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AR1131

Express Kenya Limited
2 floor and 3rd floor, Legation Road, Nairobi

2007
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DIRECTORS, OFFICERS AND ADMINISTRATION

FOR THE YEAR ENDED 31 DECEMBER 2001

DIRECTORS

Dr CW.Obura	(Chairman)
RB. Markham	
L Serafino**	(Managing Director)
G Serobe**	(Resigned 31 July 2001)
H Ralefeta**	(Resigned 16 July 2001)
KH. Balzer***	
Hon. M. Too	
Ms SN. Mabaso**	(Appointed 15 October 2001)
SS. Ntsaluba**	(Appointed 15 October 2001)
K Hansen*	(Appointed 15 October 2001)

*Danish

**South African

***German

COMPANY SECRETARY

Atanas Kariuki Maina

AUDITORS

KPMG Peat Marwick
Lonrho House, 16th floor
PO Box 40612
Nairobi

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Express House
Etcoville
Road A
Off Enterprise Road
Industrial Area
PO Box 40433
Nairobi

2007/1131

BANKERS

Citibank N.A
Citibank House
Upperhill Road
PD Box 30711
Nairobi

Barclays Bank of Kenya Limited
Enterprise Road Branch
PO Box 18060
Nairobi

Commercial Bank of Africa
Wabera Street
PO Box 30437
Nairobi

NOTICE OF ANNUAL GENERAL MEETING

TO SHAREHOLDERS

Notice is hereby given that the thirty first Annual General Meeting of Express Kenya Limited will be held at the, Norfolk Hotel, Harry Thuku Road Nairobi, on Wednesday the 5th of June 2002 at 11.00a.m for the following purposes:

1. To confirm the minutes of the 30th Annual General Meeting held on Friday 25th May 2001.
2. To receive, consider and adopt the accounts for the year ended 31st December 2001 together with Directors' and Auditors' Reports thereon.
3. To consider and pass the following resolution to amend the Articles of Association of the company pursuant to Articles 66 and 72 as follows:-
 - (i) "The provisions of the Central Depositories Act 2000 as amended or modified from time to time shall apply to the company to the extent that any securities of the Company are in part or in whole immobilized or dematerialized or are required by the regulations or rules issued under the Central Depositories Act to be immobilized or dematerialized in part or in whole, as the case may be. Any provisions of these Articles that are inconsistent with the Central Depositories Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association, immobilization and dematerialization shall be construed in the same way as they are construed in the Central Depositories Act."
 - (ii) "Where any securities of the company are forfeited pursuant to these Articles of Association after being immobilized or dematerialized, the Company shall be entitled to transfer such securities to a securities account designated by the directors for this purpose"
4. To re-elect Directors in accordance with the company's Articles of Association.
Hon. Mark Too retires by rotation as per Article 113 of Articles of Association.
5. To note that Messrs KPMG Peat Marwick will continue in office as Auditors pursuant to section 159 of the companies Act(Cap 486) and to authorize the Directors to fix their remuneration.
6. To transact any other business that may legally be transacted at the meeting .

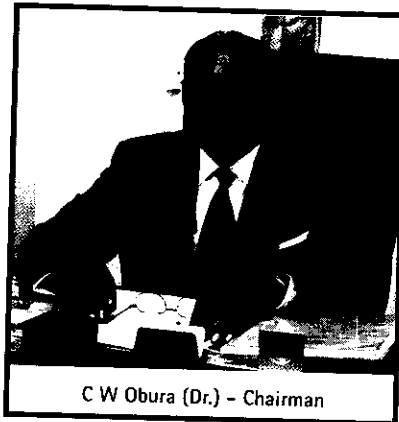
By Order of the Board

A K MAINA
Company Secretary

17th April 2002

CHAIRMAN'S REPORT

As predicted 2001 financial year was characterized by increasingly difficult economic conditions. The slowdown in the manufacturing industry and reduced activities in Mombasa operations led to a slowdown in sections of the Freight Division. The Travel division performed above expectation for the first three quarters of 2001, but business activity fell back sharply after the events of September 11 in New York.



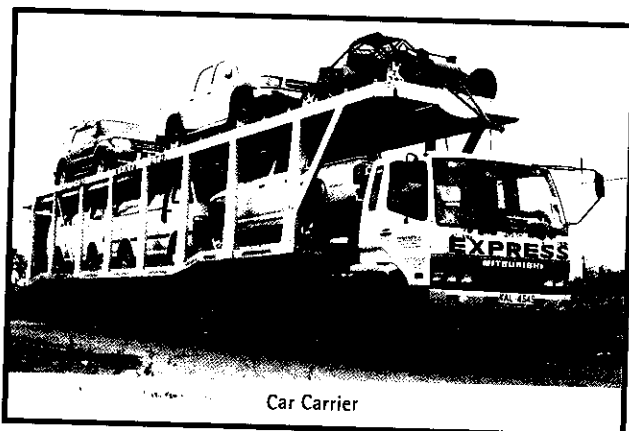
The group continued with its restructuring programme in 2001 and with cost cutting exercise throughout the Group, especially in non-income areas. This is borne out by an increase of 1.6% in head office operational costs over 2000.

In the year certain restructuring costs were taken which were over and above the normal business costs and included:-

1. Provision for bad debts over two years old of Kshs. 11M.
2. Retrenchment costs of Kshs. 2.3M.
3. Change in depreciation rate to more accurately portray the economic life of equipment, thus increasing depreciation costs by around Kshs. 11.2M over previous year.

It was still possible in the year to increase gross profit by 13% and keep operational expenditure increases at a similar level. Thus profit from operations was only reduced slightly in the year, by around 8% when exceptional cost are removed. As stated last year the continued high level of borrowing, primarily short term, has negatively impacted the company's performance. Net financing costs were 83% higher than the previous year due to increased borrowings, higher average interest rates and the relative stability of the Kenya Shilling versus the US dollar.

