

# ANNUAL REPORT

## 2023





# Table of Contents

Group Information .....	1
Notice of Annual General Meeting .....	2
Chairman's Statement .....	3
CEO's Statement .....	4
Report of the directors .....	5-6
Report of the directors' remuneration .....	7
Statement of director's responsibilities .....	8
Report of the independent auditor .....	9-12

## FINANCIAL STATEMENTS:

Consolidated Statement of Profit or Loss and other Comprehensive Income .....	13
Company Statement of Profit or Loss and Other Comprehensive Income .....	14
Consolidated Statement of Financial Position .....	15
Company Statement of Financial Position .....	16
Consolidated Statement of Changes in Equity .....	17
Company Statement of Changes in Equity .....	18
Consolidated Statement of Cash Flows .....	19
Company Statement of Cash Flows .....	20
Notes .....	21-61

## THE FOLLOWING PAGES DO NOT FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS:

Schedule of Direct Costs and Administrative Expenditure - (Group and Company) .....	62
Schedule of Other Expenditure - (Group and Company) .....	63
Company's Top 30 Shareholders .....	64
Proxy Form .....	65-66



# Group Information

## BOARD OF DIRECTORS

Dr. Chris W. Obura - Chairman  
Hector Diniz  
Kajal Thakker  
Davinder Singh Devgun

## CHIEF EXECUTIVE OFFICER

Hector Diniz

## REGISTERED OFFICE

Express House  
Road A, Off Enterprise Road, Industrial Area  
P.O. Box 40433, 00100, NAIROBI

## PRINCIPAL PLACE OF BUSINESS

Express House  
Road A, Off Enterprise Road, Industrial Area  
P O Box 40433 - 00100, Nairobi  
Website: [www.expresskenya.com](http://www.expresskenya.com)

## INDEPENDENT AUDITOR

PKF Kenya LLP  
Certified Public Accountants  
P O Box 14077 - 00800, Nairobi

## COMPANY SECRETARY

Equatorial Secretaries and Registrars  
Certified Public Secretaries  
P O Box 47323 – 00100, Nairobi

## PRINCIPAL BANKERS

Diamond Trust Bank Kenya Limited, Nairobi  
NCBA Bank, Nairobi

## LEGAL ADVISOR

Archer and Wilcock Advocates, Nairobi

## SHARE REGISTRAR

Custody and Registrars Services Limited  
6th Floor, Bruce House, Standard Street  
P O Box 8484 – 00100, Nairobi

## SUBSIDIARIES

Express Mombasa Limited  
Container Services Limited  
Airporter Limited

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fifty Third Annual General Meeting of the company will be virtually/hybrid held on Friday, 26th July 2024 at 11.00 a.m. to conduct the following business:

1. To table the proxies and to note the presence of a quorum.
2. To read the notice convening the meeting.
3. To confirm the minutes of the Fifty Second Annual General Meeting of the Company held on 29th June 2023.
4. To receive, consider and adopt the Audited Financial Statements for the year ended 31 st December 2023 together with the Chairman's Statement and the reports of the Directors and Auditors thereon.
5. To note that the Directors do not recommend payment of a dividend for the financial year ended 31 st December 2023.
6. To approve the Directors' fees as indicated in the Audited Financial Statements for the year ended 31 st December 2023.

**As a special business to consider and, if thought fit, pass the following resolution:**

7. As an ordinary resolution:

That the following director who has reached the age of 70 years to continue to serve as a director of the company.

"That Dr. C.W. Obura who retires by rotation in accordance with Article 113 of the Company's Articles of Association and who is over the age of 70 years, shall notwithstanding that fact, be re- elected as a director of the company."

8. To note that Messrs. PKF Kenya LLP, Certified Public Accountants continue in office as Auditors to the Company by virtue of section 721(2) of the Companies Act, 2015 and to authorize the Directors to fix their remuneration for the ensuing financial year.

9. Any Other Business of which due notice has been received.

**BY ORDER OF THE BOARD**



**DENNIS AROKA**  
ESR KENYA LLP  
COMPANY SECRETARY  
EXPRESS KENYA PLC

**1st July 2024**

## Chairman's Statement

It is my pleasure to welcome you all to the Annual General Meeting of Express Kenya PLC for the financial year ending 31st December 2023. I am honored to present this report to our esteemed shareholders, stakeholders, and partners. The year was marked by significant challenges, including rising inflation, and general increase in the cost of living, all of which impacted our operations. However the Company has shown resilience and adaptability.

On the financials, the Company, under the able leadership of the Board and Management, have managed to sustain its operations. The Company's performance for the year ended 31 December 2023 was slightly unstable with the revenue generated for the year declining by 11% to Kshs. 27.49 Million as compared to the financial year 2022. Due to these challenging conditions, we regret to inform you that the company will not be issuing any dividends as we prioritize maintaining financial stability and ensuring long-term growth.

### ECONOMIC AND MARKET ENVIRONMENT

The Kenyan economy has experienced mixed performance during the last year. While there has been a gradual recovery from the impacts of the COVID-19 pandemic, issues such as inflation and political activities have posed considerable challenges. Despite these obstacles, our company has continued to perform reasonably by focusing on operational efficiency and strategic cost management. We remain committed to driving growth and value for our shareholders and our focus will be on strengthening our sustainability efforts to ensure long-term environmental and social impact.

### STRATEGIC INITIATIVES

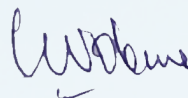
The company is actively enhancing its Governance Structures to adapt to the rapidly changing business environment of accountability. I urge all shareholders to continue supporting the company as we navigate these challenging times, with a belief in the prospects for future growth. The Board is committed to executing our strategic plans to benefit all stakeholders.

### APPRECIATION

I would like to extend my heartfelt gratitude to our shareholders for their continued support and trust in our vision. To our dedicated employees, thank you for your hard work and commitment. To our customers and partners, your loyalty and collaboration have been invaluable.

In conclusion, while we anticipate challenges in the years ahead, we are confident in our laid out strategies and our ability to navigate them successfully. Together, we will continue to build a stronger and more resilient Express Kenya Plc.

Yours Truly,



**DR. C. W. OBURA**  
Chairman



## Chief Executive Officer's Report

*"In the relentless tide of global dynamics, we stand as architects of our fate, sculpting resilience and innovation into the very foundation of our journey.*

*Let us harness this pivotal moment with unyielding determination, forging a narrative of unwavering strength and unparalleled growth, as we chart the course towards sustained success."*

**-Hector Diniz-  
Chief Executive Officer**

### INTRODUCTION

Dear Shareholders,

In a world where change is constant, Express Kenya stands as a beacon of resilience and progress. Despite economic storms that have tested many, our company has held firm on the stock exchange, driven by unwavering determination.

We are thrilled to report significant progress towards the impending launch of our real estate division within the next year. This strategic expansion is not just about bolstering revenues but also about laying a robust financial foundation for the times ahead. As we navigate the road ahead, our resolve remains unyielding to fortify our organization and ensure its enduring strength. By leveraging our expertise, seizing market opportunities, and embracing innovation, we are confident in our ability to sustainably drive success.

### 2023 PERFORMANCE

Express Kenya has executed effective cost optimization strategies, resulting in a leaner and more resilient company. Through prudent financial management, we strengthened our operational efficiency and embarked on a proactive journey towards enhancing liquidity by repayment towards loans. However, we encountered significant legal costs arising from past claims, which affected liquidity. With clear strategic direction, we are poised to elevate performance in the coming year through targeted initiatives and optimized asset management. We extend sincere gratitude to our partners for their support on our journey to sustained success.

### WAY FORWARD

Looking ahead, we have charted a strategic roadmap to strengthen our financial health. Central to this strategy is the divestment of select land assets, which will fund our real estate projects, including the development of a strip mall and a petrol station. This proactive measure enhances liquidity and ensures effective resource management, paving the way for sustained growth and resilience.

Our real estate initiative is on track, with commencement slated for the upcoming year. This endeavour, supported by strategic asset divestitures, is poised to significantly boost our operational performance and financial standing. We are excited to report that the development of the strip mall and petrol station is progressing rapidly, promising to unlock new revenue streams and enhance our market presence.

By capitalizing on these opportunities and executing our strategic vision, we are set to deliver exceptional results and unparalleled value to our stakeholders.

