Contents

EXPRESS KENYA LTD

90 EXPRESSive Years 1918 - 2008

Directors, Officers and Administration

1. Express Kenya Limited -- periodicals
2. Freight and freightage -- Kenya -- Statistics -- periodicals

DIRECTORS

Dr CW Obura	(Chairman)
Hector Diniz	
Pinhas Moskovich**	(Appointed 6 December 2007)
Kajal Thakker	(Appointed 6 December 2007)
Paul Ndungu	(Appointed 25 January 2008)
RB Markham	(Resigned 30 April 2007)
G Barnhoorn*	(Resigned 30 November 2007)

* Dutch
** Israeli

COMPANY SECRETARY

Equatorial Secretaries and Registrars
Kalamu Road
P. O. Box 47323 - 00100
Nairobi

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Express House
Etcoville, Road A, Off Enterprise Road
Industrial Area
P.O. Box 40433 - 00100
Nairobi

BANKERS

Commercial Bank of Africa
Wabera Street
P. O. Box 30437 - 00100
Nairobi

AUDITORS

KPMG Kenya
Lonrho House, 16th Floor
P. O. Box 40612 - 00100
Nairobi

NOTICE IS HEREBY GIVEN that the Thirty Seventh Annual General Meeting of the Company will be held at The Grand Regency Hotel, Nairobi on Friday, 1st August 2008 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 Sixth Annual General Meeting held on 20 July 2007.

4. To receive and consider the Financial Statements for the year ended 31 December 2007 together with the Chairman's Statement and the reports of the Directors and Auditors thereon.

5. To declare a dividend of KShs 0.50 per share (2006: KShs.0.40) in respect of the financial year ended 31 December 2007.

6. To approve the Directors' fees as indicated in the Financial Statements for the year ended 31 December 2007.

7. To re-elect Directors:-

   Mr. Pinhas Moskovich retires in accordance with Article 90 of the Company's Articles of Association, having been appointed during the year and, being eligible, offers himself for re-election.

   Mr. Paul Ndungu retires in accordance with Article 90 of the Company's Articles of Association, having been appointed during the year and, being eligible, offers himself for re-election.

   Ms. Kajal Thakker retires in accordance with Article 90 of the Company's Articles of Association, having been appointed during the year and, being eligible, offers herself for re-election.

   Dr. C.W. Obura retires in accordance with Article 113 of the Company's Articles of Association and, being eligible, offers himself for re-election.

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.

BY ORDER OF THE BOARD

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

Date: 19 MAY 2008

Note
A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member. A perforated form of proxy is given on page 43 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 11.00 a.m. on Wednesday 30th July 2008.

Chairman's Report

Dr. C. W. Obura

I am very pleased indeed to present the company's financial report for the year 2007. The year under review maintained the consistency of significant progress as has been the trend in the recent years.

To ensure profitability, the company has had to constantly re-engineer the conduct of business to manage severe challenges highlighted below. The strategy employed ensured a commitment to cost-efficient management without sacrificing operating standard which has enabled the company to improve and maintain a strong financial standing and market position.

Vehicles stored in our bonded warehouses.

Key Highlights

Overall, profit before tax grew by 9.6% as compared to 2006. Gross Profit margin also grew from 41.7% to 44% which is in line with the company's objective of profitable growth.

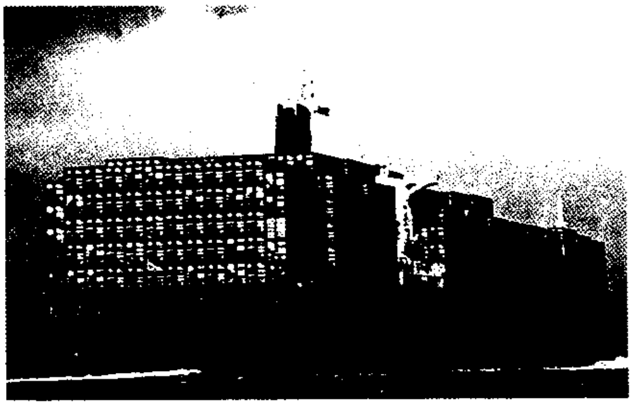
The operating environment has been increasingly difficult despite reported economic growth. Soaring fuel prices continues to be a major impediment to profitable operations. The general fuel cost increased by over 20%, an effect purely a result of the increase in world fuel price. There has been no let up in this upsurge and hence the trend is worrying.

Despite promises by the government to rapidly attend to the deplorable condition of the roads, it is taking years to overcome the backlog. Even now, five years later, more than 50 per cent of the road network is in poor shape while the booming economy puts even more vehicles on the road.

Prime movers ready to deliver general goods to clients.

Insecurity on the roads has also grown exponentially and is taking a heavy toll on transporters due to frequent losses and poor turnaround as a result of reduction in working hours and forced convoys to avoid singular travel.

The post election violence also dealt a heavy blow to the company and industry as a whole. At the close of the year under review and onto the next year a near paralysis of the



Seafreight - Clearing and forwarding

transportation system was experienced. The distribution channel was disrupted as a result of impassable roads owing to security concerns. A few of our own trucks bore the brunt of errant rioters. There was a general inability to push goods to the Central Rift and Western region.

Way Forward

Together with other like minded partners, we do recognize that a functional infrastructure will play a lead role in getting the economy back on track. We have joined in the push to fast track repairs and reconstruction of needed infrastructure especially the truck/arterial roads in Western Kenya. Some of the priority roads include Nakuru-Mau Summit-Kericho-Kisumu Road and Nakuru-Eldoret Road. There is also a push on the need to upgrade all the main roads.

Tonked vehicles used to transport liquid products.

A further push is on the security forces to sustain safety in transport routes, to ensure that roads are open and passable. In pursuit of growth and market dominance, the group plans to further diversify its logistics services by tapping into other profitable opportunities presented by the robust economic growth expected and maintain a sustained growth pattern.

