financial year under review in accordance with IAS 8.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company:

	Freehold land KShs '000	Leasehold buildings		Plant and equipment KShs '000	Total KShs '000
		long term KShs '000	short term KShs '000		
Cost or valuation:					
At 1 January 2005	30	56,970	103,737	418,411	579,148
Additions	-	-	3,000	60,855	63,855
Disposal	-	-	-	(41,180)	(41,180)
At 31 December 2005	30	56,970	106,737	438,086	601,823
Cost	30	34,180	26,737	438,086	499,033
Valuation	-	22,790	80,000	-	102,790
	30	56,970	106,737	438,086	601,823
Depreciation:					
At 1 January 2005	-	2,071	10,165	217,105	229,341
Charge for the year	-	1,186	5,031	12,501	18,718
Disposals	-	-	-	(32,321)	(32,321)
At 31 December 2005	-	3,257	15,196	197,285	215,738
Net book value:					
At 31 December 2005	30	53,713	91,541	240,801	386,085
At 31 December 2004	30	54,899	93,572	201,306	349,807

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.

The residual values and useful life of vehicles were reviewed during the year in line with the revised IAS 16. The effect of these changes have been accounted for in the financial year under review in accordance with IAS 8.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

8. NON-CURRENT ASSETS HELD FOR SALE

	2005 KShs'000	2004 KShs'000
Cost/valuation		
At 1 January	-	-
Transfer from property, plant and equipment	30,000	-
	30,000	-
Depreciation		
At 1 January	-	-
Transfer from property, plant and equipment	2,556	-
	2,556	-
Net book value at 31 December	27,444	-

The Group's Shimanzi property is presented as held for sale following the decision of the Group to dispose of the property. The property was revalued by independent professional valuers on an open market basis as at 31 December 2001.

9. INVESTMENT IN SUBSIDIARIES

Company

The significant subsidiary undertakings are:

	Country	Ownership	2005 KShs'000	2004 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
			7,491	7,491

10. PREPAID OPERATING LEASE RENTALS

	Group KShs'000	Company KShs'000
Carrying amount of leasehold land as at 1 January 2005	9,629	8,760
Amortisation for the year	(275)	(254)
Balance as at 31 December 2005	9,354	8,506

11. INTANGIBLE ASSET

	2005 KShs'000	2004 KShs'000
Cost	1,117	-
Amortisation	62	-
Net book value	1,055	-

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

12. STOCKS

Group and company	2005 KShs'000	2004 KShs'000
General stocks at cost	9,668	9,251

13. DEBTORS

	2005 KShs'000	Group 2004 KShs'000	2005 KShs'000	Company 2004 KShs'000
Trade debtors	115,322	152,965	115,549	153,133
Due from related companies	285	227	-	-
Other debtors	37,996	37,727	37,996	37,728
	153,603	190,919	153,545	190,861

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

14. CASH AND BANK BALANCES

Group and Company	2005 KShs'000	2004 KShs'000
Cash on hand	1,777	2,192

15. SHARE CAPITAL

	2005 KShs'000		2004 KShs'000	
Authorised 43,200,000 Ordinary shares of KShs 5 each	216,000		216,000	
Issued and fully paid	Number of shares (In thousands)		Value of shares	
	2005	2004	2005 KShs'000	2004 KShs'000
At 1 January	32,185	4,800	160,925	24,000
Issued in the year	-	27,385	-	136,925
At 31 December	32,185	32,185	160,925	160,925

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 2004. 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 2005

16. DEFERRED TAX

(a) Group

Movements during the year are as follows:

	At 01.01.2005 KShs'000	Recognised in income KShs'000	At 31.12.2005 KShs'000
Arising from:			
Property, plant and equipment	54,334	13,530	67,864
Tax losses carried forward	(29,827)	4,436	(25,391)
General provision	(5,477)	2,227	(3,250)
Unrealised exchange gains	-	2,457	2,457
	19,030	22,650	41,680

(b) Company

Movements during the year are as follows:

Arising from:			
Property, plant and equipment	47,496	13,530	61,026
General provisions	(5,477)	2,227	(3,250)
Unrealised exchange gains	-	2,457	2,457
Tax losses carried forward	(29,827)	4,436	(25,391)
	12,192	22,650	34,842

17. FINANCE LEASE PAYABLES

The company has been availed a hire purchase facility of KShs 30 million at an interest rate of 18% per annum 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.

