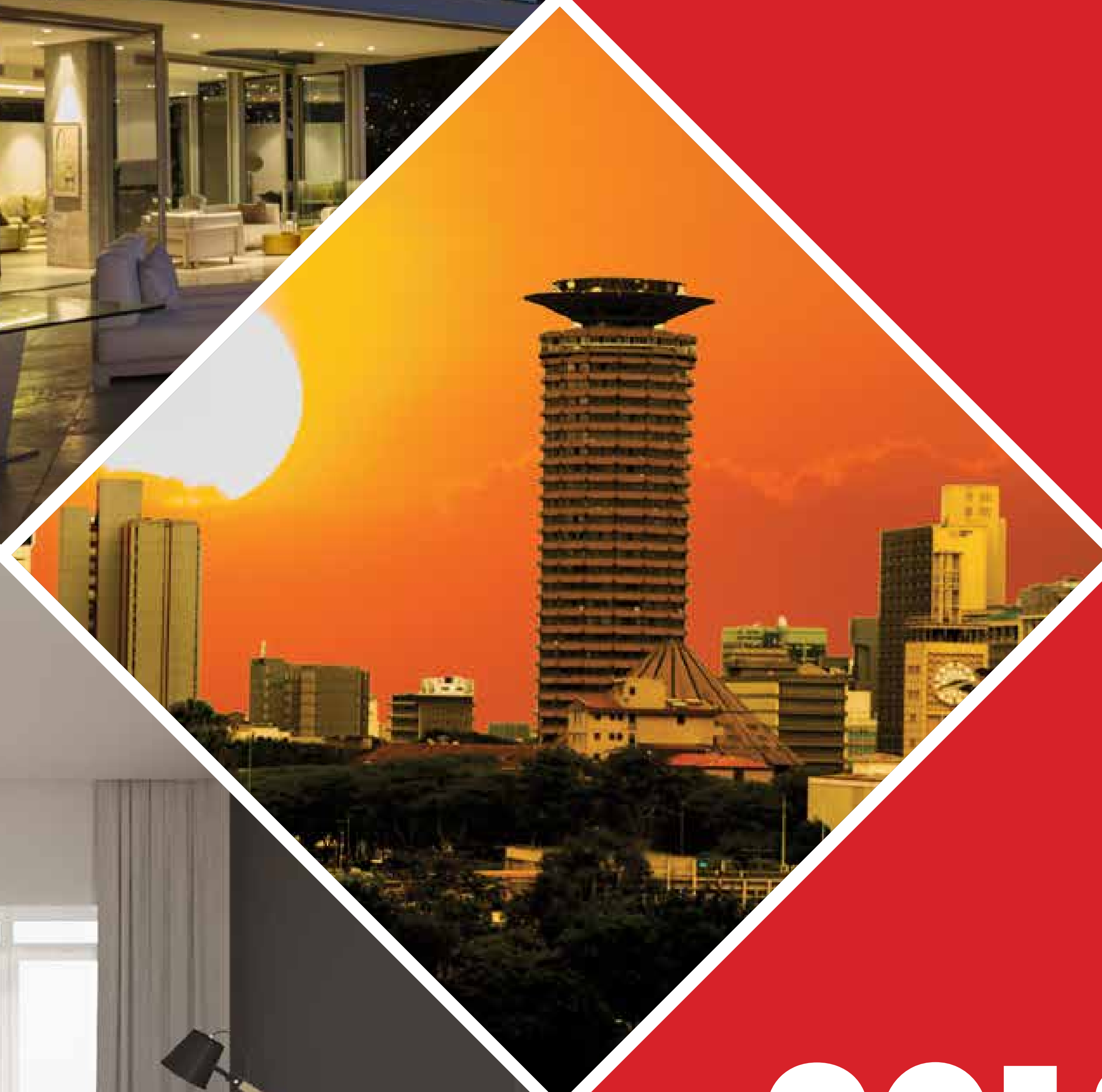
Express Kenya PLC



2018

Annual Report & Financial Statements

Diniz Holdings Limited

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GROUP INFORMATION

BOARD OF DIRECTORS	:	Dr. C. W. Obura (Chairman)
	:	Hector Diniz
	:	Kajal Thakker
	:	Davinder Singh Devgun
CHIEF OFFICER	:	Hector Diniz
REGISTERED OFFICE	:	LR. No. 12596/1
	:	Express House
	:	Road A, Off Enterprise Road
	:	Industrial Area
	:	P.O. Box 40433, 00100
	:	NAIROBI
PRINCIPAL PLACE OF BUSINESS	:	LR. No. 12596/1
	:	Express House
	:	Road A, Off Enterprise Road
	:	Industrial Area
	:	P.O. Box 40433, 00100
	:	NAIROBI
	:	Telephone - 254 (20) 3002371-5
	:	Cell - 254 (722) 204102-3
	:	Website - www.expresskenya.com
INDEPENDENT AUDITOR	:	PKF Kenya
	:	Certified Public Accountants
	:	P.O. Box 14077, 00800
	:	NAIROBI
COMPANY SECRETARIES	:	Equatorial Secretaries and Registrars
	:	Certified Public Secretaries
	:	P.O. Box 47323, 00100
	:	NAIROBI
PRINCIPAL BANKER	:	Diamond Trust Bank Kenya Limited
	:	NAIROBI
LEGAL ADVISOR	:	Archers & Wilcock Advocates
	:	NAIROBI
SHARE REGISTRARS	:	Custody and Registrars Services Limited
	:	NAIROBI
SUBSIDIARIES	:	Express Mombasa Limited
	:	Container Services Limited
	:	Airporter Limited

NOTICE OF
ANNUAL GENERAL MEETING

For the year ended 31 December 2018

NOTICE IS HEREBY GIVEN that the Forty-Eighth Annual General Meeting of the Company will be held at Jacaranda Hotel in Westlands, Nairobi, on Thursday, 27 June 2019 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting, table the proxies and note the presence of a quorum.
2. To confirm the minutes of the Forty-Seventh Annual General Meeting of the Company held on 20 June 2018.
3. To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2018 together with the Chairman's Statement and the reports of the Directors and Auditors thereon.
4. To note that the Directors do not recommend payment of a dividend (2017: Nil) for the financial year ended 31 December 2018.
5. To approve the Directors' remuneration as provided in the Audited Financial Statements for the year ended 31 December 2018.
6. To re-elect Directors,
   a) In accordance with Article 113 of the Company's Articles of Association, Dr. Christopher C.W Obura retires by rotation and, being eligible, offers himself for re-election.

      Special Notice is hereby given that a notice has been received that it is intended to pass the following resolution as an Ordinary Resolution: -

      "That Dr. Christopher C.W Obura, who has attained the age of 70 years be and is hereby re-elected a director of the Company."
   b) Mr Davindar S Devgun who was appointed during the year in accordance with Article 90 of the Company's Articles of Association retires by rotation in accordance with Article 90 of the Company's Articles of Association and being eligible, offers himself for re-election.
7. To note that PKF Kenya continue in office as Auditors to the Company by virtue of Section 719(2) of the Companies Act, 2015 and to authorize the Directors to fix their remuneration for the ensuing financial year.
8. Any other business of which due notice has been received.

BY ORDER OF THE BOARD

EQUATORIAL SECRETARIES AND REGISTRARS

SECRETARIES

Equatorial Secretaries and Registrars

Company Secretaries

Dated: 29th May 2019

Note:

1. In accordance with Section 298 of the Companies Act, 2015 a member entitled to attend and vote at this meeting is entitled to appoint proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. 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 Registered office of the Company, Express House, Road A, off Enterprise Road, P 0 Box 40433-00100, Nairobi or with the Company Secretaries, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove P 0 Box 47323, 00100-Nairobi, so as to reach not later than 11.00 a.m. on Tuesday, 25 June 2019.
3. In case of corporate body, the proxy must be executed under its common seal or under the hand of a duly authorized officer or an attorney of such corporation.

OUR BELIEF

MISSION

To provide residents with exemplary service and a quality home environment, to provide employees' unparalleled opportunities for personal and professional development and to provide partners and clients with maximized real estate asset value.

VISION

To offer affordable and reliable housing solutions for the ever growing middle and low income families in search of the ideal home within the 47 counties of Kenya in support of the countrys vision 2030.

STRATEGY

Express Kenya PLC will continue to acquire and develop quality properties based on realistic values for its own investment affiliates. The real estate activities will take place in select submarkets generally throughout the counties and Africa as a whole, and those activities will focus on fewer, usually larger and more complicated, transactions that take advantage of unique opportunities.

Once properties are acquired or developed, the Company will provide all of the adjunct services, skills and systems necessary to maintain each property to the highest standards of quality, to achieve the greatest operating efficiencies and, finally, to realize the highest profit performance. In all cases, Express Kenya PLC will maintain the highest level of personnel and support them with the most advanced systems. Talented and skilled professionals, who insist on only the highest standards, using the most sophisticated systems, and working in an intense but enjoyable environment, will lead and direct the company.

GOALS & OBJECTIVES

- To grow shareholders wealth through acquisition, development, sale, rental, as well as the maintenance of properties in the companys' portfolio within the African continent.
- To be the preferred home provider of choice – a goal we plan to attain through our residents and employees.
- To make the buying and selling of real estate as cost effective as possible while maintaining the highest level of standards.
- To provide accurate and up-to-date information, skilled analysis and sound real estate advice to all those that need it.
- To continually explore new ideas and technology, so as to make the selling and buying of real estate faster, less costly, and easier.

OUR VALUES & GUIDING PRINCIPLES

We believe in and carry out our daily activities based on the principles of:

Integrity
Honesty
Respect
Customer Service Excellence
Teamwork
Responsiveness
Stewardship

MEET THE TEAM

DR. C.W. OBURA
Chairman of the Board and Non-Executive Member

Dr. C. Obura is the current chair of the Kenya Hospital Organization as well as the Nairobi Hospital. He also sits on the boards of several listed and unlisted companies, including but not limited to I.C.E.A Lion Holdings Limited, Olympia Capital Holding Limited, Matter & Platt Kenya Limited, Dunlop Industries Limited, Inter-alia. Prior to joining the company, he had served in various other boards such as the Kenya Airways and was chair to several organizations such as the Karen Country Club, the Kenya Dental Association the Medical Practitioners and Dentist Board.
The alumnus of both the University of London' Guys Hospital Medical and Dental Schools and Makerere University has contributed to the betterment of the medical profession in Kenya by lecturing at the University of Nairobi' medical school and acting as an external examiner to the same institution. He has also acted as a consultant with various hospitals within the country as well.
He brings to the board his vast expertise in matters finance and management as well as adherence to good corporate governance practices. His tenure as chairman has seen the company weather challenges and has overseen the transition of the company from one reliant on transport and logistics to a diversified one.