The coming financial year will mark 90 years of Express Kenya's existence since its inception in 1918 as a transport company. The Board is looking into ways of injecting further capital to significantly expand the operational capacity and also diversify into other profitable sectors and untapped potential.

PDI section - Vehicle inspection

Acknowledgement and Appreciation

On behalf of your Board of Directors, I would like to thank you for your continued support and confidence in the company. I also want to thank the management and staff of the company for their commitment, strength and dedication. The unified efforts and support have brought the company this far to celebrate 90years of existence.

Dr. C. W. Obura
Chairman

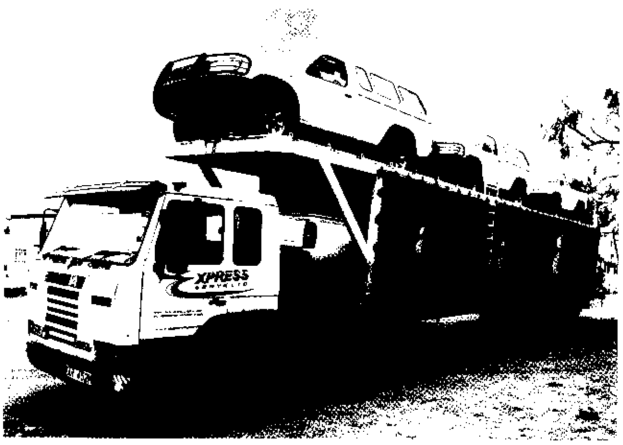
CEO's Statement

H. Diniz

We are very pleased with our results for this year in terms of both sales and earnings. Good progress was made in most of our business segments the exception being Packing and Removals Division which is continuing to battle with weak earnings.

In the year under review, the company invested substantially in boosting the transportation fleet by injecting 4 -15 tonne trucks to support the current fleet. The year also saw the completion of godowns increasing the capacity by a further 25,000 square feet.

Despite the intrinsic challenge of the industry and political turmoil, we expect that earnings can be maintained at a satisfactory level in future period.



Car carrier - Transparting vehicles within East Africo.

Sea Freight Operations

There has been a robust growth of import and export cargo into the country and region at large. The potential to grow this division remains enormous.

The Board is looking into ways of exclusively tapping into markets that are making significant volume contributions. This is intended to create and maintain a strong market position and niche.

Air Freight Operations

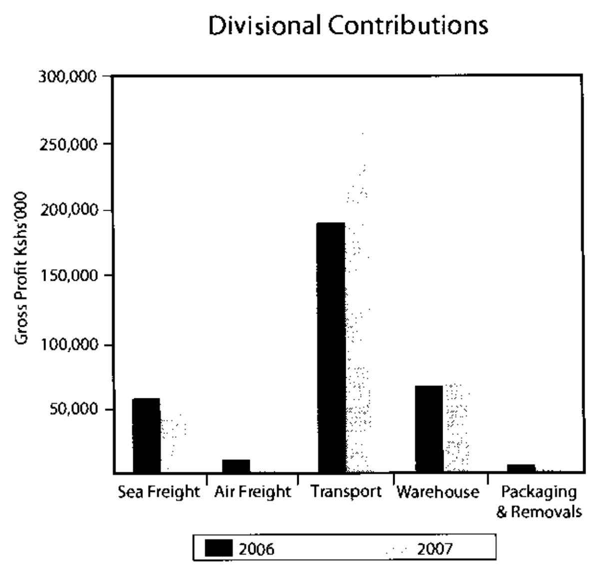
The focus on restructuring of the division and vigorous marketing of the service is beginning to pay off. The client base has increased and will go a long way in boosting earnings. The demand is growing strongly and hence the focus remains to increase the division's efficiency and competitiveness. Nevertheless, the division is seeing growing competition from both local and international players.

Cargo an board a plane from JKIA, Nairobi.

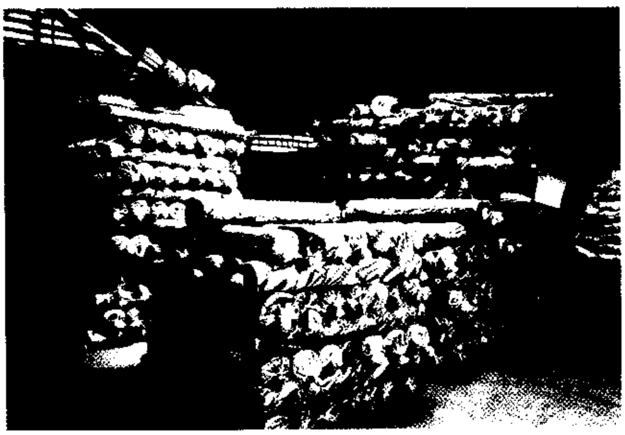
Transport and Logistics

This division being the backbone of the company contributed significantly to the company's growth in turnover and profitability. Turnover contribution from this division grew from 474 million in 2006 to 618 million in 2007. Also, gross profit escalated from 190 million in 2006 to 267 million in 2007.

The worrying trend of sharp increase in direct costs like fuel and maintenance costs may take a toll on the earnings of this division. Work is underway to raise sales price despite competitive pricing by other players.



The increasing demand for transportation services in the country and region is expected to sustain the growth in future periods. However, in the next financial period a significant erosion of earnings is expected resulting from the effects of the post election violence. From the last week of the year under review up to more than two months into the following year, business was at a near standstill as the country struggled to open up routes and markets that had been cut off.



Warehause facilities

Warehousing and Containers

This division maintained a significant consistent growth in terms of both revenue and earnings. gross profit grew from 67 million in 2006 to 73 million in 2007.

The division is supported by increased demand thus, the challenge being the capacity. The Board is evaluating the physical facilities at our Etcoville premises to tactfully invest and expand the capacity to maximize on this niche and also keep our customers and partners happy.

Packing and Removals

The year under review saw a decline in the earnings for this division. It also faces growing competition particularly from numerous small players that have specialized in under cutting prices.

Contoiner depot - Majar shipping line contalners stored.

