EXPRESS KENYA LIMITED

GROUP REPORT AND FINANCIAL STATEMENTS

AT

31 DECEMBER 2010

EXPRESS KENYA LIMITED

DIRECTORS, OFFICERS AND ADMINISTRATION
FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS

Dr CW Obura (Chairman)
Hector Diniz
Pinhas Moscovich*
Kajal Thakker

* Israeli

COMPANY SECRETARY

Equatorial Secretaries and Registrars
Kalamu Road
Waiyaki Way
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
Lonrho House, 16th Floor
PO Box 40612
00100 Nairobi GPO

EXPRESS KENYA LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2010.

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 6.

3. Dividend

The directors do not recommend the payment of a dividend (2009 – Nil).

4. Directors

The directors who served during the year are set out on page 1.

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 29 April 2011.

BY ORDER OF THE BOARD

Secretary

Date: 29 April 2011

EXPRESS KENYA LIMITED

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 6 to 46 which comprise the Group and Company statement of financial position at 31 December 2010, and the Group and Company statement of comprehensive income, Group and Company statement of changes in equity and Group statement of the cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibilities include: determining that the basis of accounting described in Note 3 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 29 April 2011 and were signed on its behalf by:

______________________________ ______________________________

Director Director

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 6 to 46 which comprise the statement of financial position of the group and the company at 31 December 2010, and the group's statement of comprehensive income, Group and Company statement of changes in equity and Group 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 company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Kenya and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2010, 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 OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EXPRESS KENYA LIMITED (CONTINUED)

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3 to the financial statements which indicates the basis on which the financial statements have been prepared on a going concern basis.

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.

Date: 29 April 2011

EXPRESS KENYA LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 KShs '000	2009 KShs '000
Revenue		**856,512**	**892,928**
Cost of sales		(484,586)	(500,610)
Gross profit		**371,926**	**392,318**
Gain on disposal of property and equipment		6,400	2,418
Fair value changes on investment property		(29,123)	-
Operating and administrative expenses		(178,981)	(183,613)
Depreciation		(84,442)	(131,611)
Profit from operations		**85,180**	**79,512**
Finance income	9	17,942	25,702
Finance expense	9	(117,991)	(79,298)
Net financing expense		(100,049)	(53,596)
Profit before income tax	10	(14,869)	**25,916**
Income tax expense	11	(13,222)	(10,846)
(Loss)/profit for the year		**(28,091)**	**15,070**
Other comprehensive income			
Fair value changes on investment property		-	(48,308)
Revaluation surplus on buildings		-	20,000
Deferred tax on revaluation surplus		-	(6,000)
Deferred tax on excess depreciation transfer		-	(415)
Total other comprehensive income/(loss)		**-**	**(34,723)**
(Loss)/profit attributable to:			
Equity holders of the company		(5,391)	18,808
Non-controlling interest		(22,700)	(38,461)
Total comprehensive income for the year		**(28,091)**	**(19,653)**
Basic and diluted earnings/(loss) per share	12	**KShs (0.15)**	**KShs 0.15**
Dividend per share	13	**KShs -**	**KShs -**

The notes set out on pages 11 to 46 form an integral part of these financial statements.

