Table of Contents

Group Information

BOARD OF DIRECTORS

Dr. Chris W. Obura - ***Chairman***
Hector Diniz
Pinhas Moskovich *
Nazir Sayani
Kajal Thakker (appointed on November 19, 2013)
** Israeli*

CHIEF EXECUTIVE OFFICER

Hector Diniz

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

INDEPENDENT AUDITOR

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

COMPANY SECRETARY

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

PRINCIPAL BANKER

Commercial Bank of Africa Limited, Nairobi

LEGAL ADVISOR

Archer and Wilcock Advocates, Nairobi

SHARE REGISTRAR

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

SUBSIDIARIES

Express Mombasa Limited
Container Services Limited
Airporter Limited

Notice of Annual General Meeting

FOR THE YEAR ENDED DECEMBER 31, 2013

NOTICE IS HEREBY GIVEN that the **Forty-Third Annual General Meeting** of the Company will be held at **Eka Hotel** along Mombasa Road, Nairobi on **Friday, September 26, 2014 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 Forty-Second Annual General Meeting of the Company held on September 27, 2013.
4. To receive, consider and adopt the Audited Financial Statements for the year ended December 31, 2013 together with the Chairman's Statement and the reports of the Directors and Auditors thereon.
5. To note that the Directors do not recommend payment of a dividend (2012: nil) for the year ended December 31, 2013.
6. To approve the Directors' fees as stated in the Audited Financial Statements for the year ended December 31, 2013.
7. To re-elect Directors:
   i) Kajal Thakker who was appointed a director during the year, retires in accordance with Article 90 of the Company's Articles of Association and, being eligible, offers herself for re-election.
   ii) Mr. Pinhas Moskovich retires in accordance with Article 113 of the Company's Articles of Association and, being eligible, offers himself for re-election.
8. To note that PKF Kenya continue in office as Auditors to the Company by virtue of Section 159 (2) of the Companies Act (Cap. 486) and to authorise the Directors to fix their remuneration for the ensuing financial year.
9. Any other business of which due notice has been received.

By order of the Board

Equatorial Secretaries and Registrars
COMPANY SECRETARIES
Nairobi

Dated: July 23, 2014

NOTE: A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member. To be valid, a form of proxy which is attached to this notice must be duly completed and signed by the member and must either be lodged at the **Company's Head Office, 1st Floor, Airport Trade Centre, 3rd Freight Avenue, Jomo Kenyatta International Airport,** P O Box 40433-00100, Nairobi or with the Company Secretaries, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove P O Box 47323, 00100-Nairobi, so as to reach not later than **11:00 a.m. on Wednesday, September 24, 2014.**

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

Chairman's Report

The day of the Annual General Meeting is always something special. This is where the Board of Directors reports to the shareholders on how the year has gone and what the plans for the future are. It is here that we stand accountable, and it is also an opportunity for shareholders to exercise their influence. There are many people who, rightly, have high expectations for Express Kenya's development and therefore monitor its progress closely.

Kenya's economic prospects improved greatly following the peaceful elections in March 2013, and subsequent transfer of power. The World Bank forecasted growth to reach 5.7 percent in 2013 and 6 percent in 2014, the highest growth since 2007, when the economy grew by 7 percent. Aggregate demand fueled by strong consumption and investment growth powered the economy forward.

Growth in the first half of 2013 was subdued due to election jitters, when activity stalled by a wait-and-see attitude to new investment. Importers began stocking up on dollars in the run-up to the election, anxious over possible unrest and disruption to trade. Cross-border trade with Uganda also suffered. This raised the pressure on the shilling which in January hit a 7-month low against the dollar.

"We must be a Company that delivers long-term value for our customers, our shareholders and the societies we are so much a part of. That is where our task lies."

Starting in the second half of 2013, growth gradually accelerated, as demand firmed up and overall economic activity picked up steam. The baseline scenario was one of a recovery in credit flows to the economy, supporting an investment led recovery.

OVERVIEW OF THE INDUSTRY

The transport and logistics industry is very fickle by nature with worldwide economic practices having a greater than average effect on the performance of the industry. The two big threats to the transport and logistics industry, in the year, were oil prices and the Euro zone crisis. In recent past, fuel has come to account for at least 30% of industry operating costs, up from 13% a decade ago. This situation saw the sensitivity of the Company's profitability to spikes in oil prices rising to alarming levels. Although expanding crude oil stocks will serve to stabilize oil prices, any spikes owing to the fickle nature of the industry, would result in catastrophic effects on profitability.

The Euro zone crisis remained a threat to industry profitability as well. The IMF placed the 2013 GDP growth forecast for the Euro Area at -2%, an improvement over the -4% achieved in 2012. Though good news, this was of particular concern since at least 20% of the Companys' clients source their goods from Europe. The United Kingdom and Spain returned to recession while other economies were teetering on the brink of bankruptcy.

SEGMENTAL REPORTING

The Company had two reportable segments which were the strategic business units offering different services and managed jointly. The operations of each reportable segment are as follows:

Warehousing Department

This pertains to the storage of customers goods in the Groups warehousing facilities.

The Company managed to increase the revenue obtained in this sector through continuous marketing of its premises and improvement on the services offered.

Chairman's Report continued

The revenue obtained stood at 161 million in comparison to 2012 where revenue obtained was 53 million. Despite the marked improvement in sales, there was a more than proportionate increase in the costs related to this segment. This led to a less than expected increase in gross profit which stood at 10 million (2012: 7million). This is attributable to the fact that there is increased competition in this sector, which arises primarily from an influx of foreign owned firms into the region and into Kenya in particular. This has led to a substantial decline in the number of customers we have at our warehouses and also forced the Company to review its rates downward in an effort to retain and attract clients. Likewise, there was an increase in the operating expenses relating to this sector by 8 million over and above the last years costs. As a result of above occurrences, the segment reported a net loss of 19 million.

Clearing and Forwarding

This includes the distribution of products to various parts of the country on behalf of customers and the handling of customers' goods in and out of the country.

This segment noted a record turnaround in gross earnings of over Ksh. 145 million, managing to report a gross profit of Ksh. 46 million from a gross loss of Ksh. 99 million in 2012. This was a s a result of increased marketing activities by the Company and the netting of several major international clients. The revenues thus increased to Ksh. 218 million (Ksh.166million: 2012).

The direct costs associated with this sector decreased from a high of 266 million in 2012 to Ksh.172 million in 2013. This was further aided by a drop in the segment's operating costs by over 30 million leading the sector to record an 11 million shillings profit, an improvement of over 181 million from the previous year.

CORPORATE SOCIAL RESPONSIBILITY

Last year, Cricket Kenya (CK) unveiled a seven-team tournament involving sides representing Kenya, Uganda and Tanzania. In this tournament, there were four main sponsors, including Express Kenya.

The Express team was given the title of Express Ndovu and was coached by Tim Tikolo and Rakep Patel was the captain of the team.

Apart from the free publicity, Express Kenya gave back to society in a way that would assist in developing the country's potential in sports and lead the youth away from crime and other socially decadent behaviour.

MOVING FORWARD

As we said at the time of the Company's results announcement, we expect to achieve good growth in FY2014 compared to FY2013 underlying earnings.

We shall continue to have a clear growth strategy, focused on improving margins and developing our skills, set on geographic footprint across the four customer segments. This will be achieved through organic growth as well as by taking advantage of acquisition opportunities that will provide value for the shareholders.

We are confident our medium and long-term prospects remain positive based on our competitive position, our diversified operations and strong financial capacity.

We must be a Company that delivers long-term value for our customers, our shareholders and the societies we are so much a part of. That is where our task lies. There are still challenges on the road ahead, but we have set our course and have come much further than where we were when we last met here. I have no doubt that I will be able to say the same thing next year. Other than that, our vision to enter into the real estate project is more achievable now than it was a year ago. We intend to continue focusing on our valued customers and respond to their changing needs and requirements.

VOTE OF THANKS

I would like to thank members of staff and the Management for all the many hours they have put in order to keep the Company operating smoothly. Last but not least the Directors for their wisdom and support and you shareholders for your patience and support also.

Dr. Chris W. Obura
CHAIRMAN

Chief Executive Officer's Statement

Every change in the market demand for our products requires new thinking in terms of how we do business; with flexibility and a willingness to change as our key competences.

It is through growth and change that we mark our second consecutive year of net profit.

Given the significant reduction in unit costs, we had hoped to report better margins but unfortunately, profit was set back by a number of unaccounted for factors that arose in the important months of September and October following the Westgate Mall Attack. Similarly, profits were hampered by increased competitive pressure during the second half of 2013.

COMPANY OVERVIEW

In the year that was, the Company doubled its efforts in this increasingly competitive market and managed to net in a few international clients.

Based on strong customer focus and the implementation of our strategy we built a good momentum for profitable growth.

We encouraged new thinking in all areas of our business and delivered innovative solutions to our clients.

We made significant progress in implementing our three-pillar strategy of operational excellence, portfolio optimization and focused growth in defined segments and regions. This resulted in tangible progress evidenced by solid growth in profitability and excellent cash performance.

A fork lift stacking containers at the storage facility

The Company also set targets to achieve cost savings in all areas of its' business by improving on work practices and processes without compromising or negatively impacting on its' service provision.
The costs saving measures also saw the Company reduce its administrative expenses in comparison to the previous year. This was led by a further reduction in the number of employees and the costs associated with them. Operating expenses declined over the same period as well.

The finance costs saw a decrease which was attributable to a reduction in interest on borrowings.

A growing challenge emerged from the fact that Kenya has continued to be more hospitable to international businesses. The environment and ease of doing business has improved leading to an influx of multinational companies into the country. This led to increased competition, more so in the warehousing department where a lot of multinational firms set up their own warehouses and are leasing them out at lower rates. This led to a loss of clients since the international firms are more sophisticated and they also have lower overheads with regard to their Kenyan operations. This had the effect of squeezing the margins obtained in this segment.

Another challenge was seen in the increased number of court cases leveled against the Company in recent years. This had an impact of reducing the profit reported since it held steady the provisions provided in our books.

Despite the challenges we remained committed to turning around the business by implementing various initiatives that were aimed at facilitating sustained recovery. To date, Express Kenya Limited is maintaining a strong focus on controlling costs in order for us to remain competitive.

