



A Member of Diniz Holdings Group

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Directors, Officers and Administration

DIRECTORS

Dr CW Obura (Chairman)
Hector Diniz
Pinhas Moscovich*
Kajal Thakker
Paul Ndungu (Resigned on 19 February 2009)

* Israeli

COMPANY SECRETARY

Equatorial Secretaries and Registrars
Kalamu Road
PO Box 47323 00100
Nairobi

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Express House
Etcoville, Road A, Off Enterprise Road
Industrial Area
PO Box 40433 00100
Nairobi

BANKERS

Commercial Bank of Africa
Wabera Street
PO Box 30437
Nairobi

AUDITORS

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

Notice of Annual General Meeting

for the year ended 31 December 2009

NOTICE IS HEREBY GIVEN that the Thirty Ninth Annual General Meeting of the Company will be held at Norfolk Hotel, Nairobi on Friday, 30th July 2010 at 11.00 a.m. to transact the following business:

1. To table the proxies and to note the presence of a quorum.
2. To read the notice convening the meeting.
3. To confirm the minutes of the Thirty Eighth Annual General Meeting held on 7th August 2009.
4. To receive and consider the Financial Statements for the year ended 31 December 2009 together with the Chairman's Statement and the reports of the Directors and Auditors thereon.
5. To note that the Directors do not recommend payment of a dividend (2008: nil) in respect of the financial year ended 31 December 2009.
6. To approve the Directors' fees as indicated in the Financial Statements for the year ended 31 December 2009.
7. To re-elect Directors:-

Mrs. Kajal Thakker Diniz retires in accordance with Article 113 of the Company's Articles of Association and, being eligible, offers herself for re-election.

8. To reappoint Messrs. KPMG Kenya, as the Company's Auditors until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

9. To consider and if approved, pass the following special resolutions;
"That Articles 143, 146, 147, 148 and 149 be deleted in their entirety and replaced with the following new Articles:

Article 143

Any dividend or other money payable in cash or in respect of shares may be paid by direct debit, bank transfer or other automated system of bank transfer, electronic or mobile money transfer system transmitted to such bank or electronic or mobile telephone address as indicated in the Register of Members or by cheque or warrant at such place as the company shall specify in writing, sent by post to the address of the member or person entitled to it as shown in the Register of Members or in case of two or more persons being entitled thereto in consequences of the death or bankruptcy of the holder, to any one of such persons at such address as the persons being entitled to receive payment may in writing direct. Every such payment whether by cheque or warrant or electronic funds transfer or via mobile money payments systems shall be sent at the risk of the person entitled to the money represented by it.

Article 146

Any notice or other document may be served by the company on any Member or Director either personally or by sending it through the post (by airmail where service is available) in a prepaid letter, or by facsimile or through electronic media addressed to such Member or Director at his registered address as appearing in the Register of Members or the company's records, whether such address shall be within or outside Kenya.

Article 147

In case of joint holders of a share, all notices shall be given to that one of the joint owners whose name stands first in the Register of Members and notice so given shall be sufficient notice to all joint holders.

Article 148

Any notice of an Annual General Meeting may be given by publishing a notice containing a summary of both the annual financial statement and auditors' report, in at least two local daily newspapers with national circulation for at least two consecutive days; and/or personal delivery or by sending to every member such notice through electronic media or through the post and the notice in each case shall contain such financial and other documents and reports as may be a mandatory requirement under the law.

Article 149

Where a notice is sent by post it shall be deemed to have been served on the third day after the day on which it was posted, if addressed within Kenya, and on the fifth day after the day on which it was posted, if addressed outside Kenya. In providing such service or sending, it shall be sufficient to prove that the cover containing the notice or document was properly addressed and put into the post office as a prepaid letter or prepaid airmail letter. Where a notice is sent by facsimile or electronic media it shall be deemed to have been served at the expiration of twenty four hours after the time at which it was sent. Where notice is published in a daily newspaper, it shall be deemed to be served on the day on which it is first published.

BY ORDER OF THE BOARD

EQUATORIAL SECRETARIES AND REGISTRARS SECRETARIES

Date: 10TH MAY 2010

Note:

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member. To be valid, a form of proxy which is attached to this notice must be duly completed and signed by the member and must either be lodged at the Registered office of the Company, Express House, Road A, off Enterprise Road, P O Box 40433-00100, Nairobi or with the Company Secretaries, Equatorial Secretaries and Registrars, Kalamu House, Waiyaki Way, P O Box 47323, 00100-Nairobi, so as to reach not later than 11.00 a.m. on 28th July 2010.

"On the financials, the business under the able leadership of the Board and Management was able to turnaround from the loss situation of 2008 to register a 149% growth in profit before tax. Gross profit margin also grew to 45.8% in 2009, up from 38% in 2008."



Cargo on board a plane from JKIA, Nairobi.



Dr. C. W. Obura

I am delighted to present the annual report and financial statements of the company for the year ended 31st December 2009. Despite the negative influence of socio-economic problems related to draught and low economic production, the year 2009 displayed remarkable improvement reflecting the company's great potential, ability and strength as a seasoned logistics company.

On the financials, the business under the able leadership of the Board and Management was able to turnaround from the loss situation of 2008 to register a 149% growth in profit before tax. Gross profit margin also grew to 45.8% in 2009, up from 38% in 2008.

OPERATING ENVIRONMENT

The year 2009 started on a more positive note compared to 2008, when the country was engulfed in unrest and endless fighting as a result of post election violence and recession in the advanced economies, reducing the demand for Kenya's exports.

Generally, key sectors of the economy reported some growth in performance, but despite signs of an improvement in the economy, growing the business remained a challenge with increased stiff competition from other major players and unfair advantage gained by some unscrupulous transporters leveraging on corrupting the Kenyan systems.

WAY FORWARD

The Board recognizes the need for new levels of creative thinking, resource mobilization and dynamic organizational culture that will help the company secure competitive advantage.

The Company has adopted a Four-Year strategic business plan that will cover the period 2010 – 2013. You will have noticed



Container depot - Major shipping line container stored.



Vehicles stored in our bonded warehouses.

that the new Vision and Mission Statements of the Company have been included in this report. The purpose is to ensure that you also know and support the direction taken to energize the Company to new heights.

The Government of Kenya has singled out investment in infrastructure development including roads, railways, ports, airports and telecommunications, as priority areas of economic development if the country is to attain the much anticipated Vision 2030. Part of the company's strategic objectives will leverage on this and on the boundless opportunities presented by the newly formed East Africa Community trading block.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board I would like to thank you shareholders for your continued interest and support of the company. I also wish to thank my fellow Board members and also to acknowledge the Senior Management and staff for their valuable support and dedication in achieving these favourable results.

I am confident that with the continued support of all stake holders we will steer through more successful years in the future.

DR. C. W. OBURA
CHAIRMAN



Trucks stored in our bonded warehouses.



Warehouse facilities

"Our performance improved in 2009 in many of the areas we monitor related to sustainable development. We had a good year in 2009 in general and expect to do better for the year 2010."

It is a privilege for me to give my review of EKL's performance as its Chief Executive Officer. I am proud to report how these trying times have brought out some of our best qualities.

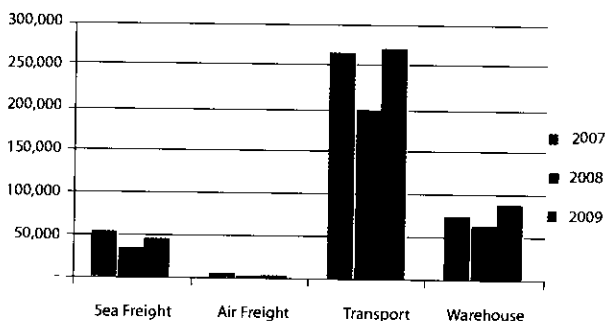
But despite our best efforts, 2009 earnings improved compared to the year before. The reasons for the increase was changes in all our businesses although we expected a higher result. Those tough economic realities highlight the need for us to do better in containing our costs and improving our competitiveness.

Our performance improved in 2009 in many of the areas we monitor related to sustainable development. We had a good year in 2009 in general and expect to do better for the year 2010.

Our successful projects, our new business opportunities and our continued financial flexibility give me confidence to face the economic uncertainties of 2010.

To channel our skills more quickly, more effectively and more economically, last year I reorganised our business units. One of the main aims was to concentrate in one unit the accountabilities for delivering major new projects.

Divisional Contributions;



TRANSPORT AND LOGISTICS

The Company has maintained its niche by its mastery of engineering transportation solutions for our customers. We provide customer's specific solution that deliver bottom-line value.

Our fleet has grown to over 100 Prime Movers and smaller trucks. By this strength, our technical support provided ranges from a pure dedicated fleet, for a single customer, to an integrated, asset service supported logistics solution across our customer's supply chain.