The strive for the division has been to maintain its niche with the corporate clients. As such, the division is maintained purely to service that clientele.

Appreciation

I would like to express my deep appreciation first to partners who have continued to support us over the years up until now where an important milestone is covered as the company marks 90 years of existence. I also thank my colleagues of the Board, Express Kenya management and staff who have tirelessly worked to get Express where it is today. Last and most certainly not the least, I thank the shareholders, all business partners and customers for the continued loyal support which has enabled Express Kenya Limited successfully grow from 1918 to this very day. Congratulations for 90 EXPRESSive years!

Mr. H. Diniz
Chief Executive Officer

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 of 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 audit function, including its purposes, activities, scope and adequacy and approval of 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 41.

Report of the Directors

for the year ended 31 December 2007

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2007.

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 17,701,895 (2006 – KShs 14,161,516).

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 19 March 2008.

BY ORDER OF THE BOARD

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

Date: 19 March 2008

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the financial statements of Express Kenya Limited set out on pages 12 to 40 which comprise the balance sheet at 31 December 2007, and the 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.

The Directors responsibility includes: determining that the basis of accounting described in note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances; designing, implementing and maintaining internal controls relevant to the preparation and presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the 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 company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments 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 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.

The Directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 19 March 2008 and were signed on its behalf by:

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

Director: **Mr. H. Diniz**

Date: 19 March 2008

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 40 which comprise the balance sheets of the group and the company at 31 December 2007, 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 2007, 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
Lonrho House, 16th Floor
PO Box 40612 - 00100
Nairobi GPO

Date: 19 March 2008

Consolidated Income Statement

for the year ended 31 December 2007

	Note	2007 KShs '000	2006 KShs '000
Revenue		**922,347**	**822,487**
Cost of sales		(515,993)	(479,260)
Gross profit		**406,354**	**343,227**
Gain on disposal of property and equipment and prepaid operating leases		2,417	10,090
Operating and administrative costs		(177,250)	(168,318)
Depreciation		(110,698)	(70,120)
Profit from operations		**120,823**	**114,879**
Net financing costs	8	(8,443)	(12,371)
Profit before income tax	9	**112,380**	**102,508**
Income tax expense	10	(38,763)	(36,179)
Profit after tax		**73,617**	**66,329**
Basic and diluted earnings per share	11	**KShs 2.08**	**KShs 1.87**
Dividend per share	12	**KShs 0.50**	**KShs 0.40**

The notes set out on pages 17 to 40 form an integral part of these financial statements.

Consolidated Balance Sheet
at 31 December 2007

		Group		Company	
		2007	2006	2007	2006
ASSETS	**Note**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Non current assets					
Property and equipment	13	611,213	636,421	611,213	636,421
Prepaid operating lease rentals	14	7,998	9,080	7,998	8,252
Intangible asset	15	310	683	310	683
Investment in subsidiaries	16	-	-	7,491	7,491
		619,521	646,184	627,012	652,847
Current assets					
Inventories	17	7,594	6,940	7,594	6,940
Trade and other receivables	18	188,387	183,084	188,330	183,025
Assets classified as held for sale	19	-	27,444	-	-
Tax recoverable		6,112	30,158	6,118	30,164
Cash and bank balances	20	2,492	1,809	2,492	1,809
		204,585	249,435	204,534	221,938
TOTAL ASSETS		**824,106**	**895,619**	**831,546**	**874,785**
EQUITY AND LIABILITIES					
Capital and reserves (Pages 9 & 10)					
Share capital	21	177,018	177,018	177,018	177,018
Reserves		249,574	186,463	205,020	137,265
Proposed dividend		17,702	14,162	17,702	14,162
		444,294	377,643	399,740	328,445
Non current liabilities					
Loans and borrowings	22	19,945	30,856	19,945	30,856
Deferred tax	23	103,672	102,847	103,672	96,009
		123,617	133,703	123,617	126,865
Current liabilities					
Bank overdraft	24	127,708	201,408	127,708	201,408
Loans and borrowings	22	14,861	10,503	14,861	10,503
Trade and other payables	25	113,626	172,362	165,620	207,564
		256,195	384,273	308,189	419,475
TOTAL EQUITY AND LIABILITIES		**824,106**	**895,619**	**831,546**	**874,785**

The financial statements on pages 12 to 40 were approved by the Board of Directors on 19 March 2008 and were signed on its behalf by:

Director: **Dr. C.W. Obura** Director: **Mr. H. Diniz**

The notes set out on pages 17 to 40 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	Note	2007 KShs '000	2006 KShs '000
Cash flow from operating activities			
Group profit before tax		112,380	102,508
Adjustments for:			
Loss/(gain) on disposal of property and equipment		4,105	(10,090)
Gain on disposal of prepaid operating leases		(6,522)	-
Amortisation of prepaid operating lease		254	274
Amortisation of intangible asset		373	372
Depreciation on property and equipment		110,697	70,120
Interest expense		20,304	20,481
Operating profit before working capital changes		**241,591**	**183,665**
(Increase)/decrease in inventories		(654)	2,728
Increase in trade and other receivables		(5,303)	(29,481)
Decrease in trade and other payables		(58,736)	(29,714)
Cash generated from operations		**176,898**	**127,198**
Interest paid		(20,304)	(20,481)
Tax paid		(6,694)	(2,953)
Net cash inflows from operating activities		**149,900**	**103,764**
Cash flow from investing activities			
Purchase of property and equipment		(101,419)	(262,783)
Dividends paid		(14,162)	-
Proceeds from disposal of asset classified as held for sale		34,793	-
Proceeds from sale of property and equipment		11,824	35,710
Net cash used in investing activities		**(68,964)**	**(227,073)**
Cash flow from financing activities			
Finance lease paid		(41,563)	(560)
Proceeds from finance leases		35,010	41,359
Net cash (used in)/from financing activities		**(6,553)**	**40,799**
Net increase/(decrease) in cash and cash equivalents		**74,383**	**(82,510)**
Cash and cash equivalent at 1 January		(199,599)	(117,089)
Change in the year		74,383	(82,510)
Cash and cash equivalent at 31 December	20	**(125,216)**	**(199,599)**

