



10848

JKIA - AIRPORT TRADE CENTRE
P.O BOX 40433 - 00100, Nairobi, Kenya
Telephone: (020)3002371 - 5, Fax: 3002903
Mombasa Branch:
P.O Box 90631, Tel: (041)2312461 - 5
Fax: 041 - 2229014
Mombasa

Our Ref: EKL/HO/SA/20 045

29th July 2020

The Chief Executive Officer
Capital Markets Authority
3rd Floor, Embankment Plaza
Longonot Road, Upper Hill
Nairobi

Email: ceoffice@cma.or.ke



Dear Sir,

RE: PUBLICATION OF THE COMPANYS AUDITED ACCOUNTS FOR THE PERIOD TO 31ST DECEMBER 2019

In-line with section 19 of the Capital Markets (Securities) (Public Offers, Listings & Disclosures) (Amendment), the board is pleased to announce the audited results and financial statements for company for the year to 31st of December 2019.

The said accounts are set to appear in the Daily Nation and the Standard newspapers on Friday, the 31st of July 2020.

Attached are the said accounts.

Thanking you.

Yours faithfully,
Express Kenya Limited

Hector Diniz
Chief Executive Officer

Cc: Nairobi Securities Exchange

MANAGEMENT

Chief Executive
Director - MO ✓
Director-R P & S
Director - C S
Manager - S P
Manager - Derivatives
HCC
MLA
HOP
MIA

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2019 Shs '000	2018 Shs '000
Revenue	20,218	26,380
Direct costs	(20,069)	(32,489)
Gross profit/(loss)	<u>149</u>	<u>(6,109)</u>
Other operating income	15,048	6,748
Impairment provisions	(485)	(13,990)
Administrative expenses	(15,574)	(28,800)
Other operating expenses	(11,516)	(23,076)
Operating (loss)	<u>(12,378)</u>	<u>(65,228)</u>
Finance costs	(10,785)	(10,566)
(Loss) before tax	<u>(23,163)</u>	<u>(75,794)</u>
Tax credit	1,385	6,103
(Loss) for the year	<u>(21,778)</u>	<u>(69,691)</u>
Basic and diluted (loss) per share	<u>(0.53)</u>	<u>(1.97)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2019 Shs '000	2018 Shs '000
CAPITAL EMPLOYED		
Share capital	238,557	177,019
Share premium	28,963	10,502
Revaluation reserve	202,181	102,921
Accumulated losses	(439,980)	(427,301)
Shareholders' funds/(deficit)	<u>29,721</u>	<u>(136,860)</u>
Non-current liabilities		
Borrowings	259,040	262,049
Lease liabilities	13,775	-
Deferred tax	118,486	73,788
	<u>391,301</u>	<u>335,837</u>
	<u>421,022</u>	<u>198,977</u>
REPRESENTED BY		
Non-current assets		
Property, plant and equipment	375,180	245,425
Right-of-use assets	20,646	-
Intangible assets	-	61
	<u>395,826</u>	<u>245,486</u>
Current assets		
Inventories	28,752	28,752
Trade and other receivables	14,149	12,963
Cash and cash equivalents	1,709	2,440
Tax recoverable	31,301	31,301
	<u>75,911</u>	<u>75,456</u>
Current liabilities		
Borrowings	13,861	63,476
Lease liabilities	3,007	-
Trade and other payables	33,197	46,826
Provision for legal claims	650	11,663
	<u>50,715</u>	<u>121,964</u>
Net current assets/(liabilities)	<u>25,196</u>	<u>(46,509)</u>
	<u>421,022</u>	<u>198,977</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital Shs '000	Share premium Shs '000	Revaluation reserve Shs '000	Accumulated losses Shs '000	Total Shs '000
Year ended 31 December 2019					
At start of year	177,019	10,502	102,921	(427,301)	(136,860)
Issue of ordinary share capital	61,538	18,462	-	-	80,000
Transition adjustments:					
- effect of change in accounting policy	-	-	-	(768)	(768)
(Loss) for the year	-	-	-	(21,779)	(21,779)
Surplus on revaluation of property, plant and equipment	-	-	155,896	-	155,896
Deferred tax on revaluation surplus	-	-	(46,769)	-	(46,769)
Transfer of excess depreciation	-	-	(14,096)	14,096	-
Deferred tax on excess depreciation transfer	-	-	4,229	(4,229)	-
At end of year	<u>238,557</u>	<u>28,963</u>	<u>202,181</u>	<u>(439,980)</u>	<u>29,721</u>

**ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 Shs '000	2018 Shs '000
At start of year	(48,107)	(47,649)
Net cash (used in) operating activities	(33,704)	(81,159)
Net cash from investing activities	7,753	2,447
Net cash from financing activities	70,704	78,171
Effect of exchange rate changes	2	83
At end of year	<u>(3,352)</u>	<u>(48,107)</u>

The above are extracts from the audited financial statements of the group for the year ended 31 December 2019 which were audited by PKF Kenya LLP and received an unqualified opinion. The financial statements were approved by the board of directors for issue on the 29 July 2020.

For the year to 31 December 2019, the directors do not recommend the declaration of a dividend.

By order of the board



Chief Executive Officer

Performance

The company's performance for the year ended 31st December 2019 has improved compared to 2018. The loss for the year decreased significantly to Kshs. 21.7 million as compared to Kshs. 69.6 million in 2018. This is due to the continued cost rationalization implemented by the directors. In addition, the company has impaired non-performing assets and bad debts during the year 2018 leading to better bottom line in 2019 which had no significant impairment adjustments.

Future Outlook

The company suspended some of the planned activities in 2020 especially the real estate project due to Covid 19 pandemic which affected performance of the company in second quarter of the year. Generally, the Global logistics business had the highest negative impact leading to underutilization of the existing warehouse facilities. Due to the ongoing gradual opening of international trade and airspace, the company is positive that its performance may improve if the local conditions stabilizes soon.

EXPRESS KENYA PUBLIC LIMITED COMPANY

(FORMERLY EXPRESS KENYA LIMITED)

ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

	PAGE
Group information	1
Report of the directors	2 - 3
Report of the directors' remuneration	4
Statement of directors' responsibilities	5
Report of the independent auditor	6 - 9
Financial statements:	
Consolidated statement of profit or loss and other comprehensive income	10
Company statement of profit or loss and other comprehensive income	11
Consolidated statement of financial position	12
Company statement of financial position	13
Consolidated statement of changes in equity	14
Company statement of changes in equity	15
Consolidated statement of cash flows	16
Company statement of cash flows	17
Notes	18 - 49
 The following pages do not form an integral part of these financial statements	
Schedule of direct costs and administrative expenditure - (group and company)	50
Schedule of other expenditure - (group and company)	51

GROUP INFORMATION

BOARD OF DIRECTORS	: Dr. C. W. Obura (Chairman) : Hector Diniz : Kajal Thakker : Davinder Singh Devgun
CHIEF OFFICER	: Managing Director - Hector Diniz
REGISTERED OFFICE	: LR. No. 12596/1 : Express House : Road A, Off Enterprise Road : Industrial Area : P.O. Box 40433, 00100 : NAIROBI
PRINCIPAL PLACE OF BUSINESS	: LR. No. 12596/1 : Express House : Road A, Off Enterprise Road : Industrial Area : P.O. Box 40433, 00100 : NAIROBI : Telephone - 254 (20) 3002371-5 : Cell - 254 (722) 204102-3 : Website - www.expresskenya.com
INDEPENDENT AUDITOR	: PKF Kenya LLP : 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	: Archer & Wilcock Advocates : NAIROBI
SHARE REGISTRARS	: Custody and Registrars Services Limited : NAIROBI
SUBSIDIARIES	: Express Mombasa Limited : Container Services Limited : Airporter Limited

REPORT OF THE DIRECTORS

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2019, 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.

CHANGE OF NAME

Express Kenya Limited changed its name to Express Kenya Public Limited Company with effect from 6 August 2019.

BUSINESS REVIEW

During the year 2019, the total turnover of the company and group decreased from Shs. 26,380,369 to Shs. 20,218,251. This resulted mainly from decline in revenue from warehouse business.

Key Performance Indicators

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Turnover (Shs)	<u>20,218,251</u>	<u>26,380,369</u>	<u>20,218,251</u>	<u>26,380,369</u>
(Loss) for the year (Shs)	<u>(21,778,518)</u>	<u>(69,690,695)</u>	<u>(21,712,518)</u>	<u>(72,116,456)</u>
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	<u>10,332,728</u>	<u>(47,064,518)</u>	<u>10,398,728</u>	<u>(49,490,279)</u>

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 affect the group's business. Other factors include the impact of the recent coronavirus outbreak. Whilst at this stage it is too early to predict the full potential impact of this outbreak on the group's operations, the directors continue to monitor this situation closely with a view to assessing and mitigating its impact on the group.

In addition to the business risks 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 26 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 (2018: Nil).

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

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS

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

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, a partnership, was on 10 March 2020 converted to PKF Kenya LLP, a Limited Liability Partnership under the Limited Liability Partnership Act, 2011. PKF Kenya LLP 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.