Gross profit for the division grew from 199 million in 2008 to 270 million in 2009, a 36% increase. The profitability trend and growth is expected to maintain even as our hope and expectation alongside every Kenyan is that the coalition will hold together until the 2012 elections and direct costs like fuel and maintenance costs will not abnormally upsurge.

SEA FREIGHT OPERATIONS

Over time, this service is ceasing to be a standalone service as most logistics companies are tying it with transportation. The service structure and focus then is to establish our Company as a one stop logistics shop.

The gross profit margin for the division grew to 45 million in 2009, up from 35 million in 2008. All economic projections point towards a robust growth of import and export cargo into the country and region at large. In like manner, we expect our profitability in the division to maintain the growth momentum.

AIR FREIGHT OPERATIONS

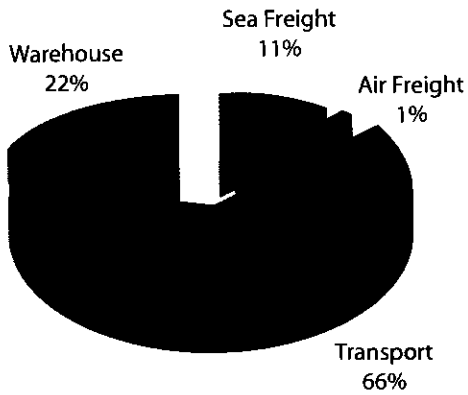
The Company continues to maintain and ensure expertise in handling all documentation and formalities related to a hassle free inter-country or intercontinental relocation. Stiff competition and specialization pose a major challenge for a desired growth trajectory.

Despite a growth in the revenue for the division, gross profit slumped slightly from 4 million in 2008 to 2.6 million in 2009 resultant from reduces margins.

WAREHOUSE AND CONTAINERS

The general strategy over the last couple of years was a shift in the clientele to concentrate our service majority on commercial clients. This was in a bid to minimize the challenge of bad debts intrinsic with storage of personal effects.

We had growth in the period, with the gross profit for the division surging to 89 million in 2009 from 65 million in 2008.



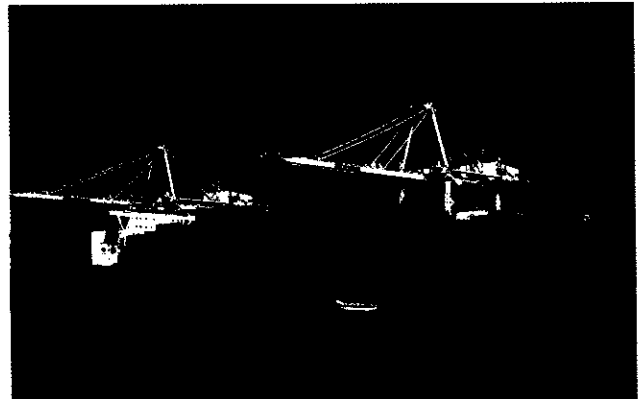
Car carrier - Transporting vehicles within East Africa.

APPRECIATION

I look forward to seeing our revitalised organisation succeed in 2010 and beyond.

I would like to thank my colleagues of the Board and management team and staff for their wholehearted effort and support over the last year. I am confident that with everyone's continued support and teamwork Express Kenya Limited has a brighter future in the year to come.

Mr. H. Diniz
Chief Executive Officer



Seafreight - Clearing and forwarding



PDI section - Vehicle Inspection



Prime movers ready to deliver general goods to clients.

Corporate Governance

for the year ended 31 December 2009

Objective

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

The Board of Directors of Express Kenya Limited is accountable to shareholders and stakeholders not only for the financial performance of the company but also for the manner in which that performance is achieved. It is the principal organ responsible for giving leadership and direction on matters of Corporate Governance in line with the Capital Markets Authority (CMA) Guidelines and good corporate governance practices generally.

The Board continues to ensure that all disclosure requirements and other continuing obligations of the CMA are complied with

The Board acknowledges that it is responsible for ensuring the transparency, accountability and integrity of the financial systems and internal control mechanisms in the organization and hereby confirms that sufficient safeguards have been put in place and are reviewed on a regular basis.

Audit Committee

The committee is chaired by Mr Pinhas Moscovich. The Internal Auditor is an ex-officio of the committee.

Its main function include the overseeing of financial reporting and is responsible for the detailed review of all audit matters; consideration of the appointment of external auditors and the maintenance of a professional relationship with them; and for reviewing the accounting principle, policies and practices adopted in the preparation of public financial information.

Other functions include evaluating the effectiveness of the internal audit function, including its purposes, activities, scope and adequacy and approval of the annual Internal Audit plan. Also, it evaluates policies, procedures and systems introduced by management, thus ensuring that these are functioning effectively.

Remunerations and Nominations Committee

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

Other functions include; determine, approve and develop the company's general policy on remuneration as well as specific policy on executive remuneration; review the general levels of remuneration for directors of the Board as well as its committee.

Risk Management and Internal Controls

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

In reviewing the effectiveness of the systems of internal control and risk management, the Board constantly monitors the operational and financial aspects of the Company's activities through the Audit Committee, the advice of external auditors and recommendations from the regular management meetings that are relevant to any operational and financial risk that the company may face.

Major Shareholders

A schedule containing names, numbers of shares and actual percentages of 20 largest shareholders is provided on page 49.

Report of the Directors

for the year ended 31 December 2009

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2009.

1. Principal activities

The group provides clearing and forwarding services for both air and sea, as well as warehousing and logistics services.

2. Results

The results of the group are set out on page 12.

3. Dividend

The directors do not recommend the payment of a dividend (2008 – Nil).

4. Directors

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

5. Auditors

The auditors, KPMG Kenya, have indicated their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap. 486).

6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 28 April 2010.

BY ORDER OF THE BOARD

**EQUATORIAL SECRETARIES AND REGISTRARS
SECRETARIES**

Kalamu House, Waiyaki Way, Westlands
P O Box 47323 - 00100
Nairobi

Date: 28 April 2010

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the financial statements of Express Kenya Limited set out on pages 12 to 48 which comprise the statement of financial position at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of the cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the Directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 28 April 2010 and were signed on its behalf by:

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

Director: **Mr. H. Diniz**

Date: 28 April 2010

Report of the Independent Auditors

to the members of Express Kenya Limited

We have audited the group financial statements of Express Kenya Limited set out on pages 12 to 48 which comprise the statement of financial position of the group and the company at 31 December 2009, and the group's statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 3, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company at 31 December 2009, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- (iii) The statement of the financial position of the group and company is in agreement with the books of account.

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

Date: 28 April 2010

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	2009 KShs '000	2008 KShs '000
Revenue		892,928	802,973
Cost of sales		(500,610)	(498,891)
Gross profit		392,318	304,082
Gain on disposal of property and equipment		2,418	1,684
Operating and administrative expenses		(183,613)	(212,792)
Depreciation		(131,611)	(118,649)
Profit/(loss) from operations		79,512	(25,675)
Finance income	8	25,702	-
Finance expense	8	(79,298)	(27,189)
Net financing expense		(53,596)	(27,189)
Profit/(loss) before income tax	9	25,916	(52,864)
Income tax (expense)/credit	10	(10,846)	9,628
Profit/(loss) for the year		15,070	(43,236)
Other comprehensive income			
Fair value changes on investment property		(48,308)	48,388
Revaluation surplus on buildings		20,000	-
Deferred tax on revaluation surplus		(6,000)	-
Deferred tax on excess depreciation transfer		(415)	362
Total other comprehensive income		(34,723)	48,750
Total comprehensive income for the year		(19,653)	5,514
Attributable to:			
Equity holders of the company		18,808	(43,641)
Non-controlling interest		(38,461)	49,155
Total comprehensive income for the year		(19,653)	5,514
Basic and diluted earnings/(loss) per share	11	KShs 0.15	KShs (1.24)
Dividend per share	12	KShs -	KShs -

The notes set out on pages 12 to 48 form an integral part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2009