MR. HECTOR DINIZ
Company C.E.O. and Executive Director

This high achieving individual is currently the Chief Executive Officer of Express Kenya PLC. He currently chairs various organizations such as Flowerwings Express Limited, Flowerwings Kenya Limited. He also sits in the board of Aviation Warehouse Limited and Orchid Gardens Limited, which is a high end construction company. Prior to joining the company, he spearheaded the Cargo division in KLM Royal Dutch Airlines. He plays a pivotal role in the company based on his extensive expertise in real estate arena in Kenya. He is also an expert in Corporate Re-engineering, Strategy Formulation and Global Markets identification.

MRS. KAJAL THAKKER
Non-Executive Director

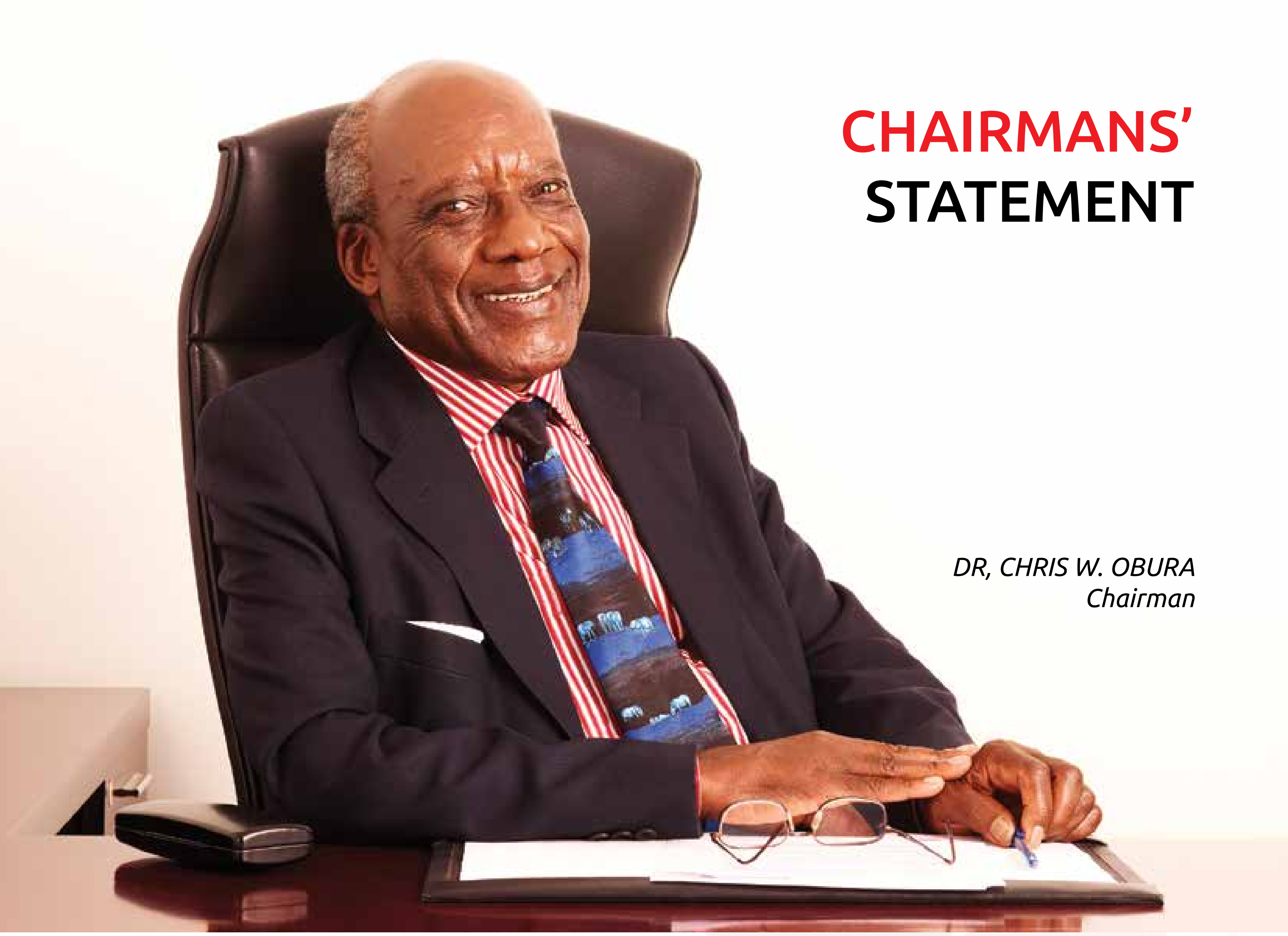
She has been an independent and executive member of the board since 2014. She has over 10 years expertise in the Finance field and is a member of the Association of Chartered Certified Accountants. Prior to joining the company, she was the finance Director at Flowerwings Kenya Limited. She is an expert in International Business and currently sits on the board of several companies.

MR. DAVINDAR S. DEVGUN
Independent and Non-Executive Director

Mr. Davindar is an engineer by profession and he joined the company as an Independent and Executive director since 2015. He boasts of over 30 years expertise in the construction industry and has through the years built an impressive portfolio of clients such as the government, SACCOS, banks, parastatals, private and public companies as well as churches and NGOs. It is with this wealth of experience in the real estate arena that he brings to the board.

DENNIS BANDA AROKA (CPS NO. 1024) – LLB (Hons), EMBA, FCS(K)
Company Secretary

Dennis Banda Aroka is a Partner in Equatorial Secretaries and Registrars. He has over 20 years professional and Company Secretarial practice experience in different sectors including Energy, Agriculture, Property, Manufacturing, Trading, Engineering amongst others. He holds a Bachelor's degree in Law and Executive Masters in Business Administration. He is a Certified Public Secretary and a Fellow member of the Institute of Certified Secretaries of Kenya (ICSK). His areas of Specialization include Governance Compliance, Corporate Compliance and Board matters.



CHAIRMANS' STATEMENT

DR, CHRIS W. OBURA
Chairman

Dear Shareholders,

I am very pleased to welcome you to the company's Fourty Eighth Annual General Meeting that we all know is of utmost importance in the company's fiscal year. This meeting provides the opportunity for us to discuss our strategy going forward. Through the year we have listened and welcomed any feedback from shareholders and today is a further opportunity for us to do the same.

Target audience and materiality

This report has been prepared with the material interests of our stakeholders in mind to enable them to assess our performance and future prospects. This report focuses on the issues we see as being most material to our ability to create value and to deliver on our strategy. Our response to these material issues is reflected in our strategic priorities. These strategic priorities have been identified on the basis of an assessment of how we create value, the activities and impacts of our value chain, and the material risks and opportunities facing the Group. Additional information that is not seen to be material for these purposes, but that may be of interest to other stakeholders, is provided in the annual financial statements that forms part of this integrated report.

Looking Ahead

As we all know our core business over the years has been logistics which we have greatly profited from but due to the fact our country is growing there has been an introduction of the SGR which has greatly affected that line of business. Having this in mind, we all know that the government is pushing the big 4 Agenda and one of which being affordable housing. With this in mind Express Kenya PLC is pushing for the real estate project and we hope for it to come to completion. We all know that we had a ground breaking of this project but has been hindered by funding. It is our company's goal that we try to offer affordable housing for workers in Kenya. I am glad that we have a dedicated C.E.O who has been seriously looking for funding for this project. It is my hope that by the end of the year 2019 we will have embarked on the construction of the houses.

Appreciation

We thank all our shareholders for their continued support, our employees for their determination, diligence, and commitment. To our esteemed clients I can only say Asante Sana!

On behalf of Express Kenya PLC:

Yours Truly,

Dr. Chris Obura,
Chairman

CHIEF EXECUTIVE OFFICERS' REPORT

For the year ended 31 December 2018

"Our ambition is to drive a high-performance culture, remaining true to our values and our purpose; by employing expert strategies to propel our company to deliver world-class products and services."

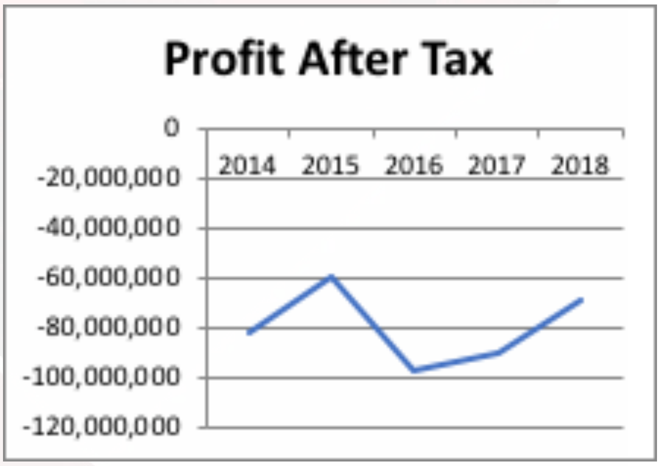
- Hector Diniz-
CEO

Dear Shareholders,

While the Kenyan economy has been rough on the financial side and seen several listed companies either delist or go under due to financial pressures, we have managed to remain listed on the stock exchange and survive the storms.

The real estate division which our company had hoped to kick off was delayed due to the tough bank requirements on facilities and our company's depreciated turnover and profitability.

Profit After Tax



Last year (2018) we realised that our shareholders strongly believe in our management and future as we failed a takeover bid from Diniz Holdings Limited. Despite this, we have consistently reduced costs in every aspect from rent to unnecessary spending to improve liquidity and optimise performance.

This year (2019) we can see a much stronger company and are proud that our losses have reduced significantly due to cost cutting measures and repayment of old claims and debts.

WAY FORWARD

The way forward is to dispose some assets to create increased liquidity that will reduce existing loans and can be contributed towards the commencement of our Real Estate project. This we expect to improve on the share capital and retained earnings once we finalise a Debt to Equity for some of the major loans.

Therefore, Express Kenya PLC will by the end of 2019 be fully focused on the Real Estate project and will reduce our liabilities on the logistic business that once was a lucrative sector but over the past years has been a root cause for poor performance. We aim to capitalise on the real estate division that has seen rapid growth due to increased demand in both the residential and commercial sector for world-class products due to Kenya's growing middle class with increased purchasing power. Our location is also one of the most densely populated areas.

Finally, I would like to thank all our employees, partners and customers for their continuous support. We look forward to being an integral part of the lucrative real estate division and ultimately deliver world-class products to deliver the highest asset value and drive performance whilst staying true to our values.

CORPORATE GOVERNANCE

For the year ended 31 December 2018

The Board of Express Kenya PLC recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness and integrity and is committed to applying and enforcing relevant corporate governance principles, policies and practices within the Group. The board is committed to the principles of accountability, compliance with the law and to the provision of relevant and meaningful reporting to all stakeholders.