The notes set out on pages 17 to 40 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

	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 2006	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**
Net profit for the year	-	-	-	73,617	-	73,617
Excess depreciation transfer	-	-	(3,147)	3,147	-	-
Deferred tax on excess depreciation transfer	-	-	944	(587)	-	357
Reversal of deferred tax on disposal of revalued assets	-	-	-	6,839	-	6,839
Realised on disposals of assets held for sale	-	-	(28,923)	28,923	-	-
Dividends paid	-	-	-	-	(14,162)	(14,162)
Proposed dividends	-	-	-	(17,702)	17,702	-
Balance at 31 December 2007	**177,018**	**10,501**	**96,529**	**142,544**	**17,702**	**444,294**
Balance at 31 December 2007	**177,018**	←	**249,574**	→	**17,702**	**444,294**

The notes set out on pages 17 to 40 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2007

	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 2006	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**	**14,162**	**328,445**
Net profit for the year	-	-	-	85,096	-	85,096
Excess depreciation transfer	-	-	(3,147)	3,147	-	-
Deferred tax on excess depreciation transfer	-	-	944	(583)	-	361
Dividends paid	-	-	-	-	(14,162)	(14,162)
Proposed dividends	-	-	-	(17,702)	17,702	-
Balance at 31 December 2007	**177,018**	**10,501**	**113,070**	**81,449**	**17,702**	**399,740**
Balance at 31 December 2007	**177,018**	←	**205,020**	→	**17,702**	**399,740**

The notes set out on pages 17 to 40 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

1. REPORTING ENTITY

The company is incorporated as a limited company in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The address of its registered office is as follows:

Road A, Off Enterprise Road
Industrial Area
PO Box 40433-00100
Nairobi

2. BASIS OF PREPARATION

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(ii) Basis of measurement

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property and equipment.

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs 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 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 the 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.

(iv) Functional and presentation currency

These consolidated financial statements are presented in Kenya Shillings, which is the Group's functional currency. Except as indicated, financial information presented in Kenya Shillings has been rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) 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 16.

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.

(b) 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.

(c) Revenue recognition

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

(d) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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.

(f) 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.

(g) Trade and other receivables

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

(h) 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.

(i) 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.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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.

(m) 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.

(n) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

Held-to-maturity investments
If the group has the positive intent and ability to hold debt securities to maturity, 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.

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) New standards and interpretations not yet adopted

The following are new standards and interpretations not yet adopted:

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments.

- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any effect on the consolidated financial statements because the company has not entered into any public – to – private service concession.

- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the consolidated financial statements because the company does not have any customer loyalty programmes.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the consolidated financial statements because the company does not operate a Defined Benefit Scheme.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions

(i) Income taxes

The Group is subject to income taxes in Kenya. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases;
- Whether assets are impaired.

5. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Credit Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Credit Committee. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are USD and GBP.

Interest rate risk
The Group exposure to interest rate risk is with regards to fluctuation in interest rates in the market which affects the borrowings by the Group.

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

6. SEGMENT INFORMATION

Geographical segments

The Group operations are all within Kenya. Geographical analysis is therefore not relevant.

Business segments

The Group is organised into two business segments namely transport and freight services. The segment results were as follows:

Year ended 31 December 2007	Transport KShs '000	Freight KShs'000	Others KShs'000	Total KShs'000
Sales	610,874	199,645	111,828	922,347
Cost of sales	(343,770)	(162,572)	(9,651)	(515,993)
Gross profit	**267,104**	**37,073**	**102,177**	**406,354**
Profit on sale of property, plant and equipment				2,417
Operating and administration expenses				(177,250)
Depreciation				(110,698)
Profit from operations				**120,823**
Finance costs net				(8,443)
Profit before income tax				**112,380**

Year ended 31 December 2006	Transport KShs '000	Freight KShs'000	Others KShs'000	Total KShs'000
Sales	474,550	262,727	85,210	822,487
Cost of sales	(270,981)	(198,264)	(10,015)	(479,260)
Gross profit	**203,569**	**64,463**	**75,195**	**343,227**
Profit on sale of property, plant and equipment				10,090
Operating and administration expenses				(168,318)
Depreciation				(70,120)
Profit from operations				**114,879**
Finance costs net				(12,371)
Profit before income tax				**102,508**

7. EMPLOYEE BENEFITS EXPENSES

The average number of people engaged at the end of the year were 237 (2006 – 209).

Included in staff costs are contributions to a defined contribution plan for employees. During the year, the company expensed KShs 2,198,879 (2006 – KShs 2,460,431) in contributions payable.

8. FINANCE COSTS

	2007 KShs'000	2006 KShs'000
Foreign exchange gains	11,861	8,776
Interest expense	(20,304)	(20,481)
Foreign exchange losses	-	(666)
	(20,304)	(21,147)
Net finance cost	**(8,443)**	**(12,371)**

9. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):		
Staff costs	86,035	83,866
Directors' emoluments:		
- Fees	18,000	18,000
- Other	-	-
Depreciation on property, plant and equipment	110,697	70,120
Intangible asset amortisation	373	372
Loss/(gain) on disposal of property and equipment	4,105	(10,090)
Gain on disposal of prepaid operating leases	(6,522)	-
Amortisation of prepaid operating lease rentals	254	274
Auditors' remuneration	2,200	1,600

10. INCOME TAX

	2007 KShs'000	2006 KShs'000
Current tax at 30%	30,740	-
Change in deferred tax (Note 23)	8,023	36,179
Income tax expense	**38,763**	**36,179**

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

	2007 KShs'000	2006 KShs'000
Accounting profit before tax	112,380	102,508
Tax at the applicable tax rate of 30%	33,714	30,752
Under provision in prior year	-	4,020
Deferred tax asset not recognised	5,400	-
Non-taxable income and non-deductible costs	(351)	1,407
Income tax expense	38,763	36,179

11. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is based on:	2007	2006
Basic and dilutive earnings after tax – in KShs'000	**73,617**	**66,329**
Number of ordinary shares in issue at year end	**35,403,790**	**35,403,790**
Basic and dilutive earnings per share (in KShs)	**2.08**	**1.87**

12. DIVIDENDS PER SHARE

Dividend per share is calculated on proposed dividends of KShs 17,701,895 (2006 - KShs 14,161,516) and on the number of shares in issue at the balance sheet date of 35,403,790 (2006 - 35,403,790).

