EXPRESS KENYA LTD

2017

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Diniz Holdings Limited


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GROUP INFORMATION

BOARD OF DIRECTORS	:	Dr. C. W. Obura (Chairman)
	:	Hector Diniz
	:	Pinhas Moskovich (Israeli) (resigned on 29/06/2017)
	:	Kajal Thakker
	:	Davinder Singh Devgun
CHIEF OFFICER	:	Managing Director - Hector Diniz
REGISTERED OFFICE	:	Express House
	:	Road A, Off Enterprise Road
	:	Industrial Area
	:	P.O. Box 40436, 00100
	:	NAIROBI
PRINCIPAL PLACE OF BUSINESS	:	Express House
	:	Road A, Off Enterprise Road
	:	Industrial Area
	:	P.O. Box 40436, 00100
	:	NAIROBI
	:	Telephone - 254 (20) 3002371-5
	:	Cell - 254 (722) 204102-3
	:	Website - www.expresskenya.com
INDEPENDENT AUDITOR	:	PKF Kenya
	:	Certified Public Accountants
	:	P.O. Box 14077, 00800
	:	NAIROBI
COMPANY SECRETARIES	:	Equatorial Secretaries and Registrars
	:	Certified Public Secretaries
	:	P.O. Box 47323, 00100
	:	NAIROBI
PRINCIPAL BANKER	:	Diamond Trust Bank Kenya Limited
	:	NAIROBI
LEGAL ADVISOR	:	MMA Advocates
	:	NAIROBI
	:	Archers & Wilcock Advocates
	:	NAIROBI
SHARE REGISTRARS	:	Custody and Registrars Services Limited
	:	NAIROBI
SUBSIDIARIES	:	Express Mombasa Limited
	:	Container Services Limited
	:	Airporter Limited

NOTICE OF
ANNUAL GENERAL MEETING

For the year ended 31 December 2017

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting of the Company will be held at the Pride In Hotel & Conferencing, Pride Conference Centre, off Westlands Road, Westlands, Nairobi, on Wednesday, 20 June 2018 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting, table the proxies and note the presence of a quorum.
2. To confirm the minutes of the Forty-Sixth Annual General Meeting of the Company held on 29 June 2017.
3. To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2017
4. To note that the Directors do not recommend payment of a dividend (2016: Nil) for the financial year ended together with the Chairman's Statement and the reports of the Directors and Auditors thereon.
5. To approve the Directors' remuneration as provided in the Audited Financial Statements for the year ended 31 December 2017.
6. To re-elect a Director, Mr Davindar S Devgun retires by rotation in accordance with Article 113 of the Company's Articles of Association, and does not offer himself for re-election.
7. To note that PKF Kenya continue in office as Auditors to the Company by virtue of Section 719(2) of the Companies Act, 2015 and to authorise the Directors to fi x their remuneration for the ensuing financial year.

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following Special Resolutions as recommended by the Directors:
   a) "That subject to obtaining the relevant approvals from the Capital Markets Authority and other regulatory authorities, the Company be and is hereby delisted from the Nairobi Securities Exchange".
   b) "That Chairman of the meeting be and is hereby authorized to vote for the resolution on behalf of a shareholder who accepts the offer but fails to attend the Annual General Meeting".
9. To consider and, if thought fit, to pass the following Special Resolution as recommended by the Directors: "That subject to the above Resolutions being passed and the necessary approval being obtained from the Registrar of Companies, the Company be and is hereby converted into a private Company".
10. Any other business of which due notice has been received.

BY ORDER OF THE BOARD

Equatorial Secretaries and Registrars
Company Secretaries

Dated: 8 May 2018

Note:

1. In accordance with Section 298 of the Companies Act, 2015 a member entitled to attend and vote at this meeting is entitled to appoint proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy which is attached to this notice must be duly completed and signed by the member and must either be lodged at the Registered offi ce of the Company, Express House, Road A, off Enterprise Road, P O Box 40433-00100, Nairobi or with the Company Secretaries, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove P O Box 47323, 00100-Nairobi, so as to reach not later than 11.00 a.m. on Monday, 18 June 2018.
3. In case of c corporate body, the proxy must be executed under its common seal or under the hand of a duly authorized offi cer or an attorney of such corporation.

OUR BELIEF

MISSION

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

VISION

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

STRATEGY

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

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

GOALS & OBJECTIVES

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

OUR VALUES & GUIDING PRINCIPLES

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

Integrity
Honesty
Respect
Customer Service Excellence
Teamwork
Responsiveness
Stewardship

MEET THE TEAM

Our commitment to deliver exceptional service within the real estate industry is the cornerstone of our foundation and our dedicated leadership team is helps keep us strong. Without further ado, meet the executive and management team.

DR. C.W. OBURA

Chairman of the Board and Non- Executive Member

Dr. C. Obura is the current chair of the Kenya Hospital Organization as well as the Nairobi Hospital. He also sits on the boards of several listed and unlisted companies, including but not limited to I.C.E.A Lion Holdings Limited, Olympia Capital Holdings Limited, Mather & Platt Kenya Limited, Dunlop Industries Limited, inter-alia. Prior to joining the company, he had served in various other boards such as the Kenya Airways and was chair to several organizations such as the Karen Country Club, the Kenya Dental Association the Medical Practitioners and Dentists Board.

The alumnus of both the University of London' Guys Hospital Medical and Dental Schools and Makerere University has contributed to the betterment of the medical profession in Kenya by lecturing at the University of Nairobi' medical school and acting as an external examiner to the same institution. He has also acted as a consultant with various hospitals within the country as well.

He brings to the board his vast expertise in matters finance and management as well as adherence to good corporate governance practices. His tenure as chairman has seen the company weather challenges and has overseen the transition of the company from one reliant on transport and logistics to a diversified one.

MR. HECTOR DINIZ

Company C.E.O. and Executive Director

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

MRS. KAJAL THAKKER

Non-Executive Director

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

MEET THE TEAM Continued

MR. DAVINDAR S. DEVGUN

Independent and Non - Executive Director

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

GEORGE ATHIAMBO

Company Secretary

He is a Certified Public Secretary and is a member of the Institute of Certified Public Secretaries of Kenya. He has over 25 years of expertise in Company Secretarial and Share Registration and joined Equatorial Secretaries and Registrars in 2012.

JACQUELINE NJENGA

Manager - Human Resources

She joined the Company in 2011 and is the holder of an undergraduate degree in Management and leadership from the Management University of Africa. She has over 10 years experience in Human Resource and Administrative management, with a specialty in workforce planning, recruitment, performance management, employee development and employee engagement. She also has significant experience in the management of employee relations, benefits, compensation and compliance.

JANE NUNGARI

Senior Manager - Project Accounting

She is the holder of an MBA from the University of Nairobi and an undergraduate degree from the same university. She has a strong background in Finance and is a member in good standing with ICPAK. She joined the company in 2012 and has served in various capacities within the finance department, namely as a Finance Executive and later as the companys Internal Auditor before settling into her current role. She also has vast expertise in Corporate Governance matters within the African arena.


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DR, CHRIS W. OBURA
Chairman

CHAIRMANS' STATEMENT

Dear Shareholders;

I welcome you to yet another Annual General Meeting. It is the Fourty Eighth Annual General Meeting of the company and is likely to be the last public assembly the company will ever have.

On the 1st of December 2017, the companys' board of directors was served with a Notice of Intention By Diniz Holdings Limited to acquire 38.36% of the issued shares of the company that is not held by Etcoville Holdings Limited and Hector Robert Diniz. The offeror is acting in concert with Etcoville Holdings Limited and Hector Robert Diniz. The notice described the details of the offer from the bidder and indicated that the latter was interested in buying the shares at a market price of Kes. 5.50 Per share. Given the companys share capital is divided into Kes. 5.00 shares, the offer represented a Kes. 0.50 shilling premium on the nominal share price.

As the board, immediately we received the notice, we had to hold an emergency board meeting where we decided on a few things, key amongst them was to inform the general public and the Capital Markets Authority of what had transpired through the issue of a target statement. We did this through all the means available to us which included an announcement in the Nairobi Securities Exchange, the Capital Markets Authority as well as in the daily newspapers.

The second thing the board did was to scout for an independent and reliable financial advisor, who could give an independent valuation of the company, and advice as to whether the offered amount represented a correct valuation of the company. Company valuations are pretty rubbery beasts at the best of times, so the independent advisor had to be a reliable and trustworthy person or company that could be trusted in such perilous times. It is to this end that the company chose to work with Faida Investment Bank, a company that has a good reputation in the market and that could deliver fair and just results. This appointment by the board, would give clarity to the entire process, as at times directors and management are predisposed to reject the first offer while acting in the best interests of the shareholders.

Normally, the organization would not take risk to agree to a takeover bid and there are diverse expectations about the market reaction to this. One possibility is that a firm voluntarily making such a change seeks to obtain the benefits of a redirection in its strategic leadership expecting performance improvements as a result. Consequently, this would help to accelerate the firm's performance recovery in the future. Investors would therefore embrace such improvements into their expectations about the firm's future cash flows, which would ultimately be reflected on investors' positive assessment of the news. This would interpret into a positive share price response on the day of announcement of the takeover bid.