The Company has endeavored to adhere to its obligations as a public listed entity in Kenya in compliance with the Capital Markets Authority (CMA) Code of Corporate Governance practices for Issuers of Securities to the Public 2015. The company also adheres to other regulations promulgated by the CMA, Nairobi Securities Exchange, the Constitution of Kenya and all other laws as a law-abiding citizen.

Board Charter

The Board Charter is critical to the company's governance framework, and offers guidance on matters including but not limited to the following:

1. The separation of the roles, functions, responsibilities and powers of the board and its individual members;
2. Powers delegated to the board committees;
3. Matters reserved for final decision-making and approval by the board;
4. Policies and practices of the board on matters of corporate governance, directors' declarations and conflict of interest, conduct of board and board committee meetings; and
5. Nomination, appointment, induction, ongoing training and performance evaluation of the board and its committees.

The Board charter can be viewed on or downloaded from the company's website www.expresskenya.com

The Role of the Board

The key responsibilities of the Board include:

1. To review and approve strategic, business and capital plans for the Company and monitor the Company's human, technology and capital resources, the constraints on implementing such plans and management's execution of such plans.
2. To review the principal risks of the Company's business and monitor the implementation by management of appropriate systems to manage such risks.
3. To review at every meeting recent developments that may impact the Company's growth strategy.
4. Ensuring specific and relevant corporate measurement systems are developed and adequate internal controls and management information systems are in place with regard to business performance and the integrity thereof.
5. Reviewing and approving corporate governance guidelines applicable to the Company and in accordance with statutory and regulatory requirements. To develop and implement programs for management and Board succession planning. Looking at the size and composition of the Board, compensation of directors, assessment of the performance of the Board, its committees and Directors and approval of appropriate policies and procedures.
6. To monitor the practices of board and management to ensure appropriate, fair and timely communication of information concerning the Company.

Board size, composition and appointments

The Board is comprised of Three (3) Non-Executive Directors including the Chairman, and one (1) Executive Director. Of the Three Non-Executive Directors, one is independent. All non-executive directors are independent of management and have diverse skills, experience and competencies appropriate for effective management of the company's business.

The non-executive directors are subject to periodic re-appointment in accordance with company's Articles of Association which requires that one third of the longest serving directors (since their last election) retire by rotation every year and if eligible their names are submitted for re-election at the Annual General Meeting.

How the Board works

The board is solely responsible for its agenda. However, it is the responsibility of the Chairman and the Company Secretary, working closely with the Chief Executive Officer, to come up with the annual Board work plan and an agenda for the board meetings.

The board meets on a quarterly basis as scheduled during the year, with additional meetings when necessary. Members of the Board are expected to attend all Board meetings. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for the direction and guidance on general policy, the board has delegated authority for conduct of day-to-day business to the Managing Director/ Chief Executive Officer. The Board nonetheless retains responsibility in maintaining the company's overall internal control on financial, operational and compliance issues.

The senior leadership team members may be invited to attend the board meetings if deemed necessary. Where directors are unable to attend a meeting, they are advised on the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Directors are also invited to attend the senior leadership's strategic and operations review meetings to gain further insights into different aspects of the business.

Nomination

There is a formal screening process conducted by the Nominations and Remuneration Committee before a nominee is appointed as a Director. The process aims at ensuring that the nominees have the requisite capabilities to carry out their responsibilities.

The nomination committee considers any person who is credible and who have the necessary skill and expertise to exercise independent judgment on issues that are necessary to promote the company's objective and performance in the area of business.

Communication with shareholders

The Board is committed to ensuring that shareholders, regulators and the financial markets are provided with full and timely information about its performance. This is achieved through:

i. Interim and annual results publications of extracts of its financial performance in the daily newspapers.

ii. The company holds Annual General Meeting to discuss full year performance with shareholders. Copies of the annual reports are made available to shareholders at least 21 days before the date of the AGM. The AGM provides a useful opportunity to the board and management to engage with shareholders on key issues facing the company.

iii. Interactive website containing all relevant information relating to the company.

In this regard, the company complies with the obligations contained in the Nairobi Securities Exchange's Listing Rules, the Capital Markets Authority Act and the Kenyan Companies Act.

Committees of the Board

The board has two standing committees namely: the Audit Committee, Nominations and Remuneration Committee. These committees meet regularly under the terms of reference set by the board.

Audit Committee

Membership

The Audit committee consists of three non-executive directors and reports to the board after every committee meeting. It meets quarterly or as required.

Attendance included internal and external auditors, as well as permanent invitees from management.

Functions of the Audit committee

The committee's responsibilities include:

1. Risk management, internal controls and regulatory compliance. Review and assess the company's risk management process and the adequacy of the overall control environment.
2. Consider the adequacy and scope of internal and external audit, monitor their effectiveness and ensure implementation of audit recommendations,
3. Ensuring integrity of financial information and communication to shareholders. Review financial statements and recommend their approval to the board of directors.
4. Reviewing annual budgets.

The audit committee is comprised of members who are well experienced in financial matters including reporting and risk management.

Nominations Committee

Membership

This committee consists of three non-executive directors and reports to the board after every committee meeting. It meets quarterly or as required.

The purpose of the committee is to assist the board by:

1. Monitoring the size and composition of the board and its succession plans,
2. Recommending individuals for nominations as members of the board and its committees,
3. Reviewing executive appointments, succession and development plans, terms and conditions of employment of senior management,
4. Proposing remuneration structures of executive and non-executive members of the board,

The Nominations Committee is also charged with the responsibility of evaluating the effectiveness of the Board and its committees and the effectiveness of the Directors in the discharge of their responsibilities.

Employment equity

The Group is committed to the creation of an organization that supports equality of all employees and is committed to elimination of any form of discrimination in the work place. Our practice is to comply with all laws prohibiting discrimination.

Ethics and code of conduct

The directors attach great importance to the need to conduct the business and operations of the company with integrity and in accordance with good corporate governance practices. The company adopts the best principles of good corporate culture that requires the directors and all employees to maintain the highest personal and ethical standards and to act in good faith and in the interest of the company. The company has developed and implemented a code of conduct that sets out guidelines and rules, which are based on good governance principles of:

— Full compliance with the law

— Application of best accounting practices

— Safety of all stakeholders

— Product quality and customer focus

— Care of our environment

— Application of best business practices

— Fair competition

Whistle blowing policy

Express Kenya PLC has set high standards for its operations to ensure integrity and quality delivery. Employees are often the first to realize that there may be something seriously wrong within the organization. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the company. They may also fear harassment or victimization.

The company has developed a whistle blowing policy to encourage and provides channels for employees to report exceptional incidences without fear of victimization, discrimination or disadvantage.

Reportable misconducts and potential irregularities under the policy include all forms of financial malpractices, non-compliance with regulations, criminal activities, improper conduct or unethical behaviors, corporate governance breaches, non-disclosure of interests, sexual and physical abuse of staff and other stakeholders among other vices.

The policy provides clear reporting mechanism through telephone and dedicated email address with assurance of anonymity for whistle-blowers. The staff has also been sensitized through training on reportable incidences, how to make the report and assurance of confidentiality to providers of information.

The board has also maintained an open-door policy allowing of easy escalation of issues. Staff members are regularly sensitized on the need to report any suspected unethical business practices.

REPORT OF THE DIRECTORS

For the year ended 31 December 2018

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2018, 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. The group is in the process of venturing into real estate development.

BUSINESS REVIEW

During the year 2018 the total turnover of the company and group decreased from Shs. 50,323,130 to Shs. 26,380,369. This resulted mainly from decline in revenue from logistics business coupled with reduced income from warehouse business. Loss for the year for the company decreased from Shs. 90,217,862 (group: Shs. 90,349,262) to Shs. 72,116,456 (group: Shs. 69,690,695) reflecting the effects of increased operating expenses.

Key Performance Indicators

		Group		**Company**
	2018	**2017**	**2018**	**2017**
	Shs	**Shs**	**Shs**	**Shs**
Turnover (Shs)	26,380,369	50,323,130	26,380,369	50,323,130
Loss for the year (Shs)	(69,690,695)	(90,349,262)	(72,116,456)	(90,217,862)

PRINCIPAL RISKS AND UNCERTAINTIES

The group faces a number of risks and uncertainties including financial and operational risks and uncertainties. Changes to these factors, including the macro-economic effect of performance of the Kenyan economy can affect the group's business.

In addition to the business risk(s) discussed above, the group's activities expose it to a number of financial risks including credit risk, cash flow and foreign currency risk and liquidity risk as set-out on note 25 to the financial statements.

The group's Board has overall responsibility for its risk management processes in line with the risks mentioned above.

DIVIDEND

The directors do not recommend declaration of a dividend for the year (2017: Nil).

DIRECTORS

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

Dr. C. W. Obura retires by rotation in accordance with the company's Articles of Association and being eligible, offer himself for re-election.

REPORT OF THE DIRECTORS *Continued*

For the year ended 31 December 2018

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

(a) there is, so far as the person is aware, no relevant audit information of which the group's auditor is unaware; and

(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the group's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya continues in office in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

COMPANY SECRETARY

NAIROBI

REPORT OF DIRECTORS' REMUNERATION

For the year ended 31 December 2018

This report of directors' remuneration sets out the remuneration for the Board of Directors of the group for the year ended 31 December 2018.

Directors' remuneration

		2018 Remuneration Shs	Total Shs
Dr. C. W. Obura	Chairman	-	-
Hector Diniz	Director	-	-
Kajal Thakker	Director	-	-
Davinder Singh Devgun	Director	-	-
Total		**-**	**-**

		2017 Remuneration Shs	Total Shs
Dr. C. W. Obura	Chairman	3,600,000	3,600,000
Hector Diniz	Director	14,400,000	14,400,000
Kajal Thakker	Director	-	-
Davinder Singh Devgun	Director	-	-
Total		**18,000,000**	**18,000,000**

The directors confirm that the report of the directors' remuneration has been prepared in line with the requirements of the Kenyan Companies Act, 2015 and the Capital Markets Authority Code of Corporate Governance for Issuers of Securities to The Public, 2015.

DIRECTOR

NAIROBI

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2018

The Kenyan Companies Act, 2015 requires the directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the company and its subsidiaries (together the 'group') and of its profit or loss for that year. It also requires the directors to ensure that the group keeps proper accounting records that are sufficient to show and explain the transactions of the group and the company; that disclose, with reasonable accuracy, the financia position of the group and company and that enable them to prepare consolidated financial statements of the group and the company that comply with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

ii. Selecting and applying appropriate accounting policies; and

iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the consolidated financial statements give a true and fair view of the financial position of the group and of the company as at 31 December 2018 and of the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

In preparing these financial statements the directors have assessed the group's and company's ability to continue as a going concern as set out in Note 1(a) to the financial statements. The directors are of the opinion that the company and its subsidiaries will remain a going concern for at least the next twelve months from the date of this statement based on the factors described in Note 1(a).