Payment of dividends is subject to withholding tax at a rate of between 5% and 10%, depending on the residence of the respective shareholders.

13. PROPERTY AND EQUIPMENT

As at 31 December 2007 - Group and company:

	Freehold land KShs'000	Leasehold buildings long term KShs'000	Leasehold buildings short term KShs'000	Equipment KShs'000	Total KShs'000
Cost or valuation:					
At 1 January 2007	30	65,580	161,257	646,404	873,271
Additions	-	-	19,799	81,620	101,419
Disposals	-	-	-	(39,716)	(39,716)
At 31 December 2007	30	65,580	181,056	688,308	934,974
Cost	30	34,180	46,536	688,308	769,054
Valuation	-	31,400	134,520	-	165,920
	30	65,580	181,056	688,308	934,974
Depreciation:					
At 1 January 2007	-	-	-	236,850	236,850
Charge for the year	-	-	4,539	106,158	110,697
Disposals	-	-	-	(23,786)	(23,786)
At 31 December 2007	-	-	4,539	319,222	323,761
Net book value:					
At 31 December 2007	**30**	**65,580**	**176,517**	**369,087**	**611,213**

Included in property and equipment are assets with a gross value of KShs 139,925,524 which are fully depreciated but still in use.

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 revalued amounts, and the resulting surplus, net of deferred tax, was credited to revaluation reserves.

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

	2007 KShs'000	2006 KShs'000
Cost	80,716	60,917
Accumulated depreciation	(25,549)	(23,364)
	55,167	**37,553**

13 PROPERTY AND EQUIPMENT (Continued)

As at 31 December 2006 - Group and company:

	Freehold land KShs '000	Leasehold buildings long term KShs '000	Leasehold buildings short term KShs '000	Equipment KShs '000	Total 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.

14. PREPAID OPERATING LEASE RENTALS

	Group KShs '000	Company KShs '000
Carrying amount of leasehold land as at 1 January 2007	9,080	8,252
Amortisation for the year	(254)	(254)
Lease disposed in the year	(828)	-
Balance as at 31 December 2007	**7,998**	**7,998**

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.

15. INTANGIBLE ASSET

Group and company	2007 KShs'000	2006 KShs'000
Cost		
At 1 January	1,117	1,117
Amortisation		
At 1 January	434	62
Charge for the year	373	372
At 31 December	807	434
Net book value	**310**	**683**

The intangible asset relates to computer software acquired in 2005.

16. INVESTMENT IN SUBSIDIARIES

Company

The significant subsidiary undertakings are:

	Country	Ownership	2007 KShs'000	2006 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**

Container services Limited and Airporter Limited are both dormant companies and incorporated in Kenya.

17. INVENTORIES

Group and company	2007 KShs'000	2006 KShs'000
General stocks at cost	7,594	6,940

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 KShs '000	2006 KShs '000	2007 KShs '000	2006 KShs '000
Trade debtors	174,805	151,717	174,747	151,659
Due from related companies	897	-	898	-
Other debtors	12,685	31,367	12,685	31,366
	188,387	**183,084**	**188,330**	**183,025**

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

19. ASSET CLASSIFIED AS HELD-FOR-SALE

	2007 KShs'000	2006 KShs'000
Cost/valuation		
At 1 January	30,000	30,000
On disposal	(30,000)	-
At 31 December	-	30,000
Depreciation		
At 1 January	2,556	2,556
On disposal	(2,556)	-
At 31 December	-	2,556
Net book value at 31 December	**-**	**27,444**

20. CASH AND CASH EQUIVALENTS

	2007	2006
Group and Company		
Cash on hand	2,492	1,809
Bank overdraft	(127,708)	(201,408)
	(125,216)	**(199,599)**

21. SHARE CAPITAL

	2007	2006
Authorised		
43,200,000 Ordinary shares of KShs 5 each	**216,000**	**216,000**

Issued and fully paid	Number of shares (In thousands) 2007	Number of shares (In thousands) 2006	Value of shares 2007 KShs'000	Value of shares 2006 KShs'000
At 1 January	35,404	32,185	177,018	160,925
Issue of bonus shares	-	3,219	-	16,093
At 31 December	35,404	35,404	177,018	177,018

22. LOANS AND BORROWINGS

The company has been availed a hire purchase facility of KShs 77 million at an interest rate of 11.75% 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:

	2007 KShs'000	2006 KShs'000
Group and company		
Within one year	14,861	10,503
More than one year and not later than five years	19,945	30,856
	34,806	**41,359**

23. DEFERRED TAX

(a) Group

Movements during the year are as follows:

	At 01.01.2007 KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	At 31.12.2007 KShs'000
Arising from:				
Property, plant and equipment	86,848	(2,034)	(6,839)	77,975
Tax losses carried forward	(9,506)	14,906	-	5,400
Revaluation surplus	24,988	-	(359)	24,629
General provision	(2,116)	(575)	-	(2,691)
Unrealised exchange gains	2,633	1,126	-	3,759
	102,847	13,423	7,198	109,072
Deferred tax asset not recognised	-	(5,400)	-	(5,400)
	102,847	8,023	(7,198)	103,672

(b) Company

Movements during the year are as follows:

	At 01.01.2007 KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	At 31.12.2007 KShs'000
Arising from:				
Property, plant and equipment	80,010	(2,034)	-	77,977
Tax losses carried forward	(9,506)	9,506	-	-
Revaluation surplus	24,988	-	(361)	24,627
General provision	(2,116)	(575)	-	(2,691)
Unrealised exchange gains	2,633	1,126	-	3,759
	96,009	**8,023**	**(361)**	**103,672**

24. BANK OVERDRAFT – Group and Company

	2007 KShs'000	2006 KShs'000
Bank overdraft	**127,708**	**201,408**

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 12595/1 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.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	KShs '000	KShs '000	KShs '000	KShs '000
Accounts payable – trade	83,408	135,492	83,358	135,446
Payable to related companies	-	-	52,044	35,248
Other payables and accrued expenses	30,218	36,870	30,218	36,870
	113,626	**172,362**	**165,620**	**207,564**

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

26. CONTINGENT LIABILITIES

Group and Company	2007	2006
	KShs'000	KShs'000
Claims, guarantees and discounted bills	**55,405**	**23,643**

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 621,850,000 (2006 – KShs 521,750,000) out of which KShs 160,610,651was utilised as at 31 December 2007 (2006 – KShs 313,979,340). No material losses are expected to arise from these bonds.

27. RELATED PARTY TRANSACTIONS

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

	2007	2006
	KShs'000	KShs'000
Invoiced to related parties	17	5,970
Invoiced by related parties	(3,004)	(3,581)
Net transactions	**(2,987)**	**(2,389)**

At 31 December, the following balances were outstanding:

Due to related parties	505	3,193
Due from related parties	-	(2,560)
	505	**633**
Staff loans	3,417	6,376
Directors fees	18,000	18,000

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

28. OPERATING LEASES RENTALS

Group and company

	2007 KShs'000	2006 KShs'000
Tenancy payable		
Less than 1 year	1,800	1,800
Between 1 and five years	-	-
	1,800	**1,800**
Amounts charged to income statement in respect of operating leases	**1,800**	**1,800**

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

29. RISK MANAGEMENT

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2007 KShs'000	2006 KShs'000
Receivables and prepayments	220,596	211,301
Impairment losses recognised in the year	(32,209)	(28,217)
	188,387	**183,084**

The aging of trade receivables at the reporting date was:

Not past due	105,370	89,964
Past due 0 – 30 days	18,551	14,950
Past due 31 – 90 days	4,697	2,222
Past due 91 – 180 days	91,978	104,165
	220,596	**183,084**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2007 KShs'000	2006 KShs'000
Trade receivables		
Balance at 1 January	28,217	27,162
Impairment loss recognised in the year	3,992	1,055
Balance at 31 December	**32,209**	**28,217**

29. RISK MANAGEMENT (Continued)

(b) Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2007 to the contractual maturity date.

All figures are in thousands of Kenya Shillings (KShs '000)

As at 31 December 2007

	Effective interest rate	Up to 1 month	1 – 3 months	3 – 12 months	1 – S years	Over 5 years	Total
ASSETS							
Trade and other receivables	-	188,387	-	-	-	-	188,387
Cash and bank balances	-	2,492	-	-	-	-	2,492
Total assets		**190,879**	**-**	**-**	**-**	**-**	**190,879**
LIABILITIES							
Loans and borrowings	11.75%	-	-	14,861	19,945	-	34,806
Bank overdraft - USD	8.28%	-	-	97,266	-	-	97.266
Bank overdraft - KShs	14.00%	-	-	30,442	-	-	30,442
Trade and other payables	-	113,626	-	-	-	-	113,626
Total liabilities		**113,626**	**-**	**142,569**	**19,945**	**-**	**276,140**
Net Liquidity Gap – 2007		**77,253**	**-**	**(142,569)**	**(19,945)**	**-**	**(85,261)**

As at 31 December 2006

	Effective interest rate	Up to 1 month	1 – 3 months	3 – 12 months	1 – S years	Over 5 years	Total
ASSETS							
Trade and other receivables	-	183,084	-	-	-	-	183,084
Cash and bank balances	-	1,809	-	-	-	-	1,809
Total assets		**184,893**	**-**	**-**	**-**	**-**	**184,893**
LIABILITIES							
Loans and borrowings	11.75%	-	-	10,503	30,856	-	41,359
Bank overdraft-USD	8.28%	-	-	177,201	-	-	177,201
Bank overdraft-Kes	14.00%	-	-	24,207	-	-	24,207
Trade and other payables		172,362	-	-	-	-	172,362
Total liabilities		**172,362**	**-**	**211,911**	**30,856**	**-**	**415,129**
Net Liquidity Gap – 2006		**12,531**	**-**	**(211,911)**	**(30,856)**	**-**	**(230,236)**

29. RISK MANAGEMENT (Continued)

(c) Currency risk

The Group operates wholly within Kenya and its assets and liabilities are carried in the local currency. The Group's exposure to foreign currency risk was as follows based on notional amounts:

All figures are in thousands of Kenya Shillings (KShs '000)

As at 31 December 2007

	USD	GBP	Other	Total
ASSETS				
Trade and other receivables	8,736	-	-	8,736
At 31 December 2007	**8,736**	**-**	**-**	**8,736**
LIABILITIES				
Trade and other payables	7,336	-	917	8,253
Bank overdraft	97,266	-	-	97,266
At 31 December 2007	**104,602**	-	**917**	**105,519**
Balance sheet position - 2007	**(95,866)**	**-**	**(917)**	**(96,783)**
As at 31 December 2006				
ASSETS				
Trade and other receivables	11,465	-	-	11,465
At 31 December 2006	**11,465**	**-**	-	**11,465**
LIABILITIES				
Trade and other payables	4,748	-	863	5,611
Bank overdraft	177,201	-	-	177,201
At 31 December 2006	**181,949**	**-**	**863**	**182,812**
Balance sheet position-2006	**(170,484)**	**-**	**(863)**	**(171,347)**

The following exchange rates were applied during the year:

	Average rate		**Closing rates**	
	2007	**2006**	**2007**	**2006**
US Dollar	67.20	72.05	62.80	69.39
Sterling Pound	134.71	133.41	124.67	136.31

Sensitivity Analysis

A 10 percent strengthening of the Shilling against the following currencies at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2006.