EQUATORIAL SECRETARIES AND REGISTRARS


..... SECRETARIES
COMPANY SECRETARY
NAIROBI



29 July 2020

REPORT OF DIRECTORS' REMUNERATION

This report of directors' remuneration sets out the remuneration for the Board of Directors of the group for the year ended 31 December 2019.

Directors' remuneration

2019		Remuneration Shs	Total Shs
Dr. C. W. Obura	Chairman	-	-
Hector Diniz	Director	-	-
Kajal Thakker	Director	-	-
Davinder Singh Devgun	Director	-	-
Total		-	-

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

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

 DIRECTOR
 NAIROBI

29 July 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 consolidated financial statements of the group and the company that comply with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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


- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the consolidated financial statements give a true and fair view of the financial position of the group and of the company as at 31 December 2019 and of the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

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

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

Approved by the board of directors on 29 July 2020 and signed on its behalf by:



DIRECTOR



DIRECTOR

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF EXPRESS KENYA PUBLIC LIMITED COMPANY (FORMERLY EXPRESS KENYA LIMITED)

Opinion

We have audited the accompanying consolidated financial statements of Express Kenya Public Limited Company (Formerly Express Kenya Limited) and its subsidiaries (collectively referred to as the 'group'), set out on pages 10 to 49 which comprise the consolidated and company statements of financial position as at 31 December 2019 and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated and company financial position as at 31 December 2019, and of the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) of the consolidated financial statements, which indicates that the group incurred a loss of Shs. 21,778,518 (2018: Shs. 69,690,695) during the year ended 31 December 2019, and had accumulated losses of Shs. 439,980,261 (2018: Shs. 427,301,050) as at the reported date. 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 PUBLIC LIMITED COMPANY (FORMERLY EXPRESS KENYA LIMITED) (CONTINUED)**Other Information**

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

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF EXPRESS KENYA PUBLIC LIMITED COMPANY (FORMERLY EXPRESS KENYA LIMITED) (CONTINUED)**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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 directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF EXPRESS KENYA PUBLIC LIMITED COMPANY (FORMERLY EXPRESS KENYA LIMITED) (CONTINUED)**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 2 and 3 is consistent with the financial statements; and
- ii) the auditable part of the directors' remuneration report on page 4 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PKC Kenya LLP

**Certified Public Accountants
NAIROBI**

30 July 2020

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

1000/20

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019 Shs	2018 Shs
Revenue		20,218,251	26,380,369
Direct costs		<u>(20,069,188)</u>	<u>(32,489,371)</u>
Gross profit/(loss)		149,063	(6,109,002)
Other operating income	3	15,047,855	6,748,274
Impairment provisions	4	(484,567)	(13,990,103)
Administrative expenses		(15,914,029)	(28,800,391)
Other operating expenses		<u>(11,516,393)</u>	<u>(23,076,408)</u>
Operating (loss)	5	(12,718,071)	(65,227,630)
Finance costs	7	<u>(10,785,152)</u>	<u>(10,565,948)</u>
(Loss) before tax		(23,503,223)	(75,793,578)
Tax credit	8	<u>1,384,649</u>	<u>6,102,883</u>
(Loss) for the year		<u><u>(22,118,574)</u></u>	<u><u>(69,690,695)</u></u>
Other comprehensive income:			
- Surplus on revaluation of property, plant and equipment	11	155,895,960	-
- Deferred tax on revaluation surplus on property, plant and equipment	14	<u>(46,768,788)</u>	-
Total other comprehensive income		<u>109,127,172</u>	-
Total comprehensive income/(loss) for the year		<u><u>87,008,598</u></u>	<u><u>(69,690,695)</u></u>
Income/(loss) for the year is attributable to:			
- owners of the company	9	<u><u>87,008,598</u></u>	<u><u>(69,690,695)</u></u>
(Loss) per share			
Basic and diluted (loss) per share	9	<u><u>(0.54)</u></u>	<u><u>(1.97)</u></u>

The notes on pages 18 to 49 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 9.

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019 Shs	2018 Shs
Revenue		20,218,251	26,380,369
Direct costs		<u>(20,069,188)</u>	<u>(32,489,371)</u>
Gross profit/(loss)		149,063	(6,109,002)
Other operating income	3	15,047,855	6,748,274
Impairment provisions	4	(484,567)	(16,547,263)
Administrative expenses		(15,848,029)	(28,668,992)
Other operating expenses		<u>(11,516,393)</u>	<u>(23,076,408)</u>
Operating (loss)	5	(12,652,071)	(67,653,391)
Finance costs	7	<u>(10,785,152)</u>	<u>(10,565,948)</u>
(Loss) before tax		(23,437,223)	(78,219,339)
Tax credit	8	<u>1,384,649</u>	<u>6,102,883</u>
(Loss) for the year		<u><u>(22,052,574)</u></u>	<u><u>(72,116,456)</u></u>
Other comprehensive income:			
- Surplus on revaluation of property, plant and equipment	11	155,895,960	-
- Deferred tax on revaluation surplus on property, plant and equipment	14	<u>(46,768,788)</u>	-
Total other comprehensive income		<u><u>109,127,172</u></u>	<u><u>-</u></u>
Total comprehensive income/(loss) for the year		<u><u>87,074,598</u></u>	<u><u>(72,116,456)</u></u>
Basic and diluted (loss) per share	9	<u><u>(0.46)</u></u>	<u><u>(2.04)</u></u>

The notes on pages 18 to 49 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2019 Shs	2018 Shs
CAPITAL EMPLOYED			
Share capital	10	238,557,405	177,018,950
Share premium	10	28,963,264	10,501,719
Revaluation reserve	11	202,180,778	102,920,726
Accumulated losses		<u>(439,980,261)</u>	<u>(427,301,050)</u>
Shareholders' funds/(deficit)		<u>29,721,186</u>	<u>(136,859,655)</u>
Non-current liabilities			
Borrowings	12	259,040,460	262,048,998
Lease liabilities	13	13,775,434	-
Deferred tax	14	<u>118,485,563</u>	<u>73,787,987</u>
		<u>391,301,457</u>	<u>335,836,985</u>
		<u>421,022,643</u>	<u>198,977,330</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	375,180,316	245,424,655
Right-of-use assets	16	20,645,799	-
Intangible assets	18	<u>-</u>	<u>61,200</u>
		<u>395,826,115</u>	<u>245,485,855</u>
Current assets			
Inventories	19	28,752,342	28,752,342
Trade and other receivables	20	14,149,032	12,962,800
Cash and cash equivalents	21	1,709,321	2,439,873
Tax recoverable		<u>31,300,900</u>	<u>31,300,900</u>
		<u>75,911,595</u>	<u>75,455,915</u>
Current liabilities			
Borrowings	12	13,861,363	63,476,335
Lease liabilities	13	3,006,594	-
Trade and other payables	22	33,197,110	46,825,605
Provision for legal claims	23	<u>650,000</u>	<u>11,662,500</u>
		<u>50,715,067</u>	<u>121,964,440</u>
Net current assets/(liabilities)		<u>25,196,528</u>	<u>(46,508,525)</u>
		<u>421,022,643</u>	<u>198,977,330</u>

The financial statements on pages 10 to 49 were approved and authorised for issue by the Board of Directors on 29 July 2020 and were signed on its behalf by:

C. Uduma DIRECTOR

[Signature] DIRECTOR

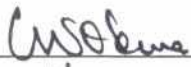
The notes on pages 18 to 49 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 9.

COMPANY STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2019 Shs	2018 Shs
CAPITAL EMPLOYED			
Share capital	10	238,557,405	177,018,950
Share premium	10	28,963,264	10,501,719
Revaluation reserve	11	202,180,778	102,920,726
Accumulated losses		(442,032,284)	(429,419,073)
Shareholders' funds/(deficit)		<u>27,669,163</u>	<u>(138,977,678)</u>
Non-current liabilities			
Borrowings	12	259,040,460	262,048,998
Lease liabilities	13	13,775,434	-
Deferred tax	14	118,485,563	73,787,987
		<u>391,301,457</u>	<u>335,836,985</u>
		<u>418,970,620</u>	<u>196,859,307</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	375,157,578	245,401,915
Right-of-use assets	16	20,645,799	-
Investment in subsidiaries	17	-	-
Intangible assets	18	-	61,200
		<u>395,803,377</u>	<u>245,463,115</u>
Current assets			
Inventories	19	28,752,342	28,752,342
Trade and other receivables	20	12,868,462	12,306,384
Cash and cash equivalents	21	1,709,321	2,439,873
Tax recoverable		31,300,900	31,300,900
		<u>74,631,025</u>	<u>74,799,499</u>
Current liabilities			
Borrowings	12	13,861,363	63,476,335
Lease liabilities	13	3,006,594	-
Trade and other payables	22	33,945,825	48,264,472
Provision for legal claims	23	650,000	11,662,500
		<u>51,463,782</u>	<u>123,403,307</u>
Net current assets/(liabilities)		<u>23,167,243</u>	<u>(48,603,808)</u>
		<u>418,970,620</u>	<u>196,859,307</u>