The performance of various operations will now be highlighted.



Express Kenya – Freight Division

The year was marked by significant improvements in our activities in Nairobi and Seafreight imports. Unfortunately the turnover at the Mombasa warehouses was significantly reduced and this led to consequent loss of earnings.

Seafreight Imports

Volumes were higher in the year as marketing efforts began to bear fruit and

this led to an increase of 116% in operating profit. Competition in this market is still high with new entrants into the markets segment squeezing profits. There was increased effort in servicing humanitarian aid organizations and this coupled with efforts in the transit business in 2002 will allow for continued growth, albeit at a slower rate, in this market segment.

Efforts with international partners to develop door-to-door solutions, though in its infancy has begun to bear fruit. As policies concerning partnership arrangements are finalized in 2002 more opportunities can be followed.

Warehousing and Exports

The year in analysis was particularly disappointing for this sector of the market. The trend of reduced tea volumes was impacted by the loss of some key clients. Currently efforts are being made to acquire new clients, but margins in the tea handling market have been substantially reduced and thus future profits will be diluted compared to previous years.

The efforts to expand into other commodity trades were successful as the company began to warehouse and handle coffee exports.

Warehousing activity in Nairobi was significantly higher than the previous year with occupancy of around 75% being achieved by year end, which is almost double that of 2000. Efforts will be made to expand further into value added services for warehousing clients.

Airfreight

Business volumes increased substantially in the year under review and earnings were about 40% higher than the previous year. This was mainly due to greater volumes of cargo being handled by ourselves on key routes out of Europe and South Africa. It is expected that this gain will be consolidated in the future years.

CHAIRMAN'S REPORT (CONT'D)

Logistics

The continued integration of new projects has occurred and will be expanded over the next year. The experience and skills gained by the company will allow for more effective solutions being offered to a number of potential clients. Vehicle costs were reduced due to better vehicle monitoring and the phasing out of older vehicles.



Hilton Office

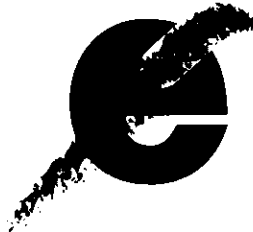
A fleet of Car-carriers was purchased during the year and the service offered expanded in the market. Based on current market trends this sector will be more aggressively expanded in the future.

Packing & Removals

This division showed a 30% decrease in operating profit for the year. This was primarily due to increased vehicle costs and age of the fleet. By the end of the year the first steps had been taken to integrate into an international network.

Express Kenya – Travel Division

The events of September 11th had a far-reaching negative impact on all aspects of our business. Worldwide tourism was down, air travel was significantly down and public confidence in being away from home had yet to be restored. Far from being a 'Prophet of Doom', our awareness of worldwide conditions has enabled us to weather the storm and to face the future with a slightly more positive attitude.



Express Travel Group

American Express

The hub of operations was moved to new premises at the Hilton Hotel, which we believe will improve service delivery and allow us to continue to trade satisfactorily within budget. Conscious efforts are being made to increase sale of traveler's cheques to banks and major corporations.

Europcar

This was the best year ever for Europcar with total car days sold exceeding 11,000 and realizing 66% utilization on net car days available. Profits were subsequently around 10% up over 2000. We will continue with our strict policy of vehicle replacement, thus



Our Milimani office at Middle East Bank building

providing clients with the latest vehicle models.

Travel

Despite the downturn following September 11th we ended up well ahead of previous year both in number of tickets and total revenue earned. The amalgamation of two small travel businesses under the umbrella of the Express Travel Group has, obviously, assisted total

sales. The back office system is still the subject of intense negotiation, and we hope to finalise within the current year. Significant savings over budget have already been made.

Touring

At the end of September the number of safaris operated had increased by 30% compared to the previous year. By the end of December this figure had fallen to 17%. This indicates the negative impact on high end tourism business after the events of September 11th. It is now apparent that business will not

improve dramatically until June 2002 at the earliest, and even then this is dependant on airline capacity and continued positive publicity. Cost reductions have taken place and further savings are anticipated.

Uganda

Uganda continues to operate successfully and to grow its business. The purchase of Delmira Travel in 2001 was successfully concluded and

has resulted in increased volumes. The two premises are both profitable, and, with direction, should continue to prosper. Uganda receives considerable aid money, accompanied by a good number of transient workers, which can only be viewed as beneficial to our operations. We plan, during the year, to ascertain the feasibility of further expansion within Uganda, taking on board part of the services offered by Express Kenya.

Future

It is expected that with an improvement of the economic situation in Kenya, the company is well placed to grow significantly and show improved results.

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REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2001

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31 December 2001.

1. Results

The results of the group are set out on page 10.

2. Dividend

The directors do not recommend the payment of a dividend (2000 – Nil).

3. Directors

The directors who served during the year are set out on page 2.

4. Auditors

The auditors, KPMG Peat Marwick will continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

5. Approval of accounts

The accounts were approved at a meeting of the directors held on 27 February 2002.

BY ORDER OF THE BOARD

A K Maina
Secretary

27 February 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of each financial year and of the operating results of the group for that year. It also requires the directors to ensure the group and the company keep proper accounting records which disclose with reasonable accuracy the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the annual accounts, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Accounting Standards and in the manner required by the Companies Act. The directors are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the group and the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of accounts, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiary will not remain a going concern for at least the next twelve months from the date of this statement.

Director: C W Obura (Dr.)

Director: L Serafino

Date: 27 February 2002

REPORT OF THE AUDITORS

TO THE MEMBERS OF EXPRESS KENYA LIMITED

INTROOUCTION

We have audited the financial statements set out on pages 10 to 29 which have been prepared on the basis of the accounting policies set out in Note 1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and to provide a reasonable basis for our opinion. The balance sheet of the company is in agreement with the books of account.

