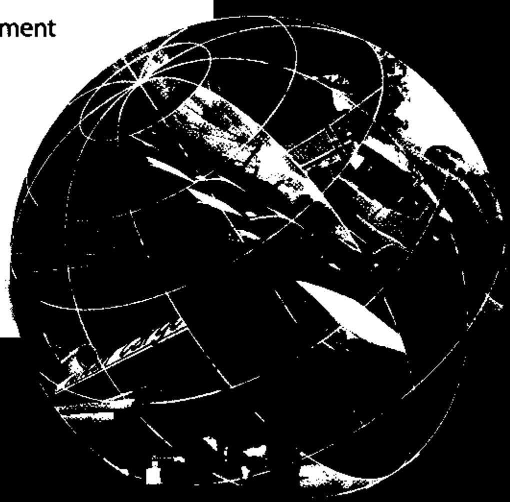
CONTENTS



Directors, Officers And Administration

DIRECTORS

Dr CW Obura (Chairman)
RB Markham
Hector Diniz
G Barnhoorn*

* Dutch

COMPANY SECRETARY

Equatorial Secretaries and Registrars
Kalamu Road
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
Upper Hill
PO Box 30437-00100
Nairobi

AUDITORS

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

Notice of Annual General Meeting
for the year ended 31 December 2006

NOTICE IS HEREBY GIVEN that the Thirty Sixth Annual General Meeting of the members of the Company will be held at The Grand Regency Hotel, Nairobi on Friday, 20th July 2007 at 11.00 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 Fifth Annual General Meeting held on 14th July 2006.
4. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31st December 2006 together with the Directors and Auditor's reports thereon.
5. To declare a dividend of Kshs 0.40 per share (2005: Nil) in respect of the year ended 31st December 2006.
6. To re-elect a Director:

   Mr Gerrit Barnhoon 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 as indicated in the Financial Statements for the year ended 31st December 2006.
8. To reappoint Messrs KPMG Kenya, as the Company's Auditors until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to fix their remuneration.
9. Any other business for which sufficient notice has been given.

BY ORDER OF THE BOARD

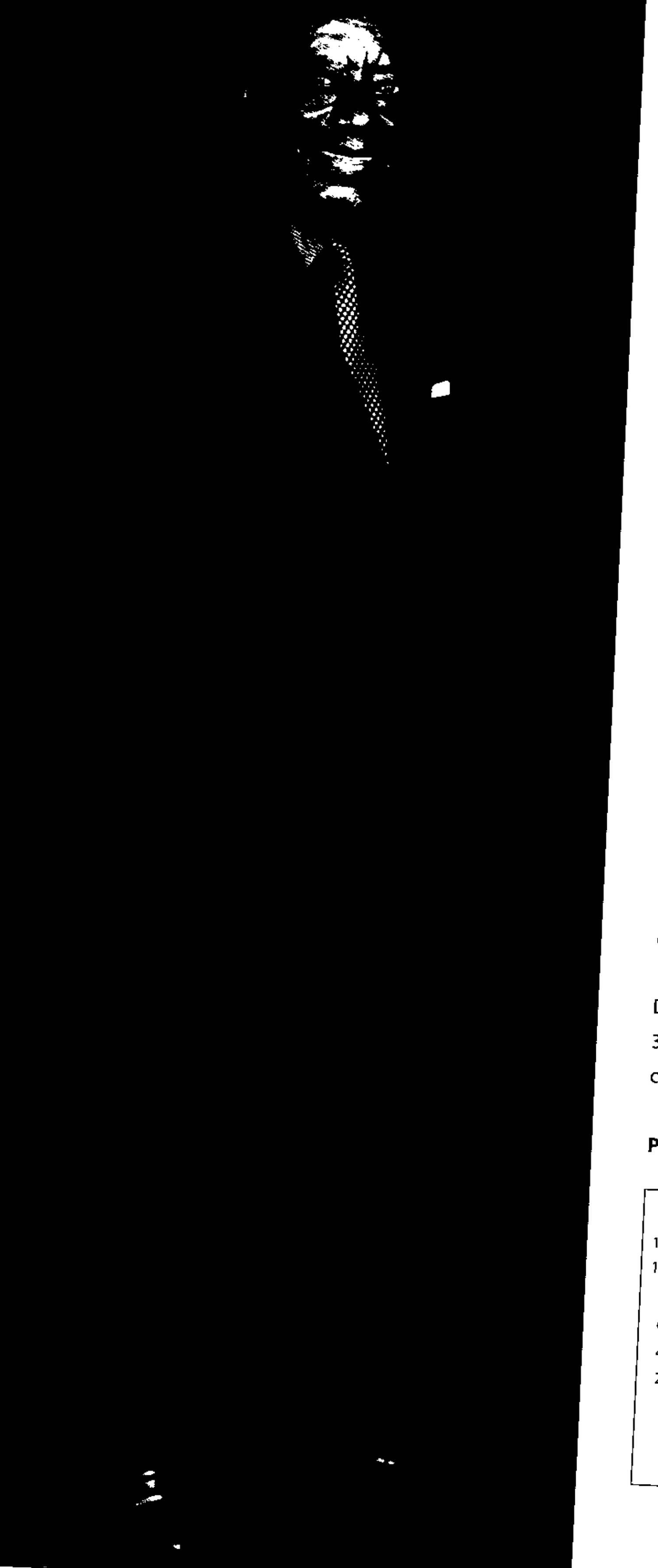
EQUATORIAL SECRETARIES AND REGISTRARS
SECRETARIES
Kalamu House, Waiyaki Way, Westlands
P O Box 47323, 00100
Nairobi