EXPRESS KENYA LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

		Group		Company	
		2010	2009	2010	2009
ASSETS	**Note**	**KShs '000**	**KShs '000**	**KShs '000**	**KShs '000**
Non current assets					
Property and equipment	14	744,381	702,118	744,351	702,084
Investment property	15	365,000	394,723	-	-
Prepaid operating lease rentals	16	7,236	7,490	7,236	7,490
Advances to relate company	17	-	-	154,000	160,240
Investment in subsidiaries	18	-	-	53,981	53,981
Goodwill	18	46,000	46,000	-	-
Total non-current assets		**1,162,617**	**1,150,331**	**959,568**	**923,795**
Current assets					
Inventories	19	2,418	8,872	2,418	8,872
Trade and other receivables	20	148,006	130,852	147,848	129,087
Current tax asset	30(a)	22,709	11,807	22,484	11,582
Cash and cash equivalents		5,948	2,254	5,336	1,631
Total current assets		**179,082**	**153,785**	**178,086**	**151,172**
TOTAL ASSETS		**1,341,698**	**1,304,116**	**1,137,654**	**1,074,967**
EQUITY AND LIABILITIES					
Capital and reserves (Pages 9 & 10)					
Share capital	22	177,018	177,018	177,018	177,018
Share premium	23(a)	10,501	10,501	10,501	10,501
Revaluation reserves	23(b)	120,448	122,658	120,448	122,658
Retained earnings	23(c)	88,401	91,582	104,699	73,369
Total equity attributable to equity Owners of the company		396,368	401,759	412,666	383,546
Non- controlling interest (Page 9)		(12,006)	10,694	-	-
Total equity		**384,362**	**412,453**	**412,666**	**383,546**
Non current liabilities					
Loans and borrowings	24	183,700	164,674	-	-
Finance lease payable	25	97,155	121,920	97,155	121,920
Deferred tax liability	26	116,541	103,319	116,541	103,319
Total non current liabilities		**397,396**	**389,913**	**213,696**	**225,239**
Current liabilities					
Bank overdraft	27	240,011	160,033	240,011	160,033
Loans and borrowings	24	56,304	72,341	20,000	21,293
Finance lease payable	25	127,346	187,655	127,346	187,655
Due to group companies	30(b)	-	-	3,215	15,917
Trade and other payables	28	136,280	81,721	120,720	81,284
Total current liabilities		**559,941**	**501,750**	**511,292**	**466,182**
TOTAL EQUITY AND LIABILITIES		**1,341,698**	**1,304,116**	**1,137,654**	**1,074,967**

The financial statements on pages 6 to 46 were approved by the Board of Directors on 29 April 2011 and were signed on its behalf by:

Director: ____________________________ Director: ____________________________

The notes set out on pages 11 to 46 form an integral part of these financial statements

EXPRESS KENYA LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 KShs '000	2009 KShs '000
Cash flow from operating activities			
(Loss)/profit before tax		(14,869)	25,916
Adjustments for:			
Gain on disposal of property and equipment		(6,400)	(2,418)
Amortization of prepaid operating lease		254	254
Fair value changes on investment property		29,723	-
Depreciation on property and equipment		84,441	131,611
Interest expense		104,416	66,638
Operating profit before working capital changes		**197,565**	**222,001**
Decrease in inventories		6,454	3,502
(Increase)/decrease in trade and other receivables		(17,154)	20,555
Increase/(decrease) in trade and other payables		54,560	(61,613)
Cash generated from operations		**241,426**	**184,445**
Interest paid		(104,416)	(66,638)
Income tax paid		(10,903)	(225)
Net cash inflows from operating activities		**126,106**	**117,582**
Cash flow from investing activities			
Acquisition of property and equipment		(128,172)	(173,364)
Proceeds from disposal of property and equipment		7,868	2,418
Net cash outflows from investing activities		**(120,304)**	**(170,946)**
Cash flow from financing activities			
Repayment of finance lease obligation		(195,822)	(73,106)
Bank borrowings		21,714	120,000
Repayment of advances from a director		(18,726)	(150,873)
Advances from bank for finance lease		110,748	254,444
Net cash inflow from financing activities		**(82,086)**	**150,465**
Net (decrease)/increase in cash and cash equivalents		**(76,284)**	**97,101**
Cash and cash equivalent at 1 January		(157,779)	(254,880)
Change in the year		(76,284)	97,101
Cash and cash equivalents at 31 December	21	**(234,063)**	**(157,779)**

The notes set out on pages 11 to 46 form an integral part of these financial statements.

EXPRESS KENYA LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital KShs '000	Share premium KShs'000	Revaluation reserve KShs '000	Retained earnings KShs '000	Total KShs '000	Minority interest KShs '000	Total equity KShs '000
Balance at 1 January 2009	177,018	10,501	111,283	84,149	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)	-	(6000)	-	(6000)
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**	**122,658**	**91,582**	**401,759**	**10,694**	**412,453**
Total comprehensive income for the year							
Loss for the year	-	-	-	(5,391)	(5,391)	(22,700)	(28,091)
Other comprehensive income							
Excess depreciation transfer	-	-	(3,157)	3,157	-	-	-
Deferred tax on excess depreciation transfer	-	-	532	(532)	-	-	-
Total other comprehensive income	**-**	**-**	**(2,210)**	**2,210**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**(2,210)**	**(3,181)**	**(5,391)**	**(22,700)**	**(28,091)**
Balance at 31 December 2010	**177,018**	**10,501**	**120,448**	**88,401**	**396,368**	**(12,006)**	**384,362**

The notes set out on pages 11 to 46 form an integral part of these financial statements.