	2005 KShs'000	2004 KShs'000
Future principal payments under the finance lease:		
Within one year (see note 18 below)	560	1,520
More than one year and not later than five years	-	-
	560	1,520

18. INTEREST BEARING LOANS AND BORROWINGS – Group and Company

	2005 KShs'000	2004 KShs'000
Bank overdraft	118,866	221,982
Finance lease payables	560	1,520
	119,426	223,502

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

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 interest rate averaged at 12.5% for the Kenya Shilling facility and 3.5% above LIBOR for the dollars facility. These amounts are repayable on demand

19. CREDITORS

	Group		Company	
	2005 KShs '000	2004 KShs '000	2005 KShs '000	2004 KShs '000
Accounts payable – trade	116,589	110,968	164,522	110,915
Payable to related companies	-	-	35,248	35,248
Other payables and accrued expenses	85,487	57,229	37,509	57,234
	202,076	168,197	237,279	203,397

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

20. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to cash flow from operating activities

	2005 KShs '000	2004 KShs '000
Group profit before tax		
Adjustments for:	76,580	10,237
Profit on sale of property and equipment	(4,533)	(4,458)
Amortisation of lease	275	274
Amortisation of intangible asset	62	-
Depreciation	19,370	55,506
Loss on disposal of Travel Division	-	8,633
Net interest expense	7,863	17,204
Operating profit before working capital changes	99,617	87,396
	2005 KShs '000	2004 KShs '000
Increase in stocks	(417)	(7,436)
Decrease in debtors	37,316	19,737
Increase/(decrease) in creditors	33,879	(45,401)
Cash generated from operations	170,395	54,296
Interest paid	(7,863)	(17,204)
Tax paid	(7,291)	(3,052)
Cash inflows from operating activities	155,241	34,040

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

20. NOTES TO THE CASH FLOW STATEMENT (Continued)

(b) Movement in cash and cash equivalents

	2005 KShs '000	2004 KShs '000	Change in the year KShs '000
Cash and bank balances	1,777	2,192	(415)
Bank overdraft and other borrowings	(118,866)	(221,982)	103,116
	(117,089)	(219,790)	102,701

21. CONTINGENT LIABILITIES

(a) Claims, guarantees and discounted bills Group and Company

	2005 KShs'000	2004 KShs'000
Claims, guarantees and discounted bills	38,678	38,347

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 616,487,703 (2004 – KShs 997,718,703) out of which KShs 204,041,819 was utilised as at 31 December 2005 (2004 – KShs 512,318,702). No material losses are expected to arise from these bonds.

(b) Custom duty claims

During the year, the Group received an assessment from Kenya Revenue Authority (KRA) for taxes under declared in prior years of KShs 288,830,588 including interest and penalties. The management of the company is in negotiation with KRA for settlement of these claims and no significant liabilities are expected to arise.

22. RELATED PARTY TRANSACTIONS

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

	2005 KShs'000	2004 KShs'000
Invoiced to related parties	3,868	1,646
Invoiced by related parties	(3,250)	(899)
Net transactions	618	747
At 31 December, the following balances were outstanding:		
Due to related parties	(859)	(5,926)
Due from related parties	6,480	4,989
	5,621	(937)
Staff loans	5,956	3,007
Directors fees	9,030	-

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005

23. OPERATING LEASES

Group	2005	2004
	KShs'000	KShs'000
Tenancy payable		
Less than 1 year	1,483	2,064
Between 1 and five years	7,415	5,400
	8,898	7,464
Amounts charged to profit and loss account in respect of operating leases	1,483	2,324
Company		
Tenancy payable		
Less than 1 year	1,483	2,064
Between 1 and five years	7,415	5,400
	8,898	7,464
Amounts charged to profit and loss account in respect of operating leases	1,483	2,334

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.