LOOKING AHEAD

We started the new financial year with an attractive pipeline of opportunities across the Group and a strong balance sheet. Our operational excellence

Chief Executive Officer's Statement *continued*

program will ensure our continued focus on improving our overall operating margin.

As per our last AGM, the Real Estate plans are in full gear. The residential part of the project is already under way and the ground breaking is slated for the last quarter of the year 2014.

The long term strategy has gone through and been approved by the senior management at all levels. The said implementation has also been communicated to the heads of divisions and is continues to be explained to all operational level employees. This is leading to the acceptance and ownership of the project as the Companys' own.

"My message to you is that we need to get to that point where change is irreversible and exponential."

Express Kenya shall oversee the building of approximately 250 units for the next 4-5 years of the projects lifespan. The buildings shall be done in 4 main phases. The phased building of the apartments shall ensure that the project does not interfere with the Company's core activities and it shall commence in areas not utilized by warehouses or in-roads within the yard.

From its' inception in the fourth quarter of 2014, the first phase is expected to be complete within 18 months.

As such, the first occupants are expected to get in mid 2016. As I write this, management has approved the appointment of an able and widely experienced project team. The said team brings with it vast experience in the construction industry in Kenya and beyond.

Already, the Company has got offers to partner in building the high end mall. This is a strategic partnership given the partnering Company shall come with its own financing and as such, it shall save the Company millions in terms of finance interest as well as the problems associated with the search for funds.

The high end mall shall constitute of a showroom, a high end supermarket and a recreation area. Already, plans are underway to select the design to be built with several designs already submitted.

APPRECIATION

A note of thanks goes to our Board of Directors. It is only due to their commitment that we shall remember 2013 as a watershed in the Company's history.

To the management team and employees, I thank you for your participation and also for your push for us to keep improving and to keep reaching for the stars. My message to you is that we need to get to that point where change is irreversible and exponential. With your help, every step that Express Kenya takes moves it closer to that point.

Gratitude goes towards our valued customers for their role in prioritization of increased workload and early payments. Your support is a testament to your unwavering commitment to our Company and it does not go unnoticed. While we are fully aware that much work remains to be done, we are encouraged by your continued constructive feedback as we strive to better our efforts.

We are moving forward with renewed energy this 2014 financial year. For the Company's Transport and Logistics Segment as well as the new Real Estate Segment, the stars are only shining brighter!

Hector Diniz
CHIEF EXECUTIVE OFFICER

Corporate Governance

FOR THE YEAR ENDED DECEMBER 31, 2013

There has been renewed interest in the corporate governance practices of modern corporations, particularly in relation to accountability, since the high-profile collapse of a number of large corporations, most of which involved accounting fraud; and then again after the recent financial crisis in 2008. Corporate scandals of various forms have maintained public and political interest in the regulation of corporate governance.

Generally, boards of Directors are responsible for the governance of their companies. The Code makes it clear that corporate governance is about what the board of a company does and how it sets the company's values.

The best corporate governance practice is not simply about a battle between distant institutional shareholders and Directors but about the ethos of the organization and fulfilling its clearly agreed goals. These goals may be set by the entrepreneur who starts the business, but they are accepted by all parties as being high-minded and in everyone's interests. This is notwithstanding the fact that some parties have bigger stakes and some benefit more than others and, of course, different parties want different things from the company. There has to be, therefore, a process of identifying the different needs and, as much as possible, harmonizing them. This is the starting point for the smooth running of a business. Once dissonance in the common goal creeps in, the danger of the standards of corporate governance deteriorating rises steadily.

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

OBJECTIVE

There is an over-riding moral dimension to running a business and that the standard of governance will depend on the moral complexion of the operation. The belief that business morality or ethics must permeate the entire operation from top to bottom and embrace all stakeholders best corporate governance practice is an integral part of good management practice. It should also permeate the entire operation, and not an esoteric specialism addressed by lawyers, auditors and sociologists.

This recognizes that the interests of different stakeholders carry different weight, but it does not, by any means, suggest that those with a major interest matter and the rest do not. On the contrary, best corporate governance practice dictates that all stakeholders should be treated with equal concern and respect.

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

In all kinds of situations, from the leaders of some of the largest companies in the world to the owner/managers of small entrepreneurial businesses, a general rule stands out. The governance, the goals and the strategy of a business must be compatible and there must be congruence between the expectations of the various interested parties.

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

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

DIRECTORATE

Good and effective corporate governance is also very much dependent on the skills and experience of individuals on the Board of Directors and how well they work together to achieve long term value for shareholders.

MANAGEMENT STRUCTURE AND BOARD COMMITTEE

Management Advisory Committee (MAC)

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

Audit Committee

The Audit Committee provides independent governance assurance to the Board of Directors. Its' role is to oversee the internal audit function, management programs, accounting systems and to provide objective advice to the Board in relation to its operation and development. The committees' membership is drawn from the non-executive Directors and is chaired by Mr. Pinhas Moskovich.

The Board places a high degree of importance on having systems and processes independently examined and assessed by the company's Internal Auditors. The internal auditor is an ex-official member. An Audit Plan is prepared each year, following consultation with the Board, senior management and input from the Chair of Internal Audit. The Chairman of the Board approves the Plan and ensures that steps are taken concerning shortcomings and implementing the proposed actions that emerge from internal and external auditing.

Remunerations Committee

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

While discharging this role, the Company ensures that it pays no more than necessary to achieve its' objectives. By doing so the Company protects and promotes the interests of its shareholders. This is done on the basis of transparent compliance and engagement with the regulators.

Nomination Committee

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

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

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

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

Corporate Governance *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

Express Kenya sponsors Cricket Kenya's 7-Team tournament

CORPORATE SOCIAL RESPONSIBILITY

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

Last year, Cricket Kenya (CK) unveiled a seven-team tournament involving sides representing Kenya, Uganda and Tanzania. In this tournament, there were four main sponsors, namely, Sameer Group, I&M Bank, Express Kenya and Rising Star Commodities.

The twenty20 matches were played from the 7th- 11th August and had fifty overs which ran from the 18th of August for four consecutive weeks.

The Express team was given the title of Express Ndovu and was coached by Tim Tikolo and Rakep Patel was the captain of the team.

Express Ndovu went on to beat opposing teams and sailed all the way to the semi-finals in an event that was broadcast live by Super sport and was on screens all over the world.

We hope to be participating in more activities which aim at improving the lives of those in the society that we live in.

RESIGNATIONS AND APPOINTMENTS

This has been effectively covered on page 3 within the Notice of the AGM under article number 7.

MAJOR SHAREHOLDERS

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

FINANCIAL HIGHLIGHTS

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

Report of the Directors

FOR THE YEAR ENDED DECEMBER 31, 2013

The Directors submit their report and the audited consolidated financial statements for the year ended December 31, 2013, which disclose the state of affairs of the Company and its subsidiaries (together, the 'Group').

PRINCIPAL ACTIVITIES

The principal activities of the Group are that of clearing and forwarding services for both air and sea as well as warehousing and logistics services.

	GROUP		COMPANY	
	2013 KShs	2012 KShs	2013 KShs	2012 KShs
RESULTS				
(Loss) before tax	(1,695,503)	(13,236,211)	(1,490,003)	(13,012,411)
Tax credit	1,924,902	26,263,786	1,924,902	26,263,786
Profit for the year	229,399	13,027,575	434,899	13,251,375

DIVIDEND

The Directors do not recommend the declaration of a dividend for the year (2012: Nil).

DIRECTORS

The Directors who held office during the year and to the date of this report are shown on page 1.

In accordance with the Company's Articles of Association, Kajal Thakker and Pinhas Moskovich retire in accordance with Articles 90 and 113 respectively.

AUDITOR

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

By order of the Board

Equatorial Secretaries and Registrars
COMPANY SECRETARIES
Nairobi

Dated: April 29, 2014

Statement of Directors' Responsibilities

FOR THE YEAR ENDED DECEMBER 31, 2013

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

The Directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistent with previous years, and in conformity with the International Financial Reporting Standards and the requirements of 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 as at December 31, 2013 and of its results for the year then ended. The Directors further confirm the accuracy and completeness of the accounting records maintained by the Group which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

Approved by the Board of Directors on April 29, 2013 and signed on its behalf by:

DIRECTOR

DIRECTOR

Report of The Independent Auditor

FOR THE YEAR ENDED DECEMBER 31, 2013

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Express Kenya Limited and its subsidiaries (together, the 'Group') set out on pages 6 to 41 which comprise the consolidated and Company statement of financial position as at December 31, 2013 and the consolidated and Company statement of profit or loss, consolidated and Company statement of changes in equity, consolidated and Company statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2013, and the Group and Company's financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2 of the financial statements which indicates that the Group had an excess of current liabilities over current assets of KShs. 57,987,996 (2012: KShs. 97,505,148) and there were accumulated losses of KShs. 74,065,350 (2012: KShs. 76,030,685) at the reporting date. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. However, the financial statements have been prepared on a going concern basis based on the information set out in Note 2.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

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

PKF Kenya

CERTIFIED PUBLIC ACCOUNTANTS

PIN NO. P051130467R
Nairobi

Dated: April 29, 2014

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Ritesh Haresh Mirchandani - P/No. 1631.
330/14

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	2013 KShs	2012 KShs
Revenue	4	387,493,948	229,907,716
Direct costs		(323,440,024)	(312,534,527)
Gross profit/(loss)		64,053,924	(82,626,811)
Other operating income	5	15,468,592	197,731,175
Administrative expenses		(48,792,437)	(68,921,892)
Other operating expenses		(24,411,791)	(29,664,813)
Operating profit	6	6,318,288	16,517,659
Finance costs	8	(8,013,791)	(29,753,870)
(Loss) before tax		(1,695,503)	(13,236,211)
Tax credit	9	1,924,902	26,263,786
Profit for the year		**229,399**	**13,027,575**
Profit for the year is attributable to:			
• Owners of the Company		**229,399**	**13,027,575**
Earnings per share			
Basic and diluted earnings per share	10	0.01	0.37

The notes on pages 22 to 48 form an integral part of these financial statements.