EXPRESS KENYA LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital KShs '000	Share premium KShs'000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Total KShs '000
Balance at 1 January 2009	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)	-	(6000)
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**
Total comprehensive income for the year					
Profit for the year	-	-		29,120	29,120
Other comprehensive income					
Excess depreciation transfer	-	-	(3,157)	3,157	-
Deferred tax on excess depreciation transfer	-	-	947	(947)	-
Total other comprehensive income	**-**	**-**	**(2,210)**	**2,210**	**-**
Total comprehensive income for the year	**-**	**-**	**(2,210)**	**31,330**	**29,120**
Balance at 31 December 2010	**177,018**	**10,501**	**120,448**	**104,699**	**412,666**

The notes set out on pages 11 to 46 form an integral part of these financial statements.

EXPRESS KENYA LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010 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.

(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 5 – *Critical accounting estimates and judgements*.

2. **BASIS OF PREPARATION (Continued)**

(iv) Functional and presentation currency

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

3. **GOING CONCERN**

The group incurred a net loss after tax of KShs 28,091,000 (2009 – Profit of KShs 15,070,000) during the year ended 31 December 2010, and as of that date the group current liabilities exceeded current assets by KShs 380,859,000 (2009 – KShs 347,965,000).

Subsequent to year ended 31 December 2010, the group received communication from our main customer that the transport contract will be terminated in July 2011. The directors are currently negotiating with other customers for new business and we are optimistic that the company will remain in business for the foreseeable future.

Based on the above facts, the directors have prepared the financial statements on a going concern basis.

4. **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.

(a) Basis of consolidation (continued)

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 profit or loss.

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.

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 profit or loss 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.

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 profit or loss during the financial period in which they are incurred.

(f) Property and equipment (continued)

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 against the revaluation reserve. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) 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.

(h) Intangible assets (continued)

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 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.

(k) Recognition and measurement of financial instruments (continued)

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.

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.

(k) Recognition and measurement of financial instruments (continued)

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.
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.

(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.

(m) Impairment of assets (continued)

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 specifics to the liability.

(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 2010, and have not been applied in preparing these consolidated financial statements as follows:

- 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.

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

- 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.

5. 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 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.

(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

6. 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

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.

(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.

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management

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

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

7. 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 2010	Transport KShs '000	Freight KShs'000	Others KShs'000	Total KShs'000
Revenue	624,794	83,898	147,820	856,512
Cost of sales	(374,520)	(63,572)	(46,494)	(484,586)
Gross profit	**250,274**	**20,326**	**101,326**	**371,926**
Gain on disposal of property, and equipment				6,400
Operating and administrative expenses				(178,982)
Fair Value changes on investment property				(29,723)
Depreciation				(84,442)
Profit from operations				**85,180**
Finance income				17,942
Finance expense				(117,991)
Net financing expense				**(100,049)**
Loss before tax				**(14,869)**
Income tax expense				(13,222)
Loss for the year				**(28,091)**

7. SEGMENT INFORMATION (Continued)

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**

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

Year ended 31 December 2010	Transport KShs '000	Freight KShs'000	Others KShs'000	Total KShs'000
Depreciation	73,817	1,517	9,107	84,441
Amortisation of operating leases	-	-	254	254
Impairment of trade receivable	(12,599)	(741)	2,296	(11,044)
	61,218	**776**	**11,657**	**73,651**

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**

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

Year ended 31 December 2010	Transport KShs '000	Freight KShs'000	Others KShs'000	Total KShs'000
Assets	664,263	60,140	617,295	1,341,699
Liabilities	587,166	6,814	246,816	840,796
Capital expenditure:				
- Additions to property and equipment	127,551	-	621	128,172

7. SEGMENT INFORMATION (Continued)

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

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.

8. EMPLOYEE BENEFITS EXPENSES

	2010 KShs'000	2009 KShs'000
The following items are included within staff costs:		
Salaries and wages and employee benefits	74,012	71,508
Social security benefits	529	563
Retirement benefits costs	1,456	1,633
	75,997	**73,704**

The average number of people engaged at the end of the year was 220 (2009 – 234).