RESPECTIVE RESPONSIBILITIES OF OIRECTORS ANO AUOITORS

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and the group and of the operating results of the group. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the company and the group as at 31 Oecember 2001 and of the operating results and cash flows of the group for the year then ended in accordance with International Accounting Standards and comply with the requirements of the Companies Act.

KPMG PEAT MARWICK
CERTIFIEO PUBLIC ACCOUNTANTS
P.O. Box 40612,
NAIROBI.

27 February 2002

TAARIFA YA WAKAGUZI WA HESABU

KWA WANACHAMA WA EXPRESS KENYA LIMITED

UTANGULIZI

Tumekagua taarifa za fedha kama ilivyoonyeshwa kwenye ukurasa wa 10 hadi 29 ambazo zimetayarishwa kuambatana na maongozi ya uhasibu yalioonyeshwa katika muhtasari wa 1. Tumepata habari na maelezo kamili, ambayo kwa kadiri ya imani na maarifa yetu, yalikuwa ni muhimu kwa minaajili ya ukaguzi wetu na kuwa msingi unaofaa wa maoni yetu. Hesabu za kampuni zinalingana na vitabu vya akaunti.

MAJUKUMU YA WAKURUGENZI NA WAKAGUZI WA HESABU

Wakurugenzi wanahusika na matayarisho ya taarifa za fedha, yanayoonyesha ukweli na usawa wa mambo ya Kampuni pamoja na ya kundi, na matokeo ya shughuli za kundi. Wajibu wetu ni kutoa maoni huru juu ya taarifa za fedha, tukizingatia ukaguzi wetu, na kukwaarifu maoni yetu.

MISINGI YA MAONI

Tulifanya ukaguzi wetu kulingana na Viwango vya kimataifa vya Ukaguzi wa Hesabu. Viwango hivyo vinatuhitaji tupange na tutekeleze ukaguzi wetu ili tupate thibitisho kwamba hesabu hazina kasoro yoyote. Ukaguzi unahusu uchunguzi, kuambatana na majaribio, ya ushahidi unaounga mkono kiasi cha pesa na ufichuaji kwenye taarifa ya fedha. Ukaguzi pia unahusu makadirio ya moangozi ya uhasibu yaliyotumiwa na makisio muhimu yaliyofanywa na wakurugenzi, mkiwamo uthamini wa kuwasilisha taarifa za fedha. Tunatumaini ya kwamba uhasibu wetu ulionyesha kiwango cha maoni yetu.

MAONI

Kwa maoni yetu, vitabu, vya hesabu vimehifadhiwa sawa. Na taarifa za fedha zinaonyesha ukweli na usawa wa mambo ya kampuni pamoja na kundi kufikia Desemba 31 2001, na ya mapato halisi ya kundi kwa kipindi hicho kilichokwisha kulingana na viwango vya Uhasibu vya kimataifa kuambatana na Sheria za Makampuni.

KPMG PEAT MARWICK

Wahasibu wa umma Waliothibitishwa

S.L.P. 40612

NAIROBI.

27 Februari 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 KShs '000	2000 KShs '000
Revenue	2	3,595,292	3,172,049
Cost of sales	2	(3,037,106)	(2,678,678)
Gross profit		558,186	493,371
Other operating (loss)/income	3	(1,480)	1,691
Administrative expenses		(471,229)	(423,835)
Other operating expenses	4	(70,859)	(51,304)
Profit from operations	5	14,618	19,923
Net finance cost	6	(47,526)	(25,892)
Loss before tax		(32,908)	(5,969)
Income tax credit/ (expense)	7	1,486	(4)
Loss after tax		(31,422)	(5,973)
Basic loss per share	8	KShs (6.55)	KShs (1.24)

The notes set out on pages 14 to 29 form an integral part of these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2001

	Note	Group		Company	
		2001 KShs '000	2000 KShs '000	2001 KShs '000	2000 KShs '000
ASSETS					
Non current assets					
Property, plant and equipment	9	460,578	435,184	419,145	397,920
Investment in subsidiaries	10	-	-	16,923	10,105
Other investments	11	20	20	20	20
		<u>460,598</u>	<u>435,204</u>	<u>436,088</u>	<u>408,045</u>
Goodwill	12	3,247	-	-	-
		<u>463,845</u>	<u>435,204</u>	<u>436,088</u>	<u>408,045</u>
Current assets					
Stocks	13	1,303	2,944	1,303	2,944
Debtors	14	422,697	400,719	402,558	407,358
Tax recoverable		8,103	7,851	7,286	7,034
Cash and cash equivalents	15	6,330	16,232	3,252	6,106
		<u>438,433</u>	<u>427,746</u>	<u>414,399</u>	<u>423,442</u>
TOTAL ASSETS		<u>902,278</u>	<u>862,950</u>	<u>850,487</u>	<u>831,487</u>
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	24,000	24,000	24,000	24,000
Reserves		241,571	246,725	180,497	188,131
		<u>265,571</u>	<u>270,725</u>	<u>204,497</u>	<u>212,131</u>
Non current liabilities					
Deferred tax	17	42,988	42,729	40,505	44,722
Current liabilities					
Interest bearing loans and borrowings	18	284,185	242,069	281,111	242,069
Creditors	19	309,534	307,427	324,374	332,565
		<u>593,719</u>	<u>549,496</u>	<u>605,485</u>	<u>574,634</u>
TOTAL EQUITY AND LIABILITIES		<u>902,278</u>	<u>862,950</u>	<u>850,487</u>	<u>831,487</u>

The accounts on pages 10 to 29 were approved by the Board of Directors on 27 February 2002 and were signed on its behalf by:

Director: C W Obura (Dr.)