### ENDING REMARKS

Finally, I would like to extend my gratitude to all our stakeholders for their unwavering support and trust in our company. Your partnership and collaboration have been instrumental in our achievements and progress.

As we reflect on our accomplishments, we also recognize the areas where improvement is needed. Looking ahead, we remain committed to our vision and purpose. We eagerly anticipate becoming an integral part of the Kenyan real estate sector. Our goal is to deliver exceptional products that maximize asset value and set new standards in the industry to deliver value to our customers and stakeholders.

With our dedicated team and the support of our partners, we are confident that we will overcome challenges, seize opportunities, and achieve our goals. Thank you once again for your unwavering support and trust. We eagerly anticipate the exciting journey ahead - Together, we will conquer new horizons.

Yours Truly,



**HECTOR DINIZ**  
Chief Executive Officer

## Report of the Directors

### FOR THE YEAR ENDED DECEMBER 31, 2023

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2023, which disclose the state of affairs of the company and its subsidiaries (together, the 'group').

#### PRINCIPAL ACTIVITIES

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

#### BUSINESS REVIEW

During the year 2023, the total turnover of the company and group decreased from Shs. 30,875,528 to Shs. 27,494,322. The company is restructuring its operations hence it terminated leases with some of the tenants during the year.

#### KEY PERFORMANCE INDICATORS

	<i>Group</i>		<i>Company</i>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Turnover (Shs)	27,494,322	30,875,528	27,494,322	30,875,528
(Loss) for the year (Shs)	(103,425,707)	(81,128,794)	(103,425,707)	(81,128,794)
Earnings Before Interest, Tax Depreciation and Amortisation (EBITDA)	1,143,048	13,308,460	1,143,048	13,308,460

#### 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.

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 25 to the financial statements.

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

#### DIVIDEND

The directors do not recommend declaration of a dividend for the year (2022: Nil).



## Report of the Directors

### FOR THE YEAR ENDED DECEMBER 31, 2023

#### DIRECTORS

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

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

#### 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 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.



**COMPANY SECRETARY**  
NAIROBI.

**2nd May 2024**

## Report of the Directors

### FOR THE YEAR ENDED DECEMBER 31, 2023


This report of directors' remuneration sets out the remuneration for the Board of Directors of the group.

#### DIRECTORS' REMUNERATION

2023		Remuneration Kshs.	Total Kshs.
Dr. C. W. Obura	Chairman	-	-
Hector Diniz	Director	-	-
Kajal Thakker	Director	-	-
Davinder Singh Devgun	Director	-	-
Total		-	-

2022		Remuneration Kshs.	Total Kshs.
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.

2nd May 2024

## Statement of Directors' Responsibilities

FOR THE YEAR ENDED DECEMBER 31, 2023

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:

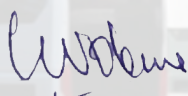
- i) Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- ii) Selecting and applying appropriate accounting policies; and
- 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 2023 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 ..... **2nd May** ..... 2024 and signed on its behalf by:



DIRECTOR



DIRECTOR



## **Report of The Independent Auditor**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

### **OPINION**

We have audited the consolidated financial statements of Express Kenya Public Limited Company and its subsidiaries (collectively referred to as the 'group'), set out on pages 10 to 56 which comprise the consolidated and company statements of financial position as at 31 December 2023 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 2023, and of the consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of 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 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 during the year ended 31 December 2023, the group incurred a loss of Shs. 103,425,707 (2022: Shs. 81,128,794) and had accumulated losses of Shs. 563,973,351 (2022: Shs. 521,601,039). 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**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

### **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the report of the directors, group information, schedule of direct costs and administrative expenditure, and schedule of other expenditure, included in the annual report, 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 corporate governance statement, the chairman's and managing director's statements, 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 on the other information that we obtained prior to the date of this audit report, 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.

The directors are responsible in overseeing the company's financial reporting process.

### **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 (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 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 4 and 5 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Charles Waigiri Mukunu, Practising certificate No. 2386.

For and on behalf of PKF Kenya LLP  
Certified Public Accountants  
Nairobi, Kenya

2nd May 2024

394/24

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	2023 Kshs.	2022 Kshs.
Revenue from contracts with customers	2	27,494,322	30,875,528
Direct costs		(91,104,642)	(77,150,136)
<b>Gross (loss)</b>		(63,610,320)	(46,274,608)
Other operating income	3	-	1,171,251
Impairment provisions	4	(56,152)	132,861
Administrative expenses		(15,870,825)	(12,663,738)
Other operating expenses		(12,832,948)	(10,362,647)
<b>Operating (loss)</b>	5	(92,370,245)	(67,996,881)
Finance costs	7	(39,817,508)	(34,365,980)
<b>(Loss) before tax</b>		(132,187,753)	(102,362,861)
Tax (charge)/credit	8	28,762,046	21,234,067
<b>(Loss) for the year</b>		(103,425,707)	(81,128,794)
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
- Surplus on revaluation of buildings and right of use assets	11	-	222,794,444
- Deferred tax on revaluation surplus on buildings and right of use assets	14	-	(66,838,334)
<b>Total other comprehensive income</b>		-	155,956,110)
<b>Total comprehensive income/(loss) for the year</b>		(103,425,707)	(81,128,794)
<b>Total comprehensive income for the year is attributable to:</b>			
- Owners of the company	9	(103,425,707)	74,827,316
<b>(Loss) per share</b>			
Basic and diluted (loss) per share	9	(2.17)	(1.70)

The notes on pages 21 to 61 form an integral part of these financial statements.

Report of the independent auditor - pages 10 to 12.

## Company Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	2023 Kshs.	2022 Kshs.
Revenue from contracts with customers	2	27,494,322	30,875,528
Direct costs		(91,104,642)	(77,150,136)
<b>Gross (loss)</b>		(63,610,320)	(46,274,608)
Other operating income	3	-	1,171,251
Impairment reversals/(provisions)	4	(56,152)	132,861
Administrative expenses		(15,870,825)	(12,663,738)
Other operating expenses		(12,832,948)	(10,362,647)
<b>Operating (loss)</b>	5	(92,370,245)	(67,996,881)
Finance costs	7	(39,817,508)	(34,365,980)
<b>(Loss) before tax</b>		(132,187,753)	(102,362,861)
Tax (charge)/credit	8	28,762,046	21,234,067
<b>(Loss) for the year</b>		(103,425,707)	(81,128,794)
<b>Other comprehensive income:</b>			
Items that will not be reclassified subsequently to profit or loss:			
- Surplus on revaluation of buildings and right of use assets	11	-	222,794,444
- Deferred tax on revaluation surplus on buildings and right of use assets	14	-	(66,838,334)
<b>Total other comprehensive income</b>		-	155,956,110
<b>Total comprehensive income for the year</b>		(103,425,707)	74,827,316
Basic and diluted (loss) per share	9	(2.17)	(1.70)

The notes on pages 21 to 61 form an integral part of these financial statements.

Report of the independent auditor - pages 10 to 12.



# Consolidated Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2023

As at 31 December

	Notes	2023 Kshs.	2022 Kshs.
<b>EQUITY</b>			
Share capital	10	238,557,405	238,557,405
Share premium	10	28,963,264	28,963,264
Revaluation reserve	11	816,338,491	877,391,885
Accumulated losses		(563,973,351)	(521,601,039)
<b>Equity attributable to owners of the company</b>		<b>519,885,808</b>	<b>623,311,515</b>
<b>Non-current liabilities</b>			
Borrowings	12	349,959,107	291,733,605
Lease liabilities	13	51,474,487	-
Deferred tax	14	408,779,282	437,541,328
		810,212,876	729,274,933
		1,330,098,684	1,352,586,448
<b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	298,790,240	316,421,501
Right-of-use assets	16	997,948,457	1,019,735,773
		1,296,738,697	1,336,157,274
<b>Current assets</b>			
Inventories	18	28,752,343	28,752,341
Trade and other receivables	19	11,347,520	5,336,621
Cash and cash equivalents	20	1,216,434	732,143
Tax recoverable		31,378,526	31,300,900
		72,694,823	66,122,005
<b>Current liabilities</b>			
Borrowings	12	-	10,620,147
Lease liabilities	13	473,575	5,365,939
Trade and other payables	21	38,861,261	33,706,745
		39,334,836	49,692,831
<b>Net current assets</b>		<b>33,359,987</b>	<b>16,429,174</b>
		1,330,098,684	1,352,586,448

The financial statements on pages 13 to 62 were approved and authorised for issue by the Board of Directors on **2nd May** 2024 and were signed on its behalf by:



DIRECTOR



DIRECTOR

The notes on pages 21 to 61 form an integral part of these financial statements.  
Report of the independent auditor - pages 10 to 12.