Report of the independent auditor - page 12.

Company Statement of Profit or Loss

FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	2013 KShs	2012 KShs
Revenue	4	387,493,948	229,907,716
Direct costs		(323,440,024)	(312,534,527)
Gross profit/(loss)		64,053,924	(82,626,811)
Other operating income	5	15,468,592	197,731,175
Administrative expenses		(48,586,937)	(68,698,092)
Other operating expenses		(24,411,791)	(29,664,813)
Operating profit	6	6,523,788	16,741,459
Finance costs	8	(8,013,791)	(29,753,870)
(Loss) before tax		(1,490,003)	(13,012,411)
Tax credit	9	1,924,902	26,263,786
Profit for the year		**434,899**	**13,251,375**
Earnings per share			
Basic and diluted earnings per share	10	0.01	0.37

The notes on pages 22 to 48 form an integral part of these financial statements.

Report of the independent auditor - page 12.

Consolidated Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	AS AT DECEMBER 31 2013 KShs	2012 KShs
CAPITAL EMPLOYED			
Share capital	11	177,018,950	177,018,950
Share premium		10,501,719	10,501,719
Revaluation reserve	12	85,060,857	86,796,793
Retained (deficit)		(74,065,350)	(76,030,685)
Shareholders' funds		198,516,176	198,286,777
Non-current liabilities			
Borrowings	13	32,479,634	43,387,476
Deferred tax	14	88,343,456	92,443,875
		120,823,090	135,831,351
		319,339,266	**334,118,128**
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	377,327,262	431,623,276
Current assets			
Trade and other receivables	17	63,366,012	17,243,962
Cash and cash equivalents	18	12,808,120	19,379,313
Tax recoverable		27,024,019	27,362,689
		103,198,151	63,985,964
Current liabilities			
Trade and other payables	19	115,137,835	89,134,440
Borrowings	13	30,238,370	55,914,775
Provision for legal claims	20	15,809,942	16,441,897
		161,186,147	161,491,112
Net current (liabilities)		(57,987,996)	(97,505,148)
		319,339,266	**334,118,128**

The financial statements on pages 14 to 48 were authorised for issue by the Board of Directors on April 29, 2013 and were signed on its behalf by:

_______________ DIRECTOR

_______________ DIRECTOR

The notes on pages 22 to 48 form an integral part of these financial statements.

Report of the independent auditor - page 12.

Company Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	AS AT DECEMBER 31 2013 KShs	2012 KShs
CAPITAL EMPLOYED			
Share capital	11	177,018,950	177,018,950
Share premium		10,501,719	10,501,719
Revaluation reserve	12	85,060,857	86,796,793
Retained (deficit)		(69,312,273)	(71,483,108)
Shareholders' funds		203,269,253	202,834,354
Non-current liabilities			
Borrowings	13	32,479,634	43,387,476
Deferred tax	14	88,343,456	92,443,875
		120,823,090	135,831,351
		324,092,343	**338,665,705**
REPRESENTED BY			
Non-current assets			
Property, plant and equipmen	15	377,304,523	431,600,537
Property, plant and equipment	16	7,491,000	7,491,000
		384,795,523	439,091,537
Current assets			
Trade and other receivables	17	63,366,012	17,243,962
Cash and cash equivalents	18	12,808,120	19,379,313
Tax recoverable		27,024,019	27,362,689
		103,198,151	63,985,964
Current liabilities			
Trade and other payables	19	117,853,019	92,055,123
Borrowings	13	30,238,370	55,914,775
Provision for legal claims	20	15,809,942	16,441,897
		163,901,331	164,411,795
Net current (liabilities)		(60,703,180)	(100,425,832)
		324,092,343	**338,665,705**

The financial statements on pages 14 to 48 were authorised for issue by the Board of Directors on April 29, 2013 and were signed on its behalf by:

_______________ DIRECTOR

_______________ DIRECTOR

The notes on pages 22 to 48 form an integral part of these financial statements.

Report of the independent auditor - page 12.

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	Share Capital KShs	Share Premium KShs	Revaluation Reserve KShs	Retained (Deficit) KShs	Total Shareholders Funds KShs	Non-Controlling Interest KShs	TOTAL Equity KShs
Year ended December 31, 2012								
At start of year		177,018,950	10,501,719	118,238,000	(135,200,838)	170,557,831	(15,282,275)	155,275,556
Changes in ownership interests in subsidiaries:								
• realisation on disposal of subsidiary		-	-	-	(15,282,275)	(15,282,275)	15,282,275	-
• opening retained earnings realised on disposal of subsidiary		-	-	-	29,983,646	29,983,646	-	29,983,646
Total profit for the year		-	-	-	13,027,575	13,027,575	-	13,027,575
Transfer of excess depreciation	12	-	-	(3,157,000)	3,157,000	-	-	-
Deferred tax on excess depreciation transfer	12	-	-	947,000	(947,000)	-	-	-
Revaluation reserve realised on disposal of buildings	12	-	-	(41,758,867)	41,758,867	-	-	-
Deferred tax reversal on disposal	12	-	-	12,527,660	(12,527,660)	-	-	-
At end of year		**177,018,950**	**10,501,719**	**86,796,793**	**(76,030,685)**	**198,286,777**	**-**	**198,286,777**
Year ended December 31, 2013								
At start of year		177,018,950	10,501,719	86,796,793	(76,030,685)	198,286,777	-	198,286,777
Total profit for the year		-	-	-	229,399	229,399	-	229,399
Transfer of excess depreciation	12	-	-	(2,479,908)	2,479,908	-	-	-
Deferred tax on excess depreciation transfer	14	-	-	743,972	(743,972)	-	-	-
At end of year		**177,018,950**	**10,501,719**	**85,060,857**	**(74,065,350)**	**198,516,176**	**-**	**198,516,176**

The notes on pages 22 to 48 form an integral part of these financial statements.

Report of the independent auditor - page 12.

Company Statement of Changes in Equity
FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	Share Capital KShs	Share Premium KShs	Revaluation Reserve KShs	Retained (Deficit) KShs	TOTAL KShs
Year ended December 31, 2012						
At start of year		177,018,950	10,501,719	118,238,000	(116,175,690)	189,582,979
Total profit for the year		-	-	-	13,251,375	13,251,375
Transfer of excess depreciation	12	-	-	(3,157,000)	3,157,000	-
Deferred tax on excess depreciation transfer	12	-	-	947,000	(947,000)	-
Revaluation reserve realised on disposal of buildings	12	-	-	(41,758,867)	41,758,867	-
Deferred tax reversal on disposal	12	-	-	12,527,660	(12,527,660)	-
At end of year		**177,018,950**	**10,501,719**	**86,796,793**	**(71,483,108)**	**202,834,354**
Year ended December 31, 2013						
At start of year		177,018,950	10,501,719	86,796,793	(71,483,108)	202,834,354
Total profit for the year		-	-	-	434,899	434,899
Transfer of excess depreciation	12	-	-	(2,479,908)	2,479,908	-
Deferred tax on excess depreciation transfer	14	-	-	743,972	(743,972)	-
At end of year		**177,018,950**	**10,501,719**	**85,060,857**	**(69,312,273)**	**203,269,253**

The notes on pages 22 to 48 form an integral part of these financial statements.

Report of the independent auditor - page 12.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	2013 KShs	2012 KShs
Operating activities			
Cash from operations	21	26,628,839	30,860,400
Interest paid		(8,076,305)	(32,449,767)
Tax paid		(1,836,848)	(2,470,373)
Net cash from/(used in) operating activities		16,715,686	(4,059,740)
Investing activities			
Purchase of property, plant and equipment	15	(1,118,159)	(193,000)
Adjustment on disposal of subsidiary		-	29,983,646
Proceeds from disposal of property, plant and equipment		14,353,013	244,889,496
Net cash from investing activities		13,234,854	274,680,142
Financing activities			
Net movement in borrowings		(34,202,494)	(75,659,143)
Net cash (used in) financing activities		(34,202,494)	(75,659,143)
(Decrease)/increase in cash and cash equivalents		**(4,251,954)**	**194,961,259**
Movement in cash and cash equivalents			
At start of year		(5,404,332)	(203,061,488)
(Decrease)/increase		(4,251,954)	194,961,259
Effect of exchange rate changes		62,514	2,695,897
At end of year	18	**(9,593,772)**	**(5,404,332)**

The notes on pages 22 to 48 form an integral part of these financial statements.

Report of the independent auditor - page 12.

Company Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	2013 KShs	2012 KShs
Operating activities			
Cash from operations	21	26,628,839	30,099,396
Interest paid		(8,076,305)	(32,449,767)
Tax paid		(1,836,848)	(2,470,373)
Net cash from/(used in) operating activities		16,715,686	(4,820,744)
Investing activities			
Purchase of property, plant and equipment	15	(1,118,159)	(193,000)
Proceeds from disposal of subsidiary		-	490,000
Proceeds from disposal of property, plant and equipment		14,353,013	244,886,250
Net cash from investing activities		13,234,854	245,183,250
Financing activities			
Net movement in borrowings		(34,202,494)	(42,471,787)
Net cash (used in) financing activities		(34,202,494)	(42,471,787)
(Decrease)/increase in cash and cash equivalents		**(4,251,954)**	**197,890,719**
Movement in cash and cash equivalents			
At start of year		(5,404,332)	(205,990,948)
(Decrease)/increase		(4,251,954)	197,890,719
Effect of exchange rate changes		62,514	2,695,897
At end of year	18	**(9,593,772)**	**(5,404,332)**

The notes on pages 22 to 48 form an integral part of these financial statements.

Report of the independent auditor - page 12.

Notes

FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A) BASIS OF PREPARATION

The consolidated financial statements are prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS), as modified by the revaluation of certain items of property, plant and equipment in line with the requirements of International Accounting Standard 16 (IAS 16) on Property, Plant and Equipment.

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

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

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

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

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

(i) New and Amended Standards Adopted By The Group

The Group has applied the amendments to International Accounting Standard 1 (IAS 1) on 'Presentation of Financial Statements' - The amendments have introduced new terminology for the 'statement of comprehensive income' and the 'income statement'. Under these amendments, the 'statement of comprehensive income' has been renamed to the 'statement of profit or loss and other comprehensive income' and the 'income statement' has been renamed the 'statement of profit or loss'.