ASSETS	Note	Group		Company	
		2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Non current assets					
Property and equipment	13	702,118	640,365	702,084	640,365
Investment property	14	394,723	488,136	-	-
Prepaid operating lease rentals	15	7,490	7,744	7,490	7,744
Advances to relate company	16	-	-	160,240	189,539
Investment in subsidiaries	17	-	-	53,981	53,981
Goodwill	17	46,000	-	-	-
Total non-current assets		1,150,331	1,136,245	923,795	891,629
Current assets					
Inventories	18	8,872	12,374	8,872	12,374
Trade and other receivables	19	130,852	151,407	129,087	141,635
Due from group companies	29(a)	-	-	-	6,352
Current tax asset		11,807	19,242	11,582	19,248
Cash and cash equivalents		2,254	1,356	1,631	691
Total current assets		153,785	184,379	151,172	180,300
TOTAL ASSETS		1,304,116	1,320,624	1,074,967	1,071,929
EQUITY AND LIABILITIES					
Capital and reserves (Pages 9 & 10)					
Share capital	21	177,018	177,018	177,018	177,018
Share premium	22(a)	10,501	10,501	10,501	10,501
Revaluation reserves	22(b)	105,702	94,327	122,658	110,868
Retained earnings	22(c)	108,538	101,105	73,369	57,332
Total equity attributable to equity Owners of the company		401,759	382,951	383,546	355,719
Non- controlling interest (Page 9)		10,694	49,155	-	-
Total equity		412,453	432,106	383,546	355,719
Non current liabilities					
Loans and borrowings	23	164,674	205,433	-	-
Finance lease payable	24	121,920	79,863	121,920	79,863
Deferred tax liability	25	103,319	93,683	103,319	93,683
Total non current liabilities		389,913	378,979	225,239	173,546
Current liabilities					
Bank overdraft	26	160,033	256,236	160,033	256,236
Loans and borrowings	23	72,341	61,595	21,293	61,595
Finance lease payable	24	187,655	48,374	187,655	48,374
Due to group companies	29(b)	-	-	15,917	33,982
Trade and other payables	27	81,721	143,334	81,284	142,477
Total current liabilities		501,750	509,539	466,182	542,664
TOTAL EQUITY AND LIABILITIES		1,304,116	1,320,624	1,074,967	1,071,929

The financial statements on pages 12 to 48 were approved by the Board of Directors on 28 April 2010 and were signed on its behalf by:

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

Director: **Mr. H. Diniz**

The notes set out on pages 12 to 48 form an integral part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 31 December 2009

	Note	2009 KShs '000	2008 KShs '000
Cash flow from operating activities			
Profit/ (loss) before tax		25,916	(52,864)
Adjustments for:			
Gain on disposal of property and equipment		(2,418)	(1,684)
Amortization of prepaid operating lease		254	254
Amortization of intangible asset		-	310
Depreciation on property and equipment		131,611	118,649
Effects of exchange rate fluctuations		-	(39,537)
Interest expense		66,638	12,941
Operating profit before working capital changes		222,001	38,069
Decrease/(increase) in inventories		3,502	(4,780)
Decrease in trade and other receivables		20,555	36,980
Dividends payable		-	(11,027)
(Decrease)/increase in trade and other payables		(61,613)	29,708
Cash generated from operations		184,445	88,950
Interest paid		(66,638)	(12,941)
Income tax paid		(225)	(13,130)
Net cash inflows from operating activities		117,582	62,879
Cash flow from investing activities			
Acquisition of property and equipment		(173,364)	(153,041)
Acquisition of investment property		-	(315,180)
Acquisition of subsidiary net of cash acquired		-	(46,000)
Dividends paid		-	(6,675)
Proceeds from disposal of property and equipment		2,418	6,924
Net cash outflows from investing activities		(170,946)	(513,972)
Cash flow from financing activities			
Repayment of finance lease obligation		(73,106)	(40,918)
Bank borrowings		120,000	-
Repayment of advances from a director		(150,873)	(15,099)
Advances from a director		-	75,447
Advance from minority holders		-	166,404
Advances from bank for finance lease		254,444	135,595
Net cash inflow from financing activities		150,465	321,429
Net increase/(decrease) in cash and cash equivalents		97,101	(129,664)
Cash and cash equivalent at 1 January		(254,880)	(125,216)
Change in the year		97,101	(129,664)
Cash and cash equivalents at 31 December	20	(157,779)	(254,880)

The notes set out on pages 12 to 48 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Share capital KShs'000	Share Premium KShs'000	Revaluation reserve KShs'000	Revenue reserve KShs'000	Proposed dividend KShs'000	Total KShs'000	Minority interest KShs'000	Total equity KShs'000
Balance at 1 January 2008	177,018	10,501	96,529	142,544	17,702	444,294	-	444,294
Total comprehensive income for the year								
Loss for the year	-	-	-	(44,003)	-	(44,003)	767	(43,236)
Other comprehensive income								
Fair value changes on investment property	-	-	-	-	-	-	48,388	48,388
Excess depreciation transfer	-	-	(3,147)	3,147	-	-	-	-
Deferred tax on excess depreciation transfer	-	-	945	(583)	-	362	-	362
Total other comprehensive income	-	-	(2,202)	2,564	-	362	48,388	48,750
Total comprehensive income for the year	-	-	(2,202)	(41,439)	-	(43,641)	49,155	5,514
Transactions with owners, recorded directly in equity								
Dividends paid	-	-	-	-	(17,702)	(17,702)	-	(17,702)
Total distributions by owners	-	-	-	-	(17,702)	(17,702)	-	(17,702)
Balance at 31 December 2008	177,018	10,501	94,327	101,105	-	382,951	49,155	432,106
Total comprehensive income for the year								
Profit for the year	-	-	-	5,223	-	5,223	9,847	15,070
Other comprehensive income								
Fair value changes on investment property	-	-	-	-	-	-	(48,308)	(48,308)
Revaluation surplus on Buildings	-	-	20,000	-	-	20,000	-	20,000
Deferred tax on revaluation surplus	-	-	(6,000)	-	-	(6,000)	-	(6,000)
Excess depreciation transfer	-	-	(3,157)	3,157	-	-	-	-
Deferred tax on excess depreciation transfer	-	-	532	(947)	-	(415)	-	(415)
Total other comprehensive income	-	-	11,375	2,210	-	13,585	(48,308)	(34,723)
Total comprehensive income for the year	-	-	11,375	7,433	-	18,808	(38,461)	(19,653)
Balance at 31 December 2009	177,018	10,501	105,702	108,538	-	401,759	10,694	412,453

The notes set out on pages 12 to 48 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2009

	Share Capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Revenue reserve KShs'000	Proposed dividend KShs'000	Total KShs'000
Balance at 1 January 2008	177,018	10,501	113,070	81,449	17,702	399,740
Total comprehensive income for the year						
Loss for the year	-	-	-	(26,680)	-	(26,680)
Other comprehensive income						
Excess depreciation transfer	-	-	(3,146)	3,146	-	-
Deferred tax on excess depreciation transfer	-	-	944	(583)	-	361
Total other comprehensive income	-	-	(2,202)	2,563	-	361
Total comprehensive income for the year	-	-	(2,202)	(24,117)	-	(26,319)
Transactions with owners, recorded directly in equity						
Dividends paid	-	-	-	-	(17,702)	(17,702)
Total distributions by owners	-	-	-	-	(17,702)	(17,702)
Balance at 31 December 2008	177,018	10,501	110,868	57,332	-	355,719
Total comprehensive income for the year						
Profit for the year	-	-	-	13,827	-	13,827
Other comprehensive income						
Revaluation surplus on Buildings	-	-	20,000	-	-	20,000
Deferred tax on revaluation surplus	-	-	(6,000)	-	-	(6,000)
Excess depreciation transfer	-	-	(3,157)	3,157	-	-
Deferred tax on excess depreciation transfer	-	-	947	(947)	-	-
Total other comprehensive income	-	-	11,790	2,210	-	14,000
Total comprehensive income for the year	-	-	11,790	16,037	-	27,827
Balance at 31 December 2009	177,018	10,501	122,658	73,369	-	383,546

The notes set out on pages 12 to 48 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

1. REPORTING ENTITY

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

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

The consolidated financial statements of the company as at and for the year ended 31 December 2009 comprise the company and its subsidiaries (together referred to as the "Group" and individually as "Group entities" and the Group's interest in jointly controlled entities.

The ultimate Holding Company of Express Kenya Limited is Etcoville Holdings Limited which is a limited liability incorporated in Kenya.

2. BASIS OF PREPARATION

(i) **Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act.

The consolidated financial statements were authorised for issue by the Board of Directors on 28 April 2010.

(ii) **Basis of measurement**

The consolidated financial statements are prepared under the historical cost basis except for:

- Certain property and equipment measured on revaluation basis;
- Investment property measured at fair value; and
- Certain financial instruments at fair value

(iii) **Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4 – Critical accounting estimates and judgements.

(iv) **Functional and presentation currency**

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

(v) **New accounting standards adopted**

On 1 January 2009, the Group retrospectively adopted IAS 1 'Presentation of Financial Statements' (revised 2007). As a result, in the Group's financial statements certain disclosures and terminology has changed.

On 1 January 2009, the Group retrospectively adopted IFRS 8 'Operating Segments' which did not have a material impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statement and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases. In assessing controls, potential voting rights that are presently exercisable are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Translation of foreign currencies

Transactions and balances in group entities

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

- i. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and
- iii. All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Translation of foreign currencies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sales of services, and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales within the Group.

Sales of services are recognised in the period in which the services are rendered by reference to the completion of specific transaction assessed on the basis of actual service provided as a proportion of total services to be provided. Sales revenue can only be recognised when the associated costs can be estimated reliably and the amount of revenue can be estimated reliably.