# Company Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2023

As at 31 December

	Notes	2023 Kshs.	2022 Kshs.
<b>EQUITY</b>			
Share capital	10	238,557,405	238,557,405
Share premium	10	28,963,264	28,963,264
Revaluation reserve	11	816,338,491	877,391,885
Accumulated losses		(566,025,376)	(523,653,063)
<b>Equity attributable to owners of the company</b>		<b>517,833,784</b>	<b>621,259,491</b>
<b>Non-current liabilities</b>			
Borrowings	12	349,959,107	291,733,605
Lease liabilities	13	51,474,487	-
Deferred tax	14	408,779,282	437,541,328
		810,212,876	729,274,933
		1,328,046,660	1,350,534,424
<b>REPRESENTED BY:</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	298,790,240	316,421,501
Right-of-use assets	16	997,948,457	1,019,735,773
		1,296,738,697	1,336,157,274
<b>Current assets</b>			
Inventories	18	28,752,343	28,752,341
Trade and other receivables	19	11,347,520	5,336,621
Cash and cash equivalents	20	1,216,434	732,143
Tax recoverable		31,378,526	31,300,900
		72,694,823	66,122,005
<b>Current liabilities</b>			
Borrowings	12	-	10,620,147
Lease liabilities	13	473,575	5,365,939
Trade and other payables	21	40,913,285	35,758,769
		41,386,860	51,744,855
<b>Net current assets</b>		<b>31,307,963</b>	<b>14,377,150</b>
		<b>1,328,046,660</b>	<b>1,350,534,424</b>

The financial statements on pages 13 to 62 were approved and authorised for issue by the Board of Directors on **2nd May** 2024 and were signed on its behalf by:

DIRECTOR

DIRECTOR

The notes on pages 21 to 61 form an integral part of these financial statements-. Report of the independent auditor - pages 10 to 12.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	Share Capital Kshs.	Share Premium Kshs.	Revaluation Reserve Kshs.	Accumulated Losses Kshs.	Total Kshs.
<b>Year ended 31 December 2022</b>						
At start of year		238,557,405	28,963,264	772,921,942	(491,958,412)	548,484,199
(Loss) for the year		-	-	-	(81,128,794)	(81,128,794)
Surplus on revaluation of property, plant and equipment and right-of-use assets	11	-	-	222,794,444	-	222,794,444
Deferred tax on revaluation surplus	14	-	-	(66,838,334)	-	(66,838,334)
Transfer of excess depreciation	11	-	-	(73,551,667)	73,551,667	-
Deferred tax on excess depreciation transfer	11	-	-	22,065,500	(22,065,500)	-
At end of year		238,557,405	28,963,264	877,391,885	(521,601,039)	623,311,515
<b>Year ended 31 December 2023</b>						
At start of year		238,557,405	28,963,264	877,391,885	(521,601,039)	623,311,515
(Loss) for the year		-	-	-	(103,425,707)	(103,425,707)
Transfer of excess depreciation	11	-	-	(87,219,135)	87,219,135	-
Deferred tax on excess depreciation transfer	11	-	-	26,165,741	(26,165,741)	-
At end of year		238,557,405	28,963,264	816,338,491	(563,973,351)	519,885,808

The notes on pages 21 to 61 form an integral part of these financial statements.  
Report of the independent auditor - pages 10 to 12.



## Company Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	Share Capital Kshs.	Share Premium Kshs.	Revaluation Reserve Kshs.	Accumulated Losses Kshs.	Total Kshs.
<b>Year ended 31 December 2022</b>						
At start of year		238,557,405	28,963,264	772,921,942	(494,010,436)	546,432,175
(Loss) for the year		-	-	-	(81,128,794)	(81,128,794)
Surplus on revaluation of property, plant and equipment and right-of-use assets	11	-	-	222,794,444	-	222,794,444
Deferred tax on revaluation surplus	14	-	-	(66,838,334)	-	(66,838,334)
Transfer of excess depreciation	11	-	-	(73,551,667)	73,551,667	-
Deferred tax on excess depreciation transfer	11	-	-	22,065,500	(22,065,500)	-
At end of year		238,557,405	28,963,264	877,391,885	(523,653,063)	621,259,491
<b>Year ended 31 December 2023</b>						
At start of year		238,557,405	28,963,264	877,391,885	(523,653,063)	621,259,491
(Loss) for the year		-	-	-	(103,425,707)	(103,425,707)
Transfer of excess depreciation	11	-	-	(87,219,135)	87,219,135	-
Deferred tax on excess depreciation transfer	11	-	-	26,165,741	(26,165,741)	-
At end of year		238,557,405	28,963,264	816,338,491	(566,025,376)	517,833,784

The notes on pages 21 to 61 form an integral part of these financial statements.  
Report of the independent auditor - pages 10 to 12.

## Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Notes	Kshs.	Kshs.
<b>Operating activities</b>			
Cash (used in)/from operations	23	2,182,157	10,976,271
Interest paid on borrowings	12	(5,046,005)	(5,965,732)
Interest paid on lease liabilities	13	(371,708)	(979,797)
Cash (used in)/from operating activities		(3,235,556)	4,030,742
Tax paid		(77,626)	-
Net cash (used in)/from operating activities		(3,313,182)	4,030,742
<b>Investing activities</b>			
Purchase of property, plant and equipment	15	(4,000,000)	(53,103)
Net cash (used in)/from investing activities		(4,000,000)	(53,103)
<b>Financing activities</b>			
(Repayment of) bank borrowings	12	(32,393,539)	(10,616,441)
(Repayment of) borrowings from directors	12	(9,466,601)	-
(Repayment of) borrowings from related parties	12	(1,772,434)	-
Proceeds from borrowings from related parties	12	34,500,000	5,500,000
Proceeds from borrowings from directors	12	27,768,000	6,051,000
(Payments of) principal portion of lease liabilities	13	(5,365,939)	(4,459,350)
Net cash (used in) financing activities		13,269,487	(3,524,791)
<b>Increase in cash and cash equivalents</b>		<b>5,956,305</b>	<b>452,848</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		(4,330,592)	(4,754,219)
Increase		5,956,305	452,848
Effect of exchange rate changes		(409,279)	(29,221)
At end of year	20	1,216,434	(4,330,592)

The notes on pages 21 to 61 form an integral part of these financial statements.  
Report of the independent auditor - pages 10 to 12.

## Company Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Notes	Kshs.	Kshs.
<b>Operating activities</b>			
Cash (used in) operations	23	2,182,157	10,976,271
Interest paid on borrowings	12	(5,046,005)	(5,965,732)
Interest paid on lease liabilities	13	(371,708)	(979,797)
Cash (used in)/from operating activities		(3,235,556)	4,030,742
Tax paid		(77,626)	-
Net cash (used in)/from operating activities		(3,313,182)	4,030,742
<b>Investing activities</b>			
Purchase of property, plant and equipment	15	(4,000,000)	(53,103)
Net cash (used in) investing activities		(4,000,000)	(53,103)
<b>Financing activities</b>			
(Repayment of) bank borrowings	12	(32,393,539)	(10,616,441)
(Repayment of) borrowings from directors	12	(9,466,601)	-
(Repayment of) borrowings from related parties	12	(1,772,434)	-
Proceeds from borrowings from related parties	12	34,500,000	5,500,000
Proceeds from borrowings from directors	12	27,768,000	6,051,000
(Payments of) principal portion of lease liabilities	13	(5,365,939)	(4,459,350)
Net cash (used in) financing activities		13,269,487	(3,524,791)
<b>Increase in cash and cash equivalents</b>		5,956,305	452,848
<b>Movement in cash and cash equivalents</b>			
At start of year		(4,330,592)	(4,754,219)
Increase		5,956,305	452,848
Effect of exchange rate changes		(409,279)	(29,221)
At end of year	20	1,216,434	(4,330,592)

The notes on pages 21 to 61 form an integral part of these financial statements.  
Report of the independent auditor - pages 10 to 12.