9. NET FINANCE EXPENSE

	2010 KShs'000	2009 KShs'000
Interest income	14,047	-
Foreign exchange gains	3,895	25,702
Total finance income	**17,942**	**25,702**
Interest expense on loans and bank overdraft	(104,416)	(66,638)
Foreign exchange losses	(13,575)	(12,660)
	(117,991)	(79,298)
Net finance expense	**(100,049)**	**(53,596)**

10. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):	2010	2009
Staff costs	75,997	73,704
Directors' emoluments - Fees	18,000	18,000
Depreciation on property and equipment	84,441	131,611
Gain on disposal of property and equipment	(6,400)	(2,418)
Amortisation of prepaid operating lease rentals	254	254
Auditors' remuneration	2,350	2,200

11. INCOME TAX EXPENSE

	2010 KShs'000	2009 KShs'000
Current tax at 30%	-	8,528
Overprovision in prior year	-	(1,318)
	-	7,210
Deferred tax charge (Note 26)	13,222	3,636
Income tax expense	**13,222**	**10,846**

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

	2010 KShs'000	2009 KShs'000
Accounting (loss)/profit before tax	(14,869)	25,916
Tax at the applicable tax rate of 30%	(4,461)	7,775
Over provision in prior year	-	(1,318)
Non-taxable income and non-deductible costs	17,683	4,389
Income tax expense	**13,222**	**10,846**

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

The basic and diluted (loss)/profit per share is based on:	2010	2009
(Loss)/profit for the year attributable to ordinary shareholders – in KShs'000	**(5,391)**	**5,223**
Number of ordinary shares in issue at year end	**35,403,790**	**35,403,790**
Basic and dilutive (loss)/earnings per share (in KShs)	**(0.15)**	**0.15**

13. DIVIDENDS PER SHARE

Dividend per share is calculated on proposed dividends of Nil (2009 – Nil) and on the number of shares in issue at the reporting date of 35,403,790 (2009 - 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.

14. PROPERTY AND EQUIPMENT

As at 31 December 2010 – Group:

	Freehold Land	--------Leasehold-------- buildings long term	short term	Equipment	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Cost or valuation:					
At 1 January 2010	30	65,580	193,096	976,994	1,235,700
Additions	-	-	338	127,834	128,172
Disposals	-	-	-	(53,708)	(53,708)
At 31 December 2010	30	65,580	193,434	1,051,120	1,310,164
Cost	30	34,180	46,874	1,051,120	1,132,204
Valuation		31,400	146,560	-	177,960
	30	65,580	193,434	1,051,120	1,310,124
Accumulated depreciation:					
At 1 January 2010	-	-	5,392	528,190	533,582
Charge for the year			4,801	79,640	84,441
Disposals	-	-	-	(52,240)	(52,240)
At 31 December 2010	-	-	10,193	555,590	565,783
Net book value:					
At 31 December 2010	**30**	**65,580**	**183,241**	**495,530**	**744,381**

As at 31 December 2010 – Company:

	Freehold Land	Leasehold buildings long term	short term	Equipment	Total
Cost or valuation:					
At 1 January 2010	30	65,580	193,096	976,960	1,235,666
Additions	-	-	338	127,834	128,172
Disposals	-	-	-	(53,708)	(53,708)
At 31 December 2010	30	65,580	193,434	1,051,086	1,310,130
Cost	30	34,180	46,874	1,051,086	1,132,170
Valuation	-	31,400	146,560	-	177,960
	30	**65,580**	**193,434**	**1,051,086**	**1,310,130**
Accumulated depreciation:					
At 1 January 2010	-	-	5,392	528,190	533,582
Charge for the year	-	-	4,797	79,640	84,437
Disposals	-	-	-	(52,240)	(52,240)
At 31 December 2010	-	-	10,189	555,590	565,779
Net book value:					
At 31 December 2010	**30**	**65,580**	**183,245**	**495,496**	**744,351**

14. PROPERTY AND EQUIPMENT (Continued)

As at 31 December 2009 – Group:

	Freehold Land	--------Leasehold-------- buildings long term	short term	Equipment	Total
	KShs '000	KShs '000	KShs '000	KShs '000	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	Leasehold buildings long term	short term	Equipment	Total
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**
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**

14. PROPERTY AND EQUIPMENT (Continued)

Included in property and equipment are assets with a gross value of KShs 281,877,953 (2009 - KShs 219,506,482) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs. 57,053,478 (2009 - KShs 42,403,326).