Date: 2 June 2007

NOTE

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his/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 will not be present at the meeting and must be duly completed by the member and either be lodged at the Registered office of the Company, Express House, Road A, off Enterprise Road, P O Box 40433-00100, Nairobi or with the Company Secretaries, Equatorial Secretaries and Registrars, Kalamu House, Waiyaki Way, P O Box 47323-00100, Nairobi so as to reach not later than 10.00 a.m. on Wednesday 18th July 2007.

Chairman's Report



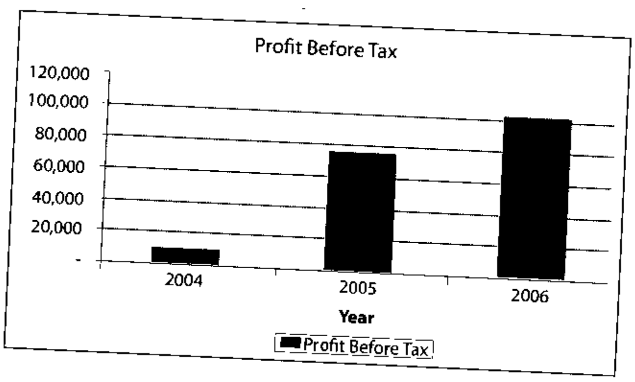
It is with great pleasure that I present the company's financial report for the year 2006.The year under review saw a successful implementation of strategy with a resultant exponential growth in profits

"Thinking ahead - Moving Forward" - this is our guiding principle at Express Kenya Ltd as we strive to achieve our goal by thinking ahead and actively shaping the future through innovation, efficiency and customized logistics solutions. We seek to achieve speed, endurance and to overcome vast distances as a result of thorough preparations, unbroken communication and above all, loyalty to our customers. The dashing "E" that can be seen in our company logo symbolizes these values.

The year was not without its usual challenges. Soaring fuel prices throughout the year were a major impediment to the profitability of the business. Also, the agony of moving on Kenya's roads has remained very costly and excruciating. Taking an example of the Nairobi to Western Kenya roads, either through Nakuru-Kisumu or Nakuru - Eldoret, these are in deplorable condition. Although some work has been done in the section from Naivasha to Gilgil and is being extended towards Nakuru, the bulk of the road is in terrible state. This being the main link between Kenya and Uganda and other neighbouring countries, expansion of business into the region has been quite a challenge.

Despite the problems, profit before tax has grown by over 33%, while gross profit has risen to over 40% up from 24.5% in comparison to the year 2005.

Performance For The Years 2004 - 2006



Chairman's Report

Mitsubishi trucks-fully loaded to deliver products to various parts of Kenya

Strategy

To foster business growth and also to support current business, the Company put in place sales and Logistics planning teams.

Investment in a brand new fleet of Mitsubishi Fuso FV515 Prime Movers was key in augmenting profits from transportation business which has largely played the backbone business role for the company. The demand for transportation is ever growing both for domestic and regional routes. The company will continue to tactfully position itself to tap the same.

The physical facilities at our Etcoville premises have also been improved. The result of this has been the consistent growth of warehousing profitability. The drive to create professional excellence and suitable facilities has paid off in attracting corporate clientele who sign on longer term rental to ensure sustained high occupancy. The board has approved further investment in this area in the coming period to cater for demand for these facilities.

Eicher trucks-To handle small cargo within city centre

Container storage facilities are also set for improvement. This will help expand the storage capacity and hence fully accommodate existing clients with increasing requirements and even provide capacity for new customers who have shown interest to work with Express Kenya Limited.

The board will continue to focus on other core business particularly clearing and forwarding for both air and sea through aggressive marketing of the services to ensure continued growth.

There is little doubt that the future of Logistics Industry and Express Kenya's role in the industry will revolve around continued enhancement in technology, combined with a solid base of well trained professionals who know how to use that technology to get the job done.

PDI section-final check before delivery

Acknowledgement and Appreciation

I would like to express my gratitude to my colleagues on the Board for their support and for their valuable contribution to the company and the industry at large. I also thank the management and staff of the company for their commitment, strength and dedication. I thank all the shareholders for continued support and confidence and look forward to the same in the future.