## I. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policy information considered material in the preparation of these financial statements is set out below. The accounting policy information has been consistently applied to all the years presented, unless otherwise stated.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of profit or loss and other comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

### 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 and right-of-use assets in line with the requirements of International Accounting Standard (IAS) 16 on Property, Plant and Equipment and International Financial Reporting Standard (IFRS) 16 on leases.

The historical cost basis 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 25 and 26 respectively to the financial statements.

### GOING CONCERN

During the year ended 31 December 2023, the group incurred a loss of Shs. 103,425,707 (2022: Shs. 81,128,794) and it had accumulated losses of Shs. 563,973,351 (2022: Shs. 521,601,039). The directors consider it appropriate to prepare the group's financial statements on a going concern basis based on the factors described below:

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### A) BASIS OF PREPARATION (CONTINUED)

##### GOING CONCERN (CONTINUED)

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Increase in cash and cash equivalents	5,956,305	452,848
Cash (loss) for the year before tax	(4,272,128)	(21,028,299)
EBITDA	1,143,048	13,308,460

- a significant component of the loss relates to depreciation amounting to Shs. 95,366,638 (2022: Shs. 81,334,662) which does not represent a cash outflow;
- the management has implemented various cost rationalisation measures aimed at ensuring that the group is cash generative or neutral;
- the group has prepared cash flow projections for a period exceeding eighteen months to ensure that it meets its operating obligations;
- the group is pursuing part disposal and part redevelopment of a parcel of land to put up a strip mall and a petrol station to generate cashflows in order to reduce third party debts.

In addition to the above strategies employed by the management, the principal shareholder has continuously provided financial support to the group throughout the years.

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 STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP

The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### AMENDMENTS TO IAS 1 AND IFRS PRACTICE STATEMENT 2 - DISCLOSURE OF ACCOUNTING POLICIES

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant accounting policies with a requirement to disclose their 'material' accounting policy information and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the group's financial statements.

#### AMENDMENTS TO IAS 8 'DEFINITION OF ACCOUNTING ESTIMATES'

The amendments introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the group's financial statements.

**I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**A) BASIS OF PREPARATION (CONTINUED)**

**NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE (CONTINUED)**

**AMENDMENTS TO IAS 12 'DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION**

The amendments narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the group's financial statements.

**IFRS 17 'INSURANCE CONTRACTS'**

IFRS 17 Insurance Contracts, 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 new standard had no impact on the group's financial statements as it does not issue insurance contracts.

**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 IAS 1 'Classification of Liabilities as Current or Non-current' and 'Non-current Liabilities with Covenants' (issued in January 2020 and October 2022), effective for annual periods beginning or after 1 January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements' (issued in May 2023), effective for annual reporting periods beginning on or after 1 January 2024, clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
- Amendment to IAS 21 'Lack of Exchangeability' (issued in August 2023), Effective for annual periods beginning on or after 1 January 2025, specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.



## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### A) BASIS OF PREPARATION (CONTINUED)

##### NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE (CONTINUED)

- 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.
- Amendment to IFRS 16 'Lease Liability in a Sale and Leaseback' (issued in September 2022), effective for annual periods beginning on or after 1 January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

Except where indicated above, the directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The group plans to apply the changes above, if applicable, from their effective dates.

#### B) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

- **Useful lives, depreciation methods and residual values of property, plant and equipment, intangible assets and right-of-use assets**

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are disclosed in notes 15,16 and 17 respectively.

- **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.

## I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### B) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### ■ 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.

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).

The ECL model applied for financial assets, other than trade receivables, contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### B) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

##### ■ Measurement of expected credit losses (ECL) (continued)

**Assessment of significant increase in credit risk:** The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments that are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The group uses these guidelines in determining the staging of its financial assets unless there is persuasive evidence available to rebut these presumptions.

##### **Provision for expected credit losses of trade receivables and contract assets**

The group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the group's historical observed default rates. The group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amounts of the group's financial assets that are subject to impairment assessment are disclosed in notes 19 and 20.

##### ■ Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFRS 16 as detailed below:

**Incremental borrowing rate:** to determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, currency and security.

**Lease term/period:** in determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.



**I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**B) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

■ **Accounting for leases under IFRS 16 (CONTINUED)**

Most extension options in warehouses leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of lease liabilities and right-of-use assets are disclosed in notes 13 and 16, respectively.

■ **Impairment of non-financial assets**

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are disclosed in notes 15, 16 and 17, respectively.

■ **Inventories - work-in-progress**

The group reviews its work-in-progress at each reporting date. In determining the valuation of work-in-progress, the management makes judgement as to whether costs incurred towards the work in progress will be subsequently recovered.

**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.

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 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

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2023. 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 investee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

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

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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

## **I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

### **E) INVESTMENT IN SUBSIDIARIES/CONSOLIDATION (CONTINUED)**

#### **- Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of the 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.

### **F) PROPERTY, PLANT AND EQUIPMENT**

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and any accumulated impairment losses (except as stated below). Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Buildings are subsequently measured at fair value, based on periodic valuations, less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

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.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to revaluation reserve in equity except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost 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 year in which they are incurred.



## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### F) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	12.50
Furniture, fittings and equipment	12.50
Motor vehicles	25
Computers and copiers	30

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 the particular assets being disposed of are transferred to retained earnings in the statement of changes in equity.

## **I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

### **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 instruments are recognised when, and only when, the group becomes party to the contractual provisions of the instrument.

#### *Financial assets*

Purchases or sales of financial assets are recognised initially using the trade date accounting, which is the date the group commits itself to the purchase or sale.

The group classifies its financial assets 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 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.

#### **iii) 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 measured 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 statement of profit or loss and other comprehensive income.

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.

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### H) FINANCIAL INSTRUMENTS (CONTINUED)

##### *Financial asset (CONTINUED)*

##### **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.

##### **Impairment**

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

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 reporting 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



## **I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

### **H) FINANCIAL INSTRUMENTS (CONTINUED)**

#### **Financial liabilities**

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs.

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

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a currently enforceable legal 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.

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### M) TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income or equity.

##### Current tax

The current income tax charge/credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

##### 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 amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

##### Offsetting

The group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

##### Value Added Tax (VAT)

Expenses and assets are recognised net of the amount of VAT except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### N) ACCOUNTING FOR LEASES

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### 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.

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

Leasehold land and buildings are subsequently carried at revalued amounts, based on periodic valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the group at the end of the lease term, the estimated useful life would not exceed the lease term.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are recognised in profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation reserve to the retained earnings.

##### The group as lessor:

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in profit or loss on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

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



## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### I. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### O) IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

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

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually.

An impairment loss is recognised for the amount by which the carrying amount of an asset or a cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, management determines the recoverable amount of the CGU to which the asset belongs.

A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of cash inflows from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

#### P) 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.

#### Q) COMPARATIVES

There were no changes in presentation in the current year.

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 2. SEGMENT INFORMATION

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

- **Warehousing:** includes storage of customers' goods in the group's warehousing facility.
- **Real estate:** includes the real estate development arm of the group.

Clearing and forwarding and real estate segments are currently dormant. The group's main operating segment remains that of warehousing.

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 (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 recognised revenue of Shs. 10,399,609 (2022: Shs. 9,900,896) from a single customer that represents 38.28% (2022: 30.92%) of total turnover.

The segment results are as follows:

Year ended 31 December 2023	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
Revenue	27,494,322	-	27,494,322
Direct costs	(91,104,642)	-	(91,104,642)
<b>Gross (loss)</b>	<b>(63,610,320)</b>	<b>-</b>	<b>(63,610,320)</b>
Impairment provisions (Note 4)	(56,152)	-	(56,152)
Operating and administrative expenses	(28,703,773)	-	(28,703,773)
Finance costs (Note 7)	(39,817,508)	-	(39,817,508)
<b>(Loss) before tax</b>	<b>(132,187,753)</b>	<b>-</b>	<b>(132,187,753)</b>
Tax charge (Note 8)	28,762,046	-	28,762,046
<b>(Loss) for the year</b>	<b>(103,425,707)</b>	<b>-</b>	<b>(103,425,707)</b>

During the year, the group had no revenue or expenditure relating to the real estate and clearing and forwarding segment.