The financial statements on pages 10 to 49 were approved and authorised for issue by the Board of Directors on 29 July 2020 and were signed on its behalf by:

 DIRECTOR

 DIRECTOR

The notes on pages 18 to 49 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 9.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs	Share premium Shs	Revaluation reserve Shs	Accumulated losses Shs	Total Shs
Year ended 31 December 2018						
At start of year		177,018,950	10,501,719	112,787,846	(367,477,475)	(67,168,960)
(Loss) for the year		-	-	-	(69,690,695)	(69,690,695)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	14	-	-	4,228,766	(4,228,766)	-
At end of year		<u>177,018,950</u>	<u>10,501,719</u>	<u>102,920,726</u>	<u>(427,301,050)</u>	<u>(136,859,655)</u>
Year ended 31 December 2019						
At start of year		177,018,950	10,501,719	102,920,726	(427,301,050)	(136,859,655)
Issue of ordinary share capital		61,538,455	18,461,545	-	-	80,000,000
Transition adjustments:						
- Effect of change in accounting policy	(1(a))	-	-	-	(767,813)	(767,813)
(Loss) for the year		-	-	-	(21,778,518)	(21,778,518)
Surplus on revaluation of property, plant and equipment	11	-	-	155,895,960	-	155,895,960
Deferred income tax on revaluation surplus	14	-	-	(46,768,788)	-	(46,768,788)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	14	-	-	4,228,766	(4,228,766)	-
At end of year		<u>238,557,405</u>	<u>28,963,264</u>	<u>202,180,778</u>	<u>(439,980,261)</u>	<u>29,721,186</u>

The notes on pages 18 to 49 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 9.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs	Share premium Shs	Revaluation reserve Shs	Accumulated losses Shs	Total Shs
Year ended 31 December 2018						
At start of year		177,018,950	10,501,719	112,787,846	(367,169,737)	(66,861,222)
(Loss) for the year		-	-	-	(72,116,456)	(72,116,456)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	14	-	-	4,228,766	(4,228,766)	-
At end of year		<u>177,018,950</u>	<u>10,501,719</u>	<u>102,920,726</u>	<u>(429,419,073)</u>	<u>(138,977,678)</u>
Year ended 31 December 2019						
At start of year		177,018,950	10,501,719	102,920,726	(429,419,073)	(138,977,678)
Issue of ordinary share capital		61,538,455	18,461,545	-	-	80,000,000
Transition adjustments:						
- Effect of change in accounting policy	(1(a))	-	-	-	(767,813)	(767,813)
(Loss) for the year		-	-	-	(21,712,518)	(21,712,518)
Surplus on revaluation of property, plant and equipment	11	-	-	155,895,960	-	155,895,960
Deferred income tax on revaluation surplus	14	-	-	(46,768,788)	-	(46,768,788)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	14	-	-	4,228,766	(4,228,766)	-
At end of year		<u>238,557,405</u>	<u>28,963,264</u>	<u>202,180,778</u>	<u>(442,032,284)</u>	<u>27,669,163</u>

The notes on pages 18 to 49 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 9.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 Shs	2018 Shs
Operating activities			
Cash (used in) operations	24	(22,559,404)	(70,510,021)
Interest paid		(8,554,877)	(10,648,720)
Interest paid on lease liabilities	13	(2,232,560)	-
Tax paid		(357,500)	-
Net cash (used in) operating activities		<u>(33,704,341)</u>	<u>(81,158,741)</u>
Investing activities			
Purchase of property, plant and equipment	15	-	(3,700,000)
Proceeds from disposal of property, plant and equipment		<u>7,753,446</u>	<u>6,146,550</u>
Net cash from investing activities		<u>7,753,446</u>	<u>2,446,550</u>
Financing activities			
(Repayment of) bank borrowings	12	(17,037,309)	(12,159,431)
(Repayment of) borrowings from directors	12	(1,800,000)	-
(Conversion of) related parties borrowings to ordinary shares	12	(80,000,000)	-
Proceeds from borrowings from related parties	12	38,700,000	90,330,237
Proceeds from bank borrowings	12	53,000,000	-
Proceeds from issue of ordinary shares	10	80,000,000	-
Payments of principal portion of lease liabilities	13	(2,158,432)	-
Net cash from financing activities		<u>70,704,259</u>	<u>78,170,806</u>
Increase/(decrease) in cash and cash equivalents		<u><u>44,753,364</u></u>	<u><u>(541,385)</u></u>
Movement in cash and cash equivalents			
At start of year		(48,107,368)	(47,648,755)
Increase/(decrease)		44,753,364	(541,385)
Effect of exchange rate changes		<u>2,285</u>	<u>82,772</u>
At end of year	21	<u><u>(3,351,719)</u></u>	<u><u>(48,107,368)</u></u>

The notes on pages 18 to 49 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 9.

COMPANY STATEMENT OF CASH FLOWS

	Notes	2019 Shs	2018 Shs
Operating activities			
Cash (used in) operations	24	(22,559,404)	(70,510,021)
Interest paid		(8,554,877)	(10,648,720)
Interest paid on lease liabilities	13	(2,232,560)	-
Tax paid		(357,500)	-
Net cash (used in) operating activities		<u>(33,704,341)</u>	<u>(81,158,741)</u>
Investing activities			
Purchase of property, plant and equipment	15	-	(3,700,000)
Proceeds from disposal of property, plant and equipment		7,753,446	6,146,550
Net cash from investing activities		<u>7,753,446</u>	<u>2,446,550</u>
Financing activities			
(Repayment of) bank borrowings	12	(17,037,309)	(12,159,431)
(Repayment of) borrowings from directors	12	(1,800,000)	-
(Conversion of) related parties borrowings to ordinary shares	12	(80,000,000)	-
Proceeds from borrowings from related parties	12	38,700,000	90,330,237
Proceeds from bank borrowings	12	53,000,000	-
Proceeds from issue of ordinary shares	10	80,000,000	-
Payments of principal portion of lease liabilities	13	(2,158,432)	-
Net cash from financing activities		<u>70,704,259</u>	<u>78,170,806</u>
Increase/(decrease) in cash and cash equivalents		<u><u>44,753,364</u></u>	<u><u>(541,385)</u></u>
Movement in cash and cash equivalents			
At start of year		(48,107,368)	(47,648,755)
Increase/(decrease)		44,753,364	(541,385)
Effect of exchange rate changes		2,285	82,772
At end of year	21	<u><u>(3,351,719)</u></u>	<u><u>(48,107,368)</u></u>

The notes on pages 18 to 49 form an integral part of these financial statements.

Report of the independent auditor - pages 6 to 9.

NOTES

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.

Transfer between levels of the fair value hierarchy are recognised by the directors at the end of the reporting period during which the change occurred.

The financial performance of the group is set out in the report of the directors and in the statement of profit or loss and other comprehensive income. The financial position of the group is set out in the statement of financial position. Disclosures in respect of risk management and capital management are set out in Notes 26 and 27 respectively to the financial statements.

Going concern

During the year ended 31 December 2019, the group recognised a net loss of Shs. 21,778,518 (2018: Shs. 69,690,695) and had accumulated losses of Shs. 439,980,261 (2018: Shs. 427,301,050) as at the reporting date. The directors consider it appropriate to prepare the group's financial statements on a going concern basis based on the factors described below:

- the management has implemented various cost rationalisation measures aimed at significantly improving the group's profitability and cash flows;
- the group has prepared cash flow projections for a period exceeding eighteen months to ensure it meets its operating obligations;
- the group is pursuing its real estate project aimed at diversifying its business.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

In addition to the above strategies employed by the management, the principal shareholder has continuously provided financial support to the group throughout the years. During the year, Shs. 80 million of loans owed to related companies were converted into ordinary shares to reduce the overall borrowings of the group.

Furthermore, the principle shareholder has provided a written letter of support to meet deficit in the cash flow covering a period up to 31 July 2021.

Based on the above factors and the group's risk management policies, the directors are of the opinion that the group is well placed to continue in business for the foreseeable future.

New and amended standards adopted by the group

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2019 have been adopted by the group. Of those, the following standard has had an effect on the group's financial statements:

International Financial Reporting Standard 16 (IFRS 16): Leases

From 1 January 2019, to comply with IFRS 16, Leases, which replaced IAS 17, Leases, the group now recognises lease liabilities relating to leases under which the group is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 January 2019 and leases of low value items). Such liabilities have been measured at 1 January 2019 at the present value of the remaining lease payments discounted using the group's incremental borrowing rate as at 1 January 2019. Corresponding right-of-use assets have been recognised, measured as if the group's new accounting policy (see Note 16) had been applied since the commencement of each lease but discounted using the group's incremental borrowing rate as at 1 January 2019. The difference between the lease liabilities and right-of-use assets at 1 January 2019 has been recognised as an adjustment to retained earnings at that date.