In anticipation of this, the Capital Markets Authority suspended the trading of the share in the stock exchange so as to protect the minority shareholders and allow the market to stabilize. Another contribution to this move is related to the practice. A takeover, whether friendly or hostile, cannot guarantee that the performance of an organization will be better.

After sufficient time had elapsed and the Capital Markets Authority was sure that the market had stabilized, it, in its wisdom, chose to resume the trading of the share earlier this year. This measure had the impact of allowing those in dire need of cash to sell and those who wanted to cash in on the offer to take advantage and buy. The share will continue trading till the 28th of June 2018 when it will be suspended once more. However, for purposes of the Diniz Holdings takeover bid, the register was closed on the 11th of May 2018.

I appreciate that not everyone can independently undertake corporate valuations, so look to the share price action for a guide. This can provide a clue as to the general thinking. Typically, when the bid is announced, the share price will move closer to the offer price. It might be higher if the market expects a better offer could emerge. If the market thinks the offer is likely to fail, the share price could be lower than the offer price.

What you should be doing:

1. **Read the documents**

   Once an offer period is announced, the offer to buy your shares will remain open for a specific period of time. Do not act immediately, but wait until you have also read our shareholders circular. It will describe the nature of the arrangement and includes the independent advisors report from Faida Investment Bank outlining whether or not the offer is fair and reasonable and in your best interest. You may also read the takeover document which will be sent to your address. Copies of these documents will be available at the companys website www.expresskenya.co.ke

2. **Look out for announcements and monitor the financial press**

   After the announcement of a takeover bid and during the entire lengthy process, the situation can change quickly. The price offered may increase, or the period for accepting the bid may be extended. Watch the media for updates and also check the Express Kenya Limited website regularly for any announcements. Sometimes information will be found in public announcements rather than sent to you directly.

3. **Determine value and keep an eye on the share price**

   Whether a takeover makes sense is usually a value-versus-price decision so determine for yourself whether the price being offered seems fair.

As always, I wish to thank all the shareholders, creditors, clients, banks and employees that we have been working with. I know that this year has seen a major change in the way we operate our business, but you have remained true. May the Lord bless you.

Yours Truly,
Dr. Chris Obura,
Chairman

CHIEF EXECUTIVE OFFICERS' REPORT

For the year ended 31 December 2017

Dear Shareholders,

It has been another gruesome year full of upheavals and disappointments for us. The entrance of the standard gauge railway, which is cheaper, faster and more reliable, has further multiplied the problems experienced in the transport sector.

The real estate division which the company had hoped will catapult it into profitability has been at a standstill due the requirements from the banks which are reluctant to finance the project. This is all due to the deterioration in the profitability of the company, a matter which has led to the continued erosion of the companys goodwill. The inadequate working capital situation has led to the Capital Markets Authority writing several letters to the company and holding several meetings on the subject matter while seeking to find a lasting solution that will rescue the company from the doldrums of despair.

During the year that has been, the company has experienced a mass emigration of the warehouse clients who have either sought the services of other firms with modern warehousing facilities or opened their own go-downs. At the port of Mombasa, the situation has not become any better as the sea freight division has continued to experience a dwindling number of clients.

The fact that it was also an electioneering period has not made the situation any better, considering the fact that it was the most contested election in Kenyan history. The fact that the process prolonged for almost the entire year had a profound effect on businesses in Kenya and ours was no exception.

This mainly came about as people decided to withhold their expenditure and instead adopted a wait and see attitude. Earlier in the year, the company tried to unsuccessfully sell part of its land in industrial area but this too did not bear fruit due to the Kenyan election which led to a limited number of investors available even after advertising the sale in the dailies.

In the same year, the company lost several court cases that had been on-going for years and had to get into agreements with the winning parties to pay them in installments as it could not afford to pay the awarded amounts in lump sum.

In light of all this, the company has had to restructure its business strategy and in the process, has had to retrench more of its workers in a move to reign in on its recurrent expenditure.

Way forward

The company was served a notice of takeover by Diniz Holdings Limited on the 1st of December 2017. The current takeover bid by Diniz Holdings Limited seeks to acquire 38.36% of the issued shares not held by Etcoville Holdings Limited and Hector Robert Diniz at a premium.

An independent advisors report has been prepared by Faida Investment Bank for your use and the full report has been nested in the shareholders circular. Kindly make sure you read it in conjunction with your financial advisor so that you may come to a well informed decision about the offer. If you do wish to take up the offer, kindly fill in the Form of Acceptance which was mailed to you and return it to your respective stock broker or to the Company Secretary so that it arrives on or before June 18th 2018. Please note that the offer is conditional on shareholders passing a resolution to De-list the company. In accepting the offer, you shall by default elect the Chairman as your proxy and he shall vote on your behalf in the De-listing Annual General Meeting in favour of the De-listing. As such, you may or may not attend the AGM.

Warm regards,

Hector Diniz

CORPORATE GOVERNANCE

For the year ended 31 December 2017

GENERAL OVERVIEW

Our vision is to offer affordable and reliable housing solution for the middle and low income families.

The Company will continue to acquire and develop quality properties based on realistic value for its own investments affiliates.

INTRODUCTION

The Company has not developed and published a Board charter. However the Board members have been made aware of their responsibilities through the Board manual.

The Board, the CEO and the management are fully aware of the requirements of the Code of Corporate Governance.

The role of the Board in developing and monitoring the Company strategy is set out in the Company's Strategic Plan.

THE ROLE OF THE BOARD

The role and responsibilities of the Board among others include:

a. Reviewing and approving the strategic direction of the Company including approving the operational and financial targets and monitoring management's performance and progress against the strategy and financial objectives.

b. Deciding any significant changes to the organizational structure or business activities of the Company.

c. Appointment of the Chief Executive Officer;

d. Deciding the remuneration of the Chief Executive Officer and other senior management officers of the Company.

e. Risk Management.

f. Determining the Company's capital and funding requirements;

g. Setting the corporate values and standards.

The day to day management of the Company is delegated to management

The Board Chairman is responsible for leading the Board and ensuring that it is operating to the appropriate governance standards. The Chairman sets out the Board agenda for board meetings and ensures adequate time is made available at each Board meeting for discussion on all agenda items.

BOARD COMMITTEES

Nomination Committee

The Board has established a Nomination Committee which has the responsibility of proposing new nominees for appointment to the Board and for assessing the performance and effectiveness of the Directors of the Company.

The Chairman of the Nomination Committee is both an independent and non-executive Director.

The Committee considers only persons of calibre, credibility and who have necessary skills and expertise to exercise independent judgement on issues that are necessary to promote the Company's objectives and performance in its areas of business.

Audit Committee

The company has established an audit committee of at least three independent and non-executive directors. The former chairman (who is yet to be replaced after retiring on rotation) was an independent and non-executive director. At least one of the committee members holds a professional qualification in audit or accounting and is in good standing with his or her respective professional body.

The committees are properly constituted with members who have the necessary skills and responsibilities allocated to them. Where some skills are not available from time to time, the board has co-opted independent and external professionals to that committee.

COMPOSITION OF THE BOARD

The Board has Four (4) members.

The Board has achieved the correct composition that is inclusive of race, age and gender acquiring the desired diversity.

The Board consists of Members with diverse skills, expertise and experience.

The current Board members are in compliance with the provisions in regard to the number of Board positions held.

The independent directors are at least one-third of the total number of the Board members.

The Board consists of 50:50 ratio of both executive and non-executive Directors.

Terms of office of the board members are organised in such a manner that they end at different times. This ensures retention of institutional memory and makes it easier to induct new board members. At no time does a number greater than one third of the board members retire at the same time.

The Chairman's and the Chief Executive officer's functions are exercised by different people. Dr. Chris Obura is the chairman of the board while Mr. Hector Diniz is the Chief Executive Officer.

The Chairman of the Board Dr. Chris Obura is a Non-executive Director.

THE COMPANY SECRETARY

The Board is assisted by the Company Secretary who, under the direction of the Chairman is responsible for facilitating good information flows within the Board and its Committees.

The Company secretary is also responsible for monitoring compliance and advising the Board through the Chairman on all governance matters. All the Directors have access to the advice and services of the Company Secretary whose appointment and removal is a matter for the Board.

BOARD MEETINGS

The Board meets regularly to amongst other things agree on the Company's objectives and strategies to realize the objectives, review performance against agreed targets and consider and approve the Audited Financial Statements.

In the year 2017, the Board conducted official Board meetings.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that shareholders are provided with full and timely information about its performance. This is usually done through distribution of the Company's annual reports and release of notices in the press of the annual results and also publications through the Company's website. Any changes in the Board and AGM Notices are put in press and updated on the Company's website.

Shareholders have open access to the Company offices.

There is always a question and answer segment towards the end of the AGM. During the AGM, members are free to vote and (dis)approve various meeting agendas as presented by the board. Minutes of the previous AGM also have to be adopted unanimously.

All shareholders are treated equally and given a right to appoint a proxy and vote during the AGM.

STAKEHOLDER RELATIONS

The Company engages stakeholders i.e financiers, suppliers, business partners and service providers and communications are done through formal meetings. The Board ensures that all decisions are made for the benefit of all the stakeholders.

Dr. Chris Obura,
Chairman

Hector Diniz
Chief Executive Officer

George Athiambo,
Company Secretary,
Equatorial Secretaries and Registrars,
ICPSK Number: ICPSK Reg. No. 1953.