The Group has applied the amendments to IFRS 7 Disclosures offsetting financial assets and liabilities: - Transfers of financial assets in the current year. The amendments improve the disclosure requirements for transactions involving the transfer of financial assets. As the Group did not transfer any financial assets that were not recognised, this had no material impact on the financial statements.

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

The Group has applied the amendments to IAS 12 'Income Taxes' on Deferred Tax - Recovery of underlying assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 investment property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted. The Group does not have any investment property as a result these amendments do not have an impact on the financial statements.

International Financial Reporting Standard 10 (IFRS 10) on 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of IFRS 10 did not have a material impact on the financial statements.

International Financial Reporting Standard 11 (IFRS 11) on 'Joint Arrangements' outlines the accounting treatment for entities that represent jointly controlled operations and prescribes the equity method of accounting for jointly controlled entities. IAS 28 'Investments in Associates and Joint Ventures' was also revised during the year. The amendments to IAS 28 and the release of IFRS 11 had no material impact on these financial statements.

International Financial Reporting Standard 12 (IFRS 12) on 'Disclosures of Interests in Other Entities' enhances the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Additional disclosures are as per Note 16 to the financial statements.

International Financial Reporting Standard 13 (IFRS 13) on 'Fair Value Measurement' - The standard aims to improve consistency and reduce complexity by providing a more precise definition and a single source of measurement of fair valuation of certain assets and liabilities and the related disclosure requirements. The Group has implemented the same and this has led to enhanced disclosures in its financial statements.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. As the Group does not have material offsetting arrangements, these amendments do not have a material impact on the financial statements.

IFRIC 20 interpretation on 'Stripping Costs in the Production Phase of a Surface Mine' - The interpretation clarifies that removal costs that are incurred in surface mining activity during the production phase of the mine to provide improved access is recognised as a non-current asset (stripping activity asset) when certain criteria are met. As the Group is not involved in such activities, this has not had material impact on the financial statements.

(ii) New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2013 and not adopted in advance of the effective date

International Financial Reporting Standard (IFRS 9) on 'Financial Instruments - The standard will replace the areas in International Accounting Standard 39 (IAS 39) that relate to classification and measurement of financial assets and now also includes provisions for hedge accounting. Adoption is mandatory for periods beginning January 1, 2018 although early adoption is permissible.

The Group has assessed the impact of implementing IFRS 9 and expects no significant change in the method of accounting.

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

Amendments to IAS 32 on 'Financial Instruments - Presentation' clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off and simultaneous realisation and settlement. The amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

The Group has assessed the impact of implementing the above and expects no material impact on the financial statements.

Amendments to IFRS 10 on 'Consolidated Financial Statements', IFRS 12 on 'Disclosures of Interests in Other Entities' and IAS 27 on 'Consolidated and Separate Financial Statements' define an investment entity and require an entity not to consolidate its subsidiaries but to instead to measure its investments at fair value through profit or loss in its consolidated and separate financial statements. These amendments are not effective until annual periods beginning on or after 1 January 2014, with retrospective application permissible.

The Group has assessed the impact of implementing the above and expects no material impact on the financial statements.

There are no other Standards, Amendments, or Interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

The Directors have made the following significant accounting estimates and assumptions:
Impairment of trade receivables - the Group reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

Useful lives of property, plant and equipment - Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the Directors determined no significant changes in the useful lives and residual values.

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

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

Notes continued
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES continued

C) SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT IN APPLYING THE GROUP'S ACCOUNTING POLICIES
The Directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:
Control of subsidiaries - The Directors assess whether or not the Group has control over any entity based on whether or not the Group has the practical ability to direct the relevant activities of the entity unilaterally. In making their judgement, the Directors considered the groups absolute size of holding in the entity and the relative size of dispersion of the shareholdings owned by the other shareholders.

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

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

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.
- Sales of services are recognised upon performance of the services rendered.
- Rental income is accrued by reference to time on a straight line basis over the lease term.

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

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

The purchase method of accounting is used to account for the acquisition of a subsidiary by the Company. The cost of an acquisition is measured at the fair value of consideration given (i.e. the fair values of assets given, equity instruments issued and liabilities incurred or assumed, plus costs that can directly attributed to the acquisition) at the date of exchange. Identifiable assets acquired, liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. Goodwill generated on the acquisition of a subsidiary is subject to annual impairment review. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference (negative goodwill) is recognised directly in profit or loss as income.

Subsidiaries are fully consolidated from the date at which the Company starts controlling them and are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

G) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

Increases in the carrying amount arising on revaluation are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Freehold land is not depreciated.

Leasehold land is depreciated over the remaining period of the lease.

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

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

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

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

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

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

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

H) TRANSLATION OF FOREIGN CURRENCIES

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

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

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

I) FINANCIAL INSTRUMENTS

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

Financial assets

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

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

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

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

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

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

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

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

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

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

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

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

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

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

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

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

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

K) SHARE CAPITAL
Ordinary shares are classified as equity.

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

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

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

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

Deferred Tax
Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised

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

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

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

Leased assets are recorded at historical cost less depreciation.

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

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

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

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

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

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

2. BASIS OF PREPARING THE FINANCIAL STATEMENTS

At the reporting date, current liabilities exceeded current assets by KShs. 57,987,996 (2012: KShs. 97,505,148) and the Group had accumulated losses of KShs. 74,065,350 (2012: KShs. 76,030,685).

The Directors consider it appropriate to prepare the financial statements on a going concern basis, which assumes that the Group will continue in operation in the foreseeable future.

The Directors have implemented the following in order to reduce overall gearing ratio levels (Note 25):

- Hired out part of the Group's transport fleet so as to generate cash flows to meet finance lease liabilities due to its bankers.
- Restructured the Group's operational structure internally with an aim of reducing expenses and creating efficiencies. This has led to the Group turning the gross loss into a gross profit.
- Put in place a plan to invest in real estate business to improve the Group's financial performance.

The validity of the going concern assumption is based on the continuation of the restructuring plans, successfully implementing the same and that the Group has neither the intention nor the need to liquidate or materially curtail the scale of its current operations.

3. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance based on each segments gross profitand profit before tax.

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

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

The Group does not allocate tax expense to reportable segments.

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

3. SEGMENT INFORMATION *continued*

The segment results are as follows:

	Clearing and Forwarding KShs	Warehousing KShs	All Others * KShs	Total KShs
Year ended December 31, 2013				
Revenue (Note 4)	218,965,577	161,276,647	7,251,724	387,493,948
Direct costs	(172,963,128)	(150,476,896)	-	(323,440,024)
Gross profit	**46,002,449**	**10,799,751**	**7,251,724**	**64,053,924**
Other operating income (Note 5)	15,201,877	266,715	-	15,468,592
Operating and administrative expenses	(41,366,339)	(30,467,914)	(1,369,975)	(73,204,228)
Finance costs (Note 8)	(8,013,791)	-	-	(8,013,791)
Profit/(loss) before tax	**11,824,196**	**(19,401,448)**	**5,881,749**	**(1,695,503)**
Tax credit (Note 9)	-	-	1,924,902	1,924,902
Profit/(loss) for the year	**11,824,196**	**(19,401,448)**	**7,806,651**	**229,399**
Year ended December 31, 2012				
Revenue (Note 4)	166,927,325	53,302,805	9,677,586	229,907,716
Direct costs	(266,282,425)	(46,252,102)	-	(312,534,527)
Gross (loss)/profit	**(99,355,100)**	**7,050,703**	**9,677,586**	**(82,626,811)**
Other operating income (Note 5)	29,545,996	167,696,179	489,000	197,731,175
Operating and administrative expenses	(71,580,090)	(22,856,771)	(4,149,845)	(98,586,705)
Finance costs (Note 8)	(29,753,870)	-	-	(29,753,870)
(Loss)/profit before tax	**(171,143,064)**	**151,890,111**	**6,016,741**	**(13,236,211)**
Tax credit (Note 9)	-	-	26,263,786	26,263,786
(Loss)/profit for the year	**(171,143,064)**	**151,890,111**	**32,280,527**	**13,027,575**

Other segment items included in profit or loss are:

	Clearing and Forwarding KShs	Warehousing KShs	All Others * KShs	Total KShs
Year ended December 31, 2013				
Depreciation on property, plant & equipment	39,010,750	4,019,602	-	43,030,352
Year ended December 31, 201				
Depreciation on property, plant & equipment	68,328,657	3,774,214	-	72,102,871

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

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

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

	Clearing and Forwarding KShs	Warehousing KShs	All Others * KShs	Total KShs
Year ended December 31, 2013				
Assets	240,355,739	212,952,655	193,000	453,501,394
Liabilities	158,805,940	34,859,841	-	193,665,781
Capital expenditure:				
• additions to property, plant and equipment	-	-	1,118,159	1,118,159
Year ended December 31, 2012				
Assets	248,170,672	220,075,880	-	468,246,552
Liabilities	168,000,442	36,878,146	-	204,878,588
Capital expenditure:				
• additions to property, plant and equipment	-	-	193,000	193,000

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

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

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

Capital expenditure comprises additions to property plant and equipment.