As permitted by the transition provisions in the new standard, comparative amounts have not been restated. The group's accounting policy for leases under which the group was lessee was, up to 31 December 2018, as follows:

- Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

The resulting adjustment passed at 1 January 2019 as a result of applying IFRS 16, was as follows:

	Shs
Right-of-use assets	17,843,584
Lease liabilities	(18,940,460)
Deferred tax	<u>329,062</u>
Net adjustment to retained earnings at 1 January 2019	<u>(767,814)</u>

NOTES (CONTINUED)

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

New and amended standards adopted by the group (continued)

Other Standards and Amendments

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the group's financial statements:

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.
- Amendments to IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

New Standards, Amendments and Interpretations issued but not effective

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

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014) applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- IFRS 17 'Insurance Contracts' (issued in 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 issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Group does not issue insurance contracts.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

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

- Amendments to IFRS 3 'Definition of a Business' (issued in October 2018) applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.
- Amendments to IAS 1 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The directors do not expect that adoption of the standards and interpretations will have a material impact on the financial statements in future periods. The company plans to apply the changes above from their effective dates.

b) Critical accounting estimates and judgements

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

The directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the consolidated financial statements. The assumptions and judgements set-out below do not consider the full potential impact of the recent coronavirus outbreak as it is too early at this stage to predict the full potential impact of this on the financial statements of the group.

- 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.

- Measurement of expected credit losses (ECL):

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

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing group's of similar financial assets for the purposes of measuring ECL.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

b) Critical accounting estimates and judgements (continued)

- Measurement of expected credit losses (ECL) (continued):

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

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

- Tax losses

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

- Inventoris - work-in-progress

The group reviews its work-in-progress at each reporting date. In determining the work-in-progress to recognise, the management assesses the percentage of completion of ongoing projects. Where the costs incurred to the reporting date are more than budgeted costs, the excess costs are directly written off to profit or loss.

c) Segmental reporting

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

d) Revenue recognition

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

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

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

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

e) Investment in subsidiaries/consolidation

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

NOTES (CONTINUED)

1. Significant accounting policies (continued)

e) Investment in subsidiaries/consolidation (continued)

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.

- 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.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

f) Property, plant and equipment

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

Buildings are subsequently shown at market value based on periodic 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 classifies 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
Leasehold improvements	over remaining lease period
Buildings	over remaining lease period
Plant and machinery	8 years
Furniture, fittings and equipment	8 years
Motor vehicles	5 years
Computers and copiers	3 1/3 years
Beer containers	4 years

Freehold land is not depreciated.

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

NOTES (CONTINUED)

1. Significant accounting policies (continued)

f) Property, plant and equipment (continued)

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.

g) Translation of foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at 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.

h) Financial instruments

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

Financial assets

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

The group's financial assets which include trade and other receivables, unquoted investments and cash and cash equivalents fall into the following categories:

i) Amortised cost:

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

ii) Fair Value Through Profit or Loss (FVTPL):

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

NOTES (CONTINUED)

1. Significant accounting policies (continued)

h) Financial instruments (continued)

ii) Fair Value Through Profit or Loss (FVTPL) (continued):

Notwithstanding the above, the group may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it **at fair value through other comprehensive income**.

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

iii) Fair Value Through Other Comprehensive Income (FVTOCI):

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

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the group has transferred substantially all risks and rewards of ownership, or when the group has no reasonable expectations of recovering the asset.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment

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

- cash and cash equivalents
- trade and other receivables

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

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

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

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

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

NOTES (CONTINUED)

1. Significant accounting policies (continued)

h) Financial instruments (continued)

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

Financial liabilities

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

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

Offsetting financial instruments

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

i) Cash and cash equivalents

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

j) Intangible assets - computer software

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

k) Inventories - work-in-progress

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

l) Share capital

Ordinary shares are classified as equity.

m) Taxation

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

Current tax

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

NOTES (CONTINUED)

1. Significant accounting policies (continued)

m) Taxation(continued)

Deferred tax

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

n) Accounting for leases

The group as a lessee:

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the group's incremental borrowing rate is used.

For leases that contain non-lease components, the group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

o) Retirement benefit obligations

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

p) Comparatives

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

NOTES (CONTINUED)

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. 4,931,300 (2018: Shs. 13,799,098) to a single customer that represents 25% (2018: 52%) of total turnover.

The group does not allocate tax expense to reportable segments.

The segment results are as follows:

Year ended 31 December 2019	Clearing and forwarding Shs	Warehousing Shs	Real estate Shs	Total Shs
Revenue	-	20,218,251	-	20,218,251
Direct costs	-	(20,069,188)	-	(20,069,188)
Gross profit	-	149,063	-	149,063
Other operating income (Note 3)	15,047,855	-	-	15,047,855
Impairment on provisions (Note 4)	349,821	-	-	(484,567)
Operating and administrative expenses	-	(27,090,366)	-	(27,090,366)
Finance costs (Note 7)	-	(10,785,152)	-	(10,785,152)
Profit/(loss) before tax	15,397,676	(37,697,364)	-	(23,163,167)
Tax credit (Note 8)	-	1,384,649	-	1,384,649
Profit/(loss) for the year	<u>15,397,676</u>	<u>(36,312,715)</u>	<u>-</u>	<u>(21,778,518)</u>

During the year the group had no revenue or expenditure relating to the real estate segment.

NOTES (CONTINUED)

2. Segment information (continued)

Year ended 31 December 2018	Clearing and forwarding Shs	Warehousing Shs	Real estate Shs	Total Shs
Revenue	-	26,380,369	-	26,380,369
Direct costs	-	(32,489,371)	-	(32,489,371)
Gross (loss)	-	(6,109,002)	-	(6,109,002)
Other operating income (Note 3)	6,748,274	-	-	6,748,274
Impairment on provisions (Note 4)	(11,353,716)	(2,636,386)	-	(13,990,103)
Operating and administrative expenses	-	(51,876,799)	-	(51,876,799)
Finance costs (Note 7)	-	(10,565,948)	-	(10,565,948)
(Loss) before tax	(4,605,442)	(71,188,135)	-	(75,793,578)
Tax credit (Note 8)	-	6,102,883	-	6,102,883
(Loss) for the year	(4,605,442)	(65,085,252)	-	(69,690,695)

Other segment items included in profit or loss are:

Year ended 31 December 2019	Clearing and forwarding Shs	Warehousing Shs	Real estate Shs	Total Shs
Depreciation on property, plant and equipment	893,740	17,820,748	-	18,714,488

Year ended 31 December 2018

Depreciation on property, plant and equipment	286,991	16,927,018	805,131	18,019,140
---	---------	------------	---------	------------

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

Year ended 31 December 2019	Clearing and forwarding Shs	Warehousing Shs	Real estate Shs	Total Shs
Assets	233,431,509	178,252,959	28,752,342	440,436,810
Liabilities	265,295,388	58,235,573	-	323,530,961

Year ended 31 December 2018

Assets	153,509,661	107,378,867	28,752,342	289,640,870
Liabilities	316,193,540	67,819,898	-	384,013,438

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

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

NOTES (CONTINUED)

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
3. Other operating income				
Gain on disposal of property, plant and equipment	7,573,146	5,584,505	7,573,146	5,584,505
Miscellaneous income	7,474,709	1,163,769	7,474,709	1,163,769
	<u>15,047,855</u>	<u>6,748,274</u>	<u>15,047,855</u>	<u>6,748,274</u>
4. Impairment provisions				
Impairment of investment in subsidiaries (Note 17)	-	-	-	2,557,160
Scrapped assets	179	2,676,236	179	2,676,236
Bad debts	863,479	2,595,381	863,479	2,595,381
Expected Credit Losses on cash and bank (Note 21)	(29,091)	41,006	(29,091)	41,006
Expected Credit Losses on trade receivables (Note 20)	(350,000)	8,677,480	(350,000)	8,677,480
	<u>484,567</u>	<u>13,990,103</u>	<u>484,567</u>	<u>16,547,263</u>
5. Operating (loss)				
The following items have been charged/(credited) in arriving at operating (loss):				
Depreciation on property, plant and equipment (Note 15)	18,714,488	18,019,140	18,714,488	18,019,140
Depreciation on right-of-use assets (Note 16)	3,932,770	-	3,932,770	-
Amortisation of intangible assets (Note 18)	61,200	61,200	61,200	61,200
(Gain) on disposal of property, plant and equipment (Note 3)	(7,573,146)	(5,584,505)	(7,573,146)	(5,584,505)
Auditors' remuneration				
- current year	1,200,000	1,740,000	1,200,000	1,740,000
Operating lease rentals	19,126	13,357,715	19,126	13,357,715
Repairs and maintenance	1,432,381	1,658,979	1,432,381	1,658,979
Assets scrapped (Note 4)	-	2,676,236	-	2,676,236
Staff costs (Note 6)	10,755,341	26,234,632	10,755,341	26,234,632
	<u>10,755,341</u>	<u>26,234,632</u>	<u>10,755,341</u>	<u>26,234,632</u>
6. Staff costs				
Salaries and wages:				
- direct costs	-	11,182,078	-	11,182,078
- administrative	10,141,232	14,689,639	10,141,232	14,689,639
Staff welfare and other costs	377,022	16,750	377,022	16,750
Pension costs:				
- National Social Security Fund	97,200	143,830	97,200	143,830
- Defined Contribution Scheme	139,888	202,335	139,888	202,335
	<u>10,755,341</u>	<u>26,234,632</u>	<u>10,755,341</u>	<u>26,234,632</u>
The average number of persons employed during the year, by category, were:			Group and company	
			2019	2018
			Number	Number
Management and administration			<u>20</u>	<u>28</u>
			Group and company	
			2019	2018
			Shs	Shs
7. Finance costs				
Interest expense:				
- bank overdraft			3,347,782	7,696,120
- bank loan			5,207,095	2,952,600
- lease liabilities			2,232,560	-
Foreign exchange (gain)			(2,285)	(82,772)
			<u>10,785,152</u>	<u>10,565,948</u>