REPORT OF THE DIRECTORS

For the year ended 31 December 2017

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2017, which disclose the state of affairs of the company and its subsidiaries (together, the 'group').

PRINCIPAL ACTIVITIES

The principal activities of the group are that of clearing and forwarding services for both air and sea as well as warehousing and logistics services. The group is in the process of venturing into real estate development.

BUSINESS REVIEW

During the year 2017 the total turnover of the company and group decreased from Shs. 62,816,765 to Shs. 50,532,130. This was mainly attributed to reduced activity during the year. The loss for the year for the company decreased from Shs. 96,807,437 (group: Shs. 96,938,837) to Shs. 90,217,862 (group: Shs. 90,349,262) due to effect of reduced impairment provisions in the year.

Key Performance Indicators

	Group		Company	
	2017 Shs	**2016 Shs**	**2017 Shs**	**2016 Shs**
Turnover (Shs)	50,323,130	62,816,765	50,323,130	62,816,765
Loss for the year (Shs)	(90,349,262)	(96,938,837)	(90,217,862)	(96,807,437)

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

DIVIDEND

The directors do not recommend declaration of a dividend for the year (2016: Nil).

DIRECTORS

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

Davinder Singh Devgun retire by rotation in accordance with the company's Articles of Association and being eligible, offer himself for re-election.

REPORT OF THE DIRECTORS Continued

For the year ended 31 December 2017

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

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

TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya continues in office in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of Shs. 1,740,000 has been charged to profit or loss in the year.

COMPANY SECRETARY
NAIROBI

27th April 2018

REPORT OF DIRECTORS' REMUNERATION

For the year ended 31 December 2017

This report of directors remuneration sets out the remuneration for the Board of Directors of the group for the year ended 31 December 2017.

Directors remuneration payments

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

		2016 Remuneration	Total
		Shs	Shs
Dr. C. W. Obura	Chairman	3,600,000	3,600,000
Hector Diniz	Director	14,400,000	14,400,000
Pinhas Moskovich	Director	-	-
Kajal Thakker	Director	-	-
Davinder Singh Devgun	Director	-	-
Total		**18,000,000**	**18,000,000**

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

DIRECTOR
NAIROBI

27th April 2018

STATEMENT OF
DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2017

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

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

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

ii. Selecting and applying appropriate accounting policies; and

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

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the group and of the company as at 31 December 2017 and of the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

In preparing these financial statements the directors have assessed the group's ability to continue as a going concern. Note 1(a) to the financial statements sets out the directors' assessment based on which the directors are of the opinion that the company and its subsidaries will remain a going concern for at lease the next twelve months from the date of this statement.

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

Approved by the board of directors on 27th April 2018 and signed on its behalf by:

DIRECTOR **DIRECTOR**

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

For the year ended 31 December 2017

Opinion

We have audited the accompanying consolidated financial statements of Express Kenya Limited and its subsidiaries (collectively referred to as the 'group'), set out on pages 22 to 59 which comprise the consolidated and company statements of financial position as at 31 December 2017 and the consolidated and company statements of profit or loss, the consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and company financial position as at 31 December 2017, and of the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) of the financial statements, which indicates that the group incurred a net loss of Shs. 90,349,262 during the year ended 31 December 2017 and, as of that date, the group's current liabilities exceeded its current assets by Shs. 65,247,968. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

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

For the year ended 31 December 2017

Other Information

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

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirement of the Kenyan Companies Act, 2015 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

For the year ended 31 December 2017

Report on other legal and regulatory requirements

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

i) the information given in the report of the directors on pages 14 and 15 is consistent with the financial statements; and

ii) the auditable part of the directors' remuneration report on page 16 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Darshan Prabhulal Shah - P/No. 2051.

PKF Kenya

Certified Public Accountants
NAIROBI

27th April 2018
387/18

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 Shs	2016 Shs
Revenue		50,323,130	62,816,765
Direct costs		(45,209,660)	(48,266,715)
Gross profit		**5,113,470**	**14,550,050**
Other operating income	3	7,155,215	1,856,308
Impairment provisions	4	(3,321,728)	(39,182,934)
Administrative expenses		(56,960,784)	(42,488,455)
Other operating expenses		(34,233,477)	(29,892,070)
Operating (loss)	**5**	**(82,247,304)**	**(95,157,101)**
Finance costs	7	(12,062,614)	(16,850,001)
(Loss) before tax		**(94,309,918)**	**(112,007,102)**
Tax credit	8	3,960,656	15,068,265
(Loss) for the year		**(90,349,262)**	**(96,938,837)**
(Loss) for the year is attributable to:			
- Owners of the company		(90,349,262	(96,938,837)
(Loss) per share			
Basic and diluted (loss) per share	9	(2.55)	(2.74)

The notes on pages 30 to 59 form an integral part of these financial statements.

Report of the independent auditor - pages 18 to 21.

COMPANY STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 Shs	2016 Shs
Revenue		50,323,130	62,816,765
Direct costs		(45,209,660)	(48,266,715)
Gross profit		**5,113,470**	**14,550,050**
Other operating income	3	7,155,215	1,856,308
Impairment provisions	4	(3,321,728)	(39,182,934)
Administrative expenses		(56,829,384)	(42,357,055)
Other operating expenses		(34,233,477)	(29,892,070)
Operating (loss)	**5**	**(82,115,904)**	**(95,025,701)**
Finance costs	7	(12,062,614)	(16,850,001)
(Loss) before tax		**(94,178,518)**	**(111,875,702)**
Tax credit	8	3,960,656	15,068,265
(Loss) for the year		**(90,217,862)**	**(96,807,437)**
Basic and diluted (loss) per share	9	(2.55)	(2.73)

The notes on pages 30 to 59 form an integral part of these financial statements.

Report of the independent auditor - pages 18 to 21.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2017

	Notes	2017 Shs	2016 Shs
			As at 31 December
CAPITAL EMPLOYED			
Share capital	10	177,018,950	177,018,950
Share premium		10,501,719	10,501,719
Revaluation reserve	11	112,787,846	122,654,966
Retained (deficit)		(367,477,475)	(286,995,333)
Shareholders' (deficit)/funds		(67,168,960)	23,180,302
Non-current liabilities			
Borrowings	12	185,134,598	140,806,953
Deferred tax	13	79,890,870	83,851,526
Trade and other payables	20	-	17,000,000
		265,025,468	241,658,479
		197,856,508	264,838,781
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	262,982,076	281,627,785
Intangible assets	16	122,400	183,600
		263,104,476	281,811,385
Current assets			
Inventories	17	40,631,082	40,631,082
Trade and other receivables	18	21,874,025	23,472,458
Cash and cash equivalents	19	3,022,425	2,362,398
Tax recoverable		31,300,900	31,298,500
		96,828,432	97,764,438
Current liabilities			
Borrowings	12	62,343,869	60,160,221
Trade and other payables	20	88,070,031	40,176,821
Provision for legal claims	21	11,662,500	14,400,000
		162,076,400	114,737,042
Net current (liabilities)		(65,247,968)	(16,972,604)
		197,856,508	264,838,781

The financial statements on pages 22 to 59 were approved and authorised for issue by the Board of Directors on 27th April 2018 and were signed on its behalf by:

_______________DIRECTOR _______________DIRECTOR

The notes on pages 30 to 59 form an integral part of these financial statements.
Report of the independent auditor - pages 18 to 21.

COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2017

	Notes	2017 Shs	As at 31 December 2016 Shs
CAPITAL EMPLOYED			
Share capital	10	177,018,950	177,018,950
Share premium		10,501,719	10,501,719
Revaluation reserve	11	112,787,846	122,654,966
Retained (deficit)		(367,169,737)	(286,818,995)
Shareholders' (deficit)/funds		(66,861,222)	23,356,640
Non-current liabilities			
Borrowings	12	185,134,598	140,806,953
Deferred tax	13	79,890,870	83,851,526
Trade and other payables	20	-	17,000,000
		265,025,468	241,658,479
		198,164,246	265,015,119
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	262,959,337	281,605,046
Investment in subsidiaries	15	2,557,160	2,557,160
Intangible assets	16	122,400	183,600
		265,638,897	284,345,806
Current assets			
Inventories	17	40,631,082	40,631,082
Trade and other receivables	18	21,328,685	22,476,858
Cash and cash equivalents	19	3,022,425	2,362,398
Tax recoverable		31,300,900	31,298,500
		96,283,092	96,768,838
Current liabilities			
Borrowings	12	62,343,869	60,160,221
Trade and other payables	20	89,751,374	41,539,304
Provision for legal claims	21	11,662,500	14,400,000
		163,757,743	116,099,525
Net current (liabilities)		**(67,474,651)**	**(19,330,687)**
		198,164,246	265,015,119

The financial statements on pages 22 to 59 were approved and authorised for issue by the Board of Directors on 27th April 2018 and were signed on its behalf by:

____________________DIRECTOR ____________________DIRECTOR

The notes on pages 30 to 59 form an integral part of these financial statements.
Report of the independent auditor - pages 18 to 21.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Notes	Share capital Shs	Share premium Shs	Revaluation reserve Shs	Retained (deficit) Shs	Total Shs
Year ended 31 December 2016						
At start of year		177,018,950	10,501,719	132,522,086	(199,923,616)	120,119,139
(Loss) for the year		-	-	-	(96,938,837)	(96,938,837)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	13	-	-	4,228,766	(4,228,766)	-
At end of year		177,018,950	10,501,719	122,654,966	(286,995,333)	23,180,302
Year ended 31 December 2017						
At start of year		177,018,950	10,501,719	122,654,966	(286,995,333)	23,180,302
(Loss) for the year		-	-	-	(90,349,262)	(90,349,262)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	13	-	-	4,228,766	(4,228,766)	-
At end of year		177,018,950	10,501,719	112,787,846	(367,477,475)	(67,168,960)

The notes on pages 30 to 59 form an integral part of these financial statements.