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 29th April 2019 and signed on its behalf by:

DIRECTOR **DIRECTOR**

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF EXPRESS KENYA PLC

For the year ended 31 December 2018

Opinion

We have audited the accompanying consolidated financial statements of Express Kenya PLC and its subsidiaries (collectively referred to as the 'group'), set out on pages 17 to 57 which comprise the consolidated and company statements of financial position as at 31 December 2018 and the consolidated and company statements of profit or loss, the consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated and company financial position as at 31 December 2018, and of the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) of the consolidated financial statements, which indicates that the group incurred a loss of Shs. 69,690,695 during the year ended 31 December 2018 and, as of that date, the (69,690,695.00) (90,349,262.00) group's current liabilities exceeded its current assets by Shs. 46,508,525. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material (46,508,525.00) (65,247,968.00) uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There were no other key audit matters other than the matter described in the Material Uncertainty Related to Going Concern section of our report.

Other Information

The directors are responsible for the other information. The other information comprises the report of the directors, schedule of direct costs and administrative expenditure and schedule of other expenditure but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, the chairman's and managing director's statement which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the corporate governance statement, chairman's statement and managing director's statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors 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 requirements of the Kenyan Companies Act, 2015 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's internal control.

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF EXPRESS KENYA PLC Continued

For the year ended 31 December 2018

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and "where applicable, related safeguards. "From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that in our opinion:

i) the information given in the report of the directors on pages 10 and 11 is consistent with the financial statements; and

ii) the auditable part of the directors' remuneration report on page 12 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PKF Kenya

Certified Public Accountants 29th April 2019
NAIROBI

CPA Darshan Prabhulal Shah - Practicing Certificate No. 2051.
Signing partner responsible for the independent audit

401/19

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 Shs	2017 Shs
Revenue		26,380,369	50,323,130
Direct costs		(32,489,371)	(45,209,660)
Gross (loss)/profit		**(6,109,002)**	**5,113,470**
Other operating income	3	6,748,274	7,155,215
Impairment provisions	4	(13,990,103)	(3,321,728)
Administrative expenses		(28,800,391)	(56,960,784)
Other operating expenses		(23,076,408)	(34,233,477)
Operating (loss)	**5**	**(65,227,630)**	**(82,247,304)**
Finance costs	7	(10,565,948)	(12,062,614)
(Loss) before tax		**(75,793,578)**	**(94,309,918)**
Tax credit	8	6,102,883	3,960,656
(Loss) for the year		**(69,690,695)**	**(90,349,262)**
(Loss) for the year is attributable to:			
- owners of the company	9	(69,690,695)	(90,349,262)
(Loss) per share			
Basic and diluted (loss) per share	9	(1.97)	(2.55)

The notes on pages 25 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 14 to 16.

COMPANY STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 Shs	2017 Shs
Revenue		26,380,369	50,323,130
Direct costs		(32,489,371)	(45,209,660)
Gross (loss)/profit		**(6,109,002)**	**5,113,470**
Other operating income	3	6,748,274	7,155,215
Impairment provisions	4	(16,547,263)	(3,321,728)
Administrative expenses		(28,668,992)	(56,829,384)
Other operating expenses		(23,076,408)	(34,233,477)
Operating (loss)	**5**	**(67,653,391)**	**(82,115,904)**
Finance costs	7	(10,565,948)	(12,062,614)
(Loss) before tax		**(78,219,339)**	**(94,178,518)**
Tax credit	8	6,102,883	3,960,656
(Loss) for the year		**(72,116,456)**	**(90,217,862)**
Basic and diluted (loss) per share	9	(2.04)	(2.55)

The notes on pages 25 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 14 to 16.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

	Notes	As at 31st December 2018 2018 Shs	 2017 Shs
CAPITAL EMPLOYED			
Share capital	10	177,018,950	177,018,950
Share premium		10,501,719	10,501,719
Revaluation reserve	11	102,920,726	112,787,846
Accumulated losses		(427,301,050)	(367,477,475)
Shareholders' (deficit)		**(136,859,655)**	**(67,168,960)**
Non-current liabilities			
Borrowings	12	262,048,998	185,134,598
Deferred tax	13	73,787,987	79,890,870
		335,836,985	265,025,468
		198,977,330	197,856,508
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	245,424,655	262,982,076
Intangible assets	16	61,200	122,400
		245,485,855	263,104,476
Current assets			
Inventories	17	28,752,342	40,631,082
Trade and other receivables	18	12,962,800	21,874,025
Cash and cash equivalents	19	2,439,873	3,022,425
Tax recoverable		31,300,900	31,300,900
		75,455,915	96,828,432
Current liabilities			
Borrowings	12	63,476,335	62,343,869
Trade and other payables	20	46,825,605	88,070,031
Provision for legal claims	21	11,662,500	11,662,500
		121,964,440	162,076,400
Net current (liabilities)		**(46,508,525)**	**(65,247,968)**
		198,977,330	197,856,508
		0	0

The financial statements on pages 17 to 57 were approved and authorised for issue by the Board of Directors on 29th April 2019 and were signed on its behalf by:

_______________DIRECTOR _______________DIRECTOR

The notes on pages 25 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 14 to 16.

COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

	Notes	As at 31 December 2018 2018 Shs	 2017 Shs
CAPITAL EMPLOYED			
Share capital	10	177,018,950	177,018,950
Share premium		10,501,719	10,501,719
Revaluation reserve	11	102,920,726	112,787,846
Accumulated losses		(429,419,073)	(367,169,737)
Shareholders' (deficit)		**(138,977,678)**	**(66,861,222)**
Non-current liabilities			
Borrowings	12	262,048,998	185,134,598
Deferred tax	13	73,787,987	79,890,870
		335,836,985	265,025,468
		196,859,307	198,164,246
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	245,401,915	262,959,337
Investment in subsidiaries	15	-	2,557,160
Intangible assets	16	61,200	122,400
		245,463,115	265,638,897
Current assets			
Inventories	17	28,752,342	40,631,082
Trade and other receivables	18	12,306,384	21,328,685
Cash and cash equivalents	19	2,439,873	3,022,425
Tax recoverable		31,300,900	31,300,900
		74,799,499	96,283,092
Current liabilities			
Borrowings	12	63,476,335	62,343,869
Trade and other payables	20	48,264,472	89,751,374
Provision for legal claims	21	11,662,500	11,662,500
		123,403,307	163,757,743
Net current (liabilities)		**(48,603,808)**	**(67,474,651)**
		196,859,307	198,164,246
		0	0

The financial statements on pages 17 to 57 were approved and authorised for issue by the Board of Directors on 29th April 2019 and were signed on its behalf by:

______________________DIRECTOR ______________________DIRECTOR

The notes on pages 25 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 14 to 16.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Notes	Share capital Shs	Share premium Shs	Revaluation reserve Shs	Accumulated losses Shs	Total Shs
Year ended 31 December 2017						
At start of year		177,018,950	10,501,719	122,654,966	(286,995,333)	23,180,302
(Loss) for the year		-	-	-	(90,349,262)	(90,349,262)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	13	-	-	4,228,766	(4,228,766)	-
At end of year		177,018,950	10,501,719	112,787,846	(367,477,475)	(67,168,960)
Year ended 31 December 2018						
At start of year		177,018,950	10,501,719	112,787,846	(367,477,475)	(67,168,960)
(Loss) for the year		-	-	-	(69,690,695)	(69,690,695)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	13	-	-	4,228,766	(4,228,766)	-
At end of year		**177,018,950**	**10,501,719**	**102,920,726**	**(427,301,050)**	**(136,859,655)**

The notes on pages 25 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 14 to 16.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Notes	Share capital Shs	Share premium Shs	Revaluation reserve Shs	Accumulated losses Shs	Total Shs
Year ended 31 December 2017						
At start of year		177,018,950	10,501,719	122,654,966	(286,818,995)	23,356,640
(Loss) for the year		-	-	-	(90,217,862)	(90,217,862)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	13	-	-	4,228,766	(4,228,766)	-
At end of year		177,018,950	10,501,719	112,787,846	(367,169,737)	(66,861,222)
Year ended 31 December 2018						
At start of year		177,018,950	10,501,719	112,787,846	(367,169,737)	(66,861,222)
(Loss) for the year		-	-	-	(72,116,456)	(72,116,456)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	13	-	-	4,228,766	(4,228,766)	-
At end of year		177,018,950	10,501,719	102,920,726	(429,419,073)	(138,977,678)

The notes on pages 25 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 14 to 16.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 Shs	2017 Shs
Operating activities			
Cash (used in) operations	22	(70,510,021)	(37,260,388)
Interest paid		(10,648,720)	(12,419,871)
Tax paid		-	(2,400)
Net cash (used in) operating activities		(81,158,741)	(49,682,659)
Investing activities			
Purchase of property, plant and equipment	14	(3,700,000)	-
Proceeds from disposal of property, plant and equipment		6,146,550	3,474,137
Net cash from investing activities		2,446,550	3,474,137
Financing activities			
(Repayment of) bank borrowings	12	(12,159,431)	(9,359,267)
Proceeds from borrowings from related parties	12	90,330,237	55,500,000
Net cash from financing activities		78,170,806	46,140,733
(Decrease) in cash and cash equivalents		**(541,385)**	**(67,789)**
Movement in cash and cash equivalents			
At start of year		(47,648,755)	(47,938,223)
(Decrease)		(541,385)	(67,789)
Effect of exchange rate changes		82,772	357,257
At end of year	19	(48,107,368)	(47,648,755)

The notes on pages 25 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 14 to 16.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 Shs	2017 Shs
Operating activities			
Cash (used in) operations	22	(70,510,021)	(37,260,388)
Interest paid		(10,648,720)	(12,419,871)
Tax paid		-	(2,400)
Net cash (used in) operating activities		(81,158,741)	(49,682,659)
Investing activities			
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Proceeds from disposal of property, plant and equipment		6,146,550	3,474,137
Net cash from investing activities		2,446,550	3,474,137
Financing activities			
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Proceeds from borrowings from related parties	12	90,330,237	55,500,000
Net cash from financing activities		78,170,806	46,140,733
(Decrease) in cash and cash equivalents		**(541,385)**	**(67,789)**
Movement in cash and cash equivalents			
At start of year		(47,648,755)	(47,938,223)
(Decrease)		(541,385)	(67,789)
Effect of exchange rate changes		82,772	357,257
At end of year	19	(48,107,368)	(47,648,755)

The notes on pages 25 to 57 form an integral part of these financial statements.