NOTES (CONTINUED)

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
8. Tax				
Current tax	-	-	-	-
Capital gains tax	357,500	-	357,500	-
Deferred tax (credit) (Note 14)	(1,742,149)	(6,102,883)	(1,742,149)	(6,102,883)
	<u>(1,384,649)</u>	<u>(6,102,883)</u>	<u>(1,384,649)</u>	<u>(6,102,883)</u>
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	(23,163,167)	(75,793,578)	(23,097,167)	(78,219,339)
Tax calculated at a tax rate of 30% (2018: 30%)	(6,948,950)	(22,738,073)	(6,929,150)	(23,465,801)
Tax calculated at a tax rate of 5% (2018: 5%)	357,500	-	357,500	-
Tax effect of:				
- income not subject to tax	(2,258,727)	-	(2,258,727)	-
- expenses not deductible for tax purposes	1,359,566	1,862,698	1,379,186	2,629,846
- tax loss brought forward	(157,625,218)	(142,892,146)	(157,625,218)	(142,892,146)
- expired tax losses	11,004,094	-	11,004,094	-
- tax loss carried forward	152,727,087	157,664,638	152,687,667	157,625,218
Tax (credit)	<u>(1,384,649)</u>	<u>(6,102,883)</u>	<u>(1,384,649)</u>	<u>(6,102,883)</u>

9. Basic and diluted (loss) per share

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

	Group		Company	
	2019	2018	2019	2018
Net (loss) attributable to shareholders (Shs.)	(21,778,518)	(69,690,695)	(21,712,518)	(72,116,456)
Number of ordinary shares (Number)	47,711,481	35,403,790	47,711,481	35,403,790
Basic and diluted (loss) per share (Shs.)	<u>(0.53)</u>	<u>(1.97)</u>	<u>(0.46)</u>	<u>(2.04)</u>
Weighted average number of shares	41,287,137	35,403,790	41,287,137	35,403,790

10. Share capital

Authorised:

250,000,000 (2018: 250,000,000) ordinary shares of Shs. 5 each 1,250,000,000 1,250,000,000

Issued and fully paid:

47,711,481 (2018: 35,403,790) ordinary shares of Shs. 5 each 238,557,405 177,018,950

Share premium 28,963,264 10,501,719

The issued and paid up ordinary share capital of the company was increased on 10 July 2019 from Shs. 177,018,950 representing 35,403,790 ordinary shares of Shs. 5 each to Shs. 238,557,405 representing 47,711,481 ordinary shares of Shs. 5 each, by issuing 12,307,691 ordinary share with a par value of Shs. 5 at a premium of Shs. 18,461,545.

11. Revaluation reserve

	Group and company	
	2019 Shs	2018 Shs
At start of year	102,920,726	112,787,846
Surplus on revaluation (Note 15)	155,895,960	-
Deferred income tax on revaluation surplus (Note 14)	(46,768,788)	-
Transfer of excess depreciation	(14,095,886)	(14,095,886)
Deferred tax on excess depreciation transfer (Note 14)	4,228,766	4,228,766
At end of year	<u>202,180,778</u>	<u>102,920,726</u>

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

NOTES (CONTINUED)

12. Borrowings	Group and company	
	2019 Shs	2018 Shs
Non-current		
Bank loan	40,091,462	-
Borrowings from related parties (Note 25)	172,131,478	213,431,478
Borrowings from directors (Note 25)	46,817,520	48,617,520
	<u>259,040,460</u>	<u>262,048,998</u>
Current		
Bank loan	8,800,323	12,929,094
Bank overdraft (Note 21)	5,061,040	50,547,241
	<u>13,861,363</u>	<u>63,476,335</u>
Total borrowings	<u>272,901,823</u>	<u>325,525,333</u>

Reconciliation of liabilities arising from financing activities:

	Bank borrowings Shs	Related parties Shs	Directors Shs	Total Shs
Year ended 31 December 2019				
At start of year	12,929,094	213,431,478	48,617,520	274,978,092
Interest charged to profit or loss	5,207,095	-	-	5,207,095
Cash flows:				
- operating activities (interest paid)	(5,207,095)	-	-	(5,207,095)
- proceeds from borrowings	53,000,000	38,700,000	-	91,700,000
- (repayment) of borrowings	(17,037,309)	-	(1,800,000)	(18,837,309)
- (conversion) of borrowings to ordinary shares	-	(80,000,000)	-	(80,000,000)
At end of year	<u>48,891,785</u>	<u>172,131,478</u>	<u>46,817,520</u>	<u>267,840,783</u>
Year ended 31 December 2018				
At start of year	25,088,525	123,101,241	48,617,520	196,807,286
Interest charged to profit or loss	2,952,600	-	-	2,952,600
Cash flows:				
- operating activities (interest paid)	(2,952,600)	-	-	(2,952,600)
- proceeds from borrowings	-	90,330,237	-	90,330,237
- (repayment) of borrowings	(12,159,431)	-	-	(12,159,431)
At end of year	<u>12,929,094</u>	<u>213,431,478</u>	<u>48,617,520</u>	<u>274,978,092</u>

The bank borrowings and overdraft are secured by the following:

- Legal charge over L.R. No. 12596/1; and
- Joint, several and personal guarantees of the directors of the group.

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

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

Weighted average effective interest rates at the year end were:

	Group and company	
	2019 %	2018 %
- bank loan	12.5	14.0
- bank overdraft	12.5	14.0
- borrowings from related parties	<u>12.0 *</u>	<u>12.0 *</u>

* - after the end of the interest moratorium.

NOTES (CONTINUED)

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 and company	
	2019	2018
	Shs	Shs
Between 1 and 2 years	9,950,170	-
Between 3 and 5 years	29,699,246	-
No fixed maturity period	219,391,044	262,048,998
	<u>259,040,460</u>	<u>262,048,998</u>

13. Lease liabilities

Year ended 31 December 2019

Non-current	13,775,434	-
Current	3,006,594	-

Lease liabilities	<u>16,782,027</u>	<u>-</u>
-------------------	-------------------	----------

Reconciliation of lease liabilities:

At start of year	-	-
Effect of change in accounting policy (Note 1(a))	18,940,460	-
Interest charged to profit or loss	2,232,560	-
Cash flows:		
- operating activities (interest paid)	(2,232,560)	-
- payments under leases	(2,158,432)	-

At end of year	<u>16,782,027</u>	<u>-</u>
----------------	-------------------	----------

Lease liabilities are secured by a right over the leased assets.

The exposure of the company's leases to interest rate changes and the contractual repricing dates at the reporting date are as follows:

0 - 12 months	3,006,594	-
1 - 5 years	13,775,434	-
	<u>16,782,027</u>	<u>-</u>

Weighted average effective interest rates at the reporting date were 12.33%.

The carrying amounts of the company's lease liabilities are denominated in Kenya shillings.

Maturity based on the repayment structure of lease liabilities is as follows:

Gross lease liabilities - minimum lease payments

Not later than 1 year	4,903,171	-
Later than 1 year and not later than 5 years	16,338,266	-
Total gross lease	21,241,438	-
Future interest expense on leases liabilities	(4,731,310)	-
Present value of lease liabilities	<u>16,782,027</u>	<u>-</u>

Present value of lease liabilities - minimum lease payments

Not later than 1 year	3,006,594	-
Later than 1 year and not later than 5 years	13,775,434	-
	<u>16,782,027</u>	<u>-</u>

NOTES (CONTINUED)

14. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using principal tax rates of 30% (2018: 30%). The movement on the deferred tax account is as follows:

	Group and company	
	2019	2018
	Shs	Shs
At start of year	73,787,987	79,890,870
Transition adjustment	(329,063)	-
Charge to statement of other comprehensive income (Note 11)	46,768,788	-
(Credit) to profit or loss (Note 8)	(1,742,149)	(6,102,883)
	<u>118,485,563</u>	<u>73,787,987</u>
At end of year	<u>118,485,563</u>	<u>73,787,987</u>

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

	At start of year Shs	Transition adjustments Shs	Charge to other comprehensive income Shs	(Credit) to profit or loss Shs	At end of year Shs
Deferred tax liabilities					
Property, plant and equipment	33,202,686	-	-	(420,431)	32,782,255
Revaluation - buildings	44,108,883	-	46,768,788	(4,228,766)	86,648,905
Right of use assets	-	5,353,075	-	(1,070,615)	4,282,460
	<u>77,311,569</u>	<u>5,353,075</u>	<u>46,768,788</u>	<u>(5,719,812)</u>	<u>123,713,620</u>
Deferred tax (assets)					
Other provisions	(3,498,750)	-	-	3,307,325	(191,425)
Foreign exchange differences	(24,832)	-	-	22,808	(2,024)
Lease liabilities	-	(5,682,138)	-	647,530	(5,034,608)
	<u>(3,523,582)</u>	<u>(5,682,138)</u>	<u>-</u>	<u>3,977,663</u>	<u>(5,228,057)</u>
Net deferred tax liability	<u>73,787,987</u>	<u>(329,063)</u>	<u>46,768,788</u>	<u>(1,742,149)</u>	<u>118,485,563</u>

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. 152.7 million (2018: Shs. 157.6 million) in respect of tax losses carried forward amounting to Shs. 509 million (2018: Shs. 525.4 million) that can be carried forward against future taxable profits have not been recognised.