Report of the independent auditor - pages 18 to 21.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the

For the year ended 31 December 2017

	Notes	Share capital Shs	Share premium Shs	Revaluation reserve Shs	Retained (deficit) Shs	Total Shs
Year ended 31 December 2016						
At start of year		177,018,950	10,501,719	132,522,086	(199,878,678)	120,164,077
(Loss) for the year		-	-	-	(96,807,437)	(96,807,437)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	13	-	-	4,228,766	(4,228,766)	-
At end of year		177,018,950	10,501,719	122,654,966	(286,818,995)	23,356,640
Year ended 31 December 2017						
At start of year		177,018,950	10,501,719	122,654,966	(286,818,995)	23,356,640
(Loss) for the year		-	-	-	(90,217,862)	(90,217,862)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	13	-	-	4,228,766	(4,228,766)	-
At end of year		177,018,950	10,501,719	112,787,846	(367,169,737)	(66,861,222)

The notes on pages 30 to 59 form an integral part of these financial statements.

Report of the independent auditor - pages 18 to 21.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 Shs	2016 Shs
Operating activities			
Cash from operations	22	(37,260,388)	5,440,194
Interest paid		(12,419,871)	(16,762,077)
Tax paid		(2,400)	-
Net cash (used in) operating activities		(49,682,659)	(11,321,883)
Investing activities			
Purchase of property, plant and equipment	14	-	(954,595)
Proceeds from disposal of property, plant and equipment		3,474,137	6,568,963
Net cash from investing activities		3,474,137	5,614,368
Financing activities			
(Repayment of) bank borrowings		(9,359,267)	(8,622,866)
Proceeds from borrowings from related parties		55,500,000	13,500,000
Net cash from financing activities		46,140,733	4,877,134
(Decrease) in cash and cash equivalents		(67,789)	(830,381)
Movement in cash and cash equivalents			
At start of year		(47,938,223)	(47,019,918)
(Decrease)		(67,789)	(830,381)
Effect of exchange rate changes		357,257	(87,924)
At end of year	19	(47,648,755)	(47,938,223)

The notes on pages 30 to 59 form an integral part of these financial statements.

Report of the independent auditor - pages 18 to 21.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 Shs	2016 Shs
Operating activities			
Cash from operations	22	(37,260,388)	5,440,194
Interest paid		(12,419,871)	(16,762,077)
Tax paid		(2,400)	-
Net cash (used in) operating activities		(49,682,659)	(11,321,883)
Investing activities			
Purchase of property, plant and equipment	14	-	(954,595)
Proceeds from disposal of property, plant and equipment		3,474,137	6,568,963
Net cash from investing activities		3,474,137	5,614,368
Financing activities			
(Repayment of) bank borrowings		(9,359,267)	(8,622,866)
Proceeds from borrowings from related parties		55,500,000	13,500,000
Net cash from financing activities		46,140,733	4,877,134
(Decrease) in cash and cash equivalents		(67,789)	(830,381)
Movement in cash and cash equivalents			
At start of year		(47,938,223)	(47,019,918)
(Decrease)		(67,789)	(830,381)
Effect of exchange rate changes		357,257	(87,924)
At end of year	19	(47,648,755)	(47,938,223)

The notes on pages 30 to 59 form an integral part of these financial statements.

Report of the independent auditor - pages 18 to 21.

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

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

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

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

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

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

Going concern

At the reporting date the group’s current liabilities exceeded its current assets by Shs. 65,247,968 (2016: Shs.16,972,604). During the year ended 31 December 2017, the group recognised a net loss o Shs. 90,349,262 (2016: Shs. 96,938,837). The statement of financial position of the group had accumulated losses of Shs. 367,477,475 (2016: Shs. 286,995,333) and there was a deficiency in shareholders funds of Shs. 67,168,960.

The principal shareholder has continuously provided financial support throughout the years and subsequent to the year end, injected Shs. 8.7 million to enable the group to meet its obligations.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New and amended standards adopted by the group

A number of new and revised Standards and Interpretations have been adopted in the current year. Their adoption has had no material impact on the amounts reported in these financial statements.

New standards, amendments and interpretations issued but not effective

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

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' (Annual Improvements to IFRSs 2014–2017 Cycle, issued in December 2016) - The amendment, applicable to annual periods beginning on or after 1 January 2018, clarifies that exemption from applying the equity method is available separately for each associate or joint venture at initial recognition.

- Amendments to IAS 40 'Transfers of Investment Property' (issued in December 2016) that are effective for annual periods beginning on or after 1 January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

- Amendment to IFRS 1 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) that is effective for annual periods beginning on or after 1 January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.

- Amendments issued in June 2017 to IFRS 2 'Share-based Payment' which are effective for annual periods beginning on or after 1 January 2018 clarify the effects of vesting conditions on cash settled schemes, treatment of net settled schemes and modifications for equity settled schemes.

- Amendments to IFRS 4 titled Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (issued in September 2017) that are effective for annual periods beginning on or after 1 January 2018, include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial.

- IFRS 9 'Financial Instruments'(Issued in July 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.

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

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

  In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective (continued)

In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

- IFRS 15 'Revenue from Contracts with Customers' (issued in May 2014) effective for annual periods beginning on or after 1 January 2018, replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and their interpretations (SIC-31 and IFRIC 13,15 and 18). It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.

- IFRS 16 'Leases' (issued in January 2016) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

- IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

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

The directors expect that the future adoption of IFRS 9, IFRS 15 and IFRS 16 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

b) Key sources of estimation uncertainty

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

Management have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Significant judgements made by management in applying the group's accounting policies

Directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- **Impairment of trade receivables** - the group reviews its portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

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

- **Control of subsidiaries** - the directors assess whether or not the group has control over any entity based on whether or not the group has the practical ability to direct the relevant activities of the entity unilaterally. In making their judgement, the directors considered the group's absolute size of holding in the entity and the relative size of dispersion of the shareholdings owned by the other shareholders.

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

- **Revaluation of property, plant and equipment** - the group measures certain items of property, plant and equipment on revaluation model subsequent to the initial recognition. The asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. Revaluation model requires assets to be revalued regularly to ensure the carrying value of the assets do not differ materially from fair value at the reporting date. In the opinion of the directors, the current carrying value of the buildings is representative of its fair value.

d) Segmental reporting

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Revenue recognition

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

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the group's activities as described below.

The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

Sales of services are recognised upon performance of the services rendered.

f) Investment in subsidiaries/consolidation

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Investment in subsidiaries/consolidation (continued)

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

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

Business combinations

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property, plant and equipment

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

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

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

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

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

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

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

	Rate
Buildings	over the remaining lease period
Plant and machinery	8 years
Furniture, fittings and equipment	8 years
Motor vehicles	5 years
Computer, faxes and copiers	3 1/3 years
Beer containers	4 years

Freehold and leasehold land are not depreciated.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment of non-financial assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

i) Translation of foreign currencies

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

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

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

j) Financial instruments

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

Financial assets

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments

Financial assets (continued)

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

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

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

Financial liabilities

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

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

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

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

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility.

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

Offsetting financial instruments

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

k) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Intangible assets - computer software

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

m) Inventories - work-in-progress

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

n) Share capital

Ordinary shares are classified as equity.

o) Dividends

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as a liability in the period in which they are approved by the group's shareholders.

p) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss.

Current tax

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

Deferred tax

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

q) Accounting for leases

The company as a lessee:

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Accounting for leases (continued)

The company as lessor

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

Leased assets are recorded at historical cost less depreciation.

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

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

r) Retirement benefit obligations

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

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

s) Comparatives

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

2. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The group evaluates performance based on each segment's gross profit or (loss) before tax.

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

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

During the year, the group made sales of Shs. 19,953,213 (2016: Shs. 31,309,044) to a single customer that represents 40% (2016: 50%) of total turnover.

The group does not allocate tax expense to reportable segments.