Director: L Serafino

The notes set out on pages 14 to 29 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 KShs '000	2000 KShs '000
Net cash inflow /(outflow) from operating activities	20(a)	10,472	(14,512)
Investing activities			
Purchase of Goodwill		(3,430)	-
Purchase of property and equipment		(63,870)	(48,972)
Proceeds from sale of property and equipment		4,810	4,122
Net cash outflow from investing activities		(62,490)	(44,850)
Net cash flow before financing activities		(52,018)	(59,362)
Financing activities			
Net money market borrowing		25,000	50,000
Repayment of commercial paper borrowings		(113,700)	7,200
Loan repaid		-	(11,474)
Net cash flow from financing activities		(88,700)	45,726
Net (decrease) in cash and cash equivalents	20(b)	(140,718)	(13,636)

The notes set out in pages 14 to 29 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2001

Group	Share capital KShs '000	Revaluation reserve KShs '000	Retained earnings KShs '000	Total KShs '000
Balance at 1 January 2001	24,000	155,913	90,812	270,725
Net loss for the year	-	-	(31,422)	(31,422)
Revaluation Surplus	-	27,603	-	27,603
Adjustment for deferred tax attributable to Revaluation surplus	-	(1,745)	-	(1,745)
Exchange gain arising on translation of a foreign subsidiary	-	-	410	410
Excess depreciation transfer	-	(4,966)	4,966	-
Deferred tax on excess depreciation transfer	-	853	(853)	-
Balance at 31 December 2001	24,000	177,658	63,913	265,571
Company:				
	Share capital KShs '000	Revaluation reserve KShs '000	Retained earnings KShs '000	Total KShs '000
Balance at 1 January 2001	24,000	126,865	61,266	212,131
Net loss for the year	-	-	(29,007)	(29,007)
Revaluation surplus	-	23,118	-	23,118
Adjustment for deferred tax attributable to Revaluation surplus	-	(1,745)	-	(1,745)
Excess depreciation transfer	-	(4,306)	4,306	-
Deferred tax on excess depreciation transfer	-	853	(853)	-
Balance at 31 December 2001	24,000	144,785	35,712	204,497

The notes set out on pages 14 to 29 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements are prepared in accordance with International Accounting Standards. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

(b) Consolidation principles

The consolidated financial statements include the Company and subsidiaries in which the company holds more than 50% of the voting rights. A listing of the company's significant subsidiaries is set out in Note 10.

All inter-company balances and transactions, including unrealised inter-company profits, are eliminated.

(c) Revenue recognition

Sales are recognised upon delivery of services, and are stated net of VAT and discounts.

(d) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings (KShs) at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date. Resulting exchange differences are recognised in the income statement for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of transaction.

Foreign exchange differences arising on the translation of foreign subsidiary are recognised directly in equity.

(e) Segment reporting

Segmental information is based on two segment formats. The primary format represents two business segments – freight division and travel division. The secondary format represents the Group's two geographical markets.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group. Unallocated items mainly comprise corporate expenses.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's balance sheet. Segment assets and liabilities do not include income tax items.

Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property, plant and equipment).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CDNT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

(f) Property, plant and equipment

Items of property, plant and equipment are stated at purchase price or valuation less accumulated depreciation.

Depreciation is charged on a straight line basis over the estimated useful lives of the assets. The rates of depreciation used are based on the following estimated useful lives:

Freehold land	Nil
Buildings	
Long term leasehold	50 years
Short term leasehold	38 years
Plant and equipment	5 to 12 years
Fixtures and fittings	5 to 10 years

(g) Investments

Other investments comprise participation in an entity in which the company neither holds, directly or indirectly, 20 % or more of the voting powers nor exercises significant influence. The investments are carried at cost less any amounts written off to recognise other than temporary declines in the value of the investment.

(h) Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of stocks is based on the first-in first out principle.

(i) Trade and other debtors

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

(j) Post-employment benefits

The majority of the group's employees are eligible for retirement benefits under a defined contribution plan. Contributions to the defined contribution plan are charged to the income statement as incurred. Any difference between the charge to the income statement and the annual contributions paid is recorded in the balance sheet under other payables.

(k) Taxation

Tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax is provided on the results in the year as shown in the accounts adjusted in accordance with tax legislation.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

(l) **Cash and cash equivalent**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with the banks net of bank overdrafts. In the balance sheet, bank overdrafts are included under borrowings in current liabilities.

(m) **Impairment of assets**

The carrying amounts of the Group's assets, other than stocks and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised immediately.

(n) **Interest bearing borrowings**

Interest bearing borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowings.

(o) **Credit risk**

The exposure on the group's credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

(p) **Foreign Currency risk**

The group incurs foreign currency risk on services rendered, services received and borrowings that are denominated in a currency other than the Kenya Shilling.

The group ensures that the net forex exposure is kept at an acceptable level.