Report of the independent auditor - pages 14 to 16.

NOTES

For the year ended 31 December 2018

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 Standard (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 consideration 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.

The financial performance of the group is set out in the report of the directors and in the statement of profit or loss. The financial position of the group is set out in the statement of financial position. Disclosures in respect of risk management and capital management are set out in Notes 25 and 26 respectively to the financial statements.

Going concern

At the reporting date the group's current liabilities exceeded its current assets by Shs. 46,508,525 (2017: Shs. 65,247,968). During the year ended 31 December 2018, the group recognised a net loss of Shs. 69,690,695 (2017: Shs. 90,349,262) and as at the reporting date the group had accumulated losses of Shs. 427,301,050 (2017: Shs. 367,477,475) and there was a deficiency in shareholders funds of Shs. 136,858,655 (Shs. 67,168,960).

The principal shareholder has continuously provided financial support throughout the years and subsequent to the year end, injected Shs. 2.4 million to enable the group to meet its obligations.

The directors are of the opinion that the continued support provided by the principal shareholder is adequate and therefore consider it appropriate to prepare the financial statements on a going concern basis which assumes that the group will be in operational existence for the foreseeable future.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New and amended standards adopted by the group

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2018 have been adopted by the company. The following standard had no significant effect on the group's financial statements:

International Financial Reporting Standard 9 (IFRS 9): Financial Instruments

- IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and s "their contractual cash flow characteristics."

- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-month ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognised from inception.

- The group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The group did not early adopt IFRS 9 in previous years.

- Consequently, for notes and disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current year. The comparative years notes and disclosures repeat those disclosures made in the prior year.

- The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

- Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the company. Further details of the specific IFRS 9 accounting policies applied in the current year are described in more detail in note 1(a) (i).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39 Measurement category	IFRS 9 Carrying amount Shs.	Measurement category	Carrying amount Shs.
Financial assets				
Cash and cash equivalents	Amortised cost	3,022,425	Amortised cost	3,022,425
Trade and other receivables	Amortised cost	21,328,685	Amortised cost	21,328,685

(ii) Significant and material impacts

In particular, the adoption of IFRS 9 has had no material impact on the consolidated financial statements for the year ended 31 December 2018.

New Standards, amendments and Interpretations issued but not effective At the date of authorisation of these consolidated financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New Standards, amendments and Interpretations issued but not effective (continued)

- IFRS 16 'Leases' (issued in January 2017) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

- IFRS 17 'Insurance Contracts' (issued in May 2017) effective for annual periods beginning on or after 1 January 2022 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (issued in December 2016) effective for annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued in June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

  The directors expect that the future adoption of IFRS 16 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other standards and interpretations will have a material impact on the financial statements in future periods. The group plans to apply the changes above from their effective dates.

b) Critical accounting estimates and judgements

In the application of the accounting policies, the directors are required to make 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 judgements that are considered to have the most significant effect on the amounts recognised in the consolidated financial statements:

- Useful lives of property, plant and equipment and intangible assets Management reviews the useful lives and residual values of the items of property, plant and equipment and intangible assets 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Critical accounting estimates and judgements (continued)

- Measurement of expected credit losses (ECL):

  The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

  A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;

- Choosing appropriate models and assumptions for the measurement of ECL;

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and

- Establishing company's of similar financial assets for the purposes of measuring ECL.

  ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

  The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

- 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.

- 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 classificationas a finance lease under International Accounting Standard 17 on Leases.

c) 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.

C SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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.

e) Investment in subsidiaries/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 company; has power over the trustee; 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.

The group also assesses the existence of control where it does not have a majority of the voting rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances such as where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements etc.

When the company has assessed and has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The company reassesses whether or not it controls an investee. If facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss from the date the company gains control until the date the company ceases to control the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group balances, income and expenses on transactions between group companies are eliminated.

Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary adjustments are made to financial statements of the subsidiaries to bring their accounting policies into line with the groups accounting policy.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Investment in subsidiaries/consolidation (continued)

- Changes in ownership interests in subsidiaries without change of control
  Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

- Disposal of subsidiaries

  When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

- Business combinations

  The group applies the acquisition method to account for business combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to/by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

  If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

  Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' in profit or loss income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

  Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) 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.

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:

	Rate
Buildings	over the remaining lease period
Leasehold improvement	over the remaining lease period
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

Freehold and leasehold land are not depreciated.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property, plant and equipment (continued)

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 (loss). 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.

g) 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 Sthe 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.

h) 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, unquoted investments and cash and cash equivalents fall into the following categories:

i) Amortised cost:

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted byany expected credit loss allowance recognised and measured.

ii) Fair Value Through Profit or Loss (FVTPL):
Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss Sand is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

Notwithstanding the above, the group may: - on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income

- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Financial assets (continued)

At initial recognition of a financial asset, the group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the group has not identified a change in its business models.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the group has transferred substantially all risks and rewards of ownership, or when the group has no reasonable expectations of recovering the asset.
Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment

The group recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other compressive income (FVTOCI):

- cash and cash equivalents
- trade and other receivables

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade and other receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or

- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the statement of financial position date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Financial liabilities

All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the statement of financial position date.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is 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.

i) 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.

j) Intangible assets - computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be five years.

k) Inventories - work-in-progress

Inventories - work-in-progress comprise leasehold land and work in progress. These are stated at the lower of cost and net realisable value. The cost of work-in-progress comprises all costs attributable to the real estate project.

l) Share capital

Ordinary shares are classified as equity.

m) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Accounting for leases (continued)

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 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 (loss).

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.

2. SEGMENT INFORMATION

The group has three 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.
- **Real estate:** includes the real estate development arm of the group.

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 segment's gross profit or (loss) 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.

During the year, the group made sales of Shs. 13,799,098 (2017: Shs. 19,953,213) to a single customer 13,799,097.53 that represents 52% (2017: 40%) of total turnover.

The group does not allocate tax expense to reportable segments.

The segment results are as follows:

Year ended 31 December 2018

	Clearing and forwarding Shs	Warehousing Shs	Total Shs
Revenue	-	26,380,369	26,380,369
Direct costs	-	(32,489,371)	(32,489,371)
Gross (loss)	**-**	**(6,109,002)**	**(6,109,002)**
Other operating income (Note 3)	6,748,274	-	6,748,274
Impairment on provisions (Note 4)	(11,353,716)	(41,006)	(13,990,103)
Operating and administrative expenses	-	(51,876,799)	(51,876,799)
Finance costs (Note 7)	-	(10,565,948)	(10,565,948)
(Loss) before tax	**(4,605,442)**	**(68,592,755)**	**(75,793,578)**
Tax credit (Note 8)	-	6,102,883	6,102,883
(Loss) for the year	**(4,605,442)**	**(62,489,872)**	**(69,690,695)**

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2. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017

	Clearing and forwarding Shs	Warehousing Shs	Real estate Shs	Total Shs
Revenue	16,500,615	33,822,516	-	50,323,130
Direct costs	(20,637,986)	(24,571,674)	-	(45,209,660)
Gross (loss)/profit	**(4,137,371)**	**9,250,842**	**-**	**5,113,470**
Other operating income (Note 3)	7,155,215	-	-	7,155,215
Impairment on provisions (Note 4)	(3,321,728)	-	-	(3,321,728)
Operating and administrative expenses	(29,818,352)	(61,120,854)	(255,055)	(91,194,261)
Finance costs (Note 7)	(12,062,614)	-	-	(12,062,614)
(Loss) before tax	**(42,184,850)**	**(51,870,012)**	**(255,055)**	**(94,309,918)**
Tax credit (Note 8)	3,960,656	-	-	3,960,656
(Loss) for the year	**(38,224,194)**	**(51,870,012)**	**(255,055)**	**(90,349,262)**

Other segment items included in profit or loss are:

Year ended 31 December 2018	Clearing and forwarding Shs	Warehousing Shs	Real estate Shs	Total Shs
Depreciation on property, plant and equipment	286,991	16,927,018	805,131	18,019,140
Year ended 31 December 2017				
Depreciation on property, plant and equipment	310,160	16,927,018	805,131	18,042,309

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

Year ended 31 December 2018	Clearing and forwarding Shs	Warehousing Shs	Real estate Shs	Total Shs
Assets	153,509,661	107,378,867	28,752,342	289,640,870
Liabilities	316,193,540	69,408,338	(1,588,440)	384,013,438
Year ended 31 December 2017				
Assets	174,174,964	113,825,962	40,631,082	328,632,008
Liabilities	252,698,052	-	39,042,642	347,210,998

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

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

	Group		Company	
	2018	2017	2018	2017
3. OTHER OPERATING INCOME	Shs	Shs	Shs	Shs
Gain on disposal of property, plant and equipment	5,584,505	2,870,737	5,584,505	2,870,737
Miscellaneous income	1,163,769	4,284,478	1,163,769	4,284,478
	6,748,274	7,155,215	6,748,274	7,155,215
4. IMPAIRMENT PROVISIONS				
Impairment of investment in subsidiaries (Note 15)	-	[	2,557,160	-
Assets scrapped (Note 14)	2,676,236	-	2,676,236	-
Bad debts	2,595,380	-	2,595,380	-
ECL on cash and bank balances (Note 19)	41,006	-	41,006	-
ECL on trade receivables (Note 18)	8,677,480	3,321,728	8,677,480	3,321,728
	13,990,103	3,321,728	16,547,263	3,321,728
5. OPERATING (LOSS)				
The following items have been charged/(credited) in arriving at operating (loss):				
Depreciation on property, plant and equipment (Note 14)	18,019,140	18,042,309	18,019,140	18,042,309
Amortisation of intangible assets (Note 16)	61,200	61,200	61,200	61,200
(Gain) on disposal of property, plant and equipment (Note 3)	(5,584,505)	(2,870,737)	(5,584,505)	(2,870,737)
Auditors' remuneration				
- current year	1,740,000	1,740,000	1,740,000	1,740,000
Directors remuneration	-	18,000,000	-	18,000,000
Operating lease rentals	13,357,715	22,245,566	13,357,715	22,245,566
Repairs and maintenance	1,658,979	1,228,323	1,658,979	1,228,323
Assets scrapped (Note 4)	2,676,236	-	2,676,236	-
Staff costs (Note 6)	26,234,632	28,442,533	26,234,632	28,442,533
6. STAFF COSTS				
Salaries and wages:				
- direct costs	11,182,078	11,816,770	11,182,078	11,816,770
- administrative	14,689,639	15,961,852	14,689,639	15,961,852
Staff welfare and other costs	16,750	249,211	16,750	249,211
Pension costs:				
- National Social Security Fund	143,830	193,890	143,830	193,890
- Defined Contribution Scheme	202,335	220,810	202,335	220,810
	26,234,632	28,442,533	26,234,632	28,442,533