The segment results are as follows:

Year ended 31 December 2017	**Clearing and forwarding Shs**	**Warehousing Shs**	**Real estate Shs**	**Total Shs**
Revenue	16,500,615	33,822,516	-	50,323,130
Direct costs	(20,637,986)	(24,571,674)	-	(45,209,660)
Gross profit	(4,137,371)	9,250,842	-	5,113,470
Other operating income (Note 3)	7,155,215	-	-	7,155,215
Impairment on provisions (Note 4)	(3,321,728)	-	-	(3,321,728)
Operating and administrative expenses	(29,818,352)	(61,120,854)	(255,055)	(91,194,261)
Finance costs (Note 7)	(12,062,614)	-	-	(12,062,614)
(Loss) before tax	(42,184,850)	(51,870,012)	(255,055)	(94,309,918)
Tax credit (Note 8)	3,960,656	-	-	3,960,656
(Loss) for the year	(38,224,194)	51,870,012)	(255,055)	(90,349,262)

2.SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2016	**Clearing and forwarding Shs**	**Warehousing Shs**	**Real estate Shs**	**Total Shs**
Revenue	15,818,591	46,998,174	-	62,816,765
Direct costs	(17,851,844)	(30,414,871)	-	(48,266,715)
Gross profit	(2,033,253)	16,583,303	-	14,550,050
Other operating income (Note 3)	1,856,308	-	-	1,856,308
Impairment on provisions (Note 4)	(39,182,934)	-	-	(39,182,934)
Operating and administrative expenses	(16,444,726)	(48,858,465)	(7,077,334)	(72,380,525)
Finance costs (Note 7)	(16,850,001)	-	-	(16,850,001)
(Loss) before tax	**(72,654,605)**	**(32,275,162)**	**(7,077,334)**	**(112,007,102)**
Tax credit (Note 8)	15,068,265	-	-	15,068,265
(Loss) for the year	**(57,586,340)**	**(32,275,162)**	**(7,077,334)**	**(96,938,837)**

Other segment items included in profit or loss are:

Year ended 31 December 2017	**Clearing and forwarding Shs**	**Warehousing Shs**	**Real estate Shs**	**Total Shs**
Depreciation on property, plant and equipment	310,160	16,927,018	805,131	18,042,309
Year ended 31 December 2016				
Depreciation on property, plant and equipment	427,030	16,927,018	805,131	18,159,179

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

Year ended 31 December 2017	**Clearing and forwarding Shs**	**Warehousing Shs**	**Real estate Shs**	**Total Shs**
Assets	174,174,964	113,825,962	40,631,082	328,632,008
Liabilities	252,698,052	55,470,304	39,042,642	347,210,998
Year ended 31 December 2016				
Assets	184,586,981	123,059,260	40,631,082	348,277,323
Liabilities	194,531,109	38,970,244	39,042,642	272,543,995
Capital expenditure:				
- additions to property, plant and equipment	35,465	-	919,130	954,595

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

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

Capital expenditure comprises additions to property, plant and equipment.

3. Other operating income	Group 2017 Shs	2016 Shs	Company 2017 Shs	2016 Shs
Gain on disposal of property, plant and equipment	2,870,737	640,023	2,870,737	640,023
Bad debts recovered	-	278,501	-	278,501
Miscellaneous income	4,284,478	937,784	4,284,478	937,784
	7,155,215	1,856,308	7,155,215	1,856,308

4. Impairment provisions				
Impairment of property, plant and equipment (Note 14)	-	28,190,795	-	28,190,795
Provision for bad debts (Note 18)	3,321,728	10,992,139	3,321,728	10,992,139
	3,321,728	39,182,934	3,321,728	39,182,934

5. Operating (loss)

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

Depreciation on property, plant and equipment (Note 14)	18,042,309	18,159,179	18,042,309	18,159,179
Amortisation of intangible assets (Note 16)	61,200	61,200	61,200	61,200
(Gain) on disposal of property, plant and equipment (Note 3)	(2,870,737)	(640,023)	(2,870,737)	(640,023)
Auditors' remuneration				
- current year	1,740,000	1,915,000	1,740,000	1,915,000
- (over)provision in prior years	-	(54,961)	-	(54,961)
Directors remuneration	18,000,000	18,000,000	18,000,000	18,000,000
Operating lease rentals	22,245,566	19,330,526	22,245,566	19,330,526
Repairs and maintenance	1,228,323	1,544,661	1,228,323	1,544,661
Impairment on property, plant and equipment (Note 4)	-	28,190,795	-	28,190,795
Staff costs (Note 6)	28,442,533	30,180,913	28,442,533	30,180,913

6. Staff costs

Salaries and wages:				
- direct costs	11,816,770	14,209,693	11,816,770	14,209,693
- administrative	15,961,852	14,278,860	15,961,852	14,278,860
Staff welfare and other costs	249,211	906,882	249,211	906,882
Pension costs:				
- National Social Security Fund	193,890	253,330	193,890	253,330
- Defined Contribution Scheme	220,810	532,148	220,810	532,148
	28,442,533	30,180,913	28,442,533	30,180,913

	Group and Company 2017 Shs	2016 Shs
The average number of persons employed during the year, by category, were:		
Management and administration	40	49

7. Finance costs				
Foreign exchange (gain)/loss	(357,257)	87,924	(357,257)	87,924
Interest expense:				
- bank overdraft	8,401,503	7,365,272	8,401,503	7,365,272
- bank loan	4,018,368	9,396,805	4,018,368	9,396,805
	12,062,614	16,850,001	12,062,614	16,850,001

For the year ended 31 December 2017

8. Tax	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Current tax	-	-	-	-
Deferred tax (credit) (Note 13)	(3,960,656)	(15,068,265)	(3,960,656)	(15,068,265)
	(3,960,656)	(15,068,265)	(3,960,656)	(15,068,265)
The tax on the group's and company's (loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:				
(Loss) before tax	(94,309,918)	(112,007,102)	(94,178,518)	(111,875,702)
Tax calculated at a tax rate of 30% (2016: 30%)	(28,292,975)	(33,602,131)	(28,253,555)	(33,562,711)
Tax effect of:				
- expenses not deductible for tax purposes	996,518	48,000	996,518	47,999
- tax loss brought forward	(119,595,764)	(101,149,317)	(119,595,764)	(101,149,317)
- tax loss carried forward	142,931,566	119,635,183	142,892,146	119,595,764
Tax (credit)	(3,960,655)	(15,068,265)	(3,960,655)	(15,068,265)

9. Basic and diluted (loss) per share

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

	Group 2017	Group 2016	Company 2017	Company 2016
Net (loss) attributable to shareholders (Shs.)	(90,349,262)	(96,938,837)	(90,217,862)	(96,807,437)
Number of ordinary shares (Number)	35,403,790	35,403,790	35,403,790	35,403,790
Basic and diluted (loss) per share (Shs.)	(2.55)	(2.74)	(2.55)	(2.73)

10. Share capital	Group and Company 2017 Shs	Group and Company 2016 Shs
Authorised:		
250,000,000 (2016: 250,000,000) ordinary shares of Shs. 5 each	1,250,000,000	1,250,000,000
Issued and fully paid:		
35,403,790 (2016: 35,403,790) ordinary shares of Shs. 5 each	177,018,950	177,018,950

11. Revaluation reserve	Group and Company 2017 Shs	Group and Company 2016 Shs
At start of year	122,654,966	132,522,086
Transfer of excess depreciation	(14,095,886)	(14,095,886)
Deferred tax on excess depreciation transfer (Note 13)	4,228,766	4,228,766
At end of year	112,787,846	122,654,966

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

12. Borrowings

	Group		Company	
	2017	2016	2017	2016
	Shs	Shs	Shs	Shs
Non-current				
Bank loan	13,415,836	24,588,192	13,415,836	24,588,192
Borrowings from related parties (Note 23)	123,101,241	91,551,241	123,101,241	91,551,241
Borrowings from directors (Note 23)	48,617,520	24,667,520	48,617,520	24,667,520
	185,134,598	140,806,953	185,134,598	140,806,953
Current				
Bank loan	11,672,689	9,859,600	11,672,689	9,859,600
Bank overdraft (Note 19)	50,671,180	50,300,621	50,671,180	50,300,621
	62,343,869	60,160,221	62,343,869	60,160,221
Total borrowings	247,478,466	200,967,174	247,478,466	200,967,174

Reconciliation of liabilities arising from financing activities:	Bank borrowings Shs	Related parties Shs	Borrowings from directors Shs	Total Shs
Year ended 31 December 2017				
At start of year	34,447,792	91,551,241	24,667,520	150,666,553
Interest charged to profit or loss	4,018,368	-	-	4,018,368
Cash flows:				
- operating activities (interest paid)	(4,018,368)	-	-	(4,018,368)
- proceeds from borrowings	-	31,550,000	23,950,000	55,500,000
- (repayment) of borrowings	(9,359,267)	-	-	(9,359,267)
At end of year	25,088,525	123,101,241	48,617,520	196,807,287
Year ended 31 December 2016				
At start of year	43,070,658	79,455,411	12,067,520	134,593,589
Interest charged to profit or loss	9,396,805	-	-	9,396,805
Cash flows:				
- operating activities (interest paid)	(9,396,805)	-	-	(9,396,805)
- proceeds from borrowings	-	12,095,830	12,600,000	24,695,830
- (repayment) of borrowings	(8,622,866)	-	-	(8,622,866)
At end of year	34,447,792	91,551,241	24,667,520	150,666,553

The bank borrowings, overdraft and finance leases are secured by the following:
a) Legal charge over L.R. No. 12596/1.
b) Joint, several and personal guarantees of the directors of the group.

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

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

Weighted average effective interest rates at the year end were:

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
- bank loan	14	14	14	14
- bank overdraft	14	14	14	14
- borrowings from related parties	12	Interest Moratorium	12	Interest Moratorium

12. Borrowings (continued)

The borrowing facilities expiring within one year are subject to review at various dates during the next financial year.

In the opinion of the directors, the carrying amounts of borrowings approximate to their fair value.

The carrying amounts of borrowings are denominated in Kenya Shillings.