**Notes (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**2. SEGMENT INFORMATION (CONTINUED)**

Year ended 31 December 2022	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
Revenue	30,875,528	-	30,875,528
Direct costs	(77,150,136)	-	(77,150,136)
<b>Gross (loss)</b>	<b>(46,274,608)</b>	<b>-</b>	<b>(46,274,608)</b>
Other operating income (Note 3)	1,171,251	-	1,171,251
Impairment reversals (Note 4)	132,861	-	132,861
Operating and administrative expenses	(23,026,385)	-	(23,026,385)
Finance costs (Note 7)	(34,365,980)	-	(34,365,980)
<b>(Loss) before tax</b>	<b>(102,362,861)</b>	<b>-</b>	<b>(102,362,861)</b>
Tax charge (Note 8)	21,234,067	-	21,234,067
<b>(Loss) for the year</b>	<b>(81,128,794)</b>	<b>-</b>	<b>(81,128,794)</b>

Other segment items included in profit or loss are:

	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
<b>Year ended 31 December 2023</b>			
Depreciation on property, plant and equipment	21,631,260	-	21,631,260
<b>Year ended 31 December 2022</b>			
Depreciation on property, plant and equipment	23,819,975	-	23,819,975

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

	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
<b>Year ended 31 December 2023</b>			
Assets	1,309,302,651	28,752,343	1,338,054,994
Liabilities	440,768,430	-	440,768,430
<b>Year ended 31 December 2022</b>			
Assets	1,340,792,270	28,752,341	1,369,544,611
Liabilities	341,426,436	-	341,426,436

Segment assets comprise primarily property, plant and equipment, right of use assets, 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)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 3. OTHER OPERATING INCOME

	Group		Company	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
Miscellaneous income	-	1,171,251	-	1,171,251

### 4. IMPAIRMENT PROVISIONS/(REVERSALS)

Expected Credit Losses on cash and bank balances	13,086	2,537	13,086	2,537
Expected Credit Losses on trade receivables (Note 19)	43,066	(135,398)	43,066	(135,398)
	56,152	(132,861)	56,152	(132,861)

### 5. OPERATING (LOSS)

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

Depreciation on property, plant and equipment (Note 15)	21,631,260	23,819,975	21,631,260	23,819,975
Depreciation on right-of-use assets (Note 16)	73,735,378	57,514,587	73,735,378	57,514,587
Auditors' remuneration				
- current year	1,200,000	1,200,000	1,200,000	1,200,000
- underprovision in prior years	250,300	25,000	250,300	25,000
Operating lease rentals	2,675,704	943,335	2,675,704	943,335
Repairs and maintenance	1,248,521	224,827	1,248,521	224,827
Staff costs (Note 6)	6,827,564	5,771,776	6,827,564	5,771,776

### 6. STAFF COSTS

Salaries and wages:				
- administrative	6,398,511	5,463,322	6,398,511	5,463,322
Staff welfare and other costs	140,317	141,646	140,317	141,646
Pension costs:				
- National Social Security Fund	132,880	53,600	132,880	53,600
- Defined Contribution Scheme	155,856	113,208	155,856	113,208
	6,827,564	5,771,776	6,827,564	5,771,776

**Notes (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

The average number of persons employed during the year, by category, were:

Management and administration

<b>Group and Company</b>	
<b>2023</b>	<b>2022</b>
<b>Number</b>	<b>Number</b>
11	11

**7. Finance costs**

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Interest expense:		
- bank overdraft	774,951	692,594
- bank loan	4,271,054	5,273,138
- other borrowings	32,546,450	27,391,230
- lease liabilities	371,708	979,797
Foreign exchange loss	1,853,345	29,221
	39,817,508	34,365,980

**8. Tax**

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Current tax	-	-	-	-
Deferred tax (credit) (Note 14)	(28,762,046)	(21,234,067)	(28,762,046)	(21,234,067)
	(28,762,046)	(21,234,067)	(28,762,046)	(21,234,067)
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	(132,187,753)	(102,362,861)	(132,187,753)	(102,362,861)
Tax calculated at a tax rate of 30% (2022: 30%)	(39,656,326)	(30,708,858)	(39,656,326)	(30,708,858)
Tax effect of:				
- expenses not deductible for tax purposes	11,756,666	10,647,046	11,756,666	10,647,046
- tax loss brought forward	(155,777,766)	(156,950,021)	(155,777,766)	(156,950,021)
- tax loss carried forward	154,915,380	155,777,766	154,915,380	155,777,766
Tax (credit)	(28,762,046)	(21,234,067)	(28,762,046)	(21,234,067)

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 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	
	2023	2022	2023	2022
Net (loss) attributable to shareholders (Shs.)	(103,425,707)	(81,128,794)	(103,425,707)	(81,128,794)
Number of ordinary shares (Number)	47,711,481	47,711,481	47,711,481	47,711,481
Basic and diluted (loss) per share (Shs.)	(2.17)	(1.70)	(2.17)	(1.70)
Weighted average number of shares	47,711,481	47,711,481	47,711,481	47,711,481

### 10. Share capital

	Group and Company	
	2023 Kshs.	2022 Kshs.
<b>Authorised:</b>		
250,000,000 (2022: 250,000,000) ordinary shares of Shs. 5 each	1,250,000,000	1,250,000,000
<b>Issued and fully paid:</b>		
47,711,481 (2022: 47,711,481) ordinary shares of Shs. 5 each	238,557,405	238,557,405
<b>Share premium</b>	28,963,264	28,963,264

### 11. Revaluation reserve

	Group and Company	
	2023 Kshs.	2022 Kshs.
Leasehold land (right-of-use asset)	658,759,972	707,621,798
Buildings	157,578,519	169,770,087
	816,338,491	877,391,885
The movement of the reserve is as follows:		
At start of year	877,391,885	772,921,942
Surplus on revaluation	-	222,794,444
Deferred tax on revaluation surplus (Note 14)	-	(66,838,334)
Transfer of excess depreciation	(87,219,135)	(73,551,667)
Deferred tax on excess depreciation	26,165,741	22,065,500
At end of year	816,338,491	877,391,885



**Notes (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**11. REVALUATION RESERVE(CONTINUED)**

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Leasehold land (right-of-use asset)		
At start of year	707,621,798	580,690,235
Surplus on revaluation	-	234,912,722
Deferred tax on revaluation surplus (Note 14)	-	(70,473,817)
Transfer of excess depreciation	(69,802,609)	(53,581,917)
Deferred tax on excess depreciation (Note 14)	20,940,783	16,074,575
At end of year	658,759,972	707,621,798
Buildings		
At start of year	169,770,087	192,231,707
Deficit on revaluation	-	(12,118,278)
Deferred tax on revaluation deficit (Note 14)	-	3,635,483
Transfer of excess depreciation	(17,416,526)	(19,969,750)
Deferred tax on excess depreciation (Note 14)	5,224,958	5,990,925
At end of year	157,578,519	169,770,087

The revaluation reserve arose upon the revaluation of leasehold land (right-of-use asset) and buildings. The reserve is not distributable.

**12. BORROWINGS**

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Non-current		
Bank loan	-	26,836,127
Borrowings from related parties (Note 25)	158,329,742	110,284,790
Borrowings from directors (Note 25)	191,629,365	154,612,688
	349,959,107	291,733,605
Current		
Bank loan	-	5,557,412
Bank overdraft (Note 20)	-	5,062,735
	-	10,620,147
<b>Total borrowings</b>	<b>349,959,107</b>	<b>302,353,752</b>

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 12. BORROWINGS(CONTINUED)

Reconciliation of liabilities arising from financing activities:	Bank borrowing Kshs.	Related parties Kshs.	Directors Kshs.	Total Kshs.
<b>Year ended 31 December 2023</b>				
At start of year	32,393,539	110,284,790	154,612,688	297,291,017
Interest charged to profit or loss	4,271,054	13,831,172	18,715,278	36,817,504
Cash flows:				
- operating activities (interest paid)	(4,271,054)	-	-	(4,271,054)
- proceeds from borrowings	-	34,500,000	27,768,000	62,268,000
- (repayment) of borrowings	(32,393,539)	(1,772,434)	(9,466,601)	(43,632,574)
- foreign exchange loss	-	1,486,214	-	1,486,214
At end of year	-	158,329,742	191,629,365	349,959,107
<b>Year ended 31 December 2022</b>				
At start of year	43,009,980	185,715,248	40,240,000	268,965,228
Interest charged to profit or loss	5,273,138	11,816,228	15,575,002	32,664,368
Balance reassignments	-	(92,746,686)	92,746,686	
Cash flows:				
- operating activities (interest paid)	(5,273,138)	-	-	(5,273,138)
- proceeds from borrowings	-	5,500,000	6,051,000	11,551,000
- (repayment) of borrowings	(10,616,441)	-	-	(10,616,441)
At end of year	32,393,539	110,284,790	154,612,688	297,291,017

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.