(q) **Goodwill**

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. The cost of goodwill is amortised on a straight-line basis over a period of five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

2 SEGMENTAL REPORTING

a) Primary segments

	<u>Travel</u>		<u>Freight</u>		<u>Consolidated</u>	
	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000
Revenue	1,617,392	1,288,985	1,977,900	1,883,064	3,595,292	3,172,049
Cost of sales	(1,400,486)	(1,109,962)	(1,636,620)	(1,568,716)	(3,037,106)	(2,678,678)
Gross profit	216,906	179,023	341,280	314,348	558,186	493,371
Expenses						
Manpower	81,843	57,224	109,055	104,139	190,898	161,363
Administration	16,156	10,930	16,338	23,747	32,494	34,677
Communication	11,302	6,512	16,932	12,501	28,234	19,013
Advertising/travel	15,188	13,923	5,092	7,249	20,280	21,172
Vehicle	21,383	18,593	72,823	66,702	94,206	85,295
Depreciation	19,081	13,491	39,072	26,655	58,153	40,146
Equipment	1,398	1,114	4,541	3,365	5,939	4,479
Facilities	11,277	9,222	22,765	21,320	34,042	30,542
Bad debts	1,295	2,729	9,682	6,755	10,977	9,484
Total expenses	178,923	133,738	296,300	272,433	475,223	406,171
Segment result	37,983	45,285	44,980	41,915	82,963	87,200
Profit from operations					82,963	87,200
Head office expenses					(68,345)	(67,277)
Net financing cost					(47,526)	(25,892)
Net loss before tax					(32,908)	(5,969)
Assets	253,182	183,314	649,096	679,636	902,278	862,950
Liabilities	(221,159)	(141,030)	(415,548)	(451,195)	(636,707)	(592,225)
Net assets	32,023	42,284	233,548	228,441	265,571	270,725

b) Secondary segment

	<u>Kenya</u>		<u>Uganda</u>		<u>Consolidated</u>	
	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000
Gross profit	537,653	483,071	20,533	10,300	558,186	493,371
Segment property, plant and equipment	459,145	434,125	1,433	1,059	460,578	435,184
Capital expenditure	62,863	48,735	1,007	237	63,870	48,972

CMA-LIBRARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

3	OTHER OPERATING (LOSS) /INCOME	2001 KShs'000	2000 KShs'000
	(Loss)/profit on disposal of equipment	(1,480)	1,691
4.	OTHER OPERATING EXPENSES		
	Depreciation	59,882	41,820
	Bad debts provision	10,977	9,484
		70,859	51,304
5	PROFIT FROM OPERATIONS		
	Operating profit is arrived at after charging:-		
	Total staff costs	207,020	168,408
	Redundancy costs	-	8,763
	Directors' emoluments		
	- Fees	120	120
	- Dther	13,138	8,533
	Auditors' remuneration		
	- Charge for the year	1,982	2,053
		207,020	168,408
	The average number of people engaged during the year were:	2001	2000
	Freight division	286	268
	Travel division	168	129
	Central services	19	21
		473	418
		473	418
	Included in staff costs are contributions to a defined contribution plan for employees. During the year, the company expensed KShs 5,603,000 in contributions payable (2000 – KShs 5,780,000).		
6	NET FINANCE COST	2001 KShs'000	2000 KShs'000
	Interest income	2,715	6,569
	Foreign exchange gains	6,637	44,714
		9,352	51,283
	Interest expense	(51,038)	(43,080)
	Foreign exchange losses	(5,840)	(34,095)
		(56,878)	(77,175)
	Net finance cost	(47,526)	(25,892)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

7 INCOME TAX EXPENSE

	2001 KShs'000	2000 KShs'000
Current tax at 30% (2000- 30%)	-	-
Deferred tax (credit)/expense (Note 17)	(1,486)	4
	<u>(1,486)</u>	<u>4</u>

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

	2001 KShs'000	2000 KShs'000
Accounting loss before tax	(32,908)	(5,969)
Tax at the applicable tax rate of 30% (2000-30%)	(9,872)	(1,791)
Non-deductible costs and non-taxable income	4,453	171
Investment and other allowances	3,933	1,624
Income tax (credit)/expense	<u>(1,486)</u>	<u>4</u>

8 BASIC LOSS PER SHARE

The basic loss per share is based on:

	2001	2000
Net loss for the year attributable to ordinary shareholders (KShs'000)	(31,422)	(5,973)
Number of ordinary shares outstanding during the year	4,800,000	4,800,000
Loss per share	<u>KShs (6.55)</u>	<u>KShs (1.24)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

9 PROPERTY, PLANT AND EQUIPMENT

	Freehold land KShs'000	Leasehold		Plant and equipment KShs'000	Total KShs'000
		Land and buildings long term KShs'000	short term KShs'000		
Group:					
Cost or valuation:					
At 1 January 2001	30	152,750	155,743	291,491	600,014
Exchange adjustments	-	-	-	175	175
Additions	-	-	-	63,870	63,870
Disposals	-	-	-	(19,365)	(19,365)
Surplus/(deficit) on revaluation	-	2,220	(15,743)	-	(13,523)
At 31 December 2001	30	154,970	140,000	336,171	631,171
Cost	30	-	-	336,171	336,201
Valuation	-	154,970	140,000	-	294,970
Depreciation:					
At 1 January 2001	-	13,558	20,884	130,388	164,830
Exchange adjustments	-	-	-	82	82
Charge for the year	-	2,927	3,757	53,198	59,882
Disposals	-	-	-	(13,075)	(13,075)
Written back on revaluation	-	(16,485)	(24,641)	-	(41,126)
At 31 December 2001	-	-	-	170,593	170,593
Cost	-	-	-	170,593	170,593
Valuation	-	-	-	-	-
Net book value:					
At 31 December 2001	30	154,970	140,000	165,578	460,578
At 31 December 2000	30	139,192	134,859	161,103	435,184
Company:					
Cost or valuation:					
At 1 January 2001	30	112,750	155,743	288,847	557,370
Additions	-	-	-	62,863	62,863
Disposals	-	-	-	(19,365)	(19,365)
Surplus/(deficit) on revaluation	-	2,220	(15,743)	-	(13,523)
At 31 December 2001	30	114,970	140,000	332,345	587,345
Cost	30	-	-	332,345	332,375
Valuation	-	114,970	140,000	-	254,970
Depreciation:					
At 1 January 2001	-	9,763	20,884	128,803	159,450
Charge for the year	-	2,237	3,757	52,472	58,466
Disposals	-	-	-	(13,075)	(13,075)
Written back on revaluation	-	(12,000)	(24,641)	-	(36,641)
At 31 December 2001	-	-	-	168,200	168,200
Cost	-	-	-	168,200	168,200
Valuation	-	-	-	-	-
Net book value:					
At 31 December 2001	30	114,970	140,000	164,145	419,145
At 31 December 2000	30	102,987	134,859	160,044	397,920