Maturity based on the repayment structure of non-current borrowings is as follows:

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Between 1 and 2 years	13,415,836	24,588,192	13,415,836	24,588,192
No fixed maturity period	171,718,761	116,218,761	171,718,761	116,218,761
	185,134,598	140,806,953	185,134,598	140,806,953

13. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using principal tax rates of 30% (2016: 30%). The movement on the deferred tax account is as follows:

	Group and Company 2017 Shs	Group and Company 2016 Shs
At start of year	83,851,526	98,919,791
(Credit) to profit or loss (Note 8)	(3,960,656)	(15,068,265)
At end of year	79,890,870	83,851,526

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

Group and Company	At start of year Shs	(Credit)/charge to profit or loss Shs	At end of year Shs
Deferred tax liabilities			
Property, plant and equipment	35,631,488	(571,877)	35,059,611
Revaluation - buildings	52,566,415	(4,228,766)	48,337,649
	88,197,903	(4,800,643)	83,397,260
Deferred tax (assets)			
Other provisions	(4,320,000)	821,250	(3,498,750)
Foreign exchange differences	(26,377)	18,737	(7,640)
	(4,346,377)	839,987	(3,506,390)
Net deferred tax liability	83,851,526	(3,960,656)	79,890,870

Deferred tax assets on tax losses carried forward are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses against. Deferred tax assets amounting to Shs. 145.76 million (2016: Shs. 119.60 million) in respect of tax losses carried forward amounting to Shs. 485.88 million (2016: Shs. 398.65 million) that can be carried forward against future taxable profits have not been recognised.

14. Property, plant and equipment - Group

Year ended 31 December 2017

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

Buildings were professionally valued on 5 September 2014 by Tysons Limited independent professional valuers on the basis of open market value. The book values of the buildings were adjusted to the revaluation and the resultant surplus, net of deferred tax, was credited to the revaluation reserve. In the opinion of the directors, the current carrying value of the buildings is representative of the fair value.
Leasehold land was professionally valued on 5 September 2014 by Tysons Limited independent professional valuers on the basis of open market value of Shs. 728.2 million (excluding the value of the leasehold land transferred to inventories which has an open market value of Shs. 171.8 million). Both these valuations amounted to Shs. 900 million and have not been incorporated in these financial statements.

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

14. Property, plant and equipment - Company

Year ended 31 December 2017

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

14.Property, plant and equipment - Group

Year ended 31 December 2016

	Freehold land Shs	Leasehold land Shs	Buildings Shs	Plant and machinery Shs	Furniture, fittings and equipment Shs	Motor vehicles Shs	Computers, faxes and copiers Shs	Beer containers Shs	Total Shs
Cost or valuation									
At start of year	30,300	6,734,985	300,000,000	15,500,991	35,597,423	303,464,172	37,684,566	14,837,469	713,849,906
Additions	-	-	-	-	19,130	900,000	35,465	-	954,595
Disposals	-	-	-	-	-	(55,568,818)	-	-	(55,568,818)
At end of year	30,300	6,734,985	300,000,000	15,500,991	35,616,553	248,795,354	37,720,031	14,837,469	659,235,683
Comprising									
Cost	30,300	6,734,985	83,619,742	15,500,991	35,616,553	248,795,354	37,720,031	14,837,469	442,855,425
Valuation	-	-	216,380,258	-	-	-	-	-	216,380,258
	30,300	6,734,985	300,000,000	15,500,991	35,616,553	248,795,354	37,720,031	14,837,469	659,235,683
Depreciation									
At start of year	-	-	20,187,888	15,455,043	29,054,099	271,141,190	37,402,717	7,656,865	380,897,802
Disposals	-	-	-	-	-	(49,639,878)	-	-	(49,639,878)
Impairment adjustment	-	-	-	-	-	21,010,191	-	7,180,604	28,190,795
Charge for the year	-	-	16,927,018	-	794,621	303,490	134,050	-	18,159,179
At end of year	-	-	37,114,906	15,455,043	29,848,720	242,814,993	37,536,767	14,837,469	377,607,898
Net book value	30,300	6,734,985	262,885,094	45,948	5,767,833	5,980,361	183,265	-	281,627,785

NOTES *Continued*

For the year ended 31 December 2017

14. Property, plant and equipment - Company

Year ended 31 December 2016

	Freehold land Shs	Leasehold land Shs	Buildings Shs	Plant and machinery Shs	Furniture, fittings and equipment Shs	Motor vehicles Shs	Computers, faxes and copiers Shs	Beer containers Shs	Total Shs
Cost or valuation									
At start of year	30,300	6,734,985	300,000,000	15,500,991	35,561,879	303,464,172	37,684,566	14,837,469	713,814,362
Additions	-	-	-	-	19,130	900,000	35,465	-	954,595
Disposals	-	-	-	-	-	(55,568,818)	-	-	(55,568,818)
At end of year	30,300	6,734,985	300,000,000	15,500,991	35,581,009	248,795,354	37,720,031	14,837,469	659,200,139
Comprising									
Cost	30,300	6,734,985	83,619,742	15,500,991	35,581,009	248,795,354	37,720,031	14,837,469	442,819,881
Valuation	-	-	216,380,258	-	-	-	-	-	216,380,258
	30,300	6,734,985	300,000,000	15,500,991	35,581,009	248,795,354	37,720,031	14,837,469	659,200,139
Depreciation									
At start of year	-	-	20,187,888	15,455,043	29,041,294	271,141,190	37,402,717	7,656,865	380,884,997
Disposals	-	-	-	-	-	(49,639,878)	-	-	(49,639,878)
Assets scrapped	-	-	-	-	-	21,010,191	-	7,180,604	28,190,795
Charge for the year	-	-	16,927,018	-	794,621	303,490	134,050	-	18,159,179
At end of year	-	-	37,114,906	15,455,043	29,835,915	242,814,993	37,536,767	14,837,469	377,595,093
Net book value	30,300	6,734,985	262,885,094	45,948	5,745,094	5,980,361	183,264	-	281,605,046

14. Property, plant and equipment (Group and Company) (continued)

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

	Group and Company 2017 Shs	2016 Shs
Cost	141,556,623	141,556,623
Accumulated depreciation	(56,724,042)	(53,892,909)
Net book value	84,832,581	87,663,714

15. Investment in subsidiaries

	Country of incorporation	Holding	Company 2017 Shs	2016 Shs
Express Mombasa Limited	Kenya	100%	242,800	242,800
Container Services Limited	Kenya	100%	1,694,552	1,694,552
Airporter Limited	Kenya	79%	619,808	619,808
			2,557,160	2,557,160

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

16. Intangible assets - Computer software

	Group and Company 2017 Shs	2016 Shs
Cost		
At start and end of year	306,000	306,000
Amortisation		
At start of year	122,400	61,200
Charge for the year	61,200	61,200
At end of year	183,600	122,400
Net book value	122,400	183,600

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

17. Inventories

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
At start of year	40,631,082	19,810,995	40,631,082	19,810,995
Additions	-	20,820,087	-	20,820,087
At end of year	40,631,082	40,631,082	40,631,082	40,631,082

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

18. Trade and other receivables	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Trade receivables	81,284,989	75,773,242	81,284,989	75,773,242
Less: impairment provisions	(68,921,427)	(65,599,699)	(68,921,427)	(65,599,699)
Net trade receivables	12,363,562	10,173,542	12,363,562	10,173,542
Prepayments and deposits	5,839,903	8,563,542	5,839,903	8,563,542
Other receivables	-	614,554	-	614,554
Receivable from related parties (Note 23)	3,670,560	4,120,820	3,125,220	3,125,220
	21,874,025	23,472,458	21,328,685	22,476,858
Movement in impairment provisions				
At start of year	65,599,700	54,886,062	65,599,699	54,886,062
Additional provisions	3,321,728	10,992,139	3,321,728	10,992,139
Recoveries	-	(278,501)	-	(278,501)
At end of year	68,921,428	65,599,700	68,921,427	65,599,699

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

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Kenyan Shilling	21,393,008	22,991,441	20,847,668	21,995,841
United States Dollar	481,017	481,017	481,017	481,017
	21,874,025	23,472,458	21,328,685	22,476,858

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

The group's credit risk arises primarily from trade receivables. The directors are of the opinion that the group's exposure is limited because the debt is widely held. There is no significant concentration of credit risk.