Weighted average effective interest rates at the year end were:

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	%	%
- bank loan	13	13
- bank overdraft	13	13
- borrowings from related parties	12	12
- borrowings from directors	12	12

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 short-term borrowings approximate to their fair value and it is impracticable to assign fair values to the company's long-term liabilities due to inability to forecast interest rate and exchange rate changes.

**Notes (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**12. BORROWINGS(CONTINUED)**

The carrying amounts of borrowings are denominated in the following currencies:

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Kenya Shillings	326,048,859	302,353,752
United States Dollar	23,910,248	-
	<b>349,959,107</b>	<b>302,353,752</b>

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

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Between 1 and 2 years	36,795,904	5,557,412
Between 3 and 5 years	-	21,278,715
No fixed maturity period	313,163,203	264,897,478
	<b>349,959,107</b>	<b>291,733,605</b>

**13. LEASE LIABILITIES**

Non-current	51,474,487	-
Current	473,575	5,365,939
Lease liabilities	51,948,062	5,365,939
Reconciliation of lease liabilities:		
At start of year	5,365,939	9,825,289
Additions in the year	51,948,062	-
Interest charged to profit or loss	371,708	979,797
Cash flows:		
- operating activities (interest paid)	(371,708)	(979,797)
- payments under leases	(5,365,939)	(4,459,350)
At end of year	51,948,062	5,365,939

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	473,575	5,365,939
1 - 5 years	14,340,793	-
Over 5 years	37,133,694	-
	<b>51,948,062</b>	<b>5,365,939</b>

Weighted average effective interest rates at the reporting date were 12.5%. The carrying amounts of the group'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	6,940,560	5,737,647
Later than 1 year and not later than 5 years	43,336,998	-
Over 5 years	47,911,152	-
Total gross lease	98,188,710	5,737,647
Future interest expense on leases liabilities	(46,240,648)	(371,708)
Present value of lease liabilities	51,948,062	5,365,939



## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 13. LEASE LIABILITIES (CONTINUED)

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Present value of lease liabilities - minimum lease payments		
Not later than 1 year	473,575	5,365,939
Over 1 year	51,474,487	-
	51,948,062	5,365,939

### 14. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using principal tax rates of 30% (2022: 30%). The movement on the deferred tax account is as follows:

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
At start of year	437,541,328	391,937,061
Charge to statement of other comprehensive income (Note 11)	-	66,838,334
(Credit)/charge to profit or loss (Note 8)	(28,762,046)	(21,234,067)
At end of year	408,779,282	437,541,328

Deferred tax liabilities in the statement of financial position, deferred tax (credit) to profit or loss are attributable to the following items

	<b>At start of year</b>	<b>(Credit)/charge to profit or loss</b>	<b>At end of year</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Deferred tax liabilities</b>			
Property, plant and equipment	62,065,464	(1,047,390)	61,018,074
Revaluation - buildings	72,758,610	(5,224,958)	67,533,652
Revaluation - leasehold land	303,266,486	(20,940,783)	282,325,703
Right of use assets	1,070,615	14,513,804	15,584,419
	439,161,175	(12,699,327)	426,461,848
<b>Deferred tax (assets)</b>			
Provisions	(1,299)	(1,540,846)	(1,542,145)
Deferred exchange losses	(8,766)	8,766	-
Unrealised exchange loss	-	(556,004)	(556,004)
Lease liabilities	(1,609,782)	(13,974,637)	(15,584,419)
	(1,619,847)	(16,062,719)	(17,682,567)
<b>Net deferred tax liability</b>	437,541,328	(28,762,046)	408,779,281

Deferred tax assets on tax losses carried forward and deductible temporary differences are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses and deductible temporary differences against.

Deferred tax assets amounting to Shs. 155.5 million (2022: Shs. 155.8 million) in respect of tax losses carried forward amounting to Shs. 518 million (2022: Shs. 519 million) that can be carried forward indefinitely against future taxable profits have not been recognised.

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 15. PROPERTY, PLANT AND EQUIPMENT - GROUP

Year ended 31 December 2023

	Leasehold Improvements Kshs.	Buildings Kshs.	Pant and Machinery Kshs.	Furniture, Fittings and Equipment Kshs.	Motor Vehicles Kshs.	Computers and copiers Kshs.	Capital work in progress Kshs.	Total Kshs.
<b>Cost or valuation</b>								
At start of year	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	-	407,691,167
Additions	-	-	-	-	-	-	4,000,000	4,000,000
At end of year	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	4,000,000	411,691,167
Comprising								
Cost	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	4,000,000	98,891,167
Valuation	-	-	-	-	-	-	-	312,800,000
<b>Depreciation</b>								
At start of year	2,028,621	-	15,500,991	33,342,972	2,611,306	37,785,777	-	91,269,667
Charge for the year	637,931	20,660,876	-	285,732	28,314	18,407	-	21,631,260
At end of year	2,666,552	-	15,500,991	33,628,704	2,639,620	37,804,185	-	112,900,927
Carrying amount	523,103	292,139,124	-	2,000,121	84,942	42,949	4,000,000	298,790,240
Depreciation expense has been charged in profit or loss as follows:								
Direct costs				Kshs.				
Establishment expenses				20,689,190				
Total				942,070				
				21,631,260				

Property and machinery was fully depreciated as at end of year.

Capital work in progress relates to renovation works for the new premises.

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 15. PROPERTY, PLANT AND EQUIPMENT - COMPANY

Year ended 31 December 2023

	Leasehold Improvements Kshs.	Buildings Kshs.	Pant and Machinery Kshs. Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed diam nonummy nibh	Furniture, Fittings and Equipment Kshs.	Motor Vehicles Kshs.	Computers and copiers Kshs.	Capital work in progress Kshs.	Total Kshs.
<b>Cost or valuation</b>								
At start of year	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	-	407,691,167
Additions	-	-	-	-	-	-	4,000,000	4,000,000
At end of year	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	4,000,000	411,691,167
Comprising								
Cost	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	4,000,000	98,891,167
Valuation	-	-	-	-	-	-	-	312,800,000
<b>Depreciation</b>								
At start of year	2,028,621	-	15,500,991	33,342,972	2,611,306	37,785,777	-	91,269,667
Charge for the year	637,931	20,660,876	-	285,732	28,314	18,407	-	21,631,260
At end of year	2,666,552	20,660,876	15,500,991	33,628,704	2,639,620	37,804,185	-	112,900,927
Carrying amount	523,103	292,139,124	-	2,000,121	84,942	42,950	4,000,000	298,790,240
Depreciation expense has been charged in profit or loss as follows:				Kshs.				
Direct costs				20,689,190				
Establishment expenses				942,070				
Total				21,631,260				

Property and machinery was fully depreciated as at end of year.

Capital work in progress relates to renovation works for the new premises.



**Notes (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**15. PROPERTY, PLANT AND EQUIPMENT - GROUP**

**Year ended 31 December 2022**

	Leasehold Improvements Kshs.	Buildings Kshs.	Pant and Machinery Kshs.	Furniture, Fittings and Equipment Kshs.	Motor Vehicles Kshs.	Computers and copiers Kshs.	Total Kshs.
<b>Cost or valuation</b>							
At start of year	3,189,655	368,000,000	15,500,991	35,628,825	2,724,562	37,794,031	462,838,064
Additions	-	-	-	-	-	53,103	53,103
Deficit on revaluation	-	(55,200,000)	-	-	-	-	(55,200,000)
At end of year	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	407,691,167
Comprising							
Cost	3,189,655	83,619,742	15,500,991	35,628,825	2,724,562	37,847,134	178,546,453
Valuation	-	229,180,258	-	-	-	-	229,180,258
	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	407,691,167
<b>Depreciation</b>							
At start of year	1,390,690	20,280,839	15,500,991	33,016,421	2,582,992	37,759,480	110,531,413
Charge for the year	637,931	22,800,883	-	326,551	28,314	26,296	23,819,975
Adjustment on revaluation	-	(43,081,722)	-	-	-	-	(43,081,722)
At end of year	2,028,621	-	15,500,991	33,342,972	2,611,306	37,785,777	91,269,666
Carrying amount	1,161,034	312,800,000	-	2,285,853	113,256	61,358	316,421,501
Depreciation expense has been charged in profit or loss as follows:				Kshs.			
Direct costs				22,829,197			
Establishment expenses				990,778			
Total				23,819,975			

Property and machinery was fully depreciated as at end of year.