The Group and Company land and buildings were revalued on an open market basis by a firm of professional valuers, as at 31 December 2001. The resulting surplus was credited to revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

10 INVESTMENT IN SUBSIDIARIES

Company

The significant subsidiary undertakings are:

	Country	Ownership	2001 KShs'000	2000 KShs'000
Express Mombasa Limited	Kenya	100%	2,810	2,810
Container Services Limited	Kenya	100%	2,150	2,150
Airporter Limited	Kenya	100%	2,531	2,531
Express Uganda Limited	Uganda	100%	9,432	2,614
			16,923	10,105

11 OTHER INVESTMENTS

Group and company

	2001 KShs'000	2000 KShs'000
Unquoted at cost	20	20

12. GOODWILL

Group

	2001 KShs'000	2000 KShs'000
At cost	3,430	-
Amortisation	(183)	-
	3,247	-

Goodwill has arisen from the acquisition of the assets of a tour company during the year by Express Uganda Limited, a wholly owned subsidiary of the company.

13. STOCKS

Group and company

	2001 KShs'000	2000 KShs'000
General stocks at net realisable value	1,303	2,944

14. DEBTORS

	Group		Company	
	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000
Trade debtors	352,708	333,196	324,567	327,728
Prepayments	52,766	49,502	51,092	48,894
Due from related companies	758	2,895	11,469	16,690
Other debtors	16,465	15,126	15,430	14,046
	422,697	400,719	402,558	407,358

Services to related companies were transacted at terms and conditions similar to those offered to major customers. There was no significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and bank balances

	Group		Company	
	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000
Cash on hand	2,909	3,300	2,693	3,221
Bank balances	3,421	12,932	559	2,885
	6,330	16,232	3,252	6,106

16. CAPITAL AND RESERVES

a) Share capital

	2001 KShs'000	2000 KShs'000
Authorised, issued and fully paid		
4,800,000 ordinary shares of KShs. 5 each	24,000	24,000

b) Reserves

Group:

	Revaluation reserve KShs'000	Retained earnings KShs'000	Total KShs'000
Balance at 1 January 2001	155,913	90,812	246,725
Net loss for the year	-	(31,422)	(31,422)
Revaluation surplus	27,603	-	27,603
Adjustment for deferred tax attributable to revaluation surplus	(1,745)	-	(1,745)
Exchange gain arising on translation of foreign subsidiary	-	410	410
Excess depreciation transfer	(4,966)	4,966	-
Deferred tax on depreciation transfer	853	(853)	-
Balance at 31 December 2001	177,658	63,913	241,571

Company:

	Revaluation reserve KShs'000	Retained earnings KShs'000	Total KShs'000
Balance at 1 January 2001	126,865	61,266	188,131
Net loss for the year	-	(29,007)	(29,007)
Revaluation surplus	23,118	-	23,118
Adjustment for deferred tax attributable to revaluation surplus	(1,745)	-	(1,745)
Excess depreciation transfer	(4,306)	4,306	-
Deferred tax on depreciation transfer	853	(853)	-
Balance at 31 December 2001	144,785	35,712	180,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

17 DEFERRED TAX

a) Group

Deferred tax liabilities at 31 December 2001 and 2000 are attributable to the items detailed in the table below:

	2001			2000		
	Carrying value Kshs'000	Tax Base Kshs'000	Temporary difference Kshs'000	Carrying value KShs'000	Tax Base Kshs'000	Temporary difference Kshs'000
Property, plant and Equipment	302,890	125,346	177,544	293,200	111,110	182,090
Tax value of losses carry forward	-	34,252	(34,252)	-	39,661	(39,661)
	<u>302,890</u>	<u>159,598</u>	<u>143,292</u>	<u>293,200</u>	<u>150,771</u>	<u>142,429</u>

Movements in temporary differences between values of certain items for accounting and taxation purposes can be specified as follows:

	Balance at 31.12.2001 Kshs'000	Movement during the year Kshs'000	Balance at 31.12.2000 Kshs'000
Plant and equipment	177,544	(4,546)	182,090
Tax value of losses carry forward	(34,252)	5,409	(39,661)
Total temporary differences	<u>143,292</u>	<u>863</u>	<u>142,429</u>
Deferred tax @ 30%	<u>42,988</u>	<u>259</u>	<u>42,729</u>
Deferred tax attributable to revaluation surplus		<u>(1,745)</u>	
Deferred tax income related to origination and reversal of temporary differences		<u>(1,486)</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

b) Company

Deferred tax liabilities at 31 December 2001 and 2000 are attributable to the items detailed in the table below:

	2001			2000		
	Carrying value Kshs'000	Tax Base Kshs'000	Temporary difference Kshs'000	Carrying value KShs'000	Tax Base Kshs'000	Temporary difference Kshs'000
Property, plant and Equipment	302,382	124,370	178,012	292,334	110,073	182,261
Tax value of losses carry forward	-	42,995	(42,995)	-	33,189	(33,189)
	<u>302,382</u>	<u>167,365</u>	<u>135,017</u>	<u>292,334</u>	<u>143,262</u>	<u>149,072</u>

Movements in temporary differences between values of certain items for accounting and taxation purposes can be specified as follows:

	Balance at 31.12.2001 Kshs'000	Movement during the year Kshs'000	Balance at 31.12.2000 Kshs'000
Plant and equipment	178,012	(4,249)	182,261
Tax value of losses carry forward	(42,995)	(9,806)	(33,189)
Total temporary differences	<u>135,017</u>	<u>(14,055)</u>	<u>149,072</u>
Deferred tax @ 30% (2000 - 30%)	<u>40,505</u>	<u>(4,217)</u>	<u>44,722</u>
Less: Deferred tax attributable to revaluation surplus		(1,745)	
Deferred tax income related to origination and reversal of temporary differences		<u>(5,962)</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

18. INTEREST BEARING LOANS AND BORROWINGS

	Group		Company	
	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000
Bank overdraft	209,185	78,369	206,111	78,369
Money market borrowing	75,000	50,000	75,000	50,000
Commercial paper	-	113,700	-	113,700
	<u>284,185</u>	<u>242,069</u>	<u>281,111</u>	<u>242,069</u>

The money market borrowing and bank overdraft facilities have been secured by debentures issued by the company over all its assets for KShs.200,000,000 and supplemented by legal charges of KShs.290,000,000 over the company's and a subsidiary properties.

Repayment terms are as follows:

Bank overdraft – Repayable on demand

Money market borrowing – Repayable within 30 days

The weighted average interest rates during the year were as follows:

	Rate %
Money market loan	16
Overdraft	22

19. CREDITORS

	Group		Company	
	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000
Accounts payable - trade	197,747	181,674	187,639	176,090
Payable to related companies	-	-	35,249	35,249
Other payables and accrued expenses	111,787	125,753	101,486	121,226
	<u>309,534</u>	<u>307,427</u>	<u>324,374</u>	<u>332,565</u>

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

CMA-LIBRARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

20. NOTES TO THE CASH FLOW STATEMENT

	2001 KShs'000	2000 KShs'000	
a) Reconciliation of net loss before tax to cash flow from operating activities			
Group loss before tax	(32,908)	(5,969)	
Adjustments for:			
Loss/(profit) on sale property and equipment	1,480	(1,691)	
Amortisation of goodwill	183	-	
Depreciation	59,882	41,820	
Interest expense (net)	47,526	25,892	
Operating profit before working capital changes	76,163	60,052	
Decrease/(increase) in stocks	1,641	(423)	
(Increase)/decrease in debtors	(21,978)	14,132	
Increase/(decrease) in creditors	2,107	(62,893)	
Effect of exchange rate changes	317	729	
Cash generated from operations	58,250	11,597	
Interest paid (Net)	(47,526)	(25,892)	
Tax paid	(252)	(217)	
Net cash inflow/ (outflow) from operating activities	10,472	(14,512)	
b) Movement in cash and cash equivalents			
	2001 KShs'000	2000 KShs'000	Change in the year KShs'000
Cash and bank balances	6,330	16,232	(9,902)
Bank overdraft and other borrowings	(209,185)	(78,369)	(130,816)
	(202,855)	(62,137)	(140,718)

21. CAPITAL COMMITMENTS

Group and company

	2001 KShs'000	2000 KShs'000
Contracted but not accounted for	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

22. CONTINGENT LIABILITIES

	Group		Company	
	2001 KShs'000	2000 KShs'000	2001 KShs'000	2000 KShs'000
Claims, guarantees and discounted bills	70,395	77,986	70,395	77,986

These are guarantees given by the group and the company in the normal course of business to their clients. Apart from these the company has custom bonds issued in favour of its clients in the normal course of business totalling KShs 565,294,442 as at 31 December 2001 (2000 – KShs 507,585,410) in respect of which no material losses are expected.

During the year 2000, a former executive director of the company, made a claim against the company in respect of certain termination benefits and other issues. These matters have been referred to arbitration.

23. GROUP NET ASSETS OUTSIDE KENYA

Group net assets outside Kenya are as follows:

	2001 KShs'000	2000 KShs'000
Group net assets/ (liabilities) in Uganda	1,923	(4,667)

The exchange rate applied into converting net assets of the subsidiary in Uganda was Ushs.22 = 1 KShs

24. RELATED PARTY TRANSACTIONS

i) Directors and employees

The Group has entered into transactions with its employees and directors:

	2001 KShs'000	2000 KShs'000
Balance at 1 January	770	350
Loans granted	142	420
Loan repayments received	(175)	-
Balance at 31 December	737	770

The related interest income in 2001 was KShs 86,300 (2000 – KShs 82,500).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

ii) Loan from related parties

Loan from Express Pension Scheme:	2001 Kshs'000	2000 Kshs'000
Balance at the beginning of the year	-	11,474
Loan received during the year	-	-
Loan repaid during the year	-	(11,474)
Balance at the end of the year	-	-

(iii) Payments to related parties

The following transactions have been undertaken with a related party under the terms of an agreement.

	2001 Kshs'000	2000 Kshs'000
Management fees	3,916	7,122

(iv) Services from/to related parties

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

	2001 KShs'000	2000 KShs'000
Invoiced to related parties	48,915	16,638
Invoiced by related parties	(48,431)	(62,095)
Net transactions	484	(45,457)

At 31 December 2001, the following balances were outstanding:

	2001 KShs'000	2000 KShs'000
Due to related parties	(5,947)	(2,889)
Due from related parties	6,705	5,784
	758	2,895

Transactions with related parties were at arm's length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2001

25. OPERATING LEASES

Group	2001 KShs'000	2000 KShs'000
Tenancy payable		
Less than 1 year	7,069	5,461
Between 1 and five years	22,379	2,808
Over 5 years	3,340	-
	32,788	8,269
Amounts charged to profit and loss account in respect of operating leases	6,909	5,784
Company	2001 KShs'000	2000 KShs'000
Tenancy payable		
Less than 1 year	5,892	4,285
Between 1 and five years	22,379	2,808
Over 5 years	3,340	-
	31,611	7,093
Amounts charged to profit and loss account in respect of operating leases	5,024	4,609