Tax losses that arose in 2010 and prior amounting to Shs. 36.6 million expired during the year.

NOTES (CONTINUED)

15. Property, plant and equipment - Group

Year ended 31 December 2019

	Freehold land Shs	Leasehold land Shs	Leasehold improvements Shs	Buildings Shs	Plant and machinery Shs	Furniture, fittings and equipment Shs	Motor vehicles Shs	Computers and copiers Shs	Beer containers Shs	Total Shs
Cost or valuation										
At start of year	30,300	6,734,985	3,700,000	300,000,000	15,500,991	35,616,553	32,544,171	37,720,031	14,837,469	446,684,500
Reversal	-	-	(510,345)	-	-	-	-	-	-	(510,345)
Assets scrapped	-	-	-	-	-	-	(179)	-	-	(179)
Disposals	(30,300)	-	-	-	-	-	(17,300,000)	-	-	(17,330,300)
Surplus on revaluation	-	-	-	68,000,000	-	-	-	-	-	68,000,000
Transfer to right-of-use assets (Note 16)	-	(6,734,985)	-	-	-	-	-	-	-	(6,734,985)
At end of year	-	-	3,189,655	368,000,000	15,500,991	35,616,553	15,243,992	37,720,031	14,837,469	490,108,691
Comprising										
Cost	-	-	3,189,655	-	15,500,991	35,616,553	15,243,992	37,720,031	14,837,469	122,108,691
Valuation	-	-	-	368,000,000	-	-	-	-	-	368,000,000
	-	-	3,189,655	-	15,500,991	35,616,553	15,243,992	37,720,031	14,837,469	490,108,691
Depreciation										
At start of year	-	-	61,667	70,968,942	15,455,043	31,437,963	30,778,732	37,720,031	14,837,469	201,259,846
Disposals	-	-	-	-	-	-	(17,150,000)	-	-	(17,150,000)
Charge for the year	-	-	53,161	16,927,018	45,948	794,621	893,740	-	-	18,714,488
Reversal on revaluation	-	-	-	(87,895,960)	-	-	-	-	-	(87,895,960)
At end of year	-	-	114,828	-	15,500,991	32,232,584	14,522,472	37,720,032	14,837,469	114,928,375
Net book value	-	-	3,074,827	368,000,000	-	3,383,969	721,520	-	-	375,180,316

NOTES (CONTINUED)

15. Property, plant and equipment - Company

Year ended 31 December 2019

	Freehold land Shs	Leasehold land Shs	Leasehold improvements Shs	Buildings Shs	Plant and machinery Shs	Furniture, fittings and equipment Shs	Motor vehicles Shs	Computers, faxes and copiers Shs	Beer containers Shs	Total Shs
Cost or valuation										
At start of year	30,300	6,734,985	3,700,000	300,000,000	15,500,991	35,581,009	32,544,171	37,720,031	14,837,469	446,648,956
Reversal	-	-	(510,345)	-	-	-	-	-	-	(510,345)
Assets scrapped	-	-	-	-	-	-	(179)	-	-	(179)
Disposals	(30,300)	-	-	-	-	-	(17,300,000)	-	-	(17,330,300)
Surplus on revaluation	-	-	-	68,000,000	-	-	-	-	-	68,000,000
Transfer to right-of-use assets (Note 16)	-	(6,734,985)	-	-	-	-	-	-	-	(6,734,985)
At end of year	-	-	3,189,655	368,000,000	15,500,991	35,581,009	15,243,992	37,720,031	14,837,469	490,073,147
Comprising										
Cost	-	-	3,189,655	-	15,500,991	35,581,009	15,243,992	37,720,031	14,837,469	122,073,147
Valuation	-	-	-	368,000,000	-	-	-	-	-	-
	-	-	3,189,655	368,000,000	15,500,991	35,581,009	15,243,992	37,720,031	14,837,469	490,073,147
Depreciation										
At start of year	-	-	61,667	70,968,942	15,455,043	31,425,157	30,778,732	37,720,031	14,837,469	201,247,041
Disposals	-	-	-	-	-	-	(17,150,000)	-	-	(17,150,000)
Charge for the year	-	-	53,161	16,927,018	45,948	794,621	893,740	-	-	18,714,488
Reversal on revaluation	-	-	-	(87,895,960)	-	-	-	-	-	(87,895,960)
At end of year	-	-	114,828	-	15,500,991	32,219,778	14,522,472	37,720,031	14,837,469	114,915,569
Net book value	-	-	3,074,827	368,000,000	-	3,361,231	721,520	-	-	375,157,578

NOTES (CONTINUED)

15. Property, plant and equipment - Group

Year ended 31 December 2018

	Freehold land Shs	Leasehold land Shs	Leasehold improvements Shs	Buildings Shs	Plant and machinery Shs	Furniture, fittings and equipment Shs	Motor vehicles Shs	Computers and copiers Shs	Beer containers Shs	Total Shs
Cost or valuation										
At start of year	30,300	6,734,985	-	300,000,000	15,500,991	35,616,553	225,498,826	37,720,031	14,837,469	635,939,155
Assets scrapped	-	-	-	-	-	-	(136,465,499)	-	-	(136,465,499)
Additions	-	-	3,700,000	-	-	-	-	-	-	3,700,000
Disposals	-	-	-	-	-	-	(56,489,156)	-	-	(56,489,156)
At end of year	30,300	6,734,985	3,700,000	300,000,000	15,500,991	35,616,553	32,544,171	37,720,031	14,837,469	446,684,500
Comprising										
Cost	30,300	6,734,985	3,700,000	83,619,742	15,500,991	35,581,009	32,544,171	37,720,031	14,837,469	230,268,698
Valuation	-	-	-	216,380,258	-	-	-	-	-	216,380,258
	30,300	6,734,985	6,734,985	300,000,000	15,500,991	35,616,553	225,498,826	37,720,031	14,837,469	446,648,956
Depreciation										
At start of year	-	-	-	54,041,924	15,455,043	30,643,342	220,308,485	37,670,817	14,837,469	372,957,080
Disposals	-	-	-	-	-	-	(55,927,110)	-	-	(55,927,110)
Assets scrapped	-	-	-	-	-	-	(133,789,263)	-	-	(133,789,263)
Charge for the year	-	-	61,667	16,927,018	-	794,621	186,620	49,214	-	18,019,140
At end of year	-	-	61,667	70,968,942	15,455,043	31,437,963	30,778,732	37,720,031	14,837,469	201,259,846
Net book value	30,300	6,734,985	3,638,333	229,031,058	45,948	4,178,590	1,765,439	-	-	245,424,654

NOTES (CONTINUED)

15. Property, plant and equipment - Company

Year ended 31 December 2018

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

NOTES (CONTINUED)

15. Property, plant and equipment - Group and company

Buildings were professionally valued on 24 January 2020 by Redfearn Valuers Limited 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.

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

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

	Group and company	
	2019	2018
	Shs	Shs
Cost	141,556,623	141,556,623
Accumulated depreciation	(62,386,307)	(59,555,174)
Net book value	<u>79,170,316</u>	<u>82,001,449</u>

16. Right-of use assets

	Group and company		
	Leasehold land Shs	Lease of buildings Shs	Total Shs
At start of year	-	-	-
Transferred from property, plant and equipment (Note 15)	6,734,985	-	6,734,985
Effect of change in accounting policy	-	17,843,584	17,843,584
	6,734,985	17,843,584	24,578,569
Depreciation			
Transferred from property, plant and equipment (Note 15)	-	-	-
Depreciation charge for the year	(364,053)	(3,568,717)	(3,932,770)
At end of year	<u>6,370,932</u>	<u>14,274,867</u>	<u>20,645,799</u>

The group leases office space. The office space lease is typically for a period of 5 years 3 months with no option to renew. The lease does not contain any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

Leasehold land was professionally valued on 24 January 2020 by Redfearn Valuers Limited on the basis of open market value of Shs. 1,099,000,000 million. The valuation has not been incorporated in these financial statements.