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 15. PROPERTY, PLANT AND EQUIPMENT - COMPANY

Year ended 31 December 2022

	Leasehold Improvements Kshs.	Buildings Kshs.	Pant and Machinery Kshs.	Furniture, Fittings and Equipment Kshs.	Motor Vehicles Kshs.	Computers and copiers Kshs.	Total Kshs.
<b>Cost or valuation</b>							
At start of year	3,189,655	368,000,000	15,500,991	35,628,825	2,724,562	37,794,031	462,838,064
Additions	-	-	-	-	-	53,103	53,103
Adjustment on revaluation	-	(55,200,000)	-	-	-	-	(55,200,000)
At end of year	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	407,691,167
Comprising							
Cost	3,189,655	83,619,742	15,500,991	35,628,825	2,724,562	37,847,134	178,510,909
Valuation	-	229,180,258	-	-	-	-	229,180,258
	3,189,655	312,800,000	15,500,991	35,628,825	2,724,562	37,847,134	407,691,167
<b>Depreciation</b>							
At start of year	1,390,690	20,280,839	15,500,991	33,016,421	2,582,992	37,759,480	110,531,413
Charge for the year	637,931	22,800,883	-	326,551	28,314	26,296	23,819,975
Adjustment on revaluation	-	(43,081,722)	-	-	-	-	(43,081,722)
At end of year	2,028,621	-	15,500,991	33,342,972	2,611,306	37,785,777	91,269,666
Carrying amount	1,161,034	312,800,000	-	2,285,853	113,256	61,357	316,421,501
Depreciation expense has been charged in profit or loss as follows:				Kshs.			
Direct costs				22,829,197			
Establishment expenses				990,778			
Total				23,819,975			

Property and machinery was fully depreciated as at end of year.

## Notes (Continued)

### FOR THE YEAR ENDED DECEMBER 31, 2023

#### 15. PROPERTY, PLANT AND EQUIPMENT - GROUP AND COMPANY

Buildings were professionally valued on 31 December 2022 by Redfearn Valuers Limited on the basis of open market value for buildings. The carrying amounts of the properties were adjusted to the revalued amounts and the resultant surplus net of deferred tax was credited to other comprehensive income.

In determining the valuations for buildings, the valuer refers to current market conditions including recent sales transactions of similar properties - assuming the highest and best use of the properties. There has been no change in the valuation technique used during the year compared to prior years.

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

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

	Group and Company	
	2023 Kshs.	2022 Kshs.
Cost	141,556,623	141,556,623
Accumulated depreciation	(71,292,922)	(68,048,572)
Net book value	70,263,701	73,508,051

#### 16. RIGHT-OF USE ASSETS

	Group and Company		
	Lease of buildings Kshs.	Leasehold land Kshs.	Total Kshs.
At start of year	17,843,584	1,016,167,057	1,034,010,641
Additions	51,948,062	-	51,948,062
At end of year	69,791,646	1,016,167,057	1,085,958,703
<b>Depreciation</b>			
At start of year	14,274,868	-	14,274,868
Depreciation charge for the year	3,568,716	70,166,662	73,735,378
At end of year	17,843,584	70,166,662	88,010,246
<b>As at 31 December 2023</b>	51,948,062	946,000,395	997,948,457
<b>As at 31 December 2022</b>	3,568,716	1,016,167,057	1,019,735,773

The group leases office space. The office space lease that was typically for a period of 5 years 3 months with no option to renew expired on 31 December 2023. The lease did not contain any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

The current office space was leased out on 1 October 2023 running for a period of 10 years with an option to renew. The lease contains conditions and covenants including the protective rights of the lessor or carries a residual value guarantee.

Leasehold land was professionally valued on 31 December 2022 by Redfearn Valuers Limited on the basis of open market value for leasehold land. The carrying amount of the leasehold land was adjusted to the revalued amounts and the resultant surplus net of deferred tax was credited to other comprehensive income.



## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 16. RIGHT-OF USE ASSETS (CONTINUED)

In determining the valuations for leasehold land, the valuer refers to current market conditions including recent sales transactions of similar properties - assuming the highest and best use of the properties. There has been no change in the valuation technique used during the year compared to prior years.

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

If the leasehold land was stated on the historical cost basis, the amounts would be as follows:

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Cost	6,734,985	6,734,985
Accumulated depreciation	(1,456,212)	(1,092,159)
Net book value	5,278,773	5,642,826

### 17. INTANGIBLE ASSETS - COMPUTER SOFTWARE

<b>Cost</b>		
At start and end of year	306,000	306,000
<b>Amortisation</b>		
At start and end of year	306,000	306,000
<b>Carrying amount</b>	-	-

### 18. INVENTORIES

At start and end of year	28,752,343	28,752,341
--------------------------	------------	------------

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

### 19. TRADE AND OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Trade receivables	86,653,866	81,668,412	86,653,866	81,668,412
Less: expected credit loss allowance	(81,312,111)	(81,269,045)	(81,312,111)	(81,269,045)
Net trade receivables	5,341,755	399,367	5,341,755	399,367
Prepayments, deposits and other receivables	3,245,175	2,912,430	3,245,175	2,912,430
Receivable from related parties (Note 25)	2,760,590	2,024,824	2,760,590	2,024,824
	11,347,520	5,336,621	11,347,520	5,336,621

**Notes (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**19. TRADE AND OTHER RECEIVABLES (CONTINUED)**

	<b>Group</b>		<b>Company</b>	
	<b>2023 Kshs.</b>	<b>2022 Kshs.</b>	<b>2023 Kshs.</b>	<b>2022 Kshs.</b>
<b>Movement in expected credit losses</b>				
At start of year	81,269,045	81,404,443	81,269,045	81,404,443
Additional provisions	43,066	2,037,348	43,066	2,037,348
Reversals	-	(2,172,746)	-	(2,172,746)
At end of year	81,312,111	81,269,045	81,312,111	81,269,045

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 their fair value.

**20. CASH AND CASH EQUIVALENTS**

	<b>Group and Company</b>	
	<b>2023 Kshs.</b>	<b>2022 Kshs.</b>
Cash at bank and in hand	1,216,434	732,143
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash and bank balances	1,216,434	732,143
Bank overdraft (Note 12)	-	(5,062,735)
	1,216,434	(4,330,592)

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

Kenya Shillings	361,190	429,509
United States Dollar	855,244	302,634
	1,216,434	732,143

**Movement in provision expected credit losses**

At start of year	4,331	1,794
Expected credit loss allowance:		
- Increase in provision for the year	13,086	2,537
At end of year	17,417	4,331

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 21. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
Trade payables	14,376,778	15,330,260	14,376,778	15,330,260
Accruals and other payables	22,169,797	15,733,531	22,169,797	15,733,531
Payable to related parties (Note 24)	2,314,686	2,642,954	4,366,710	4,694,978
	38,861,261	33,706,745	40,913,285	35,758,769

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	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
Kenya Shillings	38,847,721	33,651,855	40,899,745	35,703,879
United States Dollar	13,540	54,890	13,540	54,890
	38,861,261	33,706,745	40,913,285	35,758,769

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

	0-3 Months Kshs.	4-12 Months Kshs.	Total Kshs.
--	------------------------	-------------------------	----------------

#### Year ended 31 December 2023 - Group

Trade payables	469,780	13,906,998	14,376,778
Accruals and other payables	9,103,073	13,066,724	22,169,797
Payable to related parties	434,233	1,880,453	2,314,686
	10,007,086	28,854,175	38,861,261

#### Year ended 31 December 2023 - Company

Trade payables	469,780	13,906,998	14,376,778
Accruals and other payables	9,103,073	13,066,724	22,169,797
Payable to related parties	434,233	3,932,477	4,366,710
	10,007,086	30,906,199	40,913,285