Dr. C. W. Obura
Chairman

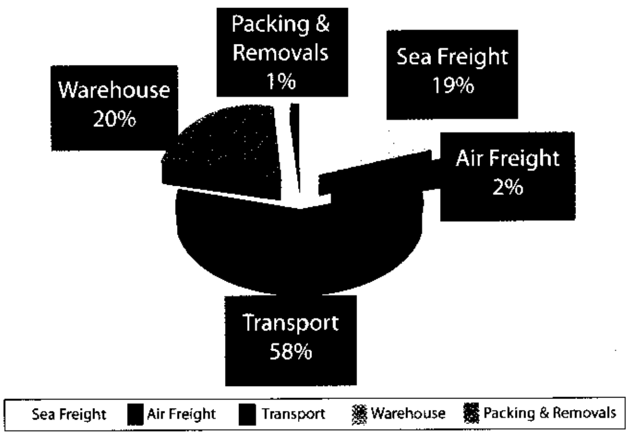
CEO's Statement

Welcome to Express Kenya Ltd, your leading partner in logistics solutions.

Everyday, we are called upon to add that human element to an industry focused on timing, accuracy and performance. Our ability to understand the needs of our customers and to translate the understanding into performance is the foundation of our success and the success of our clients. I am proud to observe that in an era of intense competition and high operational costs, very often our customers rely on us to provide knowledge, understanding and stability to their logistics operations.

One thing that will ensure Express Kenya's continued growth and success will be our ongoing emphasis on hiring, training and maintaining the best possible work force and equipment. With this focus on a highly trained staff, we seek to provide that unique blend of capital assets and human resources that makes Express Kenya and our clients successful.

Divisional Contributions



Seafreight Operations

Careful vetting of new business coupled with aggressive marketing of quality and efficient service has resulted in growth of business portfolio and profitability as compared to the previous year. Gross profit margin rose from 24.5% to 36.8%.

The strive for this department remains to be the market leader in quality. For this, we exclusively marketed services that secured our superior position and created a competitive edge for our customers through innovative handling. This was achieved by giving excellent advice and crafting the most reliable and efficient process possible for our partners in business.

Airfreight Operations

Gross Profit margin for this department rose from 13.18% in 2005 to 21.42% in 2006.

A vigorous strategy to market this service and increase the

CEO's Report

PDI section-vehicle undergoing inspection

client base and profitability is now in place. This will include signing in of a strategic international forwarding partner.

It is expected that volumes handled and profitability will grow exponentially in the future periods.

Packing and Removals

The effort for this department has been to make the service best known in the region for improving the way people's cargo is handled and transported, both locally and internationally. In this regard, the focus has been on identifying ways to integrate our services and technologies to eliminate waste, reduce costs, and improve service in the most efficient manner possible.

A slow growth resulted towards the close of the year and the expansion trend of business is expected to continue in the coming periods.

Low loader-handling heavy cargo and public promotions

Transport and Logistics

The strategy of Prime Mover fleet expansion has worked very well in boosting the performance of this department. The company is now able to handle increasing volumes of business and reduce reliance on subcontractors. The result of this has been an increase in gross profit margin from 27.9% in 2005 to 40.15% in 2006.

For transport division alone, gross profit escalated from Kshs. 93 Million in 2005 to Kshs. 190 Million in 2006. This is expected to grow further in the coming periods with the planned investment fully in place.

The computerized tracking system in place has and will go a long way is enabling the logistics team to provide fast reliable and efficient service delivery.

Appreciation

I would like to express my deep appreciation for the dedication and commitment of my colleagues of the board, Express Kenya management and staff. Without their enthusiasm, hard work and team work we would not realize our goals for the year. I also thank the shareholders, all our business partners and customers for their continued loyal support which has enabled Express Kenya Limited to achieve the excellent results.

Through team work and a strong desire to excel, I have no doubt that we will ensure our position as "The Leading Freight and Transport Company since 1918".

Mr. H. Diniz
Chief Executive Officer

Corporate Governance

for the year ended 31 December 2006

OBJECTIVE

Corporate governance defines the process and structure used to direct and manage business affairs of the company with the aim of enhancing corporate accounting and shareholder's long term value while taking into account the interest of other stakeholders.

The Board of Directors of Express Kenya Limited is accountable to shareholders and stakeholders not only for the financial performance of the company but also for the manner in which that performance is achieved. It 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 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 of the committee.

Its main function include the 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 and Nominations Committee

The committee's main responsibility is the review and approval of remuneration packages for Executive Directors and Senior Management. Also, the committee makes recommendations to the Board in respect to appointment of new directors and also reviews employment equity skills development and succession planning.

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.

Risk Management and Internal Controls

The Board through the Audit Committee constantly assesses, reviews policies and procedures to ensure best practices are followed in conducting the day to day operations and financial reporting as well as in implementing strategic plans approved by the Board.

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.

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 2006

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2006.

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 12.

3. **Dividend**

   The directors proposed a dividend of KShs 14,161,516 (2005 – 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 27 March 2007.

BY ORDER OF THE BOARD

Equatorial Secretaries and Registrars

Date: 27 March 2007

Statement of Directors' Responsibilties

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 company as at the end of the financial year and of the operating results of the group and company for that year. It also requires the Directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the group. They are also responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors are also responsible for safeguarding the assets of the group and company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and 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 company and of the group 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 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: **Mr. H. R. Dinz**

Date: 27 March 2007

Report of the Independent Auditors

to the members of Express Kenya Limited

We have audited the group financial statements of Express Kenya Limited set out on pages 12 to 28 which comprise the balance sheets of the group and the company at 31 December 2006, and the group's income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 10, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company at 31 December 2006, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

The Kenyan Companies Act requires us to expressly report to you, based on our audit, that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

(iii) The balance sheet of the company is in agreement with the books of account.