Group and company

The average number of persons employed during the year, by category, were:

	2018 Number	2017 Number
Management and administration	28	40

Group and company	2018	2017
7. FINANCE COSTS	Shs	Shs
Foreign exchange (gain)	(82,772)	(357,257)
Interest expense:		
- bank overdraft	7,696,120	8,401,503
- bank loan	2,952,600	4,018,368
	10,565,948	12,062,614

8. TAX

	Group 2018 Shs	Group 2017 Shs	Company 2018 Shs	Company 2017 Shs
Current tax	-	-	-	-
Deferred tax (credit) (Note 13)	(6,102,883)	(3,960,656)	(6,102,883)	(3,960,656)
	(6,102,883)	(3,960,656)	(6,102,883)	(3,960,656)

The tax on the group's and company's (loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:

	Group 2018 Shs	Group 2017 Shs	Company 2018 Shs	Company 2017 Shs
(Loss) before tax	(75,793,578)	(94,309,918)	(78,219,339)	(94,178,518)
Tax calculated at a tax rate of 30% (2017: 30%)	(22,738,073)	(28,292,975)	(23,465,802)	(28,253,555)
Tax effect of:				
- expenses not deductible for tax purposes	1,862,699	996,518	2,629,847	996,518
- tax loss brought forward	(142,892,146)	(119,595,764)	(142,892,146)	(119,595,764)
- tax loss carried forward	157,664,638	142,931,566	157,625,218	142,892,146
Tax (credit)	(6,102,883)	(3,960,656)	(6,102,883)	(3,960,656)

9. BASIC AND DILUTED (LOSS) PER SHARE

The basic and diluted (loss) per share is calculated by dividing the net (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Group 2018	Group 2017	Company 2018	Company 2017
Net (loss) attributable to shareholders (Shs.)	(69,690,695)	(90,349,262)	(72,116,456)	(90,217,862)
Number of ordinary shares (Number)	35,403,790	35,403,790	35,403,790	35,403,790
Basic and diluted (loss) per share (Shs.)	(1.97)	(2.55)	(2.04)	(2.55)

10. SHARE CAPITAL

	Group and company 2018 Shs	Group and company 2017 Shs
Authorised:		
250,000,000 (2017: 250,000,000) ordinary shares of Shs. 5 each	1,250,000,000	1,250,000,000
Issued and fully paid:		
35,403,790 (2017: 35,403,790) ordinary shares of Shs. 5 each	177,018,950	177,018,950

11. REVALUATION RESERVE

	Group and company 2018 Shs	Group and company 2017 Shs
At start of year	112,787,846	122,654,966
Transfer of excess depreciation	(14,095,886)	(14,095,886)
Deferred tax on excess depreciation transfer (Note 13)	4,228,766	4,228,766
At end of year	102,920,726	112,787,846

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

For the year ended 31 December 2018

12. BORROWINGS

	2018	2017
	Shs	Shs
Non-current		
Bank loan	-	13,415,836
Borrowings from related parties (Note 23)	213,431,478	123,101,241
Borrowings from directors (Note 23)	48,617,520	48,617,520
	262,048,998	185,134,598
Current		
Bank loan	12,929,094	11,672,689
Bank overdraft (Note 19)	50,547,241	50,671,180
	63,476,335	62,343,869
Total borrowings	325,525,334	247,478,466

Reconciliation of liabilities arising from financing activities:	**Bank borrowings**	**Related parties**	**Borrowings from directors**	**Total**
	Shs	**Shs**	**Shs**	**Shs**
Year ended 31 December 2018				
At start of year	25,088,525	123,101,241	48,617,520	196,807,286
Interest charged to profit or loss	2,952,600	-	-	2,952,600
Cash flows:				
- operating activities (interest paid)	(2,952,600)	-	-	(2,952,600)
-proceeds from borrowings	-	90,330,237	-	90,330,237
- (repayment) of borrowings	(12,159,431)	-	-	(12,159,431)
At end of year	12,929,094	213,431,478	48,617,520	274,978,092
Year ended 31 December 2017				
At start of year	34,447,792	91,551,241	24,667,520	150,666,553
Interest charged to profit or loss	4,018,368	-	-	4,018,368
Cash flows:				
- operating activities (interest paid)	(4,018,368)	-	-	(4,018,368)
- proceeds from borrowings	-	31,550,000	23,950,000	55,500,000
- (repayment) of borrowings	(9,359,267)	-	-	(9,359,267)
At end of year	25,088,525	123,101,241	48,617,520	196,807,286

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

a) Legal charge over L.R. No. 12596/1; and

b) Joint, several and personal guarantees of the directors of the group.

Borrowings from related parties are unsecured and are not payable within the next 12 months.

The borrowings from directors are unsecured, interest free and are not payable within the next 12 months.

Weighted average effective interest rates at the year end were:

	Group and company	
	2018	**2017**
	%	**%**
- bank loan	14	14
- bank overdraft	14	14
- borrowings from related parties	12	12

12. BORROWINGS (CONTINUED)

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 Kenya Shillings.

	Group and company	
	2018	2017
	Shs	Shs
Between 1 and 2 years	-	13,415,836
No fixed maturity period	262,048,998	171,718,761
	262,048,998	185,134,598

13. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using principal tax rates of 30% (2017: 30%). The movement on the deferred tax account is as follows:

	Group and company	
	2018	2017
	Shs	Shs
At start of year	79,890,870	83,851,526
(Credit) to profit or loss (Note 8)	(6,102,883)	(3,960,656)
At end of year	73,787,987	79,890,870

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

	At start of year	(Credit) to profit or loss	At end of year
	Shs	Shs	Shs
Deferred tax liabilities			
Property, plant and equipment	35,059,611	(1,856,925)	33,202,686
Revaluation - buildings	48,337,649	(4,228,766)	44,108,883
	83,397,260	(6,085,691)	77,311,569
Deferred tax (assets)			
Other provisions	(3,498,750)	-	(3,498,750)
Foreign exchange differences	(7,640)	(17,192)	(24,832)
	(3,506,390)	(17,192)	(3,523,582)
Net deferred tax liability	79,890,870	(6,102,883)	73,787,987

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 Shs. 157.6 million (2017: Shs. 142.9 million) in respect of tax losses carried forward amounting to Shs. 525.4 million (2017: Shs. 476.3 million) that can be carried forward against future taxable profits have not been recognised.

14. PROPERTY, PLANT AND EQUIPMENT - GROUP

Year ended 31 December 2018

	Freehold land Shs	Leasehold land Shs	Leasehold Improvements Shs	Buildings Shs	Plant and machinery Shs	Furniture, fittings and equipment Shs	Motor vehicles Shs	Computers, faxes and copiers Shs	Beer containers Shs	Total Shs
Cost or valuation										
At start of year	30,300	6,734,985	-	300,000,000	15,500,991	35,616,553	225,498,826	37,720,031	14,837,469	635,939,155
Assets scrapped	-	-	-	-	-	-	(136,465,499)	-	-	(136,465,499)
Additions	-	-	3,700,000	-	-	-	-	-	-	3,700,000
Disposals	-	-	-	-	-	-	(56,489,156)	-	-	(56,489,156)
At end of year	30,300	6,734,985	3,700,000	300,000,000	15,500,991	35,616,553	32,544,171	37,720,031	14,837,469	446,684,500
Comprising										
Cost	30,300	6,734,985	3,700,000	83,619,742	15,500,991	35,616,553	32,544,171	37,720,031	14,837,469	230,304,242
Valuation	-	-	-	216,380,258	-	-	-	-	-	216,380,258
	30,300	6,734,985	3,700,000	300,000,000	15,500,991	35,616,553	32,544,171	37,720,031	14,837,469	446,684,500
Depreciation										
At start of year	-	-	-	54,041,924	15,455,043	30,643,342	220,308,485	37,670,816	14,837,469	372,957,079
Disposals	-	-	-	-	-	-	(55,927,110)	-	-	(55,927,110)
Assets scrapped	-	-	-	-	-	-	(133,789,263)	-	-	(133,789,263)
Charge for the year	-	-	61,667	16,927,018	-	794,621	186,620	49,214	-	18,019,140
At end of year	-	-	61,667	70,968,942	15,455,043	31,437,963	30,778,732	37,720,031	14,837,469	201,259,845
Net book value	30,300	6,734,985	3,638,333	229,031,058	45,948	4,178,590	1,765,439	-	-	245,424,655

Buildings were professionally valued on 5 September 2014 by Tysons Limited 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. In the opinion of the directors, the current carrying value of the buildings is representative of the fair value. Leasehold land was professionally valued on 5 September 2014 by Tysons Limited independent professional valuers on the basis of open market value of Shs. 728.2 million (excluding the value of the leasehold land transferred to inventories which has an open market value of Shs. 171.8 million). Both these valuations amounted to Shs. 900 million and have not been incorporated in these financial statements.
The fair valuation is categorised under level 3 based on the information set out in accounting policy (f).

NOTES *Continued*

For the year ended 31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT - COMPANY

Year ended 31 December 2018

	Freehold land	Leasehold land	Leasehold Improvements	Buildings	Plant and machinery	fittings and equipment	Motor vehicles	faxes and copiers	Beer containers	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost or valuation										
At start of year	30,300	6,734,985	-	300,000,000	15,500,991	35,581,009	225,498,826	37,720,031	14,837,469	635,903,611
Assets scrapped	-	-	-	-	-	-	(136,465,499)	-	-	(136,465,499)
Additions	-	-	3,700,000	-	-	-	-	-	-	3,700,000
Disposals	-	-	-	-	-	-	(56,489,156)	-	-	(56,489,156)
At end of year	30,300	6,734,985	3,700,000	300,000,000	15,500,991	35,581,009	32,544,171	37,720,031	14,837,469	446,648,956
Comprising										
Cost	30,300	6,734,985	3,700,000	83,619,742	15,500,991	35,581,009	32,544,171	37,720,031	14,837,469	230,268,698
Valuation	-	-	-	216,380,258	-	-	-	-	-	216,380,258
	30,300	6,734,985	3,700,000	300,000,000	15,500,991	35,581,009	32,544,171	37,720,031	14,837,469	446,648,956
Depreciation										
At start of year	-	-	-	54,041,924	15,455,043	30,630,536	220,308,485	37,670,817	14,837,469	372,944,274
Disposals	-	-	-	-	-	-	(55,927,110)	-	-	(55,927,110)
Assets scrapped	-	-	-	-	-	-	(133,789,263)	-	-	(133,789,263)
Charge for the year	-	-	61,667	16,927,018	-	794,621	186,620	49,214	-	18,019,140
At end of year	-	-	61,667	70,968,942	15,455,043	31,425,157	30,778,732	37,720,031	14,837,469	201,247,041
Net book value	30,300	6,734,985	3,638,333	229,031,058	45,948	4,155,852	1,765,439	-	-	245,401,915