24. ULTIMATE HOLDING COMPANY

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

25. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

26. CURRENCY

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

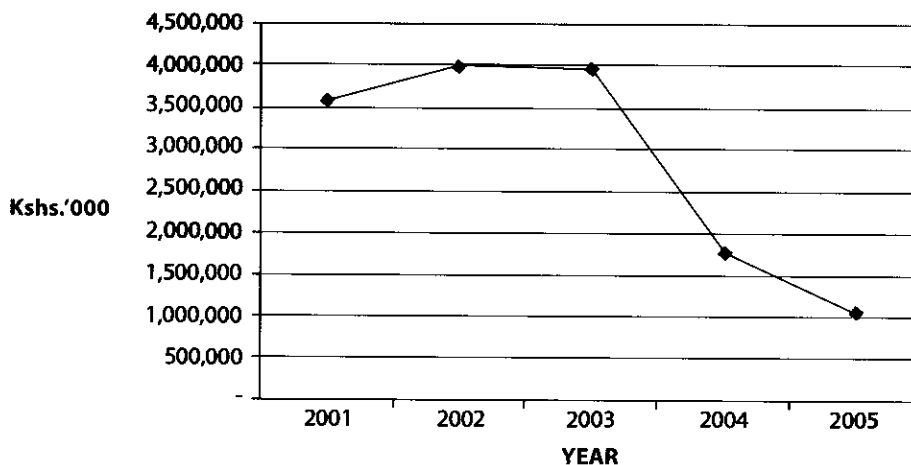
List of 20 Major Shareholders

as at 31 December 2005

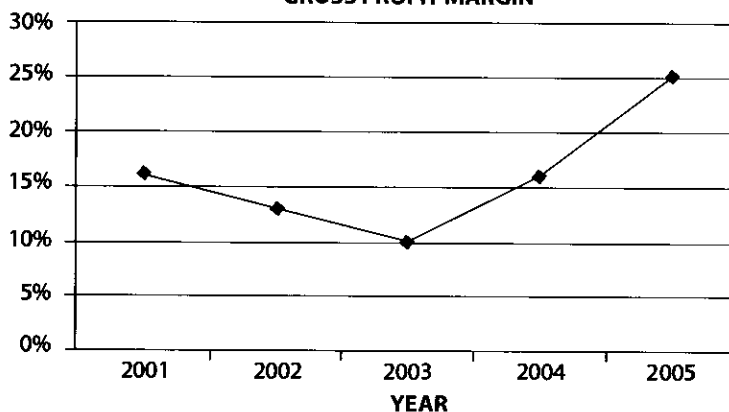
Name	Number Of Shares	%
Etcoville Holdings Limited.	21,609,252	67.14
Sanjai & Umesh Raikundalia	753,152	2.34
Stanbic Nominees Kenya Ltd. A/c	730,863	2.27
KTDC Utalii Investments Ltd.	330,800	1.03
Cardiff Investments Ltd.	269,791	0.84
Kailas Prakash Shah	211,056	0.66
Patrick Kariuki Karinge	152,500	0.47
Dr. Stephen Githii Kionga Kamau	144,430	0.45
Jonathan Harry Erskine Leakey	138,475	0.43
CFCFS Nominees Ltd/ A/C R211	128,500	0.40
CFCFS Nominees Ltd/ A/C M231	121,862	0.38
CFCFS Nominees Ltd/ A/C M223	100,000	0.31
Kyalo Mwangulu Kilele	90,000	0.28
Daniel Karanja Ndungu	81,996	0.25
John Mbithi Munuve	76,350	0.24
Gilbert Muigai Kabaka	76,200	0.24
CFCFS Nominees Limited. A/C K340	70,439	0.22
Suntra Nominees Ltd. A/C 0068	70,000	0.21
Lawrence Gatitu Mbugua	66,671	0.21
Kamlesh Raichand Shah	65,223	0.20
<hr/>		
And: 2458 other Shareholders	6,897,704	21.43
<hr/>		
	32,185,264	100
<hr/>		