Effect in Kenya shillings thousands

	Profit or loss		**Equity**	
	2007	**2006**	**2007**	**2006**
As at 31 December				
US Dollar	**9,587**	**17,048**	-	-

A 10 percent weakening of the Shilling against the above currencies at 31 December 2007 would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

29. **RISK MANAGEMENT (Continued)**

(d) Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2007:

	Effective interest rate %	On demand KShs'000	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Over 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS								
Property and equipment		-	-	-	-	-	611,213	611,213
Prepaid operating lease rentals		-	-	-	-	-	7,998	7,998
Intangible asset		-	-	-	-	-	310	310
Inventories		-	-	-	-	-	7,594	7,594
Trade and other receivables		-	-	-	-	-	188,387	188,387
Tax recoverable		-	-	-	-	-	6,112	6,112
Cash and bank balances		-	-	-	-	-	2,492	2,492
At 31 December 2007		**-**	**-**	**-**	**-**	**-**	**824,106**	**824,106**
EQUITY AND LIABILITIES								
Share capital, reserves and proposed dividends		-	-	-	-	-	444,294	444,294
Loans and borrowings	11.75%	-	-	14,861	19,945	-	-	34,806
Deferred tax		-	-	-	-	-	103,672	103,672
Bank overdraft-USD	8.28%	-	-	97,266	-	-	-	97,266
Bank overdraft-Kes	14.00%	-	-	30,442	-	-	-	30,442
Trade and other payables		-	-	-	-	-	113,626	113,626
At 31 December 2007		**-**	**-**	**142,569**	**19,945**	**-**	**661,592**	**824,106**
Interest rate sensitivity - 2007		**-**	**-**	**(142,569)**	**(19,945)**	**-**	**162,514**	**-**

29. **RISK MANAGEMENT (Continued)**

(d) **Interest rate risk (continued)**

As at 31 December 2006:

	Effective interest rate %	On demand KShs'000	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Over 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS								
Property and equipment		-	-	-	-	-	636,421	636,421
Prepaid operating lease rentals		-	-	-	-	-	9,080	9,080
Intangible asset		-	-	-	-	-	683	683
Inventories		-	-	-	-	-	6,940	6,940
Trade and other receivables		-	-	-	-	-	183,084	183,084
Assets classified as held for sale		-	-	-	-	-	27,444	27,444
Tax recoverable		-	-	-	-	-	30,158	30,158
Cash and bank balances		-	-	-	-	-	1,809	1,809
At 31 December 2006		**-**	**-**	**-**	**-**	**-**	**895,619**	**895,619**
EQUITY AND LIABILITIES								
Share capital and reserves		-	-	-	-	-	377,643	377,643
Loans and borrowings	11.75%	-	-	10,503	30,856	-	-	41,359
Deferred tax		-	-	-	-	-	102,847	102,847
Bank overdraft - USD	8.28%	-	-	177,201	-	-	-	177,201
Bank overdraft – KShs	14.00%	-	-	24,207	-	-	-	24,207
Trade and other payables		-	-	-	-	-	172,362	172,362
At 31 December 2006		**-**	**-**	**211,911**	**30,856**	**-**	**652,852**	**895,619**
Interest rate sensitivity - 2006		**-**	**-**	**(211,911)**	**(30,856)**	**-**	**242,767**	**-**

29. RISK MANAGEMENT (Continued)

(e) Sensitivity analysis

Sensitivity analysis on interest rates

An increase of 1 percentage point in interest rates at the reporting date would have increased/ (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2006.

Effect in Shillings thousands

	Profit or loss		Equity	
	2007	**2006**	**2007**	**2006**
Loans and borrowings	(41.77)	(33)	-	-
Bank overdraft-USD & KShs	(161.27)	(201.47)	-	-

A decrease of 1 percentage point in interest rates at the reporting date would have had an equal but opposite effect on the profit and loss, on the basis that all other variables remain constant.

(f) Fair value

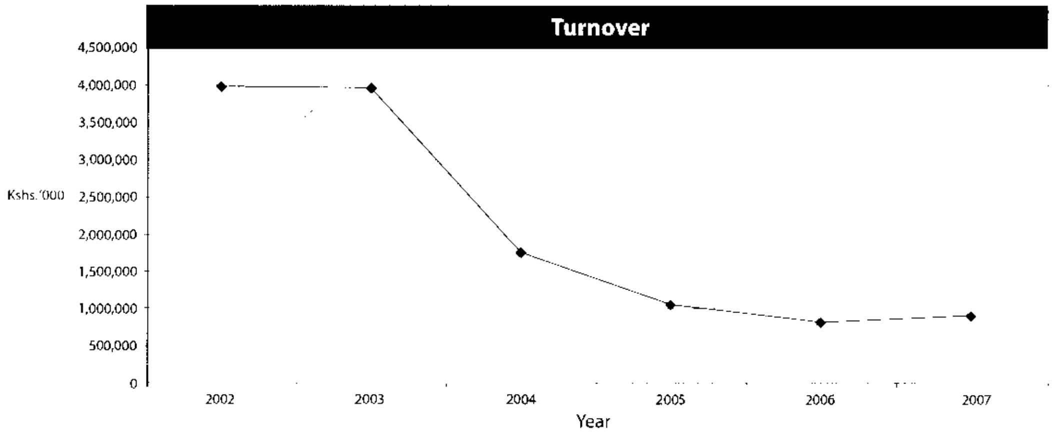
The fair values of financial assets and liabilities is the same as the carrying amounts as shown in the balance sheet.