4. SALES

	GROUP		COMPANY	
	2013 KShs	2012 KShs	2013 KShs	2012 KShs
Income	380,242,224	220,230,130	380,242,224	220,230,130
Rental income	7,251,724	9,677,586	7,251,724	9,677,586
	387,493,948	**229,907,716**	**387,493,948**	**229,907,716**

5. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2013 KShs	2012 KShs	2013 KShs	2012 KShs
Gain on disposal of property, plant and equipment	5,267,272	180,826,913	5,267,272	180,826,916
Gain on disposal of subsidiary	-	489,000	-	489,000
Miscellaneous income	9,934,605	14,181,305	9,934,605	14,181,305
Insurance claims	266,715	2,233,957	266,715	2,233,954
	15,468,592	**197,731,175**	**15,468,592**	**197,731,175**

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

6. SALES

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

	GROUP		COMPANY	
	2013 KShs	2012 KShs	2013 KShs	2012 KShs
Depreciation on property, plant and equipment (Note 15)	43,030,352	72,102,871	43,030,352	72,102,871
(Gain) on disposal of property, plant and equipment (Note 5)	(5,267,272)	(180,826,913)	(5,267,272)	(180,826,916)
Auditors' remuneration				
• current year	1,869,600	1,869,600	1,800,000	1,800,000
• (over)provision in prior years	(60,000)	(829,014)	(60,000)	(829,014)
Directors remuneration	18,000,100	18,550,039	18,000,100	18,550,039
Operating lease rentals	13,272,641	16,462,105	13,272,641	16,462,105
Repairs and maintenance	2,124,839	2,602,294	2,124,839	2,602,294
Bad debt provisions (net of reversals)	1,842,154	2,546,840	1,842,154	2,546,840
Impairment on property, plant and equipment	3,298,000	61,539,338	3,298,000	61,539,338
Staff costs (Note 7)	29,921,596	49,305,854	29,921,596	49,305,854

7. STAFF COSTS

	GROUP		COMPANY	
	2013 KShs	2012 KShs	2013 KShs	2012 KShs
Salaries and wages:				
• direct costs	20,484,586	28,245,703	20,484,586	28,245,703
• administrative	7,435,082	17,838,380	7,435,082	17,838,380
Staff welfare and other costs	1,002,375	1,676,059	1,002,375	1,676,059
Pension costs:				
• National Social Security Fund	301,200	470,800	301,200	470,800
• defined contribution scheme	698,353	1,074,912	698,353	1,074,912
	29,921,596	**49,305,854**	**29,921,596**	**49,305,854**

8. FINANCE COSTS

	GROUP		COMPANY	
	2013 KShs	2012 KShs	2013 KShs	2012 KShs
Net foreign exchange (gain)	(62,514)	(2,695,897)	(62,514)	(2,695,897)
Interest expense:				
• bank borrowings and overdraft	3,951,428	11,918,236	3,951,428	11,918,236
• finance leases	4,124,877	20,531,531	4,124,877	20,531,531
	8,013,791	**29,753,870**	**8,013,791**	**29,753,870**

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

9. TAX

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Current tax	2,175,517	2,903,276	2,175,517	2,903,276
Deferred tax (credit) (Note 14)	(4,100,419)	(29,167,062)	(4,100,419)	(29,167,062)
	(1,924,902)	(26,263,786)	(1,924,902)	(26,263,786)
The tax on the groups's (loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:				
(Loss) before tax	(1,695,503)	(13,236,211)	(1,490,003)	(13,012,411)
Tax calculated at tax rate of 30% (2012: 30%)	(508,651)	(3,970,863)	(447,001)	(3,903,723)
Tax effect of:				
• expenses not deductible for tax purposes	1,137,655	3,794,855	1,076,005	3,727,715
• income not subject to tax	-	(54,394,774)	-	(54,394,774)
• other permanent differences	(58,873)	1,868,338	(58,873)	1,868,338
• tax loss brought forward	(80,385,692)	(53,947,034)	(80,385,692)	(53,947,034)
• tax loss carried forward	77,890,659	80,385,692	77,890,659	80,385,692
Tax (credit)	**(1,924,902)**	**(26,263,786)**	**(1,924,902)**	**(26,263,786)**

10. BASIC AND DILUTED EARNINGS PER SHARE

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

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Net profit attributable to shareholders (KShs)	229,399	13,027,575	434,899	13,251,375
Number of ordinary shares (Number)	35,403,790	35,403,790	35,403,790	35,403,790
Basic and diluted earnings per share (KShs)	0.01	0.37	0.01	0.37

11. SHARE CAPITAL

	GROUP & COMPANY	
	2013	2012
Authorised:		
250,000,000 (2012: 250,000,000) ordinary shares of KShs. 5 each	1,250,000,000	1,250,000,000
Issued and fully paid:		
35,403,790 (2012: 35,403,790) ordinary shares of KShs. 5 each	177,018,950	177,018,950

12. REVALUATION RESERVE

	GROUP & COMPANY	
	2013	2012
At start of year	86,796,793	118,238,000
Realized on disposal	-	(41,758,867)
Deferred tax reversal on disposal	-	12,527,660
Transfer of excess depreciation	(2,479,908)	(3,157,000)
Deferred tax on excess depreciation transfer (Note 14)	743,972	947,000
At end of year	**85,060,857**	**86,796,793**

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

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

13. BORROWINGS

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Non-current				
Finance leases	-	15,223,762	-	15,223,762
Borrowings from related parties (Note 22)	32,479,634	28,163,714	32,479,634	28,163,714
	32,479,634	43,387,476	32,479,634	43,387,476
Current				
Finance leases	7,836,478	31,131,130	7,836,478	31,131,130
Bank overdraft (Note 18)	22,401,892	24,783,645	22,401,892	24,783,645
	30,238,370	55,914,775	30,238,370	55,914,775
Total borrowings	**62,718,004**	**99,302,251**	**62,718,004**	**99,302,251**

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

a) Legal charge over L.R. No. 12596/1 for KShs. 300 million.

b) Finance lease are secured by a right over the leased assets.

c) Fixed and floating debentures for KShs. 200 million over all assets of the Company.

d) Collateral deposit of KShs. 6million covering insurance risks on leased assets.

Borrowings from related parties is unsecured, interest free with no fixed repayment date except for borrowings amounting to KShs. 4.24 million which attract interest rates ranging from 6% to 12%.

Weighted average effective interest rates at the year end were:

	GROUP		COMPANY	
	2013	2012	2013	2012
	%	%	%	%
• finance leases	23.5	23.5	23.5	23.5
• related party borrowings - USD	6	-	6	-
• related party borrowings - KSHS	12	-	12	-
• bank overdraft	23	23	23	23

The borrowing facilities expiring within one year are subject to review at various dates during the next financial year. In the opinion of the Directors, the carrying amounts of borrowings approximate to their fair value.

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

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Kenya Shillings	60,978,004	99,302,251	60,978,004	99,302,251
United States Dollar	1,740,000	-	1,740,000	-
	62,718,004	**99,302,251**	**62,718,004**	**99,302,251**

Maturity based on the repayment structure of non-current borrowings (excluding finance leases) is as follows:	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Between 1 and 2 years	32,479,634	28,163,714	32,479,634	28,163,714
Finance leases - minimum lease payments:				
Not later than 1 year	7,836,478	31,131,130	7,836,478	31,131,130
Later than 1 year and not later than 5 years	-	15,223,762	-	15,223,762
Total gross finance leases	**7,836,478**	**46,354,892**	**7,836,478**	**46,354,892**

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

13. BORROWINGS *continued*

	GROUP 2013 KShs	GROUP 2012 KShs	COMPANY 2013 KShs	COMPANY 2012 KShs
Undrawn facilities as at the reporting date were as follows:				
Bank overdraft	2,675,242	-	2,675,242	-

14. DEFERRED TAX

Deferred tax is calculated in full, on all temporary differences under the liability method using a principal tax rate of 30% (2012: 30%). The movement on the deferred tax account is as follows:

	GROUP & COMPANY 2013	GROUP & COMPANY 2012
At start of year	92,443,875	121,610,937
(Credit) to profit or loss (Note 9)	(4,100,419)	(29,167,062)
At end of year	**88,343,456**	**92,443,875**

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

GROUP & COMPANY	At start of year KShs	(Credit)/charge to profit or loss KShs	At end of year KShs
Deferred tax liabilities			
Property, plant and equipment	68,678,219	(4,246,131)	64,432,088
Revaluation surplus	37,198,626	(743,972)	36,454,654
	105,876,845	(4,990,103)	100,886,742
Deferred tax (assets)			
Other provisions	(12,541,000)	-	(12,541,000)
Foreign exchange differences	(891,970)	889,684	(2,286)
	(13,432,970)	889,684	(12,543,286)
Net deferred tax liability	**92,443,875**	**(4,100,419)**	**88,343,456**

Deferred tax assets on tax losses carried forward are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses against. Deferred tax assets amounting to KShs. 77.89 million in respect of tax losses carried forward amounting to KShs. 259.64 million that can be carried forward against future taxable profits have not been recognised. Tax losses are available for offset for five years following the period they are incurred.

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

15. PROPERTY, PLANT AND EQUIPMENT - GROUP

Year ended December 31, 2013

	Freehold land KShs	Leasehold land and buildings KShs	Plant and machinery KShs	Furniture, fittings and equipment KShs	Motor vehicles KShs	Computers, faxes and copiers KShs	Beer containers KShs	Capital work-in-progress KShs	TOTAL KShs
Cost or valuation									
At start of year	30,300	217,058,523	29,764,075	30,472,802	719,428,618	37,382,737	17,372,434	14,672,344	1,066,181,833
Additions	-	-	47,414	10,295	-	160,450	-	900,000	1,118,159
Assets scrapped	-	-	-	-	(4,891,521)	-	-	-	(4,891,521)
Disposals	-	-	(767,000)	(70,592)	(80,232,466)	-	(2,534,965)	-	(83,605,023)
At end of year	30,300	217,058,523	29,044,489	30,412,505	634,304,631	37,543,187	14,837,469	15,572,344	978,803,448
Comprising									
Cost	30,300	-	29,044,489	30,412,505	634,304,631	37,543,187	14,837,469	15,572,344	761,744,925
Valuation	-	217,058,523	-	-	-	-	-	-	217,058,523
	30,300	217,058,523	29,044,489	30,412,505	634,304,631	37,543,187	14,837,469	15,572,344	978,803,448
Depreciation									
At start of year	-	3,736,243	29,759,594	27,938,870	530,228,854	37,097,259	5,797,737	-	634,558,557
Assets scrapped	-	-	-	-	(4,891,441)	-	-	-	(4,891,441)
Disposals	-	-	(766,980)	(30,044)	(71,187,373)	-	(2,534,885)	-	(74,519,282)
Impairment adjustment	-	-	-	-	3,298,000	-	-	-	3,298,000
Charge for the year	-	4,019,602	5,927	208,927	38,352,521	101,052	342,323	-	43,030,352
At end of year	-	7,755,845	28,998,541	28,117,753	495,800,561	37,198,311	3,605,175	-	601,476,186
Net book value	**30,300**	**209,302,678**	**45,948**	**2,294,752**	**138,504,070**	**344,876**	**11,232,294**	**15,572,344**	**377,327,262**

Buildings were professionally valued on 31 December 2009 by independent professional valuers on the basis of open market value. The book values of the buildings were adjusted to the revaluation and the resultant surplus, net of deferred tax, was credited to the revaluation reserve.