KPMG, Kenya
Certified Public Accountants
P.O. Box 40612-00100
Nairobi
Date: 27 March 2007

Consolidated Profit and Loss Account

for the year ended 31 December 2006

	Note	2006 KShs '000	2005 KShs '000
Revenue		**822,487**	**1,055,414**
Cost of sales		(479,260)	(796,450)
Gross profit		**343,227**	**258,964**
Gain on sale of property and equipment		10,090	4,533
Operating and administrative costs		(168,318)	(159,684)
Depreciation		(70,120)	(19,370)
Profit from operations		**114,879**	**84,443**
Net financing costs	2	(12,371)	(7,863)
Profit before income tax	**3**	**102,508**	**76,580**
Income tax expense	4	(36,179)	(22,650)
Profit after tax		**66,329**	**53,930**
Basic and diluted earnings per share	**5**	**KShs 1.87**	**KShs 1.52**
Dividend per share	**6**	**KShs 0.40**	**KShs -**

The notes set out on pages 17 to 28 form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 December 2006

		Group		Company	
		2006	2005	2006	2005
ASSETS	**Note**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Non current assets					
Property, plant and equipment	7	636,421	386,085	636,421	386,085
Prepaid operating lease rentals	8	9,080	9,354	8,252	8,506
Intangible asset	9	683	1,055	683	1,055
Investment in subsidiaries	10	-	-	7,491	7,491
		646,184	396,494	652,847	403,137
Current assets					
Inventories	11	6,940	9,668	6,940	9,668
Debtors	12	183,084	153,603	183,025	153,545
Assets classified as held for sale	13	27,444	27,444	-	-
Tax recoverable		30,158	27,205	30,164	27,212
Cash and bank balances	14	1,809	1,777	1,809	1,777
		249,435	219,697	221,938	192,202
TOTAL ASSETS		**895,619**	**616,191**	**874,785**	**595,339**
EQUITY AND LIABILITIES					
Capital and reserves (Pages 15 & 16)					
Share capital	15	177,018	160,925	177,018	160,925
Reserves		186,463	92,084	137,265	42,867
Proposed dividend		14,162	-	14,162	-
		377,643	253,009	328,445	203,792
Non current liabilities					
Loans and borrowings	16	30,856	-	30,856	-
Deferred tax	17	102,847	41,680	96,009	34,842
		133,703	41,680	126,865	34,842
Current liabilities					
Bank overdraft	18	201,408	118,866	201,408	118,866
Loans and borrowings	16	10,503	560	10,503	560
Creditors	19	172,362	202,076	207,564	237,279
		384,273	321,502	419,475	356,705
TOTAL EQUITY AND LIABILITIES		**895,619**	**616,191**	**874,785**	**595,339**

The financial statements on pages 12 to 28 were approved by the Board of Directors on 27 March 2007 and were signed on its behalf by:

Director: **Dr. C. W. Obura** Director: **Mr. H. R. Dinz**

The notes set out on pages 17 to 28 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2006

	2006 KShs '000	2005 KShs '000
Cash flow from operating activities		
Group profit before tax	102,508	76,580
Adjustments for:		
Gain on sale of equipment	(10,090)	(4,533)
Amortisation of prepaid operating lease	274	275
Amortisation of intangible asset	372	62
Depreciation on property, plant and equipment	70,120	19,370
Interest expense	20,481	7,863
Operating profit before working capital changes	**183,665**	**99,617**
Decrease/(increase) in inventories	2,728	(417)
(Increase)/decrease in debtors	(29,481)	37,316
Increase/(decrease) in creditors	(29,714)	33,879
Cash generated from operations	**127,198**	**170,395**
Interest paid	(20,481)	(7,863)
Tax paid	(2,953)	(7,291)
Net cash inflows from operating activities	**103,764**	**155,241**
Cash flow from investing activities		
Purchase of property and equipment	(262,783)	(63,855)
Purchase of intangible asset	-	(1,117)
Proceeds from sale of property and equipment	35,710	13,392
Net cash used in investing activities	(227,073)	(51,580)
Cash flow from financing activities		
Finance lease paid	(560)	(960)
Proceeds from finance leases	41,359	-
Net cash from/(used in) financing activities	40,799	(960)
Net (decrease)/increase in cash and cash equivalents	**(82,510)**	**102,701**
Cash and cash equivalent at 1 January	(117,089)	(219,790)
Change in the year	(82,510)	102,701
Cash and cash equivalent at 31 December	**(199,599)**	**(117,089)**

The notes set out on pages 17 to 28 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2006