14. PROPERTY, PLANT AND EQUIPMENT - GROUP

Year ended 31 December 2017

	Freehold land	Leasehold land	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Computers, faxes and copiers	Beer containers	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost or valuation									
At start of year	30,300	6,734,985	300,000,000	15,500,991	35,616,553	248,795,354	37,720,031	14,837,469	659,235,683
Disposals	-	-	-	-	-	(23,296,528)	-	-	(23,296,528)
At end of year	30,300	6,734,985	300,000,000	15,500,991	35,616,553	225,498,826	37,720,031	14,837,469	635,939,155
Comprising									
Cost	30,300	6,734,985	83,619,742	15,500,991	35,616,553	225,498,826	37,720,031	14,837,469	419,558,897
Valuation	-	-	216,380,258	-	-	-	-	-	216,380,258
	30,300	6,734,985	300,000,000	15,500,991	35,616,553	225,498,826	37,720,031	14,837,469	635,939,155
Depreciation									
At start of year	-	-	37,114,906	15,455,043	29,848,720	242,814,993	37,536,767	14,837,469	377,607,898
Disposals	-	-	-	-	-	(22,693,128)	-	-	(22,693,128)
Charge for the year	-	-	16,927,018	-	794,621	186,620	134,050	-	18,042,309
At end of year	-	-	54,041,924	15,455,043	30,643,342	220,308,485	37,670,816	14,837,469	372,957,079
Net book value	30,300	6,734,985	245,958,076	45,948	4,973,212	5,190,341	49,215	-	262,982,076

NOTES *Continued*

For the year ended 31 December 2018

14. Property, plant and equipment - Company

Year ended 31 December 2017

	Freehold land Shs	Leasehold land Shs	Buildings Shs	Plant and machinery Shs	Furniture, fittings and equipment Shs	Motor vehicles Shs	Computers, faxes and copiers Shs	Beer containers Shs	Total Shs
Cost or valuation									
At start of year	30,300	6,734,985	300,000,000	15,500,991	35,581,009	248,795,354	37,720,031	14,837,469	659,200,139
Disposals	-	-	-	-	-	(23,296,528)	-	-	(23,296,528)
At end of year	30,300	6,734,985	300,000,000	15,500,991	35,581,009	225,498,826	37,720,031	14,837,469	635,903,611
Comprising									
Cost	30,300	6,734,985	83,619,742	15,500,991	35,581,009	225,498,826	37,720,031	14,837,469	419,523,353
Valuation	-	-	216,380,258	-	-	-	-	-	216,380,258
	30,300	6,734,985	300,000,000	15,500,991	35,581,009	225,498,826	37,720,031	14,837,469	635,903,611
Depreciation									
At start of year	-	-	37,114,906	15,455,043	29,835,915	242,814,993	37,536,767	14,837,469	377,595,093
Disposals	-	-	-	-	-	(22,693,128)	-	-	(22,693,128)
Charge for the year	-	-	16,927,018	-	794,621	186,620	134,050	-	18,042,309
At end of year	-	-	54,041,924	15,455,043	30,630,536	220,308,485	37,670,817	14,837,469	372,944,274
Net book value	30,300	6,734,985	245,958,076	45,948	4,950,473	5,190,341	49,214	-	262,959,337

NOTES *Continued*

For the year ended 31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group and company 2018 Shs	2017 Shs
Cost	141,556,623	141,556,623
Accumulated depreciation	(59,555,174)	(56,724,042)
Net book value	82,001,449	84,832,581

15. INVESTMENT IN SUBSIDIARIES

	Country of incorporation	Holding	Company 2018 Shs	2017 Shs
Express Mombasa Limited	Kenya	100%	242,800	242,800
Container Services Limited	Kenya	100%	1,694,552	1,694,552
Airporter Limited	Kenya	79%	619,808	619,808
Impairment (Note 4)			(2,557,160)	-
			-	2,557,160

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

16. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Group and company 2018 Shs	2017 Shs
Cost		
At start and end of year	306,000	306,000
Amortisation		
At start of year	183,600	122,400
Charge for the year	61,200	61,200
At end of year	244,800	183,600
Net book value	61,200	122,400

The amortisation charge on intangible assets is included in other operating expenses in profit or loss.

17. INVENTORIES

	2018	2017
At start of year	40,631,082	40,631,082
Reversals	(11,878,740)	-
At end of year	28,752,342	40,631,082

The inventories above relate to the ongoing work-in-progress for the real estate development project.

	Group		Company	
	2018	2017	2018	2017
18. TRADE AND OTHER RECEIVABLES	Shs	Shs	Shs	Shs
Trade receivables	82,690,832	86,054,993	82,690,832	86,054,993
Less: expected credit loss allowance	(82,368,911)	(73,691,431)	(82,368,911)	(73,691,431)
Net trade receivables	321,921	12,363,562	321,921	12,363,562
Prepayments and deposits	7,873,642	5,839,903	7,873,642	5,839,903
Receivable from related parties (Note 23)	4,767,237	3,670,560	4,110,820	3,125,220
	12,962,800	21,874,025	12,306,384	21,328,685
Movement in expected credit losses				
At start of year	73,691,431	70,369,703	73,691,431	70,369,703
Additions - specific provisions	8,677,480	3,321,728	8,677,480	3,321,728
At end of year	82,368,911	73,691,431	82,368,911	73,691,431

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

	Group		Company	
	2018	2017	2018	2017
	Shs	Shs	Shs	Shs
Kenyan Shilling	12,962,800	21,393,008	12,306,384	20,847,668
United States Dollar	-	481,017	-	481,017
	12,962,800	21,874,025	12,306,384	21,328,685

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

	Group and company	
	2018	2017
19. CASH AND CASH EQUIVALENTS	Shs	Shs
Cash at bank and in hand	2,439,873	3,022,425

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

Cash and bank balances	2,439,873	3,022,425
Bank overdraft (Note 12)	(50,547,241)	(50,671,180)
	(48,107,368)	(47,648,755)

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2018	2017
	Shs	Shs
Kenya Shillings	2,439,873	2,732,701
United States Dollar	-	289,724
	2,439,873	3,022,425

19. CASH AND CASH EQUIVALENTS (CONTINUED)

	Group and company	
Movement in provision expected credit losses	2018	2017
At start of the year	-	-
Expected credit loss allowance:		
- provision for the year	41,006	-
At end of year	41,006	-

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	Shs	Shs	Shs	Shs
Trade payables	20,069,851	23,820,891	20,069,852	23,820,891
Accruals and other payables	25,019,511	29,155,699	25,019,511	29,155,699
Payable to related parties (Note 23)	1,736,243	35,093,441	3,175,109	36,774,784
	46,825,605	88,070,031	48,264,472	89,751,374

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.
The carrying amounts of the group's trade and other payables are denominated in the following currencies:

	Group		Company	
	2018	2017	2018	2017
	Shs	Shs	Shs	Shs
Kenya Shillings	46,496,597	87,598,116	47,935,464	89,279,459
United States Dollar	329,008	471,915	329,008	471,915
	46,825,605	88,070,031	48,264,472	89,751,374

20. TRADE AND OTHER PAYABLES (CONTINUED)

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

Year ended 31 December 2018 - Group

	0 - 3 months Shs	4 - 12 months Shs	Total Shs
Trade payables	17,720,427	2,349,424	20,069,851
Accruals and other payables	2,629,235	22,390,276	25,019,511
Payable to related parties	-	1,736,243	1,736,243
	20,349,662	26,475,942	46,825,605

Year ended 31 December 2018 - Company

Trade payables	17,720,427	2,349,425	20,069,852
Accruals and other payables	2,629,235	22,390,276	25,019,511
Payable to related parties	-	3,175,109	3,175,109
	20,349,662	27,914,810	48,264,472

Year ended 31 December 2017 - Group

Trade payables	17,720,427	6,100,464	23,820,891
Accruals and other payables	2,629,235	26,526,464	29,155,699
Payable to related parties	-	35,093,441	35,093,441
	20,349,662	67,720,369	88,070,031

Year ended 31 December 2017 - Company

Trade payables	17,720,427	6,100,464	23,820,891
Accruals and other payables	2,629,235	26,526,464	29,155,699
Payable to related parties	-	36,774,784	36,774,784
	20,349,662	69,401,712	89,751,374

21. PROVISION FOR LEGAL CLAIMS

	Group and company 2018 Shs	2017 Shs
At start of year	11,662,500	14,400,000
Increase	-	13,200,000
Utilised in the year	-	(15,937,500)
At end of year	11,662,500	11,662,500

The provisions for legal claims arose due to current litigations being handled by the group 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.

22. CASH FROM OPERATIONS

	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Reconciliation of (loss) before tax to cash (used in) operations				
(Loss) before tax	(75,793,578)	(94,309,918)	(78,219,339)	(94,178,518)
Adjustments for:				
Depreciation on property, plant and equipment (Note 14)	18,019,140	18,042,309	18,019,140	18,042,309
Impairment of investment in subsidiaries (Note 15)	-	-	2,557,160	-
Assets scrapped (Note 4)	2,676,236	-	2,676,236	-
Amortisation of intangible assets (Note 16)	61,200	61,200	61,200	61,200
(Gain) on disposal of property, plant and equipment (Note 3)	(5,584,505)	(2,870,737)	(5,584,505)	(2,870,737)
Interest expense	10,648,720	12,419,871	10,648,720	12,419,871
Net foreign exchange (gain)/loss	(82,772)	(357,257)	(82,772)	(357,257)
Provision for charges and liabilities (Note 21)	-	(2,737,500)	-	(2,737,500)
Changes in working capital:				
-trade and other receivables	8,911,225	1,598,434	9,022,301	1,148,174
-trade and other payables	(41,244,427)	30,893,210	(41,486,902)	31,212,070
Cash (used in) operations	(70,510,021)	(37,260,388)	(70,510,021)	(37,260,388)

23. 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 and company 2018 Shs	2017 Shs
i) Sale of services to related parties		
Other related parties	-	3,212,564
ii) Purchase of goods and services		
Other related parties	2,683,039	14,116,689
iii) Key management compensation		
Directors remuneration - short term employment benefits	-	18,000,000

iv) Outstanding balances

	Group 2018 Shs	2017 Shs	Company 2018 Shs	2017 Shs
Receivable from related parties (Note 18)				
Other related parties	2,949,196	1,852,519	2,292,779	1,307,179
Parent	1,818,041	1,818,041	1,818,041	1,818,041
	4,767,237	3,670,560	4,110,820	3,125,220

23. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

v) Outstanding balances arising from purchase of goods and services

	Group		Company	
	2018	**2017**	**2018**	**2017**
Payable to related parties (Note 20)	**Shs**	**Shs**	**Shs**	**Shs**
Other related parties	1,736,243	35,093,441	1,236,243	34,593,441
Subsidiaries	-	-	1,938,867	2,181,343
	1,736,243	35,093,441	3,175,109	36,774,784

vi) Amount due to related parties

	Group and company	
	2018	**2017**
	Shs	**Shs**
Loans due to related parties (Note 12)		
- other related parties	213,431,478	123,101,241
- directors	48,617,520	48,617,520
	262,048,998	171,718,761

24. COMMITMENTS

Operating lease commitments - as a lessee

	Group and company	
The future minimum lease payments payable	**2018**	**2017**
under non-cancellable operating leases are as follows:	**Shs**	**Shs**
Not later than 1 year	6,301,296	13,450,468
Later than 1 year and not later than 5 years	27,725,702	5,587,488
	34,026,998	19,037,956

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

25. 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.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

- Foreign exchange risk (continued)

The table below summarises the effect on post-tax (loss) 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 2018 Shs	2017 Shs	2018 Shs	Company 2017 Shs
Effect on (loss) - increase/(decrease)	23,031	(20,918)	23,031	(20,918)

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 (loss) 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 2018 Shs	2017 Shs	2018 Shs	Company 2017 Shs
Effect on (loss) - increase	745,410	869,391	745,410	869,391

(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.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

In assessing whether the credit risk on a financial asset has increased significantly, the group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the group does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis.