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

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

15. PROPERTY, PLANT AND EQUIPMENT - COMPANY

Year ended December 31, 2013

	Freehold land KShs	Leasehold land and buildings KShs	Plant and machinery KShs	Furniture, fittings and equipment KShs	Motor vehicles KShs	Computers, faxes and copiers KShs	Beer containers KShs	Capital work-in-progress KShs	TOTAL KShs
Cost or valuation									
At start of year	30,300	217,058,523	29,764,075	30,437,258	719,428,618	37,382,737	17,372,434	14,672,344	1,066,146,289
Additions	-	-	47,414	10,295	-	160,450	-	900,000	1,118,159
Assets scrapped	-	-	-	-	(4,891,521)	-	-	-	(4,891,521)
Disposals	-	-	(767,000)	(70,592)	(80,232,466)	-	(2,534,965)	-	(83,605,023)
At end of year	30,300	217,058,523	29,044,489	30,376,961	634,304,631	37,543,187	14,837,469	15,572,344	978,767,904
Comprising									
Cost	30,300	-	29,044,489	30,376,961	634,304,631	37,543,187	14,837,469	15,572,344	761,709,381
Valuation	-	217,058,523	-	-	-	-	-	-	217,058,523
	30,300	217,058,523	29,044,489	30,376,961	634,304,631	37,543,187	14,837,469	15,572,344	978,767,904
Depreciation									
At start of year	-	3,736,243	29,759,594	27,926,065	530,228,854	37,097,259	5,797,737	-	634,545,752
Assets scrapped	-	-	-	-	(4,891,441)	-	-	-	(4,891,441)
Disposals	-	-	(766,980)	(30,044)	(71,187,373)	-	(2,534,885)	-	(74,519,282)
Impairment adjustment	-	-	-	-	3,298,000	-	-	-	3,298,000
Charge for the year	-	4,019,602	5,927	208,927	38,352,521	101,052	342,323	-	43,030,352
At end of year	-	7,755,845	28,998,541	28,104,948	495,800,561	37,198,311	3,605,175	-	601,463,381
Net book value	**30,300**	**209,302,678**	**45,948**	**2,272,013**	**138,504,070**	**344,876**	**11,232,294**	**15,572,344**	**377,304,523**

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

15. PROPERTY, PLANT AND EQUIPMENT - GROUP

Year ended December 31, 2012

	Freehold land KShs	Leasehold land and buildings KShs	Plant and machinery KShs	Furniture, fittings and equipment KShs	Motor vehicles KShs	Computers, faxes and copiers KShs	Beer containers KShs	Capital work-in-progress KShs	TOTAL KShs
Cost or valuation									
At start of year	30,300	281,548,205	29,764,075	30,476,051	785,459,421	37,189,737	23,007,118	14,672,344	1,202,147,251
Additions	-	-	-	-	-	193,000	-	-	193,000
Disposals	-	(64,489,682)	-	(3,249)	(66,030,803)	-	(5,634,684)	-	(136,158,418)
At end of year	30,300	217,058,523	29,764,075	30,472,802	719,428,618	37,382,737	17,372,434	14,672,344	1,066,181,833
Comprising									
Cost	30,300	-	29,764,075	30,472,802	719,428,618	37,382,737	17,372,434	14,672,344	849,123,310
Valuation	-	217,058,523	-	-	-	-	-	-	217,058,523
	30,300	217,058,523	29,764,075	30,472,802	719,428,618	37,382,737	17,372,434	14,672,344	1,066,181,833
Depreciation									
At start of year	-	12,147,890	28,544,617	27,683,387	460,348,682	36,782,070	7,505,537	-	573,012,183
Disposals	-	(12,185,861)	-	-	(54,343,942)	-	(5,566,032)	-	(72,095,835)
Impairment adjustment	-	-	-	-	61,539,338	-	-	-	61,539,338
Charge for the year	-	3,774,214	1,214,977	255,483	62,684,776	315,189	3,858,232	-	72,102,871
At end of year	-	3,736,243	29,759,594	27,938,870	530,228,854	37,097,259	5,797,737	-	634,558,557
Net book value	**30,300**	**213,322,280**	**4,481**	**2,533,932**	**189,199,764**	**285,478**	**11,574,697**	**14,672,344**	**431,623,276**

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

15. PROPERTY, PLANT AND EQUIPMENT - COMPANY

Year ended December 31, 2012

	Freehold land KShs	Leasehold land and buildings KShs	Plant and machinery KShs	Furniture, fittings and equipment KShs	Motor vehicles KShs	Computers, faxes and copiers KShs	Beer containers KShs	Capital work-in-progress KShs	TOTAL KShs
Cost or valuation									
At start of year	30,300	281,548,205	29,764,075	30,437,258	785,459,421	37,189,737	23,007,118	14,672,344	1,202,108,458
Additions	-	-	-	-	-	193,000	-	-	193,000
Disposals	-	(64,489,682)	-	-	(66,030,803)	-	(5,634,684)		(136,155,169)
At end of year	30,300	217,058,523	29,764,075	30,472,802	719,428,618	37,382,737	17,372,434	14,672,344	1,066,181,833
At end of year	30,300	217,058,523	29,764,075	30,437,258	719,428,618	37,382,737	17,372,434	14,672,344	1,066,146,289
Comprising									
Cost	30,300	-	29,764,075	30,437,258	719,428,618	37,382,737	17,372,434	14,672,344	849,087,766
Valuation	-	217,058,523	-	-	-	-	-	-	217,058,523
	30,300	217,058,523	29,764,075	30,437,258	719,428,618	37,382,737	17,372,434	14,672,344	1,066,146,289
Depreciation									
At start of year	-	12,147,890	28,544,617	27,670,582	460,348,682	36,782,070	7,505,537	-	572,999,378
Disposals	-	(12,185,861)	-	-	(54,343,942)	-	(5,566,032)	-	(72,095,835)
Impairment adjustment	-	-	-	-	61,539,338		-	-	61,539,338
Charge for the year	-	3,774,214	1,214,977	255,483	62,684,776	315,189	3,858,232		72,102,871
At end of year	-	3,736,243	29,759,594	27,926,065	530,228,854	37,097,259	5,797,737	-	634,545,752
Net book value	**30,300**	**213,322,280**	**4,481**	**2,511,193**	**189,199,764**	**285,478**	**11,574,697**	**14,672,344**	**431,600,537**

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

Impairment losses amounting to KShs. 61,539,338 (2011: KShs. 35,343,352) have been recognized in profit or loss under direct costs.

16. INVESTMENT IN SUBSIDIARIES

	COMPANY			
	Country of Incorporation	Holding	2013 KShs	2012 KShs
Express Mombasa Limited	Kenya	100%	2,810,000	2,810,000
Container Services Limited	Kenya	100%	2,150,000	2,150,000
Airporter Limited	Kenya	100%	2,531,000	2,531,000
			7,491,000	7,491,000

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

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2013 KShs	2012 KShs	2013 KShs	2012 KShs
Trade receivables	97,898,899	59,194,105	97,898,899	59,194,105
Less: impairment provisions	(54,668,085)	(52,825,931)	(54,668,085)	(52,825,931)
Net trade receivables	43,230,814	6,368,174	43,230,814	6,368,174
Prepayments and deposits	6,716,051	6,127,658	6,716,051	6,127,658
Other receivables	5,996,927	1,369,256	5,996,927	1,369,256
Receivable from related parties (Note 22)	7,422,220	3,378,874	7,422,220	3,378,874
	63,366,012	**17,243,962**	**63,366,012**	**17,243,962**
Movement in impairment provisions				
At start of year	52,825,931	50,279,091	52,825,931	50,279,091
Additions	1,842,154	8,303,345	1,842,154	8,303,345
Reversals/write offs	-	(5,756,505)	-	(5,756,505)
At end of year	**54,668,085**	**52,825,931**	**54,668,085**	**52,825,931**

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

Kenyan Shilling	51,117,371	8,133,421	51,117,371	8,133,421
United States Dollar	12,248,641	9,110,541	12,248,641	9,110,541
	63,366,012	**17,243,962**	**63,366,012**	**17,243,962**

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

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

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

As of December 31, 2013, trade receivables amounting to KShs. 27,023,438 (2012: KShs. 5,181,657) were past due. The Directors have made a provision for the portion of the receivable whose recovery is in doubt.