(d) Finance income and expenses

Finance income and expenses comprises net foreign currency gains and losses and interest expenses. Interest expenses are recognised on a time proportion basis in profit or loss using the effective interest method.

Foreign currency gains and losses are recognised on a net basis.

(e) Income tax

Income tax expense is the aggregate of the charge to the statement of comprehensive income in respect of current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity. Current tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the relevant tax legislation, using the tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of prior years.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affect neither accounting nor taxable profit. In addition, deferred tax is not recognised for taxable temporary differences arising on initial recognition of goodwill.

(e) Income tax (Continued)

Deferred tax is calculated on the basis of the tax rates currently enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Property and equipment

All property and equipment are initially recorded at cost. Buildings are subsequently shown at fair value, based on valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Revaluations are done with sufficient regularity such that carrying amount does not differ materially from that which would be the fair value at the reporting date. Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve. Decreases that offset previous increases of the same asset are charged

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property and equipment (Continued)

against the revaluation reserve. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and the depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major component) of property and equipment.

Depreciation is recognised in profit or loss on a straight line basis to write down the cost of each asset to residual values over their estimated useful life as follows:

Freehold land	Nil
Buildings	50 years
Motor vehicles	4 years
Plant and Equipment	5 - 12 years
Furniture and fixtures	5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Capital work in progress represents assets that are under construction or that are not immediately available for use.

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

(g) Investment property

Investment property is held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill) it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Computer software

Acquired 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.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(i) Accounting for leases

Leases of property and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the inception of the lease

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Accounting for leases (Continued)

at the lower of their fair value and the estimated present value of the underlying minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the statement of comprehensive income over the lease period. Property and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other related direct costs and production overheads (based on normal operating activities), but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(k) Recognition and measurement of financial instruments

(i) Classification

A financial instrument is a contract that gives rise to both a financial asset in one entity and a financial liability in another entity. These are classified as follows:

Financial assets at fair value through profit or loss: This category has two subcategories; financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial instruments reclassified in this category are those that the Group holds principally for the purpose of short-term profit taking.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Loans and receivables comprise receivables and balances due from group companies.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Group has positive intent and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Available-for-sale assets are the non-derivative financial assets that are designated as available for sale or are not classified as held for trading purposes, loans and receivables or held to maturity.

(ii) Recognition

The Group recognises financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised.

Held-to-maturity, loans and receivables are recognised on the date they are transferred to the Group.

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Measurement (Continued)

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Gains and losses arising from a change in the fair value of available-for-sale assets is recognised as equity until the instrument is derecognised or impaired at which time the cumulative gain or loss is recognised in statement of comprehensive income and trading instruments gains or losses are recognised in the statement of comprehensive income in the period it arises.

(iv) Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the assets.

(iv) Derecognition

Held-to-maturity instruments and originated loans and receivables are derecognised on the date they are transferred by the Group.

(v) Offsetting of financial assets and liabilities

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

(l) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less allowance made for impairment of these receivables. Allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of allowance is recognised in the statement of comprehensive income.

(m) Impairment of assets

(i) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculate as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that have similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Impairment of non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(o) Employee entitlements

(i) Retirement benefit obligations

The company operates a defined contribution retirement benefit scheme for all its employees. Contributions to the defined contribution plan are charged to the profit and loss as incurred. Obligations for contributions to defined contribution retirement benefits are recognised as an employee benefit expense in profit or loss when they are due. Any difference between the charge to the profit and loss and the contributions payable is recorded in the statement of financial position under other receivables or other payables.

(ii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(p) Earnings per share

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

(q) Dividends

Dividends payable to the company's shareholders are recognised as a liability in the period in which they are declared. Proposed dividends are disclosed as a separate component of equity.

(r) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Related parties

The group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and group or related companies. The related party transactions are at arms length.

(t) Segment 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 Group's Management Committee (being 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.

(u) Loans and borrowings

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

(v) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the directors.

(w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements as follows:

• Revised IFRS 3 *Business Combinations* (2008) incorporates the following changes:

- the definition of a business has been broadened, which may result in more acquisitions being treated as business combinations;
- contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in the statement of comprehensive income;
- transaction costs, other than share and debt issue costs, will be expensed as incurred;
- any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in the statement of comprehensive income; and
- any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

- IAS 24 *Related Party Disclosures* amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The amendment to IAS 24 will become mandatory for the Group's 2011 financial statements and are expected to have an impact on the presentation of related party information in the Group's financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2010 consolidated financial statements, with retrospective application required. The Group is currently in the process of evaluating the potential effect of this amendment.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New standards and interpretations not yet adopted (continued)

- Amended IAS 27 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the statement of comprehensive income. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.
- IFRS 9 *Financial Instruments*, published on 12 November 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets; amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of *held-to-maturity*, *available-for-sale* and *loans and receivables*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to the statement of comprehensive income at a later date. However, dividends on such investments are recognised in the statement of comprehensive income, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in the statement of comprehensive income.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

Income taxes

The Group is subject to income taxes in Kenya. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain

Income taxes (continued)

during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

In the process of applying the Group's accounting policies, management has made judgements in determining whether assets are impaired.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Property and equipment, and investment property

Critical estimates are made by the directors in determining:

- Depreciation rates for property and equipment.
- Fair value of investment property

5. FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- Market risk.

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

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

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

(a) Credit risk

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

(i) Trade and other receivables

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

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

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

(ii) Write-off policy

Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment allowance has been raised, then that amount will be written off. The determination is reached after considering information such as the occurrence of significant changes in the customer's position such that the customer can no longer pay the obligation.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

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

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

(c) Market risk

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

Currency risk

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

Interest rate risk

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

(d) Capital management

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

6. SEGMENT INFORMATION

The Group has three reportable segments which are the strategic business units offering different services and managed jointly.

The following summary describes the operations in each of the Group's reportable segments:

- Transport: Includes distribution of products to various parts of the country on behalf of customers.
- Freight: Includes handling of customers goods in and out of the country.
- Others: Includes storage of customers' goods in the company's warehouse.

For each of the strategic business units, the group Chief Executive Officer reviews internal management reports. Information regarding the results of each reportable segment is described below. Performance is measured based on each segment gross margin contribution as indicated in the internal management reports that are reviewed by the Group Chief Executive Officer.

The segment results for the year are as follows:

Year ended 31 December 2009	Transport KShs'000	Freight KShs'000	Others KShs'000	Total KShs'000
Revenue	603,056	119,482	170,390	892,928
Cost of sales	(333,539)	(89,055)	(78,016)	(500,610)
Gross profit	269,517	30,427	92,374	392,318
Gain on disposal of property, and equipment				2,418
Operating and administrative expenses				(183,613)
Depreciation				(131,611)
Profit from operations				79,512
Finance income				25,702
Finance expense				(79,298)
Net financing expense				(53,596)
Profit before tax				25,916
Income tax expense				(10,846)
Profit for the year				15,070

Year ended 31 December 2008	Transport KShs'000	Freight KShs'000	Others KShs'000	Total KShs'000
Revenue	517,639	218,217	67,117	802,973
Cost of sales	(319,131)	(179,360)	(400)	(498,891)
Gross profit	198,508	38,857	66,717	304,082
Gain on disposal of property, and equipment				1,684
Operating and administrative expenses				(212,792)
Depreciation				(118,649)
Loss from operations				(25,675)
Finance income				-
Finance expense				(27,189)
Net financing expense				(27,189)
Loss before tax				(52,864)
Income tax credit				9,628
Loss for the year				(43,236)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

6. SEGMENT INFORMATION (Continued)

Other segment items included in the statement of comprehensive income are:

Year ended 31 December 2009	Transport KShs'000	Freight KShs'000	Others KShs'000	Total KShs'000
Depreciation	121,358	3,076	7,177	131,611
Amortisation of operating leases	-	-	254	254
Impairment of trade receivables	12,599	741	1,482	14,822
	133,957	3,817	8,913	146,687

Year ended 31 December 2008	Transport KShs'000	Freight KShs'000	Others KShs'000	Total KShs'000
Depreciation	116,438	1,593	618	118,649
Amortisation of operating leases	-	-	254	254
Impairment of trade receivables	9,450	1,350	2,700	13,500
	125,888	2,943	3,572	132,403

The segment assets and liabilities at 31 December and capital expenditure for the period then ended are as follows;

Year ended 31 December 2009	Transport KShs'000	Freight KShs'000	Others KShs'000	Total KShs'000
Assets	590,605	91,253	622,258	1,304,116
Liabilities	287,498	6,119	330,053	623,670
Capital expenditure:				
- Additions to property and equipment	173,364	-	-	173,364

Year ended 31 December 2008	Transport KShs'000	Freight KShs'000	Others KShs'000	Total KShs'000
Assets	728,343	66,031	526,250	1,320,624
Liabilities	207,107	64,795	317,500	589,402
Capital expenditure:				
- Additions to property and equipment	153,041	-	-	153,041

Segment assets comprise primarily property and equipment, investment property, prepaid operating lease rentals, intangible assets, inventories, receivables and operating cash. They exclude deferred tax.