	Share capital KShs '000	Share Premium KShs'000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Proposed dividend KShs '000	Total KShs '000
Balance at 1 January 2005	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**
Net profit for the year	-	-	-	66,329	-	66,329
Transfer on issue of bonus shares	16,093	(16,093)	-	-	-	-
Excess depreciation transfer	-	-	(1,955)	1,955	-	-
Deferred tax on excess depreciation transfer	-	-	587	(587)	-	-
Revaluation surplus on buildings	-	-	83,293	-	-	83,293
Deferred tax on revaluation surplus	-	-	(24,988)	-	-	(24,988)
Proposed dividend	-	-	-	(14,162)	14,162	-
Balance at 31 December 2006	**177,018**	**10,501**	**127,655**	**48,307**	**14,162**	**377,643**

The notes set out on pages 17 to 28 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2006

	Share capital KShs '000	Share Premium KShs'000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Proposed dividend KShs '000	Total KShs '000
Balance at 1 January 2005	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**
Net profit for the year	-	-	-	66,348	-	66,348
Transfer on issue of bonus shares	16,093	(16,093)	-	-	-	-
Excess depreciation transfer	-	-	(1,955)	1,955	-	-
Deferred tax on excess depreciation transfer	-	-	587	(587)	-	-
Revaluation surplus on buildings	-	-	83,293	-	-	83,293
Deferred tax on revaluation surplus	-	-	(24,988)	-	-	(24,988)
Proposed dividend	-	-	-	(14,162)	14,162	-
Balance at 31 December 2006	**177,018**	**10,501**	**115,273**	**11,491**	**14,1623**	**28,445**

The notes set out on pages 17 to 28 form an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

(i) Statement of compliance

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are prepared under the historical cost basis as modified by revaluation of certain assets.

(ii) Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from the 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 the revision and future periods if the revision affects both current and future periods.

(iii) Functional and presentation currency

The financial statements are presented in Kenya shillings, which is the company's functional currency. Except as indicated, the financial information presented in Kenya shillings has been rounded to the nearest thousand.

(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 10.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly and indirectly, to govern the financial and operating activities of the subsidiaries so as to obtain benefits from the activities.

Intra group balances and any unrealised income and expenses arising from intra group transactions are eliminated in preparing consolidated financial statements.

(c) 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 income statement for the year.

(d) Revenue recognition

Revenue is recognised upon delivery of services, and is stated net of VAT and discounts.

(e) Property, plant and equipment

Items of property, plant and equipment are stated at cost or as professionally revalued from time to time less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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
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.

Depreciation methods, useful lives and residual values are reassessed and adjusted, if 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) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first out principle and include expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(h) Trade and other debtors

Trade and other receivables are stated at nominal value, less write downs 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) Income tax expense

Income tax expense comprises current tax and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year.

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, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no long probable that the related tax benefit will be realised.

(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.

(l) Impairment of assets

The carrying amounts of the Group's assets, other than deferred tax and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(m) Loans and borrowings

Loans and borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, loans and 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 income statement on a straight-line basis over the period of the lease.

(o) Financial instruments

(i) Recognition

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. All financial instruments are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

The Group classifies its financial assets into four categories as described below. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified.

Held-to-maturity investments
If the group has the positive intent and ability to hold debt securities to maturitiy, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets
The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Investments at fair value through the income statement
An instrument is classified as at fair value through the income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the income statement if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through the income statement are measured at fair value, and changes therein are recognised in the income statement.

Loans and receivables
These are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) 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 armortised over five years on a straight line basis from the date they are available for use.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(r) Dividends

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

(s) 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.

(t) 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.

(u) Contingent liabilities

Claims, guarantees and performance bonds are accounted for as off balance sheet transactions and disclosed as contingent liabilities. Estimates of the outcome and the financial effect of the contingent liabilities is made by management based on information available upto the date the financial statements are approved for issue by directors. Any expected loss is charged to the income statement.

(v) Related parties

In the normal course of business, the company has entered into transactions with related parties. The related party transactions are at arms length.

(w) Offsetting of financial assets and liabilities

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2006

2. NET FINANCING COSTS

	2006 KShs'000	2005 KShs'000
Foreign exchange gains	8,776	8,385
Interest expense	(20,481)	(16,248)
Foreign exchange losses	(666)	-
	(21,147)	(16,248)
Net finance cost	**(12,371)**	**(7,863)**

3. PROFIT BEFORE TAX

	2006	2005
Profit before tax is arrived at after charging:		
Staff costs	83,866	85,567
Directors' emoluments:		
- Fees	18,000	9,030
- Other	-	-
Depreciation on property, plant and equipment	70,120	19,370
Software amortisation	372	62
Amortisation of prepaid operating lease rentals	274	275
Auditors' remuneration	1,600	1,400

The average number of people engaged during the year were:

	2006	2005
Logistics	98	106
Freight division	99	150
Central services	12	14
Total	**209**	**270**

Included in staff costs are contributions to a defined contribution plan for employees. During the year, the company expensed KShs 2,460,431 in contributions payable (2005 – KShs 1,659,481).