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

17. TRADE AND OTHER RECEIVABLES *continued*

The ageing analysis of these trade receivables is as follows:

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
4 to 12 months	25,181,284	5,181,657	25,181,284	5,181,657

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

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

18. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Cash at bank and in hand	12,808,120	19,379,313	12,808,120	19,379,313
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:				
Cash and bank balances	12,808,120	19,379,313	12,808,120	19,379,313
Bank overdraft (Note 13)	(22,401,892)	(24,783,645)	(22,401,892)	(24,783,645)
	(9,593,772)	(5,404,332)	(9,593,772)	(5,404,332)
The carrying amounts of cash and cash equivalents are denominated in the following currencies:				
Kenya Shillings	10,920,101	19,180,847	10,920,101	19,180,847
United States Dollar	1,888,019	198,466	1,888,019	198,466
	12,808,120	19,379,313	12,808,120	19,379,313

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Trade payables	21,701,840	27,134,452	21,653,840	27,086,452
Accruals	2,651,265	2,541,613	2,651,265	2,541,613
Other payables	29,526,788	23,891,279	29,061,959	23,891,279
Payable to related parties (Note 22)	41,150,422	25,527,096	44,378,435	28,495,779
Amount due to Directors (Note 22)	20,107,520	10,040,000	20,107,520	10,040,000
	115,137,835	**89,134,440**	**117,853,019**	**92,055,123**

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

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

19. TRADE AND OTHER PAYABLES *continued*

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

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Kenya Shillings	112,669,474	86,199,078	115,384,658	89,119,761
United States Dollar	1,829,291	2,349,802	1,829,291	2,349,802
Euro	423,978	370,598	423,978	370,598
Danish Kroner	176,973	177,004	176,973	177,004
Canadian Dollar	38,118	37,958	38,118	37,958
	115,137,835	**89,134,440**	**117,853,019**	**92,055,123**

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

	0-3 months	4-12 months	TOTAL
	KShs	KShs	KShs
Year ended December 31, 2013 - Group			
Trade payables	5,805,242	15,896,598	21,701,840
Accruals	1,896,775	754,490	2,651,265
Other payables	6,500,323	23,026,465	29,526,788
Payable to related parties	-	41,150,422	41,150,422
Amount due to Directors	-	20,107,520	20,107,520
	14,202,340	**100,935,495**	**115,137,835**
Year ended December 31, 2013 - Company			
Trade payables	5,792,402	15,861,438	21,653,840
Accruals	1,896,775	754,490	2,651,265
Other payables	6,035,494	23,026,465	29,061,959
Payable to related parties	-	44,378,435	44,378,435
Amount due to Directors	-	20,107,520	20,107,520
	13,724,671	**104,128,348**	**117,853,019**

	0-3 months	4-12 months	TOTAL
	KShs	KShs	KShs
Year ended December 31, 2012 - Group			
Trade payables	8,940,802	18,193,650	27,134,452
Accruals	1,852,290	689,323	2,541,613
Other payables	6,044,340	17,846,939	23,891,279
Payable to related parties	-	25,527,096	25,527,096
Amount due to Directors	-	10,040,000	10,040,000
	16,837,432	**72,297,008**	**89,134,440**
Year ended December 31, 2012 - Company			
Trade payables	8,924,986	18,161,466	27,086,452
Accruals	1,852,290	689,323	2,541,613
Other payables	6,044,340	17,846,939	23,891,279
Payable to related parties	-	28,495,779	28,495,779
Amount due to Directors	-	10,040,000	10,040,000
	16,821,616	**75,233,507**	**92,055,123**

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

20. PROVISION FOR LEGAL CLAIMS

	GROUP & COMPANY 2013 KShs	2012 KShs
Provision for legal claims	15,809,942	16,441,897

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

21. CASH FROM OPERATIONS

	GROUP 2013 KShs	GROUP 2012 KShs	COMPANY 2013 KShs	COMPANY 2012 KShs
Reconciliation of (loss) before tax to cash from operations				
(Loss) before tax	(1,695,503)	(13,236,211)	(1,490,003)	(13,012,411)
Adjustments for:				
Depreciation on property, plant and equipment (Note 15)	43,030,352	72,102,871	43,030,352	72,102,871
Assets scrapped (Note 15)	80	-	80	-
Impairment on property, plant and equipment (Note 15)	3,298,000	61,539,338	3,298,000	61,539,338
(Gain) on disposal of property, plant and equipment (Note 5)	(5,267,272)	(180,826,913)	(5,267,272)	(180,826,913)
(Gain) on disposal of subsidiary (Note 5)	-	-	-	(489,000)
Interest expense	8,076,305	32,449,767	8,076,305	32,449,767
Net foreign exchange (gain)	(62,514)	(2,695,897)	(62,514)	(2,695,897)
Provision for charges and liabilities (Note 20)	(631,955)	5,500,000	(631,955)	5,500,000
Changes in working capital:				
• trade and other receivables	(46,122,049)	78,860,740	(46,122,050)	76,222,539
• trade and other payables	26,003,395	(22,833,295)	25,797,896	(20,690,898)
Cash from operations	**26,628,839**	**30,860,400**	**26,628,839**	**30,099,396**

22. RELATED PARTY TRANSACTIONS AND BALANCES

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

The following transactions were carried out with related parties:

	GROUP & COMPANY 2013	2012
i) Sale of services to related parties		
Other related parties	5,959,737	5,494,852
ii) Purchase of goods and services		
Other related parties	30,780,977	23,206,836
iii) Key management compensation		
Directors remuneration - short term employment benefits	18,000,100	18,550,039

Notes *continued*
FOR THE YEAR ENDED DECEMBER 31, 2013

22. RELATED PARTY TRANSACTIONS AND BALANCES *continued*

iv) Outstanding balances arising from sale of services	GROUP 2013 KShs	GROUP 2012 KShs	COMPANY 2013 KShs	COMPANY 2012 KShs
Receivable from related parties (Note 17)				
Other related parties	5,286,780	1,341,434	5,286,780	1,341,434
Parent	2,135,440	2,037,440	2,135,440	2,037,440
	7,422,220	**3,378,874**	**7,422,220**	**3,378,874**
v) Outstanding balances arising from purchase of goods and services				
Payable to related parties (Note 19)				
Other related parties	41,596,851	25,457,496	41,596,851	25,457,496
Subsidiaries	18,400	69,600	2,781,583	3,038,283
	41,615,251	**25,527,096**	**44,378,434**	**28,495,779**
vi) Amount due to related parties				
Loans due to related parties (Note 13)				
• other related parties	32,479,634	28,163,714	32,479,634	28,163,714
Amount due to director (Note 19)	**20,107,520**	**10,040,000**	**20,107,520**	**10,040,000**

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

23. COMMITMENTS

Operating lease commitments - Group and Company as a lessee

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

	GROUP 2013 KShs	GROUP 2012 KShs	COMPANY 2013 KShs	COMPANY 2012 KShs
Not later than 1 year	12,444,696	12,268,020	12,444,696	12,268,020
Later than 1 year and not later than 5 years	29,452,452	41,897,148	29,452,452	41,897,148
	41,897,148	**54,165,168**	**41,897,148**	**54,165,168**

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

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

24. RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk Management

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

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

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

(a) Market Risk

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

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

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Effect of profit - decrease	992,830	637,364	992,830	637,364

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

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

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

	GROUP		COMPANY	
	2013	2012	2013	2012
	KShs	KShs	KShs	KShs
Effect of profit - decrease	347,328	1,391,866	347,328	1,391,866

(b) Credit Risk

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

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

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

(c) Liquidity Risk

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

Notes 13 and 19 disclose the maturity analysis of borrowings and trade and other payables respectively.

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

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

24. RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

The key assumptions made in the maturity profile are:

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

	Interest Rate %	Less than 1 year KShs	1-5 years KShs	TOTAL KShs
Year ended December 31, 2013 - Group				
Interest bearing liabilities:				
• Bank overdraft	23.0%	22,401,892	-	22,401,892
• Finance leases	13.5%	11,082,940	-	11,082,940
• Borrowings from related parties	12.0%	2,800,000	-	2,800,000
• Borrowings from related parties	6.0%	1,844,400	-	1,844,400
Non-interest bearing liabilities:				
• Borrowings from related parties	-	28,239,634	-	28,239,634
• Trade and other payables	-	115,137,835	-	115,137,835
• Provision for legal claims	-	15,809,942	-	15,809,942
		197,316,643	**-**	**197,316,643**
Year ended December 31, 2013 - Company				
Interest bearing liabilities:				
• Bank overdraft	23.0%	22,401,892	-	22,401,892
• Finance leases	13.5%	11,082,940	-	11,082,940
• Borrowings from related parties	12.0%	2,800,000	-	2,800,000
• Borrowings from related parties	6.0%	1,844,400	-	1,844,400
Non-interest bearing liabilities:				
• Borrowings from related parties	-	28,239,634	-	28,239,634
• Trade and other payables	-	117,853,019	-	117,853,019
• Provision for legal claims	-	15,809,942	-	15,809,942
		200,031,827	**-**	**200,031,827**
Year ended December 31, 2012 - Group				
Interest bearing liabilities:				
• Bank overdraft	23.0%	24,783,645	-	24,783,645
• Finance leases	13.5%	51,628,848	14,042,499	65,671,347
Non-interest bearing liabilities:				
• Borrowings from related parties	-	28,239,634	-	28,239,634
• Trade and other payables	-	89,134,440	-	89,134,440
• Provision for legal claims	-	16,441,897	-	16,441,897
		210,228,464	**14,042,499**	**224,270,963**
Year ended 31 December 2012 - Company				
Interest bearing liabilities:				
• Bank overdraft	23.0%	24,783,645	-	24,783,645
• Finance leases	13.5%	51,628,848	14,042,499	65,671,347
Non-interest bearing liabilities:				
• Borrowings from related parties	-	28,239,634	-	28,239,634
• Trade and other payables	-	92,055,123	-	92,055,123
• Provision for legal claims	-	16,441,897	-	16,441,897
		213,149,147	**14,042,499**	**227,191,646**

Notes *continued*

FOR THE YEAR ENDED DECEMBER 31, 2013

25. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

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

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

The gearing ratios at December 31, 2013 and 2012 were as follows:

	GROUP		COMPANY	
	2013 KShs	2012 KShs	2013 KShs	2012 KShs
Total borrowings (Note 13)	62,718,004	99,302,251	62,718,004	99,302,251
Less cash and cash equivalents (Note 18)	(12,808,120)	(19,379,313)	(12,808,120)	(19,379,313)
Net debt	49,909,884	79,922,938	49,909,884	79,922,938
Total equity	198,516,176	198,286,777	203,269,253	202,834,354
Gearing Ratios	**25.14**	**40.31**	**24.55**	**39.40**