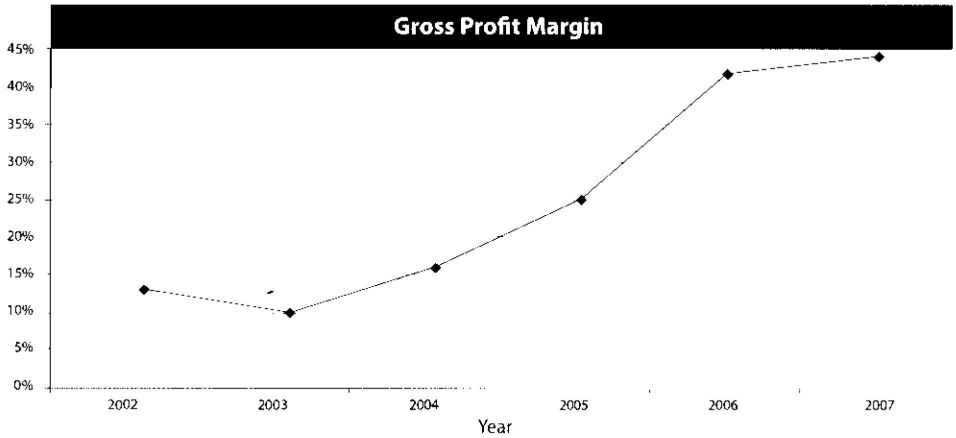
List of 20 Major Shareholders

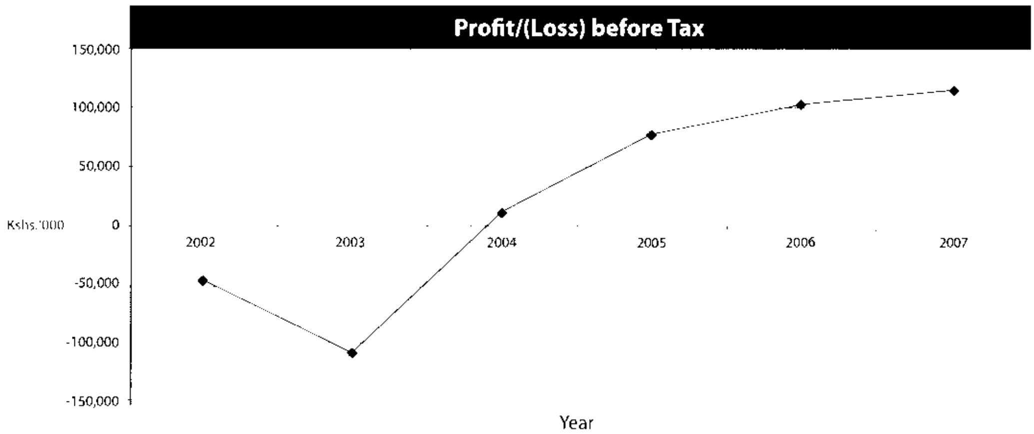
as at 31 December 2007

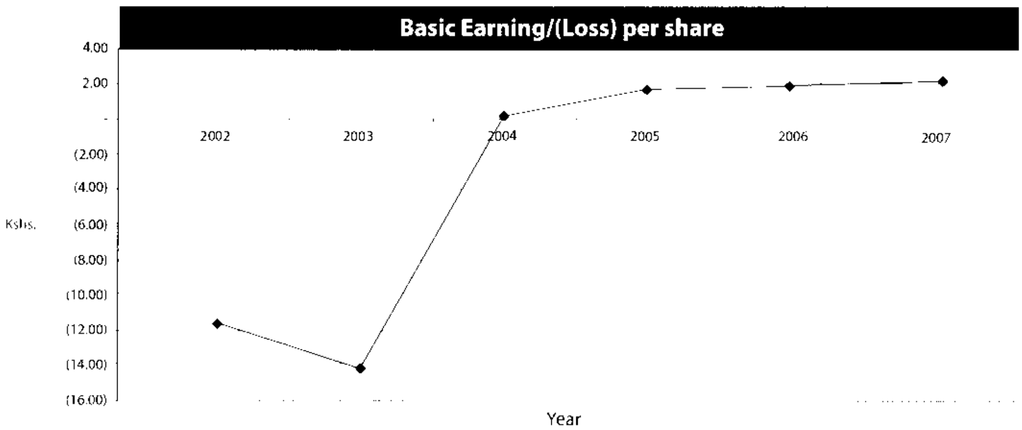
Name	Number of Shares	Percentage
Etcoville Holdings Limited	21,392,898	60.43
Barclays (Kenya) Nominees Ltd A/C 9193	1,490,754	4.21
Paul Wanderi Ndungu	1,297,286	3.66
Stanbic Nominees Kenya Ltd A/C R48701	600,549	1.70
Vijay Kantaria	348,042	0.98
Alnashir Abdul Karim Chaturbhai Popat	237,600	0.67
Patrick Kariuki & Agnes Ndung'u Karinge	170,800	0.48
Jonathan Harry Erskine Leakey	169,122	0.48
CFCFS Nominees Ltd A/C 102	150,000	0.42
Japheth Mulinge Mukumbu	149,900	0.42
Fechim Investment	129,056	0.36
Lavington Securi	125,498	0.35
Macharia Migwi	110,000	0.31
CFCFS Nominees Ltd A/C Hdz	107,000	0.30
Kotecha Kishorch	97,597	0.28
Robinson Ngigi Goco	96,007	0.27
Josephat Kimata Mukui	92,331	0.26
Sherry Blue Prop	85,000	0.24
Dyer and Blair Investment Bank Ltd.	74,400	0.21
Daniel Karanja Ndungu	60,556	0.17
Total Shares	26,984,396	76.22
Total Holders	4,267	
Total Shares For Remaining 4247 Shareholders	8,419,394	23.78
Grand Total	**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 37th Annual General Meeting of the said company to be held at 11:00 am on Friday 1st August, 2008 and at any adjournment thereof.

signed this ____________________ day of ____________________ 2008

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 37 wa Kampuni hii utakaofanywa saa tano asubuhi Ijuma Agosti 1, 2008 na katika mkutano wowote utakaoahirishwa.

Imetiwa sahihi leo ____________________ siku ya ____________________ 2008.

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