Included in property and equipment are motor vehicles with a net book value of KShs 285,643,719 (2009 - KShs 232,895,983) 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.

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

	2010 KShs'000	2009 KShs'000
Cost	80,716	80,716
Accumulated depreciation	(39,232)	(34,671)
Net book value	**41,484**	**46,045**

15. INVESTMENT PROPERTY

Group	2010 KShs'000	2009 KShs'000
Investment property	**365,000**	**394,723**

The movement in investment property during the year is as follows:

	2010	2009
At 1 January	394,723	488,136
Fair value changes on acquisition	(29,723)	(93,413)
	365,000	**394,723**

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.

16. PREPAID OPERATING LEASE RENTALS

Group and Company	2010 KShs '000	2009 KShs '000
Carrying amount of leasehold land as at 1 January	7,490	7,744
Amortisation for the year	(254)	(254)
Balance as at 31 December	**7,236**	**7,490**

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.

17. ADVANCES TO RELATED COMPANY

Company	2010 KShs'000	2009 KShs'000
Advances to related company	154,000	160,240

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.

18. INVESTMENT IN SUBSIDIARIES

Company

The significant subsidiary undertakings are:

	Country	Ownership	2010 KShs'000	2009 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.

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	(232,289)	(29,723)	(147,046)
Net identifiable assets and liabilities	82,891	64,155	147,046
Group share of net identifiable assets and liabilities:			
Good will		46,000	46,000
Consideration paid		46,490	46,490

18. INVESTMENT IN SUBSIDIARIES (Continued)

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.

19. INVENTORIES

Group and company	2010 KShs'000	2009 KShs'000
General stocks at cost	**2,418**	**8,872**

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
Trade receivables	170,981	157,598	170,823	157,294
Amounts due from related companies (Note 30(e))	20,464	19,693	20,464	18,332
Other receivables	6,840	14,092	6,840	13,992
	198,285	191,383	198,127	189,618
Less: impairment losses	(50,279)	(60,531)	(50,279)	(60,531)
	148,006	**130,852**	**147,848**	**129,087**

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

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
Cash on hand	5,948	2,254	5,336	1,631
Bank overdraft (Note 27)	(240,011)	(160,033)	(240,011)	(160,033)
	(234,063)	**(157,779)**	**(234,675)**	**(158,402)**

22. SHARE CAPITAL

	2010 KShs'000	2009 KShs'000
Authorised		
43,200,000 Ordinary shares of KShs 5 each	**216,000**	**216,000**

Issued and fully paid	Number of shares (In thousands)		Value of shares	
	2010	2009	2010 KShs'000	2009 KShs'000
At 31 December	**35,404**	**35,404**	**177,018**	**177,018**

23. 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.

24. LOANS AND BORROWINGS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Current				
Advances from a director (Note 30(h))	20,000	21,293	20,000	21,293
Bank borrowings	36,304	51,048	-	-
	56,304	**72,341**	**20,000**	**21,293**
Non current				
Advances from a director (Note 30(h))	78,289	95,722	-	-
Bank borrowings	105,411	68,952	-	-
	183,700	**164,674**	**-**	**-**

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 24.0% (2009 – 6.0%) per annum. The loan is payable by 31 December 2011.

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 9.0% (2009 – 9.0%) 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 16.0 % (2009 – 16.0%).

25. FINANCE LEASE PAYABLE

The Company has a hire purchase facility of KShs 240 million at an interest rate of 8.4% (2009 – 6.0%)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 2010 was KShs 224 million (2009 - KShs 310 million)

25. FINANCE LEASE PAYABLE (Continued)

Future principal payments under the finance lease:

	2010 KShs '000	2009 KShs '000
Within one year	127,346	187,655
More than one year and not later than five years	97,155	121,920
Total	**224,501**	**309,575**

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

26. DEFERRED TAX

Group and company

Year ended 31 December 2010

Movements during the year are as follows:

	At 01.01.2010 KShs'000	Recognised in income KShs'000	At 31.12.2010 KShs'000
Arising from:			
Property and equipment	84,173	22,398	106,571
Revaluation surplus	30,266	(4,945)	(4,945)
Provisions	(11,903)	(638)	30,266
Unrealised exchange gains	783	(3,593)	(2,810)
	103,319	**13,222**	**116,541**

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**

27. BANK OVERDRAFT – Group and Company

	2010 KShs '000	2009 KShs'000
Bank overdraft	240,011	160,033

The bank overdraft facilities have been secured by debentures issued by the company over all its assets for KShs 240,000,000 and supplemented by legal charge over LR 12596/1 and LR No Mombasa/Block1/335 of KShs 300,000,000 and KShs 90,000,000 respectively.