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

As of 31 December 2017, trade receivables amounting to Shs. 1,817,635 (2016: Shs. 2,987,809) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
4 to 12 months	1,817,635	2,987,809	1,817,635	2,987,809

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

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

19. Cash and cash equivalents

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Cash at bank and in hand	3,022,425	2,362,398	3,022,425	2,362,398

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

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Cash and bank balances	3,022,425	2,362,398	3,022,425	2,362,398
Bank overdraft (Note 12)	(50,671,180)	(50,300,621)	(50,671,180)	(50,300,621)
	(47,648,755)	(47,938,223)	(47,648,755)	(47,938,223)

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

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Kenya Shillings	2,732,701	2,214,216	2,732,701	2,214,216
United States Dollar	289,724	148,182	289,724	148,182
	3,022,425	2,362,398	3,022,425	2,362,398

20. Trade and other payables

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Non-current				
Payable to related parties (Note 23)	-	17,000,000	-	17,000,000
Current				
Trade payables	23,820,891	26,181,518	23,820,891	26,181,518
Accruals	4,092,103	2,824,832	4,092,103	2,824,832
Other payables	25,063,596	10,417,115	25,063,596	10,417,115
Payable to related parties (Note 23)	35,093,441	753,357	36,774,784	2,115,840
	88,070,031	40,176,821	89,751,374	41,539,304
	88,070,031	57,176,821	89,751,374	58,539,304

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

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

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Kenya Shillings	87,598,116	55,959,449	89,279,459	57,321,932
United States Dollar	471,915	1,071,789	471,915	1,071,789
Euro	-	82,353	-	82,353
Danish Kroner	-	63,230	-	63,230
	88,070,031	57,176,821	89,751,374	58,539,304

20. Trade and other payables (continued)

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

Year ended 31 December 2017 - Group

	0 - 3 months Shs	4 - 12 months Shs	Over 1 year Shs	Total Shs
Trade payables	17,720,427	6,100,464	-	23,820,891
Accruals	707,632	3,384,471	-	4,092,103
Other payables	1,921,603	23,141,993	-	25,063,596
Payable to related parties	-	35,093,441	-	35,093,441
	20,349,662	67,720,369	-	88,070,031

Year ended 31 December 2017 - Company

	0 - 3 months Shs	4 - 12 months Shs	Over 1 year Shs	Total Shs
Trade payables	17,720,427	6,100,464	-	23,820,891
Accruals	707,632	3,384,471	-	4,092,103
Other payables	1,921,603	23,141,993	-	25,063,596
Payable to related parties	-	36,774,784	-	36,774,784
	20,349,662	69,401,712	-	89,751,374

Year ended 31 December 2016 - Group

	0 - 3 months Shs	4 - 12 months Shs	Over 1 year Shs	Total Shs
Trade payables	17,720,427	8,461,091	-	26,181,518
Accruals	707,632	2,117,200	-	2,824,832
Other payables	1,921,603	8,495,512	-	10,417,115
Payable to related parties	-	753,357	17,000,000	17,753,357
	20,349,662	19,827,159	17,000,000	57,176,822

Year ended 31 December 2016 - Company

	0 - 3 months Shs	4 - 12 months Shs	Over 1 year Shs	Total Shs
Trade payables	17,720,427	8,461,091	-	26,181,518
Accruals	707,632	2,117,200	-	2,824,832
Other payables	1,921,603	8,495,512	-	10,417,115
Payable to related parties	-	2,115,840	17,000,000	19,115,840
	20,349,662	21,189,642	17,000,000	58,539,305

21. Provision for legal claims

	Group and Company	
	2017 Shs	2016 Shs
At start and end of year	14,400,000	14,400,000
Increase	13,200,000	-
Utilised in the year	(15,937,500)	-
At end of year	11,662,500	14,400,000

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

22. Cash from operations

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Reconciliation of (loss) before tax to cash from operations				
(Loss) before tax	(94,309,918)	(112,007,102)	(94,178,518)	(111,875,702)
Adjustments for:				
Depreciation on property, plant and equipment (Note 14)	18,042,309	18,159,179	18,042,309	18,159,179
Impairment on property, plant and equipment (Note 14)	-	28,190,795	-	28,190,795
Amortisation of intangible assets (Note 16)	61,200	61,200	61,200	61,200
(Gain) on disposal of property, plant and equipment (Note 4)	(2,870,737)	(640,023)	(2,870,737)	(640,023)
Interest expense	12,419,871	16,762,077	12,419,871	16,762,077
Net foreign exchange (gain)/loss	(357,257)	87,924	(357,257)	87,924
Provision for charges and liabilities (Note 21)	(2,737,500)	-	(2,737,500)	-
Changes in working capital:				
- inventories	-	(20,820,087)	-	(20,820,087)
- trade and other receivables	1,598,434	30,281,629	1,148,174	31,281,628
- trade and other payables	30,893,210	45,364,602	31,212,070	44,233,203
Cash from operations	(37,260,388)	5,440,194	(37,260,388)	5,440,194

23. Related party transactions and balances

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

The following transactions were carried out with related parties:

	Group and company 2017 Shs	Group and company 2016 Shs
i) Sale of services to related parties		
Other related parties	3,212,564	3,081,308
ii) Purchase of goods and services		
Other related parties	14,116,689	19,087,234
iii) Key management compensation		
Directors remuneration - short term employment benefits	18,000,000	18,000,000

iv) Outstanding balances arising from sale of services

Receivable from related parties (Note 18)	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Other related parties	1,852,519	2,363,679	1,307,179	1,368,079
Parent	1,818,041	1,757,141	1,818,041	1,757,141
	3,670,560	4,120,820	3,125,220	3,125,220

23. Related party transactions and balances (continued)

v) Outstanding balances arising from purchase of goods and services

Payable to related parties (Note 20)	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Other related parties	35,093,441	17,753,357	34,593,441	17,253,357
Subsidiaries	-	-	2,181,343	1,862,483
	35,093,441	17,753,357	36,774,784	19,115,840

vi) Amount due to related parties

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Loans due to related parties (Note 12)				
- other related parties	123,101,241	91,551,241	123,101,241	91,551,241
- directors (Note 12)	48,617,520	24,667,520	48,617,520	24,667,520
	171,718,761	116,218,761	171,718,761	116,218,761

24. Commitments

Operating lease commitments - Group and Company as a lessee

The future minimum lease payments payable under non-cancellable operating leases are as follows:	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Not later than 1 year	13,450,468	23,684,884	13,450,468	23,684,884
Later than 1 year and not later than 5 years	5,587,488	6,988,872	5,587,488	6,988,872
	19,037,956	30,673,756	19,037,956	30,673,756

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

25. Risk management objectives and policies

Financial risk management

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

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

Risk management is carried out by the management under policies approved by the board of directors.

(a) Market risk

- Foreign exchange risk

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

25. Risk management objectives and policies (continued)

(a) Market risk (continued)

- Foreign exchange risk (continued)

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

		Group		Company
	2017	2016	2017	2016
	Shs	Shs	Shs	Shs
Effect on (loss) - increase/(decrease)	(20,918)	33,231	(20,918)	33,231

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

- Interest rate risk

The group's exposure to interest rate risk arises from borrowings.

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

		Group		Company
	2017	2016	2017	2016
	Shs	Shs	Shs	Shs
Effect on (loss) - increase	869,391	679,134	869,391	679,134

(b) Credit risk

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

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

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

(c) Liquidity risk

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

Notes 12 and 20 disclose the maturity analysis of borrowings and trade and other payables respectively.

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

The key assumptions made in the maturity profile are:
- changes in interest rates have not been accounted for as these cannot be predicted;

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

25. Risk management objectives and policies (continued)

Year ended 31 December 2017 - Group	Interest rate %	Less than 1 year Shs	1 - 5 years Shs	No fixed maturity period Shs	Total Shs
Interest bearing liabilities:					
- Bank overdraft	14%	57,765,145	-	-	57,765,145
- Bank loan	14%	13,306,865	22,658,813	-	35,965,678
- Borrowings from related parties	-	-	216,946,449	-	216,946,449
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	48,617,520	48,617,520
- Trade and other payables	-	88,070,031	-	-	88,070,031
- Provision for legal claims	-	11,662,500	-	-	11,662,500
		170,804,541	239,605,262	48,617,520	459,027,323
Year ended 31 December 2017 - Company					
Interest bearing liabilities:					
- Bank overdraft	14%	57,765,145	-	-	57,765,145
- Bank loan	14%	13,306,865	22,658,813	-	35,965,678
- Borrowings from related parties	-	-	216,946,449	-	216,946,449
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	48,617,520	48,617,520
- Trade and other payables	-	89,751,374	-	-	89,751,374
- Provision for legal claims	-	11,662,500	-	-	11,662,500
		172,485,884	239,605,262	48,617,520	460,708,666
Year ended 31 December 2016 - Group					
Interest bearing liabilities:					
- Bank overdraft	14%	50,300,621	-	-	50,300,621
- Bank loan	14%	11,239,944	36,428,488	-	47,668,432
Non-interest bearing liabilities:					
- Borrowings from related parties	-	-	-	91,551,241	91,551,241
- Borrowings from directors	-	-	-	24,667,520	24,667,520
- Trade and other payables	-	40,176,821	-	-	40,176,821
- Provision for legal claims	-	14,400,000	-	-	14,400,000
		116,117,386	36,428,488	116,218,761	268,764,635
Year ended 31 December 2016 - Company					
Interest bearing liabilities:					
- Bank overdraft	14%	50,300,621	-	-	50,300,621
- Bank loan	14%	11,239,944	36,428,488	-	47,668,432
Non-interest bearing liabilities:					
- Borrowings from related parties	-	-	-	91,551,241	91,551,241
- Borrowings from directors	-	-	-	24,667,520	24,667,520
- Trade and other payables	-	41,539,304	-	-	41,539,304
- Provision for legal claims	-	14,400,000	-	-	14,400,000
		117,479,869	36,428,488	116,218,761	270,127,118

26. Capital management

The group's objectives when managing capital are:

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

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

The gearing ratios at 31 December 2017 and 2016 were as follows:

		Group		Company
	2017	2016	2017	2016
	Shs	Shs	Shs	Shs
Total borrowings (Note 12)	247,478,466	200,967,174	247,478,466	200,967,174
Less cash and cash equivalents (Note 19)	(3,022,425)	(2,362,398)	(3,022,425)	(2,362,398)
Net debt	244,456,041	198,604,776	244,456,041	198,604,776
Total equity	(67,168,960)	23,180,302	(66,861,222)	23,356,640
Gearing ratio (%)	N/A	8.57	N/A	8.50

The company is entirely funded by its lenders.