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

26. CONTINGENT LIABILITIES

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

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

27. INCORPORATION

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

28. PRESENTATION CURRENCY

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

Company's Top 30 Shareholders

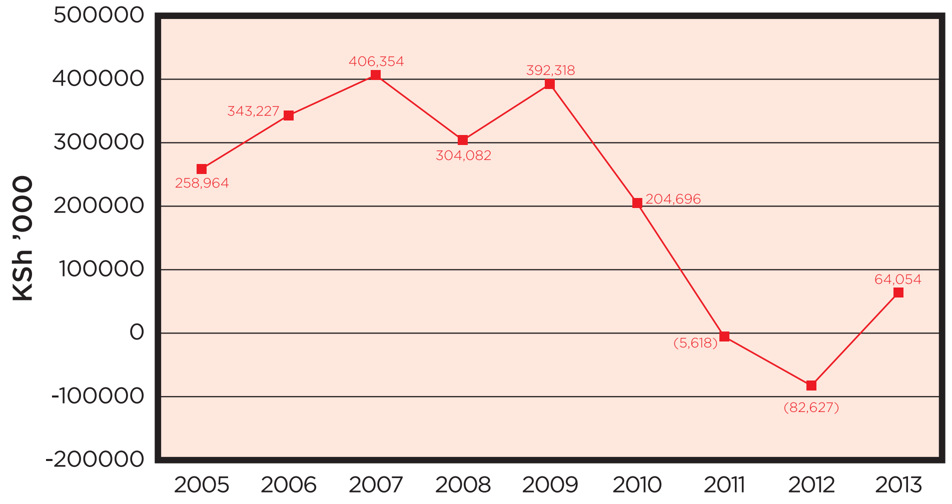
FOR THE YEAR ENDED DECEMBER 31, 2013

	NAME	NATIONALITY	SHARES	%
1	ETCOVILLE HOLDINGS LIMITED	Kenyan Company	21,392,898	60.43%
2	PAUL WANDERI NDUNGU	Kenyan Individual	1,855,884	5.24%
3	CFC STANBIC NOMINEES LTD. A/C R48701	Kenyan Company	600,549	1.70%
4	STANDARD CHARTERED NOMINEES A/C 9397	Kenyan Company	457,054	1.29%
5	CFCFS NOMINEE LTD A/C HDZ	Kenyan Company	249,600	0.71%
6	YASIN ESMAIL AHMED	Kenyan Individual	243,900	0.69%
7	ALNASHIR ABDUL KARIM CHATURBHAI POPAT	Kenyan Individual	237,600	0.67%
8	KYALO MWANGULU KILELE	Kenyan Individual	200,000	0.56%
9	PRADIPKUMAR S POPATLAL SHAH & RAKSHA PRADIP SHAH	Kenyan Individual	200,000	0.56%
10	HECTOR ROBERT DINIZ	Kenyan Individual	178,700	0.50%
11	PATRICK KARIUKI & AGNES NDUNG'U KARINGE	Kenyan Individual	177,700	0.50%
12	THE JUBILEE INSURANCE COMPANY OF KENYA LIMITED	Kenyan Company	158,600	0.45%
13	ANDREW MUKITE MUSANGI	Kenyan Individual	153,100	0.43%
14	ELEGANT HOLDINGS LIMITED	Kenyan Company	150,800	0.43%
15	LAVINGTON SECURITY GUARDS LIMITED	Kenyan Company	125,400	0.35%
16	VISHAL SUDHIRKUMAR SHAH	Foreign Individual	121,800	0.34%
17	MACHARIA MIGWI	Kenyan Individual	110,000	0.31%
18	SUPINDER SINGH SOIN	Kenyan Individual	106,000	0.30%
19	KUNAL MAYUR AMRATLAL SHAH	Kenyan Individual	99,700	0.28%
20	MANSUKHLAL KESHAVJI SHAH & MITAL MANSUKHLAL SHAH & NIRMALABEN MANSUKHLAL SHAH	Kenyan Individual	99,600	0.28%
21	ROBINSON NGIGI GOCO	Kenyan Individual	98,007	0.28%
22	KOTECHA KISHORCHANDRA & KOTECHA AJAY	Kenyan Individual	97,597	0.28%
23	ALY POPAT	Foreign Individual	92,900	0.26%
24	JOSEPHAT KIMATA WA MUKUI	Kenyan Individual	92,331	0.26%
25	SIMON SAINING'U	Kenyan Individual	83,400	0.24%
26	FUNGUO INVESTMENTS LIMITED	Kenyan Company	77,287	0.22%
27	AFRICAN ALLIANCE KENYA NOMINEES A/C 2020	Kenyan Company	70,100	0.20%
28	DYER & BLAIR INVESTMENT BANK LTD; DYER & BLAIR DEALING	Kenyan Company	62,600	0.18%
29	HASMITA AJITKUMAR & AJITKUMAR RATILAL HARIA	Kenyan Individual	62,300	0.18%
30	ALPA NISHIT CHHEDA & NISHIT SURENDRAKUMAR CHHEDA	Kenyan Individual	60,000	0.17%
	SHARES SELECTED	**27,715,407**	**78.28%**	
	SHARES NOT SELECTED [4,211 Shareholders]	7,688,383	21.72%	
	SHARES ISSUED	**35,403,790**	**100.00%**	
	TOTAL SHAREHOLDERS	**4,241**		
	CDSC IMMOBILISATION:			
	NO. OF SHAREHOLDERS AT THE CDSC	3,255		
	NO. OF SHARES HELD AT CDSC	34,213,504		

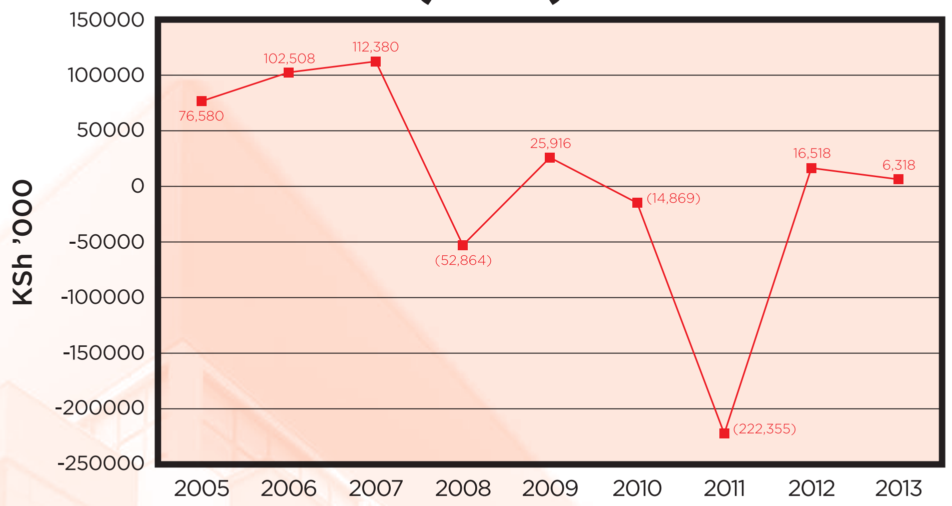
Financial Highlights

FOR THE YEAR ENDED DECEMBER 31, 2013

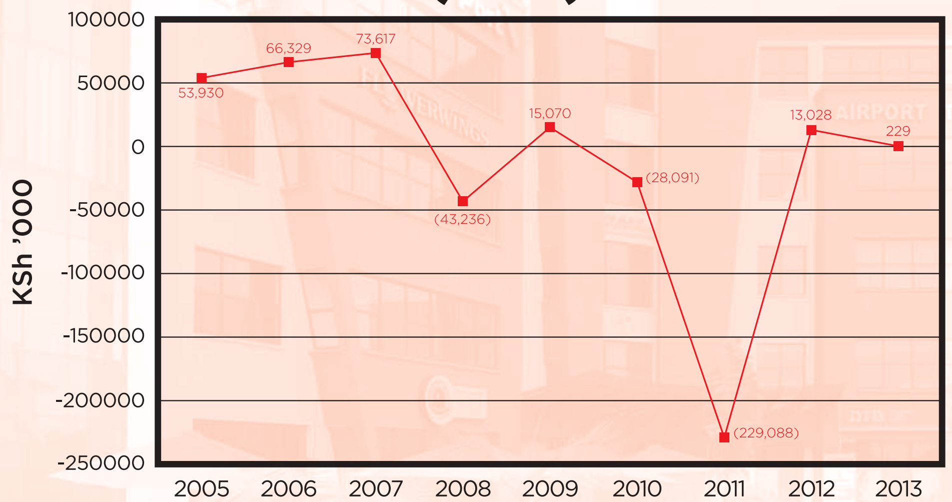
GROSS PROFIT



PROFIT (LOSS) BEFORE TAX



PROFIT (LOSS) AFTER TAX



Comments

Comments

Proxy Form

FOR THE FORTY-THIRD ANNUAL GENERAL MEETING

I/We ______________________________

of ______________________________

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

____

of ______________________________

or failing him/her

____

of ______________________________

as my/our proxy to attend and on a poll vote for me/us on my/our behalf at the **Forty-Third Annual General Meeting** of the Company to be held at **11:00 a.m.** on **Friday, September 26, 2014** at **Eka Hotel** along Mombasa Road, Nairobi and at any adjournment thereof.

Signed this ____________ day of ______________________ 2014

Signature ______________________________

NOTE:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy who need not be a member of the Company.

2. In the case a member being a Limited Company, this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.

3. This proxy form must be deposited either at the **Company's Head Office, First Floor, Airport Trade Centre, 3rd Freight Avenue, Jomo Kenyatta International Airport,** P O Box 40433-00100, Nairobi **OR** with the Company Secretaries, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove, P O Box 47323-00100, Nairobi so as to reach not later than 48 hours before the meeting.

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

Fomu ya Uwakilishi

Mimi/Sisi ______________________________

wa ______________________________

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

____

wa ______________________________

au akikosa yeye/wakikosa wao

____

wa ______________________________

kupiga kura badala ya mimi/sisi kwa niaba yangu/yetu katika **Mkutano Mkuu wa Mwaka wa 43** wa Kampuni hii utakaofanywa **saa tano asubuhi** tarehe **Ijumaa, Septemba 26, 2014** katika **Eka Hotel** iliyo Mombasa Road, Nairobi, na katika mkutano wowote utakaoahirishwa.

Imetiwa sahihi leo ____________ siku ya ______________________ 2014

Sahihi ______________________________

TAZAMA:

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

3. Fomu hii ya uwakilishi lazima kufikishwa katika **Afisi Kuu ya Kampuni, 1st Floor, Airport Trade Centre, 3rd Freight Avenue, Jomo Kenyatta International Airport,** Sanduku la Posta 40433 - 00100, Nairobi **AU** kwa Katibu wa Kampuni, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove, P O Box 47323-00100, Nairobi katika muda usiopungua masaa 48 kabla ya mkutano kufanyika.

STAMP

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

Diniz *Holdings* Limited