Segment liabilities comprise operating liabilities. They exclude tax and corporate borrowings.

Capital expenditure comprises additions to property and equipment and intangible assets.

7. EMPLOYEE BENEFITS EXPENSES

The following items are included within staff costs:

	2009 KShs'000	2008 KShs'000
Salaries and wages and employee benefits	71,508	77,250
Social security benefits	563	575
Retirement benefits costs	1,633	1,865
	73,704	79,690

The average number of people engaged at the end of the year was 234 (2008 – 231).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

8. NET FINANCE EXPENSE

	2009 KShs'000	2008 KShs'000
Foreign exchange gains	25,702	-
Interest expense on loans and bank overdraft	(66,638)	(12,941)
Foreign exchange losses	(12,660)	(14,248)
	(79,298)	(27,189)
Net finance expense	(53,596)	(27,189)

9. PROFIT/(LOSS) BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

Staff costs	73,704	79,690
Directors' emoluments - Fees	18,000	18,000
Depreciation on property and equipment	131,611	118,649
Intangible asset amortisation	-	310
Gain on disposal of property and equipment	(2,418)	(1,684)
Amortisation of prepaid operating lease rentals	254	254
Auditors' remuneration	2,200	2,200

10. INCOME TAX EXPENSE/(CREDIT)

Current tax at 30%	8,528	-
Overprovision in prior year	(1,318)	-
	7,210	-
Deferred tax charge/(credit) (Note 25)	3,636	(9,628)
Income tax expense/(credit)	10,846	(9,628)

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

	2009 KShs'000	2008 KShs'000
Accounting profit/(loss) before tax	25,916	(52,864)
Tax at the applicable tax rate of 30%	7,775	(15,859)
Over provision in prior year	(1,318)	-
Non-taxable income and non-deductible costs	4,389	6,231
Income tax expense/(credit)	10,846	(9,628)

11. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

	2009	2008
The basic and diluted profit/(loss) per share is based on:		
Basic and dilutive profit/(loss) after tax – in KShs'000	5,223	(44,003)
Number of ordinary shares in issue at year end	35,403,790	35,403,790
Basic and dilutive profit/(loss) per share (in KShs)	0.15	(1.24)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

12. DIVIDENDS PER SHARE

Dividend per share is calculated on proposed dividends of Nil (2008 – Nil) and on the number of shares in issue at the reporting date of 35,403,790 (2008 - 35,403,790).

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

13. PROPERTY AND EQUIPMENT

As at 31 December 2009 – Group:

	Freehold Land KShs '000	-----Leasehold----- buildings		Equipment KShs '000	Total KShs '000
		long term KShs '000	short term KShs '000		
Cost or valuation:					
At 1 January 2009	30	65,580	181,056	819,308	1,065,974
Additions	-	-	-	173,364	173,364
Disposals	-	-	-	(15,678)	(15,678)
Revaluation surplus	-	-	12,040	-	12,040
At 31 December 2009	30	65,580	193,096	976,994	1,235,700
Cost	30	34,180	46,536	976,994	1,057,740
Valuation	-	31,400	146,560	-	177,960
	30	65,580	193,096	976,994	1,235,700
Accumulated depreciation:					
At 1 January 2009	-	-	9,078	416,531	425,609
Charge for the year	-	-	4,274	127,337	131,611
Disposals	-	-	-	(15,678)	(15,678)
Depreciation written back on revaluation	-	-	(7,960)	-	(7,960)
At 31 December 2009	-	-	5,392	528,190	533,582
Net book value:					
At 31 December 2009	30	65,580	187,704	448,804	702,118

As at 31 December 2009 – Company:

	Freehold Land KShs '000	-----Leasehold----- buildings		Equipment KShs '000	Total KShs '000
		long term KShs '000	short term KShs '000		
Cost or valuation:					
At 1 January 2009	30	65,580	181,056	819,308	1,065,974
Additions	-	-	-	173,330	173,330
Disposals	-	-	-	(15,678)	(15,678)
Revaluation surplus	-	-	12,040	-	12,040
At 31 December 2009	30	65,580	193,096	976,960	1,235,666
Cost	30	34,180	46,536	976,960	1,057,706
Valuation	-	31,400	146,560	-	177,960
	30	65,580	193,096	976,960	1,235,666

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

13. PROPERTY AND EQUIPMENT (Continued)

As at 31 December 2009 – Company (continued)

	Freehold Land KShs '000	-----Leasehold----- buildings		Equipment KShs '000	Total KShs '000
		long term KShs '000	short term KShs '000		
Accumulated depreciation:					
At 1 January 2009	-	-	9,078	416,531	425,609
Charge for the year	-	-	4,274	127,337	131,611
Disposals	-	-	-	(15,678)	(15,678)
Depreciation written back on revaluation	-	-	(7,960)	-	(7,960)
At 31 December 2009	-	-	5,392	528,190	533,582
Net book value:					
At 31 December 2009	30	65,580	187,704	448,770	702,084

As at 31 December 2008 – Group and Company:

	Freehold Land KShs '000	-----Leasehold----- buildings		Equipment KShs '000	Total KShs '000
		long term KShs '000	short term KShs '000		
Cost or valuation:					
At 1 January 2008	30	65,580	181,056	688,308	934,974
Additions	-	-	-	153,041	153,041
Disposals	-	-	-	(22,041)	(22,041)
At 31 December 2008	30	65,580	181,056	819,308	1,065,974
Cost	30	34,180	46,536	819,308	900,054
Valuation	-	31,400	134,520	-	165,920
	30	65,580	181,056	819,308	1,065,974
Accumulated depreciation:					
At 1 January 2008	-	-	4,539	319,222	323,761
Charge for the year	-	-	4,539	114,110	118,649
Disposals	-	-	-	(16,801)	(16,801)
At 31 December 2008	-	-	9,078	416,531	425,609
Net book value:					
At 31 December 2008	30	65,580	171,978	402,777	640,365

Included in property and equipment are assets with a gross value of KShs 219,506,482 (2008 - KShs 158,911,004) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 42,403,326 (2008 - KShs 29,398,535).

Included in property and equipment are motor vehicles with a net book value of KShs 232,895,983 (2008 - KShs 133,240,457) which was purchased through a hire purchase facility as disclosed in Note 24.

The company's buildings were valued by independent professional valuers on an open market basis as at 31 December 2009. The book values of the properties were adjusted to the revalued amounts, and the resulting surplus, net of deferred tax, was credited to revaluation reserves.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

13. PROPERTY AND EQUIPMENT (Continued)

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

	2009 KShs'000	2008 KShs'000
Cost	80,716	80,716
Accumulated depreciation	(34,671)	(30,110)
Net book value	46,045	50,606

14. INVESTMENT PROPERTY

Group

Investment property	394,723	488,136
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The movement in investment property during the year is as follows:

At 1 January	488,136	-
Acquisition of investment property	-	315,180
Effects of exchange rate fluctuation on share holders loan	-	79,078
Fair value changes on acquisition	(93,413)	93,878
	394,723	488,136

Investment property relates to investment in building through Aviation Warehouse International Limited. The investment property is carried at its fair value as determined based on rental cash flows and benchmarks with professional valuation of the property.

15. PREPAID OPERATING LEASE RENTALS

Group and Company

	2009 KShs'000	2008 KShs'000
Carrying amount of leasehold land as at 1 January	7,744	7,998
Amortisation for the year	(254)	(254)
Balance as at 31 December	7,490	7,744

The company's prepaid operating lease rentals consist of land in Nairobi and Mombasa. The land was revalued by professional valuers at 31 December 2009 to a value of KShs 245 million. The revaluation surplus has not been taken into account since the company policy is to account for leasehold land at cost less accumulated amortisation.

16. ADVANCES TO RELATED COMPANY

	2009 KShs'000	2008 KShs'000
Company		
Advances to related company	160,240	189,539

Advances to related company relates to a Kenya shilling denominated loan advanced by Express Kenya Limited to Aviation Warehouse International Limited to facilitate the purchase of the investment property at an interest rate of 9% per annum.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

17. INVESTMENT IN SUBSIDIARIES

Company

The significant subsidiary undertakings are:

	Country	Ownership	2009 KShs'000	2008 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
Aviation Warehouse International Limited	Kenya	49%	46,490	46,490
Total investment in subsidiaries			53,981	53,981

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

Aviation Warehouse International Limited is jointly owned by Express Kenya Limited and a director of the company. The entity is consolidated based on common directorship and operating control by a director in both companies. The interest of the company was acquired on 26 April 2008, but the operations of the entity commenced in 2009 and goodwill accounted for in this year.