27. Contingent liabilities

The company is a defendant in various legal actions. After seeking appropriate legal advice, the directors are of the opinion that the outcomes of such actions are not expected to give rise to any significant losses other then as provided for in the financial statements (Note 21).

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

28. Commitments - capital commitments

	Group and company	
	2017	2016
	Shs	Shs
Inventories - work-in-progress	-	1,529,815,614

29. Incorporation

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

30. Presentation currency

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

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017

PROXY FORM

For the year ended 31 December 2017

I/We ………………………………………………………………………………………………………

of ………………………………………………………………………………………………………

being a member(s) of the above Company hereby appoint ………………………………………

of ………………………………………………………………………………………………………

or failing him/her………………………………………………………………………………………

of ………………………………………………………………………………………………………

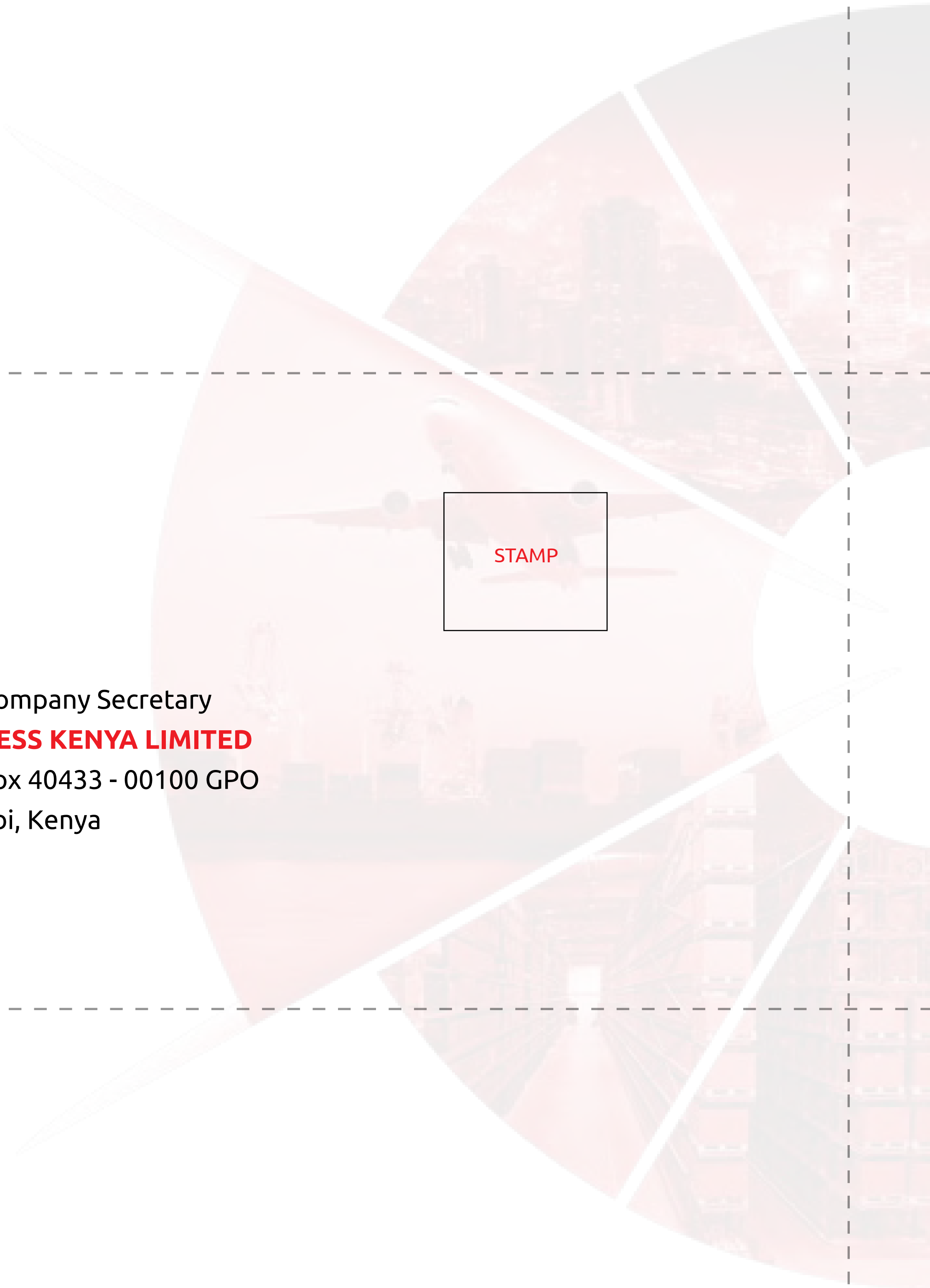
as my/our proxy to attend and on a poll vote for me/us/ on my /our behalf at the 47th Annual General Meeting of the Company to be held on Pride In Hotel & Conferencing, Pride Conference Centre, off Westlands Road, Westlands, Nairobi, on Wednesday, 20 June 2018 at 11.00 am and at any adjournment thereof.

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

Signature: ………………………………………………

NOTE:

1. In accordance with Section 298 of the Companies Act, 2015 a member entitled to attend and vote at this meeting is entitled to appoint proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy which is attached to this notice must be duly completed and signed by the member and must either be lodged at the Registered office of the Company, Express House, Road A, off Enterprise Road, P.O. Box 40433-00100, Nairobi or with the Company Secretaries, Equatorial Secretaries and Registrars, Kalamu House, Grevillea Grove P.O. Box 47323, 00100-Nairobi, so as to reach not later than 11.00 a.m. on Monday, 18 June 2018.
3. In case of a corporate body, the proxy must be executed under its common seal or under the hand of a duly authorized officer or an attorney of such corporation.



STAMP

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

COMPANY'S TOP 30 SHAREHOLDERS

For the year ended 31 December 2017

Rank	Name	Domicile	Total Shares	%
1	ETCOVILLE HOLDINGS LIMITED	LC	21,392,898	60.43%
2	PAUL WANDERI NDUNGU	LI	1,912,090	5.40%
3	DANIEL KARANJA NDUNGU	LI	821,656	2.32%
4	STANDARD CHARTERED NOMINEES A/C 9397	LC	457,054	1.29%
5	HECTOR ROBERT DINIZ	LI	428,300	1.21%
6	SARAJ PROPERTIES LIMITED	LC	410,500	1.16%
7	HENRY NZIOKA IVUTI	LI	342,449	0.97%
8	YASIN ESMAIL AHMED	LI	296,700	0.84%
9	VISHAL SUDHIRKUMAR SHAH	FI	212,800	0.60%
10	DAVINDAR SINGH DEVGUN	LI	189,000	0.53%
11	THE JUBILEE INSURANCE COMPANY OF KENYA LIMITED	LC	158,600	0.45%
12	PATRICK KARIUKI & AGNES NDUNG'U KARINGE	LI	157,300	0.44%
13	ANDREW MUKITE MUSANGI	LI	153,100	0.43%
14	ELEGANT HOLDINGS LIMITED	LC	150,800	0.43%
15	EKTA BIMAL & KUNAL KAMLESH SHAH	LI	139,700	0.39%
16	KOLLIYOOR BAHULAYAN/ DALAVOI RAMAPPA SATHYA GOPAKUMAR/VADANA	LI	126,800	0.36%
17	LAVINGTON SECURITY GUARDS LIMITED	LC	125,400	0.35%
18	MACHARIA MIGWI	LI	110,000	0.31%
19	SUPINDER SINGH SOIN	LI	106,000	0.30%
20	MANSUKHLAL KESHAVJI SHAH & MITAL MANSUKHLAL SHAH & NIRMALABEN MANSUKHLAL SHAH	LI	99,600	0.28%
21	AJAY KISHORCHANDRA KARSANDAS KOTECHA	LI	99,597	0.28%
22	ROBINSON NGIGI GOCO	LI	98,007	0.28%
23	JOSEPHAT KIMATA WA MUKUI	LI	92,331	0.26%
24	CYPRIAN MAMBO WAMBUGU	LI	76,000	0.21%
25	SIMON THUO WACHIURI	LI	70,200	0.20%
26	NOMURA NOMINEES LTD A/C RANGECHEM LTD	LC	62,900	0.18%
27	HASMITA AJITKUMAR&AJITKUMAR RATILAL HARIA	LI	62,300	0.18%
28	ALPA NISHIT CHHEDA; NISHIT SURENDRAKUMAR CHHEDA	LI	60,000	0.17%
29	FRANCIS P NGILLAH	LI	55,027	0.16%
30	SAVITABEN VELJI RAICHAND SHAH	LI	53,556	0.15%

SHARES SELECTED	28,520,665	80.56%
SHARES NOT SELECTED - 4,183 Shareholders	6,883,125	19.44%
SHARES ISSUED	35,403,790	100.00%
TOTAL SHAREHOLDERS	**4,213**	
CDSC IMMOBILISATION:		
NO. OF SHAREHOLDERS AT THE CDSC	3,174	
NO. OF SHARES HELD AT CDSC	34,258,208	

Comments

EXPRESS KENYA LTD

Diniz Holdings Limited