For such purposes, the group financial assets on the basis of shared credit risk characteristics, such a s :

- type of instrument;
- industry in which the debtor operates; and
- "nature of collateral."

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract;
- it is probable that the debtor will enter bankruptcy; and
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the reporting date was as follows:

	Lifetime expected credit losses	
Basis for measurement of loss allowance	**Shs**	**Total**
As at 31 December 2018	**Shs**	**Shs**
Trade receivables	82,690,832	82,690,832
Cash at bank	2,439,873	2,439,873
Gross carrying amount	85,130,705	
Loss allowance	(82,409,917)	(82,409,917)
Exposure to credit risk	2,720,788	2,720,788

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;

b) trade receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

The age analysis of the trade receivables at the end of each year was as follows:

	Not past due	30 to 90 days past	90 to 180 days past	Over 180 days past	Total
	Shs	Shs	Shs	Shs	Shs
As at 31 December 2018	1,621,420	1,026,894	524,067	79,518,451	82,690,832
As at 31 December 2017	2,585,460	3,336,207	99,055	80,034,271	86,054,993

The changes in the loss allowance during the year were as follows:

	Lifetime expected credit losses		
Basis for measurement of loss allowance			
	Cash and cash equiv-alents	Trade and other re-ceivables	Total
Year ended 31 December 2018	Shs	Shs	Shs
At start of year	-	73,691,431	73,691,431
Changes relating to assets	41,006	8,677,480	8,718,487
At end of year	41,006	82,368,911	82,409,918

	Lifetime expected credit losses		
Basis for measurement of loss allowance			
	Cash and cash equiv-alents	Trade and other re-ceivables	Total
As at 31 December 2017	Shs	Shs	Shs
At start of year	-	-	-
Changes relating to assets	-	73,691,431	73,691,431
At end of year	-	73,691,431	73,691,431

The company does not hold any collateral against the past due or impaired receivables.
The management continues to actively follow up past due receivables.

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 12 and 20 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.

25. 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;
- the borrowings will be repaid based on the repayment schedule agreed with the lenders.

	Interest rate	Less than 1 year	1 - 5 years	No fixed maturity period	Total
Year ended 31 December 2018 - Group	%	Shs	Shs	Shs	Shs
Interest bearing liabilities:					
- Bank overdraft	14%	57,623,855	-	-	57,623,855
- Bank loan	14%	14,739,168	-	-	14,739,168
- Borrowings from related parties	12%	-	376,139,191	-	376,139,191
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	48,617,520	48,617,520
- Trade and other payables	-	46,825,604	-	-	46,825,604
- Provision for legal claims	-	11,662,500	-	-	11,662,500
		130,851,126	376,139,191	48,617,520	555,607,837
Year ended 31 December 2018 - Company					
Interest bearing liabilities:					
- Bank overdraft	14%	57,623,855	-	-	57,623,855
- Bank loan	14%	14,739,168	-	-	14,739,168
- Borrowings from related parties	12%	-	376,139,191	-	376,139,191
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	48,617,520	48,617,520
-Trade and other payables	-	48,264,472	-	-	48,264,472
- Provision for legal claims	-	11,662,500	-	-	11,662,500
		132,289,994	376,139,191	48,617,520	557,046,705
Year ended 31 December 2017 - Group					
Interest bearing liabilities:					
- Bank overdraft	14%	57,765,145	-	-	57,765,145
- Bank loan	14%	13,306,865	22,658,813	-	35,965,678
- Borrowings from related parties	12%	-	216,946,449	-	216,946,449
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	48,617,520	48,617,520
- Trade and other payables	-	88,070,031	-	-	88,070,031
- Provision for legal claims	-	11,662,500	-	-	11,662,500
		170,804,541	239,605,262	48,617,520	459,027,323
Year ended 31 December 2017 - Company					
Interest bearing liabilities:					
- Bank overdraft	14%	57,765,145	-	-	57,765,145
- Bank loan	14%	13,306,865	22,658,813	-	35,965,678
- Borrowings from related parties	12%	-	216,946,449	-	216,946,449
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	48,617,520	48,617,520
- Trade and other payables	-	89,751,374	-	-	89,751,374
- Provision for legal claims	-	11,662,500	-	-	11,662,500
		172,485,884	239,605,262	48,617,520	460,708,666

26. 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 31 December 2018 and 2017 were as follows:

	Group		Company	
	2018	2017	2018	2017
	Shs	Shs	Shs	Shs
Total borrowings (Note 12)	325,525,334	247,478,466	325,525,334	247,478,466
Less cash and cash equivalents (Note 19)	(2,439,873)	(3,022,425)	(2,439,873)	(3,022,425)
Net debt	323,085,461	244,456,041	323,085,461	244,456,041
Total equity	(136,859,655)	(67,168,960)	(138,977,678)	(66,861,222)

The company is entirely funded by its lenders.

27. 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 other than as provided for in the financial statements (Note 21).

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.

28. INCORPORATION

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

29. Presentation currency

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

COMPANY'S TOP 30 SHAREHOLDERS

For the year ended 31 December 2018

RANK	NAME	DOMICILE	TOTAL SHARES	%
1	ETCOVILLE HOLDINGS LIMITED	LC	21,392,898	60.43%
2	NDUNGU PAUL WANDERI	LI	1,912,090	5.40%
3	SARAJ PROPERTIES LIMITED	LC	1,478,400	4.18%
4	NDUNGU DANIEL KARANJA	LI	934,856	2.64%
5	MUSANGI ANDREW MUKITE	LI	701,000	1.98%
6	DINIZ HECTOR ROBERT	LI	583,200	1.65%
7	STANDARD CHARTERED NOMINEES A/C 9397	LC	457,054	1.29%
8	AHMED YASIN ESMAIL LI 296,700 0.84%	LI	296,700	0.84%
9	SHAH VISHAL SUDHIRKUMAR	FI	218,000	0.62%
10	DEVGUN DAVINDAR SINGH	LI	189,000	0.53%
11	THE JUBILEE INSURANCE COMPANY OF KENYA LIMITED	LC	158,600	0.45%
12	KARINGE PATRICK KARIUKI & AGNES NDUNG'U	LI	157,300	0.44%
13	SHAH EKTA BIMAL & KUNAL KAMLESH	LI	154,300	0.44%
14	ELEGANT HOLDINGS LIMITED	LC	150,800	0.43%
15	LAVINGTON SECURITY GUARDS LIMITED	LC	125,400	0.35%
16	MIGWI MACHARIA	LI	110,000	0.31%
17	HYDERY (P) LIMITED	LC	106,300	0.30%
18	SOIN SUPINDER SINGH	LI	106,000	0.30%
19	SHAH MANSUKHLAL KESHAVJI SHAH & MITAL MANSUKHLAL SHAH & NIRMALABLIEN MANSUKHLA	LI	99,600	0.28%
20	KOTECHA AJAY KISHORCHANDRA KARSANDAS	LI	99,597	0.28%
21	GOCO ROBINSON NGIGI	LI	98,007	0.28%
22	MUKUI JOSEPHAT KIMATA WA	LI	92,331	0.26%
23	WAMBUGU CYPRIAN MAMBO	LI	76,000	0.21%
24	NOMURA NOMINEES LTD A/C RANGECHEM LTD	LC	62,900	0.18%
25	HARIA HASMITA AJITKUMAR&AJITKUMAR RATILAL	LI	62,300	0.18%
26	CHHEDA ALPA NISHIT CHHEDA; NISHIT SURENDRAKUMAR	LI	60,000	0.17%
27	NGILLAH FRANCIS P	LI	55,027	0.16%
28	SHAH SAVITABEN VELJI RAICHAND LI 53,556 0.15%	LI	53,556	0.15%
29	AHMED YASIN ESMAIL AHMED & SHABNAM ESMAIL	LI	53,500	0.15%
30	MWENDWA CINDY KATILE	LI	52,000	0.15%
	SHARES SELECTED		30,096,716	85.01%
	SHARES NOT SELECTED - 3936 Shareholders		5,307,074	14.99%
	SHARES ISSUED		35,403,790	100.00%
	TOTAL SHAREHOLDERS		**3,966**	
	CDSC IMMOBILISATION:			
	NO. OF SHAREHOLDERS AT THE CDSC		2,927	
	NO. OF SHARES HELD AT CDSC		34,258,208	

PROXY FORM

For the year ended 31 December 2018

I/We ....

of ....

being a member(s) of the above Company 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 48th Annual General Meeting of the Company to be held on Jacaranda Hotel, The Node in Westlands Nairobi, on Thursday, 27th June 2019 at 11.00 am and at any adjournment thereof.

Signed .... day of ....2018.

Signature: ....

NOTE:

1. In accordance with Section 298 of the Companies Act, 2015 a member entitled to attend and vote at this meeting is entitled to appoint proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

2. 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 Registered office of the Company, Express House, Road A, off Enterprise Road, P.O. Box 40433-00100, Nairobi or with the Company Secretaries, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove P.O. Box 47323, 00100-Nairobi, so as to reach not later than 11.00 a.m. on Monday, 18 June 2018.

3. In case of a corporate body, the proxy must be executed under its common seal or under the hand of a duly authorized officer or an attorney of such corporation.

STAMP

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

EXPRESS KENYA PLC

Diniz Holdings Limited