4. INCOME TAX

	2006 KShs'000	2005 KShs'000
Current tax at 30%	-	-
Change in deferred tax (Note 17)	36,179	22,650
Income tax expense	**36,179**	**22,650**

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

	2006 KShs'000	2005 KShs'000
Accounting profit before tax	102,508	76,580
Tax at the applicable tax rate of 30%	30,752	22,974
Under provision in prior year	4,020	-
Non-taxable income and non-deductible costs	1,407	(324)
Income tax expense	**36,179**	**22,650**

5. BASIC AND DILUTED EARNINGS PER SHARE

	2006	2005
The basic and diluted earnings per share is based on:		
Basic and dilutive earnings after tax – in KShs'000	66,329	53,930
Number of ordinary shares in issue at year end (2005 – restated)	35,403,790	35,403,790
Basic and dilutive earnings per share (in KShs)	1.87	1.52

6. DIVIDENDS PER SHARE

Dividend per share is calculated on proposed dividends of KShs 14,161,516 and on the number of shares in issue at the balance sheet date of 35,403,790.

7. PROPERTY, PLANT AND EQUIPMENT

Group and company:	Freehold land	--------Leasehold buildings long term	---------Leasehold buildings short term	Plant and equipment	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Cost or valuation:					
At 1 January 2006	30	56,970	106,737	438,086	601,823
Additions	-	24	3,000	259,759	262,783
Disposals	-	-	-	(51,441)	(51,441)
Revaluation surplus	-	8,586	51,520	-	60,106
At 31 December 2006	30	65,580	161,257	646,404	873,271
Cost	30	34,180	26,737	646,404	707,351
Valuation	-	31,400	134,520	-	165,920
	30	65,580	161,257	646,404	873,271
Depreciation:					
At 1 January 2006	-	3,257	15,196	197,285	215,738
Charge for the year	-	1,187	3,547	65,386	70,120
Disposals	-	-	-	(25,821)	(25,821)
Depreciation written back on revaluation	-	(4,444)	(18,743)	-	(23,187)
At 31 December 2006	-	-	-	236,850	236,850
Net book value:					
At 31 December 2006	**30**	**65,580**	**161,257**	**409,554**	**636,421**
At 31 December 2005	**30**	**53,713**	**91,541**	**240,801**	**386,085**

The company's buildings were valued by independent professional valuers on an open market basis as at 31 December 2006. The book values of the properties were adjusted to the revaluations, and the resulting surplus, net of deferred tax, was credited to revaluation reserves.

8. PREPAID OPERATING LEASE RENTALS

	Group KShs '000	Company KShs '000
Carrying amount of leasehold land as at 1 January	9,354	8,506
Amortisation for the year	(274)	(254)
Balance as at 31 December	**9,080**	**8,252**

The company's prepaid operating lease rentals consist of land in Nairobi and Mombasa. The land was revalued by professional valuers at 31 December 2006 to a value of Kshs 120 Million. The revaluation surplus has not been taken into account since the company policy is to account for leasehold land at cost less accumulated amortisation.

9. INTANGIBLE ASSET

Group and company	2006 KShs'000	2005 KShs'000
Cost		
At 1 January	1,117	1,117
Amortisation		
At 1 January	62	-
Charge for the year	372	62
At 31 December	434	62
Net book value	**683**	**1,055**

The intangible asset relates to computer software acquired in 2005.

10. INVESTMENT IN SUBSIDIARIES

Company

The significant subsidiary undertakings are:

	Country	Ownership	2006 KShs'000	2005 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**

11. INVENTORIES

Group and company		
General stocks at cost	**6,940**	**9,668**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2006

12. DEBTORS

	Group 2006 KShs '000	Group 2005 KShs '000	Company 2006 KShs '000	Company 2005 KShs '000
Trade debtors	151,717	115,322	151,659	115,549
Due from related companies	-	285	-	-
Other debtors	31,367	37,996	31,366	37,996
	183,084	**153,603**	**183,025**	**153,545**

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

13. ASSET CLASSIFIED AS HELD-FOR-SALE

	2006 KShs'000	2005 KShs'000
Cost/valuation		
At 1 January	30,000	-
Transfer from property, plant and equipment	-	30,000
At 31 December	30,000	30,000
Depreciation		
At 1 January	2,556	-
Transfer from property, plant and equipment	-	2,556
At 31 December	2,556	2,556
Net book value at 31 December	**27,444**	**27,444**

The Group's Shimanzi property is presented as held for sale following the decision of the Group to dispose of the property.

14. CASH AND BANK BALANCES

	2006 KShs '000	2005 KShs '000
Group and Company		
Cash on hand	1,809	1,777

15. SHARE CAPITAL

	2006 KShs '000	2005 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) 2006	2005	Value of shares 2006 KShs'000	2005 KShs'000
At 1 January	32,185	32,185	160,925	160,925
Issue of bonus shares	3,219	-	16,093	-
At 31 December	**35,404**	**32,185**	**177,018**	**160,925**

At a shareholders meeting held on 14 July 2006, the shareholders approved an increase in share capital via a bonus issue of one for every ten shares held by existing shareholders. 3,218,526 shares were issued at a price of KShs 5 through the capitalisation of share premium of KShs 16,092,632.

16. LOANS AND BORROWINGS

The company has been availed a hire purchase facility of KShs 140 million at an interest rate of 6.35% per annum with National Industrial Credit Bank Limited. The facility is repayable within a period of 2 years. 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.