17. Investment in subsidiaries

	Country of incorporation	Holding	Company	
			2019 Shs	2018 Shs
Express Mombasa Limited	Kenya	100%	-	242,800
Container Services Limited	Kenya	100%	-	1,694,552
Airporter Limited	Kenya	79%	-	619,808
Impairment (Note 4)			-	(2,557,160)
			<u>-</u>	<u>-</u>

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

NOTES (CONTINUED)

18. Intangible assets - computer software	Group and company	
	2019 Shs	2018 Shs
Cost		
At start and end of year	306,000	306,000
Amortisation		
At start of year	244,800	183,600
Charge for the year	61,200	61,200
At end of year	306,000	244,800
Net book value	-	61,200
19. Inventories		
At start of year	28,752,342	40,631,082
Impairment	-	(11,878,740)
At end of year	28,752,342	28,752,342

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

20. Trade and other receivables	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Trade receivables	82,668,747	82,690,832	82,668,747	82,690,832
Less: expected credit loss allowance	(81,404,443)	(82,368,911)	(81,404,443)	(82,368,911)
Net trade receivables	1,264,304	321,921	1,264,304	321,921
Prepayments, deposits and other receivables	5,999,730	7,873,642	5,999,730	7,873,642
Receivable from related parties (Note 25)	6,884,998	4,767,237	5,604,428	4,110,820
	14,149,032	12,962,800	12,868,462	12,306,384
Movement in expected credit losses				
At start of year	82,368,911	73,691,431	82,368,911	73,691,431
Additions - specific provisions	-	8,677,480	-	8,677,480
Write off	(614,468)	-	(614,468)	-
Recoveries	(350,000)	-	(350,000)	-
At end of year	81,404,443	82,368,911	81,404,443	82,368,911

The carrying amounts of trade and other receivables are denominated in Kenya Shillings.

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

21. Cash and cash equivalents	Group and company	
	2019 Shs	2018 Shs
Cash at bank and in hand	1,709,321	2,439,873
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash and bank balances	1,709,321	2,439,873
Bank overdraft (Note 12)	(5,061,040)	(50,547,241)
	(3,351,719)	(48,107,368)

NOTES (CONTINUED)

21. Cash and cash equivalents (continued)

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

	Group and company	
	2019	2018
	Shs	Shs
Kenya Shillings	1,644,221	2,110,865
United States Dollar	65,100	329,008
	<u>1,709,321</u>	<u>2,439,873</u>

Movement in provision expected credit losses

At start of the year	41,006	-
Expected credit loss allowance:		
- provision for the year	(29,091)	41,006
At end of year	<u>11,915</u>	<u>41,006</u>

22. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	Shs	Shs	Shs	Shs
Trade payables	13,228,620	20,069,851	13,228,620	20,069,852
Accruals and other payables	17,622,671	25,019,511	17,556,672	25,019,511
Payable to related parties (Note 25)	2,345,819	1,736,243	3,160,533	3,175,109
	<u>33,197,110</u>	<u>46,825,605</u>	<u>33,945,825</u>	<u>48,264,472</u>

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

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

	Group		Company	
	2019	2018	2019	2018
	Shs	Shs	Shs	Shs
Kenya Shillings	33,197,110	46,496,597	33,945,825	47,935,464
United States Dollar	-	329,008	-	329,008
	<u>33,197,110</u>	<u>46,825,605</u>	<u>33,945,825</u>	<u>48,264,472</u>

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

	0 - 3 months	4 - 12 months	Total
	Shs	Shs	Shs
Year ended 31 December 2019 - Group			
Trade payables	1,677,003	11,551,617	13,228,620
Accruals and other payables	2,695,234	14,927,437	17,622,671
Payable to related parties	-	2,345,819	2,345,819
	<u>4,372,237</u>	<u>28,824,873</u>	<u>33,197,110</u>
Year ended 31 December 2019 - Company			
Trade payables	1,677,003	11,551,617	13,228,620
Accruals and other payables	2,629,235	14,927,437	17,556,672
Payable to related parties	-	3,160,533	3,160,533
	<u>4,306,238</u>	<u>29,639,587</u>	<u>33,945,825</u>

NOTES (CONTINUED)

22. Trade and other payables (continued)	0 - 3 months Shs	4 - 12 months Shs	Total Shs
Year ended 31 December 2018 - Group			
Trade payables	17,720,427	2,349,424	20,069,851
Accruals and other payables	2,629,235	22,390,276	25,019,511
Payable to related parties	-	1,736,243	1,736,243
	<u>20,349,662</u>	<u>26,475,942</u>	<u>46,825,605</u>
Year ended 31 December 2018 - Company			
Trade payables	17,720,427	2,349,425	20,069,852
Accruals and other payables	2,629,235	22,390,276	25,019,511
Payable to related parties	-	3,175,109	3,175,109
	<u>20,349,662</u>	<u>27,914,810</u>	<u>48,264,472</u>

23. Provision for legal claims	Group and company 2019 Shs		2018 Shs	
At start of year		11,662,500		11,662,500
Transfer to other payables		(10,608,888)		-
(Decrease) in provisions for the year		(403,612)		-
At end of year		<u>650,000</u>		<u>11,662,500</u>

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

24. Cash (used in) operations	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Reconciliation of (loss) before tax to cash (used in) operations				
(Loss) before tax	(23,163,167)	(75,662,179)	(23,097,167)	(78,219,339)
Adjustments for:				
Depreciation on property, plant and equipment (Note 15)	18,714,488	18,019,140	18,714,488	18,019,140
Depreciation on right-of-use assets (Note 16)	3,932,770	-	3,932,770	-
Adjustments to property, plant and equipment (Note 15)	510,345	-	510,345	-
Impairment of investment in subsidiaries (Note 17)	-	-	-	2,557,160
Assets scrapped (Note 4)	179	2,676,236	179	2,676,236
Amortisation of intangible assets (Note 18)	61,200	61,200	61,200	61,200
(Gain) on disposal of property, plant and equipment (Note 3)	(7,573,146)	(5,584,505)	(7,573,146)	(5,584,505)
Interest expense	10,787,437	10,648,720	10,787,437	10,648,720
Net foreign exchange (gain)	(2,285)	(82,772)	(2,285)	(82,772)
(Decrease) in provision for legal claim (Note 23)	(11,012,500)	-	(11,012,500)	-
Changes in working capital:				
- inventories	-	11,878,740	-	11,878,740
- trade and other receivables	(1,186,232)	8,779,826	(562,078)	9,022,301
- trade and other payables	(13,628,493)	(41,244,427)	(14,318,647)	(41,486,902)
Cash (used in) operations	<u>(22,559,404)</u>	<u>(70,510,021)</u>	<u>(22,559,404)</u>	<u>(70,510,021)</u>

NOTES (CONTINUED)

25. Related party transactions and balances

Etcoville Holdings Limited which owns 44.84% (2018: 60.43%) of the company's shares has significant influence over the company. The remaining 55.16% (2018: 39.57%) 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			
	2019		2018	
	Shs		Shs	
Purchase of goods and services				
Other related parties	-		2,683,039	
Outstanding balances				
	Group		Company	
	2019	2018	2019	2018
	Shs	Shs	Shs	Shs
i) Receivable from related parties (Note 20)				
Other related parties	5,062,957	2,949,196	3,782,387	2,292,779
Parent	1,822,041	1,818,041	1,822,041	1,818,041
	<u>6,884,998</u>	<u>4,767,237</u>	<u>5,604,428</u>	<u>4,110,820</u>
ii) Outstanding balances arising from purchase of goods and services				
	Group		Company	
	2019	2018	2019	2018
	Shs	Shs	Shs	Shs
(Payable to related parties (Note 22))				
Other related parties	2,345,819	1,736,243	-	1,236,243
Subsidiaries	-	-	3,160,533	1,938,866
	<u>2,345,819</u>	<u>1,736,243</u>	<u>3,160,533</u>	<u>3,175,109</u>
iii) Amount due to related parties				
			Group and company	
			2019	2018
			Shs	Shs
Loans due to related parties (Note 12)				
- other related parties			172,131,478	213,431,478
- directors			46,817,520	48,617,520
			<u>218,948,998</u>	<u>262,048,998</u>

26. 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.

NOTES (CONTINUED)

26. Risk management objectives and policies (continued)

(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.