The overdraft interest rate averaged at 13.5% (2009 – 13.0%) per annum for the Kenya shilling facility and 30 day LIBOR plus a margin of 3.5% (2009 – 3.0%) for the dollar facility. These amounts are repayable on demand.

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
Trade payables	67,882	66,678	52,322	51,358
Amounts due to related companies (Note 30(f))	23,412	614	23,412	614
Other payables and accrued expenses	44,986	14,429	44,986	29,312
	136,280	81,721	120,720	81,284

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

29. CONTINGENT LIABILITIES

Group and Company	2010 KShs'000	2009 KShs'000
Claims, guarantees and discounted bills	81,864	74,436

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 410,850,000 (2009 – KShs 690,850,000) out of which KShs.54, 850,103was utilised as at 31 December 2010 (2009 – KShs 52,308,197). No material losses are expected to arise from these bonds.

30. 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:

	2010 KShs'000	2009 KShs'000
(a) Due from group companies		
Aviation Warehouse International Limited	9,240	-
(b) Due to group companies		
Express Mombasa Limited	477	15,917

30. RELATED PARTY TRANSACTIONS (Continued)

(c) Sale of services to related parties

	2010 KShs'000	2009 KShs'000
Dunlop Industries Limited	272	7,857
Flowerwings Kenya Limited	71	123
Priority Motors Limited	131	16,007
Truck Mart East Africa Ltd	100,993	77,912
	101,467	**101,899**

(d) Purchases of property and equipment and other services from related parties

	2010 KShs'000	2009 KShs'000
Priority Motors Limited	8,850	96,289
Flowerwings Kenya Limited	56,948	31,316
Diniz Holdings	53,852	-
Truck Mart East Africa Ltd	137,628	82,398
	257,278	**210,003**

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

	2010 KShs'000	2009 KShs'000
Group		
Truck Mart East Africa Ltd	16,115	14,064
Priority Suppliers Limited	131	68
Etcoville Holdings Limited	1,185	1,137
Etcoville Investment Limited	200	153
Dunlop Industries Limited	54	278
Flowerwings Kenya Limited	-	23
Staff loans	2,779	3,970
	20,464	**19,693**
Company		
Truck Mart East Africa Ltd	16,115	12,703
Priority Suppliers Limited	131	68
Etcoville Holdings Limited	1,185	1,137
Etcoville Investment Limited	200	153
Dunlop Industries Limited	54	278
Staff loans	2,779	3,970
	20,464	**18,332**

30. RELATED PARTY TRANSACTIONS (Continued)

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

	2010 KShs'000	2009 KShs'000
Group		
Truck Mart East Africa Ltd	15,334	87
Priority Suppliers Limited	-	-
Diniz Holdings	8,303	
Flowerwings Kenya Limited	(225)	527
	23,412	**614**
Company		
Truck Mart East Africa Ltd	15,334	87
Priority Suppliers Limited	-	-
Diniz Holdings	8,303	
Flowerwings Kenya Limited	(225)	527
	23,412	**614**

(g) Advances to related company

	2010	2009
Aviation Warehouse International Limited	**154,000**	**160,240**

(h) Advances from a director

	2010	2009
Current		
Advances from a director (Note 24)	**20,000**	**21,293**
Non current		
Advances from a director (Note 24)	**78,289**	**95,722**

(i) Key management compensation

	2010	2009
Salaries and short term benefits	**6,937**	**6,393**

Key management compensation relate to salary and benefits paid to executive directors.

(j) Directors' remuneration

	2010 KShs'000	2009 KShs'000
Directors' fees	**18,000**	**18,000**

31. OPERATING LEASES RENTALS

Group and company

	2010	2009
Tenancy payable		
Less than 1 year	**594**	**2,376**
Amounts charged to statement of comprehensive income in respect of operating leases	**594**	**2,376**

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.