Future principal payments under the finance lease:

	2006 KShs '000	2005 KShs '000
Group and company		
Within one year	10,503	560
More than one year and not later than five years	30,856	-
	41,359	**560**

17. DEFERRED TAX

(a) Group

Movements during the year are as follows:

Arising from:	At 01.01.2006 KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	At 31.12.2006 KShs'000
Property, plant and equipment	67,864	18,984	-	86,848
Tax losses carried forward	(25,391)	15,885	-	(9,506)
Revaluation surplus	-	-	24,988	24,988
General provision	(3,250)	1,134	-	(2,116)
Unrealised exchange gains	2,457	176	-	2,633
	41,680	**36,179**	**24,988**	**102,847**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2006

17 DEFERRED TAX (Continued)

(b) Company

Movements during the year are as follows:

	At 01.01.2006 KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	At 31.12.2006 KShs'000
Arising from:				
Property, plant and equipment	61,026	18,984	-	80,010
Tax losses carried forward	(25,391)	15,885	-	(9,506)
Revaluation surplus	-	-	24,988	24,988
General provisions	(3,250)	1,134	-	(2,116)
Unrealised exchange gains	2,457	176	-	2,633
	34,842	**36,179**	**24,988**	**96,009**

18. BANK OVERDRAFT – Group and Company

	2006 KShs '000	2005 KShs'000
Bank overdraft	**201,408**	**118,866**

The 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 14% per annum for the Kenya shilling facility and 30 day LIBOR plus a margin of 3% for the dollar facility. These amounts are repayable on demand.

19. CREDITORS

	Group		Company	
	2006 KShs '000	2005 KShs '000	2006 KShs '000	2005 KShs '000
Accounts payable – trade	135,492	116,589	135,446	164,522
Payable to related companies	-	-	35,248	35,248
Other payables and accrued expenses	36,870	85,487	36,870	37,509
	172,362	**202,076**	**207,564**	**237,279**

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

20. CONTINGENT LIABILITIES

Group and Company	2006 KShs'000	2005 KShs'000
Claims, guarantees and discounted bills	**23,643**	**38,678**

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 521,750,000 (2005 – KShs 616,487,703) out of which KShs 313,979,340 was utilised as at 31 December 2006 (2005 – KShs 204,041,819). No material losses are expected to arise from these bonds.

21. RELATED PARTY TRANSACTIONS

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

	2006 KShs'000	2005 KShs'000
Invoiced to related parties	5,970	3,868
Invoiced by related parties	(3,581)	(3,250)
Net transactions	**2,389**	**618**

At 31 December, the following balances were outstanding:

Due to related parties	3,193	(859)
Due from related parties	(2,560)	6,480
	633	**5,621**
Staff loans	6,376	5,956
Directors fees	18,000	9,030

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

22. OPERATING LEASES RENTALS

Group and company

	2006 KShs'000	2005 KShs'000
Tenancy payable		
Less than 1 year	1,800	1,483
Between 1 and five years	-	7,415
	1,800	8,898
Amounts charged to income statement in respect of operating leases	1,800	1,483

The group and company lease 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.

23. ULTIMATE HOLDING COMPANY

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

24. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

25. CURRENCY

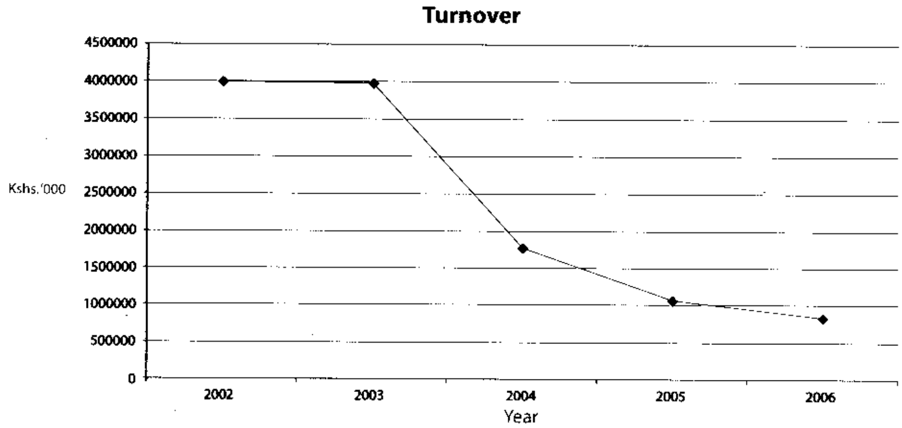
The financial statements are presented in Kenya Shillings (KShs).