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	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Effect on (loss) - (decrease)/increase	<u>(4,557)</u>	<u>23,031</u>	<u>(4,557)</u>	<u>23,031</u>

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	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Effect on (loss) - increase	<u>755,121</u>	<u>745,410</u>	<u>755,121</u>	<u>745,410</u>

(b) Credit risk

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

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

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

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

NOTES (CONTINUED)

26. Risk management objectives and policies (continued)

(b) Credit risk (continued)

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

If the group does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the group groups financial assets on the basis of shared credit risk characteristics, such as:

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

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

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

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

As at 31 December 2019	Lifetime expected credit losses			
	Group	Company		
	2019 Shs	2019 Shs	2019 Shs	2018 Shs
Trade receivables	82,668,747	82,690,832	82,668,747	82,690,832
Prepayments, deposits and other receivables	5,999,730	7,873,642	5,999,730	7,873,642
Receivable from related parties	6,884,998	4,767,237	5,604,428	4,110,820
Cash at bank	1,709,321	2,439,873	1,709,321	2,439,873
Gross carrying amount	97,262,796	97,771,584	95,982,226	97,115,168
Loss allowance	(81,404,443)	(82,368,911)	(81,416,358)	(82,409,917)
Exposure to credit risk	15,858,353	15,402,673	14,565,868	14,705,251

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

- a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
- b) trade receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

NOTES (CONTINUED)

26. Risk management objectives and policies (continued)

(b) Credit risk (continued)

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

	Not past due Shs	30 to 90 days past due Shs	90 to 180 days past due Shs	Over 180 days past due Shs	Total Shs
As at 31 December 2019	1,425,786	953,132	446,179	79,843,650	82,668,747
As at 31 December 2018	1,621,420	1,026,894	524,067	79,518,451	82,690,832

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

Basis for measurement of loss allowance	Lifetime expected credit losses		
	Cash and cash equivalents Shs	Trade and other receivables Shs	Total Shs
Year ended 31 December 2019			
At start of year	41,006	82,368,911	82,409,918
Changes relating to assets	(29,091)	(964,468)	(993,559)
At end of year	11,915	81,404,443	81,416,359
Year ended 31 December 2018			
At start of year	-	73,691,431	73,691,431
Changes relating to assets	41,006	8,677,480	8,718,487
At end of year	41,006	82,368,911	82,409,918

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

(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, 13 and 22 disclose the maturity analysis of borrowings, lease liabilities 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.

NOTES (CONTINUED)

26. Risk management objectives and policies (continued)

The key assumptions made in the maturity profile are:

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

Year ended 31 December 2019 - Group	Interest rate %	Less than 1 year Shs	1 - 5 years Shs	No fixed maturity period Shs	Total Shs
<i>Interest bearing liabilities:</i>					
- Bank overdraft	12.5%	5,693,670	-	-	5,693,670
- Bank loan	12.5%	14,265,462	48,719,882	-	62,985,344
- Borrowings from related parties	12.0%	-	303,354,479	-	303,354,479
Lease liabilities		4,903,171	16,338,266	-	21,241,438
<i>Non-interest bearing liabilities:</i>					
- Borrowings from directors	-	-	-	46,817,520	46,817,520
- Trade and other payables	-	33,197,110	-	-	33,197,110
- Provision for legal claims	-	650,000	-	-	650,000
		<u>58,709,413</u>	<u>368,412,627</u>	<u>46,817,520</u>	<u>473,939,560</u>

Year ended 31 December 2019 - Company

<i>Interest bearing liabilities:</i>					
- Bank overdraft	12.5%	5,693,670	-	-	5,693,670
- Bank loan	12.5%	14,265,462	48,719,882	-	62,985,344
- Borrowings from related parties	12.0%	-	303,354,479	-	303,354,479
Lease liabilities		4,903,171	16,338,266	-	21,241,438
<i>Non-interest bearing liabilities:</i>					
- Borrowings from directors	-	-	-	46,817,520	46,817,520
- Trade and other payables	-	33,945,825	-	-	33,945,825
- Provision for legal claims	-	650,000	-	-	650,000
		<u>59,458,128</u>	<u>368,412,627</u>	<u>46,817,520</u>	<u>474,688,275</u>

Year ended 31 December 2018 - Group

<i>Interest bearing liabilities:</i>					
- Bank overdraft	14.0%	57,623,855	-	-	57,623,855
- Bank loan	14.0%	14,739,168	-	-	14,739,168
- Borrowings from related parties	12.0%	-	376,139,191	-	376,139,191
<i>Non-interest bearing liabilities:</i>					
- Borrowings from directors	-	-	-	48,617,520	48,617,520
- Trade and other payables	-	46,825,605	-	-	46,825,605
- Provision for legal claims	-	11,662,500	-	-	11,662,500
		<u>130,851,127</u>	<u>376,139,191</u>	<u>48,617,520</u>	<u>555,607,838</u>

Year ended 31 December 2018 - Company

<i>Interest bearing liabilities:</i>					
- Bank overdraft	14.0%	57,623,855	-	-	57,623,855
- Bank loan	14.0%	14,739,168	-	-	14,739,168
- Borrowings from related parties	12.0%	-	376,139,191	-	376,139,191
<i>Non-interest bearing liabilities:</i>					
- Borrowings from directors	-	-	-	48,617,520	48,617,520
- Trade and other payables	-	48,264,472	-	-	48,264,472
- Provision for legal claims	-	11,662,500	-	-	11,662,500
		<u>132,289,994</u>	<u>376,139,191</u>	<u>48,617,520</u>	<u>557,046,705</u>

NOTES (CONTINUED)**27. 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 2019 and 2018 were as follows:

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Total borrowings (Note 12)	272,901,823	325,525,334	272,901,823	325,525,334
Less cash and cash equivalents (Note 21)	(1,709,321)	(2,439,873)	(1,709,321)	(2,439,873)
Net debt	271,192,502	323,085,461	271,192,502	323,085,461
Total equity	29,721,186	(136,859,655)	27,669,163	(138,977,678)
Gearing ratio (%)	9.12	N/A	9.80	N/A

The improvement in gearing is mainly attributed to the recognition of revaluation surplus during the year.

28. Contingent liabilities

The company is a defendant in various legal actions. After seeking appropriate legal advice, the directors are of the opinion that the outcomes of such actions are not expected to give rise to any significant losses other than as provided for in the financial statements (Note 23).

29. Incorporation

Express Kenya Public Limited Company (Formerly 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).

SCHEDULE OF DIRECT COSTS AND ADMINISTRATIVE EXPENDITURE

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
1. DIRECT EXPENSES				
Purchases	-	1,837,238	-	1,837,238
Salaries and wages	-	11,325,908	-	11,325,908
Insurance	1,884,377	2,212,587	1,884,377	2,212,587
Depreciation on right-of-use assets	364,053	-	364,053	-
Depreciation on property, plant and equipment	17,820,758	17,113,638	17,820,758	17,113,638
Total direct costs	20,069,188	32,489,371	20,069,188	32,489,371
2. ADMINISTRATIVE EXPENSES				
Employment:				
Salaries and wages	10,378,319	14,891,974	10,378,319	14,891,974
Medical expenses	79,157	-	79,157	-
Staff welfare and other costs	297,865	16,750	297,865	16,750
Total employment costs	10,755,341	14,908,724	10,755,341	14,908,724
Other administration expenses:				
Postages and telephones	287,896	922,412	287,896	922,412
Advertisement expenses	1,298,872	757,750	1,298,872	757,750
Vehicle running expenses	126,250	274,060	126,250	274,060
Travelling and transport	276,891	439,400	276,891	439,400
Printing and stationery	484,100	1,261,527	484,100	1,261,527
Subscriptions and periodicals	599,558	263,238	599,558	263,238
Audit fees				
- current year	1,200,000	1,740,000	1,200,000	1,740,000
- prior year under provision	100,826	-	100,826	-
Legal and professional fees	(689,075)	7,052,174	(755,075)	6,920,775
Annual General Meeting expenses	418,950	-	418,950	-
Bank charges and commissions	254,054	187,241	254,054	187,241
Fines and penalties	34,000	114,374	34,000	114,374
Miscellaneous expenses	426,310	879,490	426,310	879,490
Total other administration expenses	4,818,632	13,891,667	4,752,632	13,760,268
Total administrative expenses	15,573,973	28,800,391	15,507,973	28,668,992

SCHEDULE OF OTHER EXPENDITURE

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
3. OTHER OPERATING EXPENSES				
Establishment:				
Rent and rates	19,126	13,357,715	19,126	13,357,715
Electricity and water	1,294,267	1,913,894	1,294,267	1,913,894
Repairs and maintenance	1,432,381	1,658,979	1,432,381	1,658,979
Insurance	9,205	98,140	9,205	98,140
Licences	1,284,441	325,000	1,284,441	325,000
Security expenses	2,953,326	4,755,979	2,953,326	4,755,979
Depreciation on right-of-use assets	3,568,717	-	3,568,717	-
Depreciation on property, plant and equipment	893,730	905,502	893,730	905,502
Amortisation of intangible assets	61,200	61,200	61,200	61,200
Total other operating expenses	11,516,393	23,076,408	11,516,393	23,076,408
4. FINANCE COSTS				
Interest expense:				
- bank overdraft	3,347,782	7,696,120	3,347,782	7,696,120
- bank loan	5,207,095	2,952,600	5,207,095	2,952,600
- lease liabilities	2,232,560	-	2,232,560	-
Foreign exchange (gain)	(2,285)	(82,772)	(2,285)	(82,772)
Total finance costs	10,785,152	10,565,948	10,785,152	10,565,948