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

26. ULTIMATE HOLDING COMPANY

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

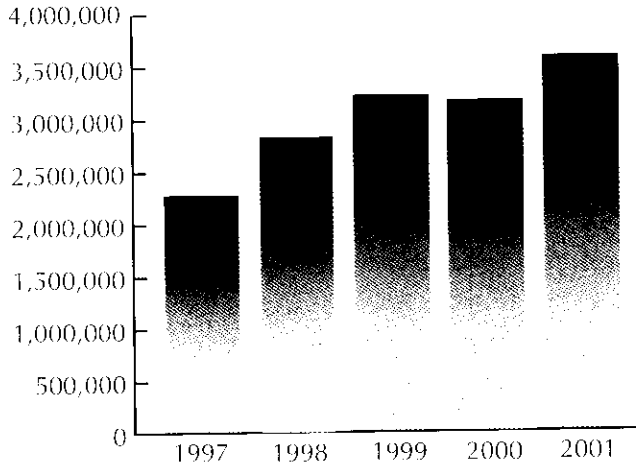
27. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

28. CURRENCY

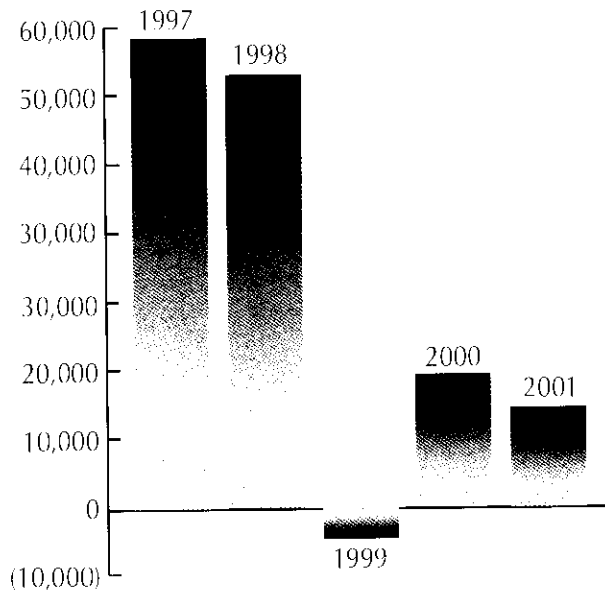
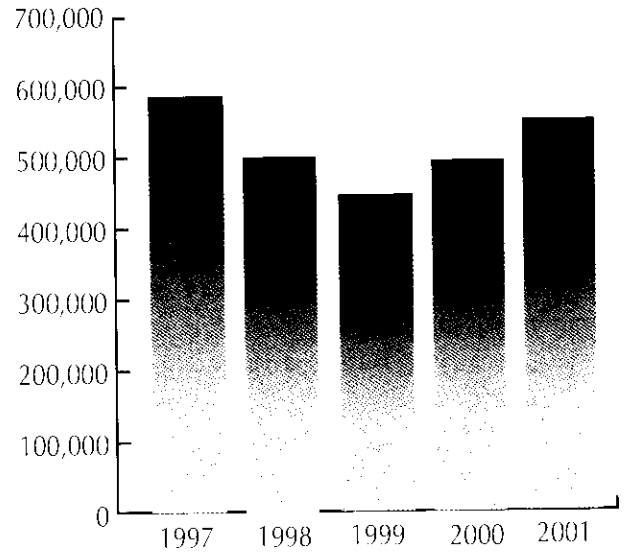
The accounts are presented in Kenya Shillings (Kshs.)

FINANCIAL HIGHLIGHTS



← **TURNOVER**
in Thousands of
Kenya Shillings
(KShs '000)

GROSS PROFIT
in Thousands of
Kenya Shillings
(KShs '000) →



← **PROFIT BEFORE INTEREST
AND TAX** in Thousands of
Kenya shillings
(KShs '000)

PROXY FORM

I/We _____
of _____
being a member(s) of the above named company hereby appoint _____
_____ of _____
or failing him/her _____
of _____
to vote for me/us/ on my/our behalf at 31st Annual General Meeting of the said company to be held at 11.00 am
on Wednesday 5th June, 2002 and at any adjournment thereof.
signed this _____ day of _____ 2002
signature _____

A member entitled to attend and vote at this meeting is entitled to appoint a proxy who need not be a member(s).

N.B. This proxy must be deposited at the Registered Office of the Company, P.O. Box 40433, Ectoville, Off
Enterprise Road, Nairobi at least 48hours before the time of holding this meeting.

FOMU YA UWAKILISHI

Mimi/Sisi _____
wa _____
nikiwa/tukiwa/mwanachama wa kampuni hii iliyotajwa hapa juu namchagua/tunachagua _____
_____ wa _____
au akikosa yeye/wakikosa wao _____
wa _____
kupiga kura badala ya mimi/sisi kwa niaba yangu/yetu katika mkutano Mkuu wa Mwaka wa thelathini na moja wa
Kampuni hii utakaofanywa saa tano asubuhi juma tano Juni 5, 2002 na katika mkutano wowote utakaoahirishwa.
Imetiwa sahihi leo _____ siku ya _____ 2002.
Sahihi _____

Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano huu ana haki ya kumchagua Mwakilishi
au Waakilishi ambaye/ambao si lazima kuwa Mshiriki au Washiriki.

TAZAMA: Fomu hii ya Uwakilishi lazima kufikishwa katika Afisi ya Kampuni hii, Sanduku la Posta 40433, Ectoville,
karibu na Enterprise Road, Nairobi katika muda usiopungua masaa 48 kabla ya mkutano kufanyika.

The Company Secretary
Express Kenya Limited
P.O. Box 40433
Nairobi
Kenya

STAMP