The acquisition had the following effects on the group assets and liabilities at the acquisition date.

	Pre-acquisition Carrying amount KShs'000	Fair value adjustment KShs'000	Recognised value KShs'000
Investment property	315,180	93,878	409,058
Shareholders loan	(315,180)	-	(315,180)
Net identifiable assets and liabilities	-	93,878	93,878

Group share of net identifiable assets and liabilities:

Good will	46,000
Consideration paid	46,490

The purchase of the 49% interest in Aviation Warehouse International Limited was based on the directors' valuation of the investment property owned by the company. The interest was purchased from a director of the company. The directors of Aviation Warehouse International Limited have also revalued the investment at the end of the financial year 2009 based on rental cash flows and this benchmarks to professional valuations.

Goodwill is attributable to cash generating units (CGU), Aviation Warehouse International Limited. The recoverable amount has been determined on a value in use basis using rental income cash flows.

18. INVENTORIES

Group and company	2009 KShs'000	2008 KShs'000
General stocks at cost	8,872	12,374

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Trade receivables	157,598	138,129	157,294	138,126
Amounts due from related companies (Note 29(e))	19,693	17,694	18,332	17,696
Other receivables	14,092	41,293	13,992	31,522
	191,383	197,116	189,618	187,344
Less: impairment losses	(60,531)	(45,709)	(60,531)	(45,709)
	130,852	151,407	129,087	141,635

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

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Cash on hand	2,254	1,356	1,631	691
Bank overdraft (Note 26)	(160,033)	(256,236)	(160,033)	(256,236)
	(157,779)	(254,880)	(158,402)	255,545

21. SHARE CAPITAL

	2009 KShs'000		2008 KShs'000	
	Authorised 43,200,000 Ordinary shares of KShs 5 each	216,000	216,000	216,000
Issued and fully paid	Number of shares (In thousands)		Value of shares	
	2009	2008	2009 KShs'000	2008 KShs'000
At 31 December	35,404	35,404	177,018	177,018

22. RESERVES

The reserves comprise of the following:

(a) Share premium

These reserves arose at a time when the shares of the company were issued at a price higher than the nominal (par) value.

(b) Revaluation reserve

Revaluation reserves relate to surplus arising on revaluation of the Group's buildings net of deferred income tax and are non-distributable.

(c) Retained earnings

This reserve relates to the aggregate of profits and losses accumulated over the years the company has been in operation.

Notes to the Consolidated Financial Statements

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23. LOANS AND BORROWINGS

	Group		Company	
	2009	2008	2009	2008
Current				
Advances from a director (Note 29(h))	21,293	61,595	21,293	61,595
Bank borrowings	51,048	-	-	-
	72,341	61,595	21,293	61,595
Non current				
Advances from a director (Note 29(h))	95,722	205,433	-	-
Bank borrowings	68,952	-	-	-
	164,674	205,433	-	-

The current portion of advances from a director relates to a loan advanced to Express Kenya Limited by a director of the company at an interest rate of 6.0% per annum. The loan is payable by 31 December 2010.

The non-current portion of advances from a director relates to loan advanced to Aviation Warehouse International Limited by a director of the company to finance the purchase of investment property. The loan was advanced at an interest rate of 9% per annum.

Bank borrowings are secured by a legal charge over property L.R No 102721. The rate of interest applicable on the borrowings is 16%

24. FINANCE LEASE PAYABLE

The Company has a hire purchase facility of KShs 310 million at an interest rate of 8.4% per annum with National Industrial Credit Bank Limited and Commercial Bank Of Africa Limited. The facility is repayable within a period of 3 to 5 years. The hire purchase facility meets the criteria for classification as a finance lease under International Accounting Standard 17 (Leases). The facility is used to finance the purchase of trucks/vehicles.

The net carrying amount of finance lease payables as at 31 December 2009 was KShs 310 million (2008 - KShs 128million)

Future principal payments under the finance lease:

	2009	2008
	KShs '000	KShs '000
Within one year	187,655	48,374
More than one year and not later than five years	121,920	79,863
Total	309,575	128,237

The leases are secured by the log books of the motor vehicles purchased.

Notes to the Consolidated Financial Statements

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25. DEFERRED TAX

(a) Group

Year ended 31 December 2009

Movements during the year are as follows:

	At 01.01.2009 KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	At 31.12.2009 KShs'000
Arising from:				
Property and equipment	80,297	3,876	-	84,173
Tax losses carried forward	(1,299)	1,299	-	-
Revaluation surplus	24,266	-	6,000	30,266
Provisions	(5,306)	(6,597)	-	(11,903)
Unrealised exchange gains	(4,275)	5,058	-	783
	93,683	3,636	6,000	103,319

Year ended 31 December 2008

Movements during the year are as follows:

	At 01.01.2008 KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	At 31.12.2008 KShs'000
Arising from:				
Property and equipment	77,977	2,320	-	80,297
Tax losses carried forward	-	(1,299)	-	(1,299)
Revaluation surplus	24,628	-	(362)	24,266
Provisions	(2,691)	(2,615)	-	(5,306)
Unrealised exchange gains	3,759	(8,034)	-	(4,275)
	103,673	(9,628)	(362)	93,683

(b) Company

Year ended 31 December 2009

Movements during the year are as follows:

	At 01.01.2009 KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	At 31.12.2009 KShs'000
Arising from:				
Property and equipment	80,297	3,876	-	84,173
Tax losses carried forward	(1,299)	1,299	-	-
Revaluation surplus	24,266	-	6,000	30,266
Provisions	(5,306)	(6,597)	-	(11,903)
Unrealised exchange gains	(4,275)	5,058	-	783
	93,683	3,636	6,000	103,319

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

25. DEFERRED TAX (Continued)

(b) Company (continued)

Year ended 31 December 2008

Movements during the year are as follows:

	At 01.01.2008 KShs'000	Recognised in income KShs'000	Recognised in equity KShs'000	At 31.12.2008 KShs'000
Arising from:				
Property and equipment	77,977	2,320	-	80,297
Tax losses carried forward	-	(1,299)	-	(1,299)
Revaluation surplus	24,627	-	(361)	24,266
Provisions	(2,691)	(2,615)	-	(5,306)
Unrealised exchange gains	3,759	(8,034)	-	(4,275)
	103,672	(9,628)	(361)	93,683

26. BANK OVERDRAFT – Group and Company

	2009 KShs'000	2008 KShs'000
Bank overdraft	160,033	256,236

The bank overdraft facilities have been secured by debentures issued by the company over all its assets for KShs 200,000,000 and supplemented by legal charge over LR 12596/1 and LR No Mombasa/Block1/335 of KShs 150,000,000 and KShs 70,000,000 respectively.

The overdraft interest rate averaged at 14.5% per annum for the Kenya shilling facility and 30 day LIBOR plus a margin of 3% for the dollar facility. These amounts are repayable on demand.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Trade payables	66,678	80,705	51,358	79,788
Amounts due to related companies (Note 29(f))	614	10,682	614	10,742
Dividends payable	-	11,027	-	11,027
Other payables and accrued expenses	14,429	40,920	29,312	40,920
	81,721	143,334	81,284	142,477

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

28. CONTINGENT LIABILITIES

Group and Company

	2009 KShs'000	2008 KShs'000
Claims, guarantees and discounted bills	74,436	87,649

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 690,850,000 (2008 – KShs 702,100,000) out of which KShs 52,308,197 was utilised as at 31 December 2009 (2008 – KShs 222,610,272). No material losses are expected to arise from these bonds.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

29. RELATED PARTY TRANSACTIONS

The ultimate holding company is Etcoville Holdings Limited incorporated in Kenya. There are other companies that are related to Express Kenya Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

	2009 KShs'000	2008 KShs'000
(a) Due from group companies		
Aviation Warehouse International Limited	-	6,352
(b) Due to group companies		
Express Mombasa Limited	15,917	33,982
(c) Sale of services to related parties		
Dunlop Industries Limited	7,857	4,127
Flowerwings Kenya Limited	123	39
Priority Motors Limited	16,007	-
Truck Mart East Africa Ltd	77,912	-
	101,899	4,166
(d) Purchases of property and equipment and other services from related parties		
	2009 KShs'000	2008 KShs'000
Priority Motors Limited	96,289	58,690
Flowerwings Kenya Limited	31,316	5,345
Truck Mart East Africa Ltd	82,398	53,600
	210,003	117,635
Purchases from related parties were made at normal commercial terms and conditions similar to those offered to third parties.		
(e) Outstanding balances included in receivables		
	2009 KShs'000	2008 KShs'000
Group		
Truck Mart East Africa Ltd	14,064	17,367
Priority Suppliers Limited	68	2,933
Etcoville Holdings Limited	1,137	134
Etcoville Investment Limited	153	424
Dunlop Industries Limited	278	(4,337)
Flowerwings Kenya Limited	23	806
Flowerwings Kenya Limited	-	(2,781)
Staff loans	3,970	3,148
	19,693	17,694
Company		
Truck Mart East Africa Ltd	12,703	17,369
Priority Suppliers Limited	68	2,933
Etcoville Holdings Limited	1,137	134
Etcoville Investment Limited	153	424
Dunlop Industries Limited	278	(4,337)
Flowerwings Kenya Limited	23	806
Flowerwings Kenya Limited	-	(2,781)
Staff loans	3,970	3,148
	18,332	17,696