32. 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:

	2010 KShs'000	2009 KShs'000
Trade and other receivables	198,285	191,383
Impairment losses	(50,279)	(60,531)
	148,006	**130,852**

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

	2010 KShs'000	2009 KShs'000
Not past due	70,211	69,547
Past due 0 – 30 days	54,005	29,651
Past due 31 – 90 days	12,904	16,634
Past due 91 and above	61,165	75,551
	198,285	**191,383**

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

	2010 KShs'000	2009 KShs'000
Balance at 1 January	60,531	45,709
Impairment loss recognised in the year	(10,252)	14,822
Balance at 31 December	**50,279**	**60,531**

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 2010 to the contractual maturity date.

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

As at 31 December 2010

	Effective interest rate	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
LIABILITIES							
Finance lease payable	8.48%	-	31,837	95,509	97,155	-	**224,501**
Loans and borrowings	12.28%	-	-	56,304	183,700	-	**240,004**
Bank overdraft - USD	5.0%	-	-	128,640	-	-	**128,640**
Bank overdraft – KShs	13.5%	-	-	111,371	-	-	**111,371**
Trade and other payables	-	136,280	-	-	-	-	**136,280**
Total liabilities		**136,280**	**31,837**	**391,824**	**280,855**	-	**840,796**
Net Liquidity Gap – 2009		**(136,280)**	**(31,837)**	**(391,824)**	**(280,855)**	-	**(840,796)**

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)**

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 2010

	USD	GBP	Other	Total
ASSETS				
Trade and other receivables	10,898	-	-	**10,898**
At 31 December 2010	**10,898**	**-**	**-**	**10,898**
LIABILITIES				
Finance lease payable	16,548	-	-	16,548
Trade and other payables	8,132	-	-	8,132
Bank overdraft	128,640			128,640
At 31 December 2010	**153,320**	**-**	**-**	**153,320**
Statement of financial position - 2010	**(142,242)**	**-**	**-**	**(142,242)**

As at 31 December 2009

	USD	GBP	Other	Total
ASSETS				
Trade and other receivables	10,206	-	-	**10,206**
At 31 December 2009	**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)**

The following exchange rates were applied during the year:

Effect in Kenya shillings thousands (Kshs'000)

	Average rate		Closing rates	
	2010	**2009**	**2010**	**2009**
US Dollar	79.95	77.05	80.75	75.82
Sterling Pound	123.25	121.07	124.77	121.89

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 2009.

Effect in Kenya shillings thousands (Kshs'000)

	Profit or loss	
As at 31 December	**2010**	**2009**
US Dollar	**14,224**	**21,921**

A 10 percent weakening of the Shilling against the above currencies at 31 December 2010 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.

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 2010:	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	-	-	-	-	-	-	148,006	148,006
Cash and bank balances	-	-	-	-	-	-	5,948	5,948
At 31 December 2010		**-**	**-**	**-**	**-**	**-**	**153,954**	**153,954**
EQUITY AND LIABILITIES								
Finance lease payable	8.48%	-	31,837	95,509	97,155	-	-	224.501
Loans and borrowings	12.28%	-	-	56,304	183,700	-	-	240,004
Bank overdraft-US dollar	5.0%	-	-	128.640	-	-	-	128,640
Bank overdraft-Kenya shilling	14.5%	-	-	111,371	-	-	-	111,371
Trade and other payables	-	-	-	-	-	-	136,280	136,280
At 31 December 2010		**-**	**31,837**	**391,824**	**280,855**	**-**	**136,280**	**840,794**
Interest rate sensitivity – 2010		**-**	**(31,837)**	**(391,824)**	**(280,855)**	**-**	**17,674**	**(686,842)**

31. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (continued)

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	3.0%	-	-	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)**

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 2009.

Effect in Kenya Shillings thousands (KShs'000)

	Profit or loss	
	2010	**2009**
Loans and borrowings	(460)	(432)
Bank overdraft-USD & KShs	(149)	(234)

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:

2010	**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	-	148,006	-	-	148,006	148,006
Cash and bank balances	-	5,948	-	-	5,948	5,948
	-	**153,954**	**-**	**-**	**153,954**	**153,954**
Financial liabilities						
Trade and other payables	136,280	-	-	-	136,280	136,280
Loans and borrowings	240,004	-	-	-	240,004	240,004
Finance lease payable	224,501	-	-	-	224,500	224,500
Bank overdraft	240,011	-	-	-	240,011	240,011
	840,796	**-**	**-**	**-**	**840,796**	**840,796**

31. FINANCIAL INSTRUMENTS (Continued)

(f) Fair value (continued)

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**