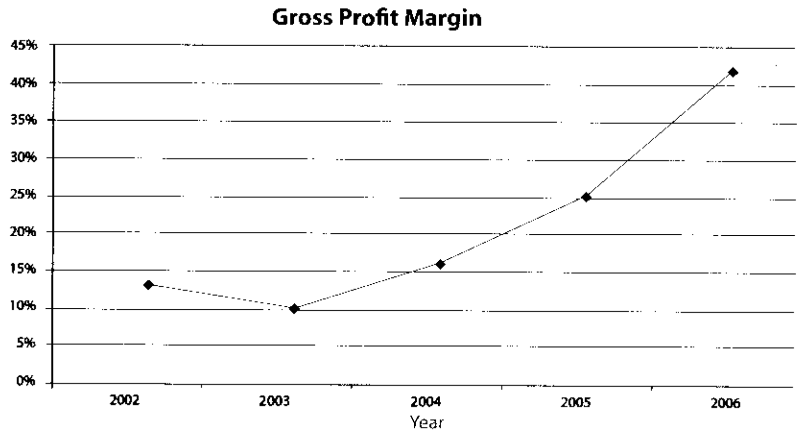
List of 20 Major Shareholders

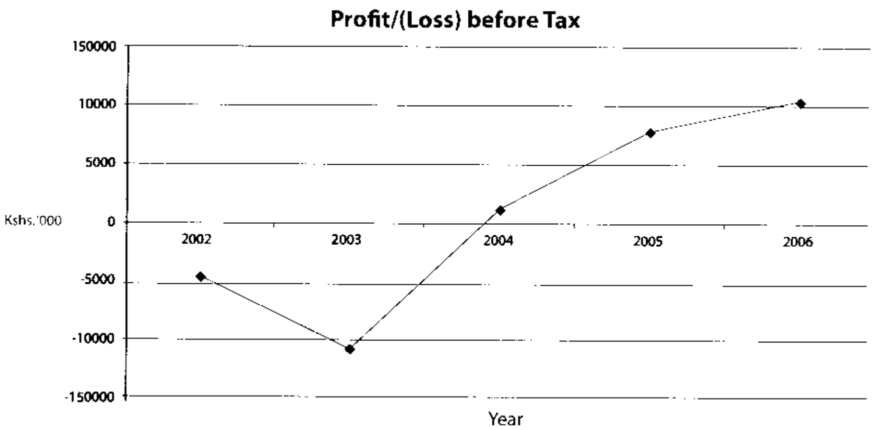
as at 31 December 2006

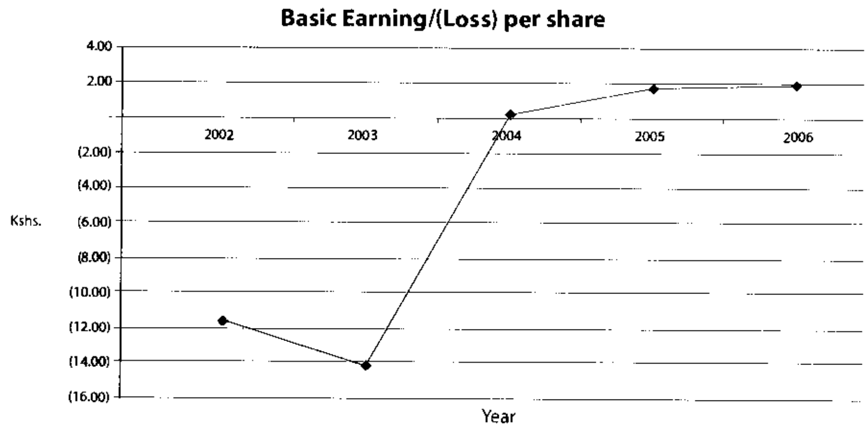
Name	Number Of Shares	%
Etcoville Holdings Limited	21,483,798	60.68
Barclays (Kenya) Nominees Limited A/c 9193	2,044,300	5.77
Stanbic Nominees Kenya Limited A/c R48701	803,949	2.27
Paul Wanderi Ndungu	406,786	1.14
KTDC Utalii Investments Limited	363,880	1.02
CFC Nominees Limited A/c L132	163,700	0.46
Jonathan Harry Erskine Leakey	152,322	0.43
Fechim Investments Limited	150,156	0.42
Muchtaq Gulamhussein	118,797	0.33
Mugo Catherine Wambui	117,321	0.33
Suntra Nominees Limited A/c 0412	110,000	0.31
Josephat Kimata Mukui	92,331	0.26
Robinson Ngigi Goco	91,007	0.25
Jeanne Wanjiku Gacheche	89,980	0.25
Suntra Nominees Limited A/c 0068	77,000	0.21
Daniel Karanja Ndungu	62,056	0.17
Kamau Stephen Githii Kionga	61,364	0.17
Rahab Mwihaki Karoki	60,000	0.16
Fatim Gulamhussein	58,312	0.16
Francis P. Ngillah	55,027	0.15
Sub-totals	26,562,086	74.94
Minority Shareholders	8,841,704	25.06
Grand Totals	**35,403,790**	**100.00**

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 36th Annual General Meeting of the said company to be held at 11:00 am on Friday 20th July, 2007 and at any adjournment thereof.

signed this ______________________day of ______________________ 2007

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 48hours 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 36 wa Kampuni hii utakaofanywa saa tano asubuhi Ijuma Julai 20, 2006 na katika mkutano wowote utakaoahirishwa.

Imetiwa sahihi leo ______________________ siku ya ______________________ 2007.

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