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

29. RELATED PARTY TRANSACTIONS (Continued)

(f) Outstanding balances arising from purchases of goods and services included in payables

	2009 KShs'000	2008 KShs'000
Group		
Truck Mart East Africa Ltd	87	9,660
Priority Suppliers Limited	-	1,022
Flowerwings Kenya Limited	527	-
	614	10,682
Company		
Truck Mart East Africa Ltd	87	9,720
Priority Suppliers Limited	-	1,022
Flowerwings Kenya Limited	527	-
	614	10,742

(g) Advances to related company

Aviation Warehouse International Limited	160,240	189,539
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(h) Advances from a director

Current		
Advances from a director (Note 23)	21,293	61,595
Non current		
Advances from a director (Note 23)	95,722	205,433

(i) Key management compensation

Salaries and short term benefits	6,393	7,445
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Key management compensation relate to salary and benefits paid to executive directors.

(j) Directors' remuneration

Directors' fees	18,000	18,000
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30. OPERATING LEASES RENTALS

Group and company

Tenancy payable

Less than 1 year	2,376	2,350
Amounts charged to statement of comprehensive income in respect of operating leases	2,376	2,350

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

31. FINANCIAL INSTRUMENTS

(a) Credit risk

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

	2009	2008
	KShs'000	KShs'000
Trade and other receivables	191,383	197,116
Impairment losses	(60,531)	(45,709)
	130,852	151,407

The aging of trade and other receivables at the reporting date was:

Not past due	69,547	76,956
Past due 0 – 30 days	29,651	26,650
Past due 31 – 90 days	16,634	7,811
Past due 91 and above	75,551	85,699
	191,383	197,116

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

	2009	2008
	KShs'000	KShs'000
Balance at 1 January	45,709	32,209
Impairment loss recognised in the year	14,822	13,500
	60,531	45,709

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2009 to the contractual maturity date.

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

As at 31 December 2009

	Effective Interest rate	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
LIABILITIES							
Finance lease payable	8.40%	-	59,676	127,979	121,920	-	309,575
Loans and borrowings	8.38%	-	-	72,341	164,674	-	237,015
Bank overdraft - USD	5.20%	-	-	120,218	-	-	120,218
Bank overdraft - KShs	14.50%	-	-	39,815	-	-	39,815
Trade and other payables	-	81,721	-	-	-	-	81,721
Total liabilities		81,721	59,676	360,353	286,594		788,344
Net Liquidity Gap - 2009		(81,721)	(59,676)	(360,353)	(286,594)		(788,344)

As at 31 December 2008

	Effective interest rate	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
LIABILITIES							
Finance lease payable	8.00%	-	12,093	36,281	79,863	-	128,237
Loans and borrowings	6.00%	-	15,399	46,196	205,433	-	267,028
Bank overdraft - USD	8.28%	-	-	233,869	-	-	233,869
Bank overdraft - KShs	14.50%	-	-	22,367	-	-	22,367
Trade and other payables		143,334	-	-	-	-	143,334
Total liabilities		143,334	27,492	338,713	285,296		794,835
Net Liquidity Gap - 2008		(143,334)	(27,492)	(338,713)	(285,296)		(794,835)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk

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

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

As at 31 December 2009

	USD	GBP	Other	Total
ASSETS				
Trade and other receivables	10,206	-	-	10,206
At 31 December 2008	10,206	-	-	10,206
LIABILITIES				
Finance lease payable	102,913	-	-	102,913
Trade and other payables	5,029	-	1,257	6,286
Bank overdraft	120,218	-	-	120,218
At 31 December 2009	228,160	-	1,257	229,417
Statement of financial position - 2009	(217,954)	-	(1,257)	(219,211)

As at 31 December 2008

	USD	GBP	Other	Total
ASSETS				
Trade and other receivables	7,579	-	-	7,579
At 31 December 2008	7,579	-	-	7,579
LIABILITIES				
Trade and other payables	5,190	-	-	5,190
Bank overdraft	233,869	-	-	233,869
At 31 December 2008	239,059	-	-	239,059
Statement of financial position - 2008	(231,480)	-	-	(231,480)

The following exchange rates were applied during the year:

Effect in Kenya shillings thousands (Kshs'000)

	Average rate		Closing rates	
	2009	2008	2009	2008
US Dollar	77.05	69.82	75.82	77.711
Sterling Pound	121.07	134.61	121.89	112.34

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (Continued)

(c) Currency risk (continued)

Sensitivity analysis

A 10 percent strengthening of the Shilling against the following currencies at 31 December would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2008.

Effect in Kenya shillings thousands (Kshs'000)

As at 31 December	Profit or loss	
	2009	2008
US Dollar	21,921	23,148

A 10 percent weakening of the Shilling against the above currencies at 31 December 2009 would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk

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

As at 31 December 2009:

	Effective interest rate %	On demand KShs'000	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Over 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS								
Trade and other receivables	-	-	-	-	-	-	130,852	130,852
Cash and bank balances	-	-	-	-	-	-	2,254	2,254
At 31 December 2009		-	-	-	-	-	133,106	133,106
EQUITY AND LIABILITIES								
Finance lease payable	8.40%	-	59,676	127,979	121,920	-	-	309,575
Loans and borrowings	8.38%	-	-	72,341	164,674	-	-	237,015
Bank overdraft-US dollar	5.20%	-	-	120,218	-	-	-	120,218
Bank overdraft-Kenya shilling	14.50%	-	-	39,815	-	-	-	39,815
Trade and other payables	-	-	-	-	-	-	81,721	81,721
At 31 December 2009		-	59,676	360,353	286,594	-	81,721	788,344
Interest rate sensitivity - 2009		-	(59,676)	(360,353)	(286,594)	-	51,385	(655,238)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

As at 31 December 2008:

	Effective interest rate %	On demand KShs'000	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Over 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS								
Trade and other receivables	-	-	-	-	-	-	151,407	151,407
Cash and bank balances	-	-	-	-	-	-	1,356	1,356
At 31 December 2008		-	-	-	-	-	152,763	152,763
EQUITY AND LIABILITIES								
Loans and borrowings	6.00%	-	15,399	46,196	205,433	-	-	267,028
Finance lease payable	8.00%	-	12,093	36,281	79,863	-	-	128,237
Bank overdraft-US dollar	8.28%	-	-	233,869	-	-	-	233,869
Bank overdraft-Kenya shilling	14.50%	-	-	22,367	-	-	-	22,367
Trade and other payables	-	-	-	-	-	-	143,334	143,334
At 31 December 2008		-	27,492	338,713	285,296	-	143,334	794,835
Interest rate sensitivity - 2008		-	(27,492)	(338,713)	(285,296)	-	9,429	(642,072)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (Continued)

(e) Sensitivity analysis

Sensitivity analysis on interest rates

An increase of 1 percentage point in interest rates at the reporting date would have increased/ (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2008.

Effect in Kenya Shillings thousands (KShs'000)

	Profit or loss	
	2009	2008
Loans and borrowings	(432)	(65)
Bank overdraft-USD & KShs	(234)	(64)

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

(f) Fair value

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

Group:

2009	Other liabilities KShs'000	Loans and receivables KShs'000	Available for sale KShs'000	Held to maturity KShs'000	Total carrying value KShs'000	Fair value KShs'000
Financial assets						
Trade and other receivables	-	130,852	-	-	130,852	130,852
Cash and bank balances	-	2,254	-	-	2,254	2,254
	-	133,106	-	-	133,106	133,106
Financial liabilities						
Trade and other payables	81,721	-	-	-	81,721	81,721
Loans and borrowings	237,015	-	-	-	237,015	237,015
Finance lease payable	309,575	-	-	-	309,575	309,575
Bank overdraft	160,033	-	-	-	160,033	160,033
	788,344	-	-	-	788,344	788,344

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (Continued)

(f) Fair value (continued)