Financial Highlights

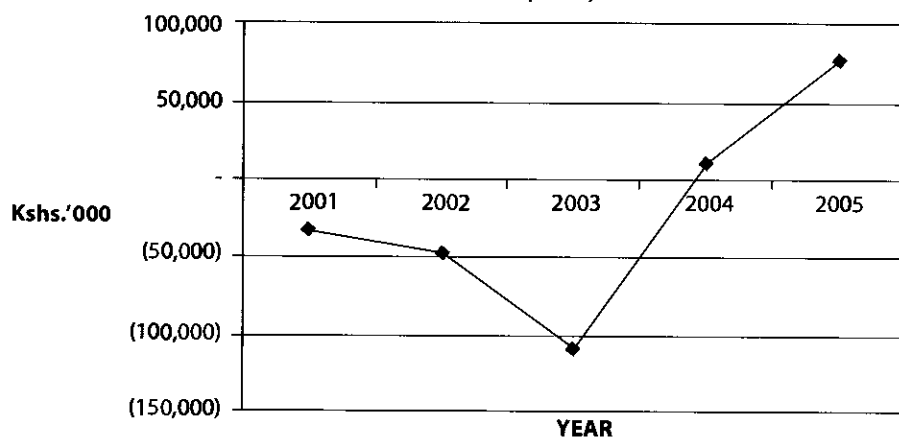
TURNOVER



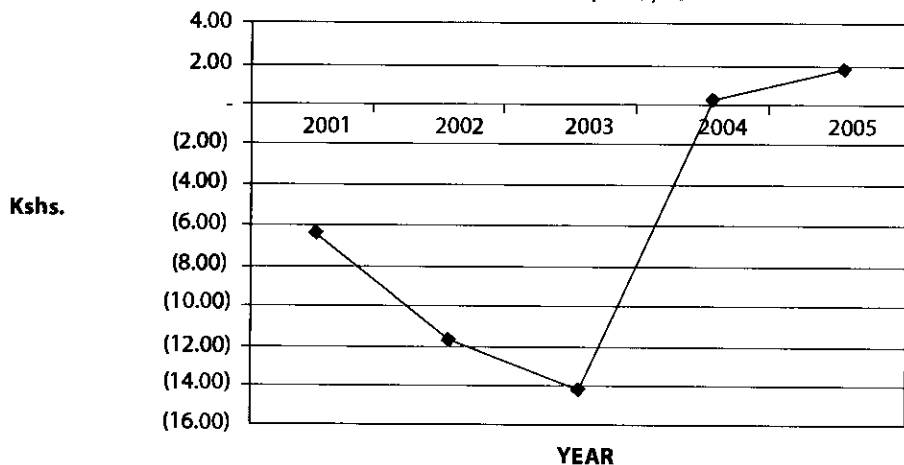
GROSS PROFIT MARGIN



PROFIT / (LOSS) BEFORE TAX



BASIC EARNINGS / (LOSS) PER SHARE



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 35th Annual General Meeting of the said company to be held at 10:00 am on Friday 14th July, 2006 and at any adjournment thereof.

signed this _____ day of _____ 2006

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 35 wa Kampuni hii utakaofanywa saa nne asubuhi Ijuma Julai 14, 2006 na katika mkutano wowote utakaoahirishwa.

Imetiwa sahihi leo _____ siku ya _____ 2006.

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