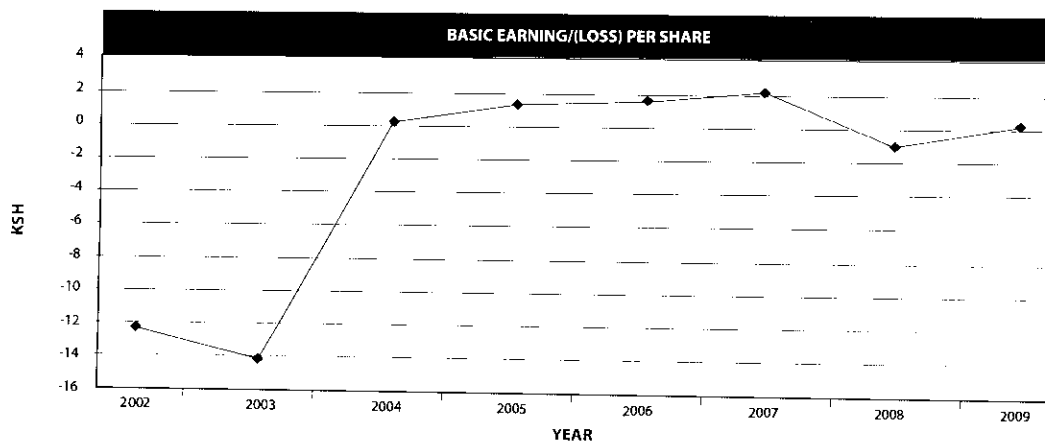
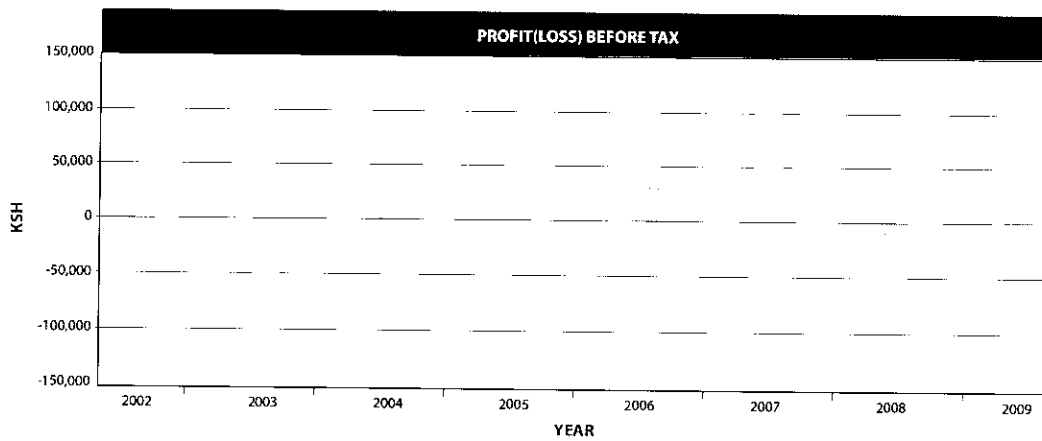
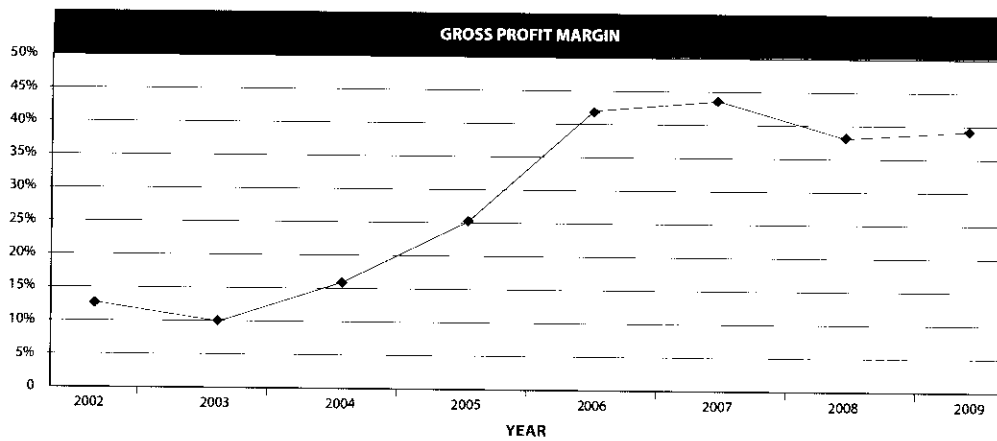
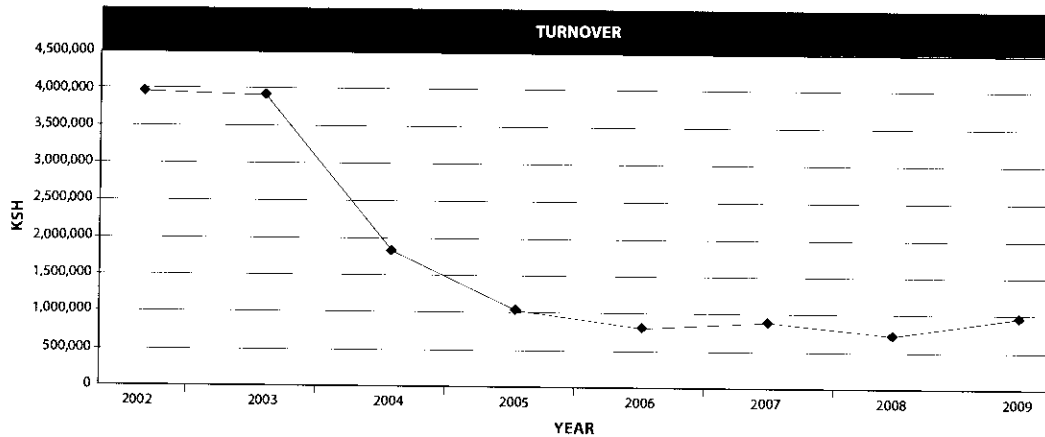
2008	Other liabilities KShs '000	Loans and receivables KShs '000	Available for sale KShs '000	Held to maturity KShs '000	Total carrying value KShs '000	Fair value KShs '000
Financial assets						
Trade and other receivables	-	151,407	-	-	151,407	151,407
Cash and bank balances	-	1,356	-	-	1,356	1,356
	-	152,763	-	-	152,763	152,763
Financial liabilities						
Trade and other payables	143,334	-	-	-	143,334	143,334
Loans and borrowings	267,028	-	-	-	267,028	267,028
Finance lease payable	128,237	-	-	-	128,237	128,237
Bank overdraft	256,236	-	-	-	256,236	256,236
	794,835	-	-	-	794,835	794,835

List of 20 Major Shareholders

as at 31 December 2009

Name	Number of Shares	Percentage
Etcoville Holdings Limited	21,392,898	60.43
Barclays (Kenya) Nominees Ltd A/C 9193	1,490,754	4.21
Paul Wanderi Ndungu	1,297,286	3.66
Stanbic Nominees Kenya Ltd A/C R48701	600,549	1.70
Vijay Kantaria	348,042	0.98
Alnashir Abdul Karim Chaturbhai Popat	237,600	0.67
Patrick Kariuki & Agnes Ndung'u Karinge	170,800	0.48
Jonathan Harry Erskine Leakey	169,122	0.48
CFCFS Nominees Ltd A/C 102	150,000	0.42
Japheth Mulinge Mukumbu	149,900	0.42
Fechim Investment	129,056	0.36
Lavington Securi	125,498	0.35
Macharia Migwi	110,000	0.31
CFCFS Nominees Ltd A/C Hdz	107,000	0.30
Kotecha Kishorch	97,597	0.28
Robinson Ngigi Goco	96,007	0.27
Josephat Kimata Mukui	92,331	0.26
Sherry Blue Prop	85,000	0.24
Dyer and Blair Investment Bank Ltd.	74,400	0.21
Daniel Karanja Ndungu	60,556	0.17
Total Shares	26,984,396	76.22
Total Holders	4,267	
Total Shares For Remaining 4247 Shareholders	8,419,394	23.78
Grand Total	35,403,790	100.00

Financial Highlights



Proxy Form

I/We _____
of _____
being a member(s) of the above named company hereby appoint _____
of _____
or failing him _____
of _____
to vote for me/us/ on my/our behalf at 39th Annual General Meeting of the said company to be held at Norfolk Hotel
and at any adjournment thereof.

signed this _____ day of _____ 2010

signature _____

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

N.B. This proxy must be deposited at the Registered Office of the Company, P.O. Box 40433 - 00100, Ectoville, Off Enterprise Road, Nairobi at least 48 hours 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 39 wa Kampuni hii utakaofanywa Norfolk Hotel na katika mkutano wowote utakaoahirishwa.

Imetiwa sahihi leo _____ siku ya _____ 2010

Sahihi _____

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

TAZAMA: Fomu hii ya Uwakilishi lazima kufikishwa katika Afisi ya Kampuni hii, Sanduku la Posta 40433 - 00100, Ectoville, karibu na Enterprise Road, Nairobi katika muda usiopungua masaa 48 kabla ya mkutano kufanyika.

STAMP

The Company Secretary
Express Kenya Limited
P.O. Box 40433-00100, Nairobi-Kenya