#### Year ended 31 December 2022 - Group

Trade payables	2,894,992	12,435,268	15,330,260
Accruals and other payables	3,511,593	12,221,938	15,733,531
Payable to related parties	-	2,642,954	2,642,954
	6,406,585	27,300,160	33,706,745

#### Year ended 31 December 2022 - Company

Trade payables	2,894,992	12,435,268	15,330,260
Accruals and other payables	3,511,593	12,221,938	15,733,531
Payable to related parties	-	4,694,978	4,694,978
	6,406,585	29,352,184	35,758,769



## Notes (Continued)

### FOR THE YEAR ENDED DECEMBER 31, 2023

#### 22. CASH FROM OPERATIONS

	Group		Company	
Reconciliation of (loss) before tax to cash to cash from operations	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
(Loss) before tax	(132,187,753)	(102,362,861)	(132,187,753)	(102,362,861)
<b>Adjustments for:</b>				
Depreciation on property, plant and equipment (Note 15)	21,631,260	23,819,975	21,631,260	23,819,975
Depreciation on right-of-use assets (Note 16)	73,735,378	57,514,687	73,735,378	57,514,687
Interest expense	37,964,163	34,336,759	37,964,163	34,336,759
Net foreign exchange loss	1,853,345	29,221	1,853,345	29,221
Cash flows from operating activities before changes in working capital	2,996,393	13,337,781	2,996,393	13,337,781
Changes in working capital:				
- trade and other receivables	(5,970,885)	(486,454)	(5,970,885)	(486,454)
- trade and other payables	5,156,649	(1,875,056)	5,156,649	(1,875,056)
Cash (used in)/from operations	2,182,157	10,976,271	2,182,157	10,976,271

#### 23. INVESTMENT IN SUBSIDIARIES

	Country of incorporation	Holding	Company	
			2023 Kshs.	2022 Kshs.
Express Mombasa Limited	Kenya	100%	284,800	284,800
Container Services Limited	Kenya	100%	1,694,552	1,694,552
Airporter Limited	Kenya	79%	619,808	619,808
Impairment			(2,599,160)	(2,599,160)

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

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 24. RELATED PARTY TRANSACTIONS AND BALANCES

Etcoville Holdings Limited which owns 44.84% (2022: 44.84%) of the company's shares has significant influence over the company. The remaining 55.16% (2022: 55.16%) of the shares are widely held. The ultimate parent company is Etcoville Investments Limited.

The following transactions were carried out with related parties:

#### i) Interest charged

	Group		Company	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
Other related party	13,021,482	11,816,228	13,021,482	11,816,228
Directors	18,715,278	15,575,002	18,715,278	15,575,002
	31,736,760	27,391,230	31,736,760	27,391,230

#### ii) Outstanding balances arising

	Group		Company	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
Receivable from related parties (Note 19)	2,760,590	2,024,824	2,760,590	2,024,824
Payable to related parties (Note 21)	2,314,686	2,642,954	4,366,710	4,694,978
Borrowings from related parties (Note 12)	158,329,742	110,284,790	158,329,742	110,284,790
Borrowings directors (Note 12)	191,629,365	154,612,688	191,629,365	154,612,688

Receivables from related parties can be analysed as follows:

Other related parties	2,580,794	1,845,028	2,010,898	1,275,132
Subsidiaries	-	-	569,896	569,896
Parent	179,796	179,796	179,796	179,796
	2,760,590	2,024,824	2,760,590	2,024,824

Payable to related parties can be analysed as follows:

Other related parties	2,314,686	2,642,954	2,194,667	2,522,935
Subsidiaries	-	-	2,172,043	2,172,043
	2,314,686	2,642,954	4,366,710	4,694,978

The payables to related parties are interest free, have no specific dates of repayment and are unsecured.

	Group and company	
	2023 Kshs.	2022 Kshs.
Movement in borrowing from related parties:		
At start of year	110,284,790	185,715,248
Interest	13,021,482	11,816,228
Reassignments to directors	-	(92,746,686)
Proceeds from borrowings	34,500,000	5,500,000
Repayments	(1,772,434)	-
Foreign exchange loss	1,486,214	-
At end of year	157,520,052	110,284,790

**Notes (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**24. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

	<b>Group and company</b>	
	<b>2023 Kshs.</b>	<b>2022 Kshs.</b>
Borrowing from related parties can be analysed as follows:		
- other related parties	158,329,742	110,284,790

Borrowing from related parties is subject to interest, unsecured and not repayable in the next 12 months.

	<b>Group and company</b>	
	<b>2023 Kshs.</b>	<b>2022 Kshs.</b>
Movement in borrowing from directors		
At start of year	154,612,688	40,240,000
Interest	18,715,278	15,575,002
Reassignments from related parties	-	92,746,686
Proceeds	27,768,000	6,051,000
Repayments	(9,466,601)	-
At end of year	191,629,365	154,612,668

Borrowing from directors is subject to interest, unsecured and not repayable in the next 12 months.

**25. RISK MANAGEMENT OBJECTIVES AND POLICIES**

**FINANCIAL RISK MANAGEMENT**

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

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

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

**(a) Market risk**

**- Foreign exchange risk**

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

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 the dollar, the effect would have been the opposite.

	<b>Group</b>		<b>Company</b>	
	<b>2023 Kshs.</b>	<b>2022 Kshs.</b>	<b>2023 Kshs.</b>	<b>2022 Kshs.</b>
Effect on (loss) - (decrease)	1,614,798	(17,342)	1,614,798	(17,342)



## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 25. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (a) Market risk (Continued)

A 10% sensitivity rate is being used when reporting foreign exchange risk internally to key management personnel and represents management's 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 on page 53 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	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
Effect on (loss) - increase	2,044,224	1,848,902	2,044,224	1,848,902

#### (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.

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; and
- industry in which the debtor operates.

**Notes (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**25. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(b) Credit risk (Continued)**

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:

	<b>Lifetime expected credit losses</b>			
	<b>Group</b>		<b>Company</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
As at 31 December				
Trade receivables	86,653,866	81,668,412	86,653,866	81,668,412
Prepayments, deposits and other receivables	3,245,175	1,455,924	3,245,175	1,455,924
Receivable from related parties	2,760,590	2,024,824	2,760,590	2,024,824
Cash at bank	1,233,851	736,474	1,233,851	736,474
Gross carrying amount	93,893,482	85,885,634	93,893,482	85,885,634
Loss allowance	(81,329,528)	(81,273,376)	(81,329,528)	(81,273,376)
Exposure to credit risk	12,563,954	4,612,258	12,563,954	4,612,258

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.

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

	<b>Not past due</b>	<b>30 to 90 days</b>	<b>90 to 180 days</b>	<b>Over 180 days</b>	<b>Total</b>
	<b>Kshs.</b>	<b>past due</b>	<b>past due</b>	<b>past due</b>	<b>Kshs.</b>
		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
As at 31 December 2023	-	2,157,318	3,184,437	81,312,111	86,653,866
As at 31 December 2022	709,572	550,269	(860,474)	81,269,045	81,668,412

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 25. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (b) Credit risk (Continued)

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 Kshs.	Trade and other receivables Kshs.	Total Kshs.
Year ended 31 December 2023			
At start of year	4,331	81,269,045	81,273,376
Changes relating to assets	13,086	-	13,086
At end of year	17,417	81,269,045	81,286,462

Basis for measurement of loss	Lifetime expected credit losses		
	Cash and cash equivalents Kshs.	Trade and other receivables Kshs.	Total Kshs.
Year ended 31 December 2022			
At start of year	1,794	81,404,443	81,406,237
Changes relating to assets	2,537	(135,398)	(132,861)
At end of year	4,331	81,269,045	81,273,376

The group 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

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities. Cash flows forecasting is performed by the finance department of the group by monitoring the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

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 21 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.

The key assumptions made in the maturity profile are:

- changes in interest 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.



**Notes (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**25. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

	Interest Rate %	Less than 1 year Kshs.	1-5 years Kshs.	Over 5 years Kshs.	Total Kshs.
<b>Year ended 31 December 2023 - Group</b>					
Interest bearing liabilities:					
-Borrowing from related parties	12.0%	-	279,031,104	-	279,031,104
-Borrowing from directors	12.0%	-	337,716,418	-	337,716,418
Lease liabilities	12.5%	6,940,560	43,336,998	47,911,152	98,188,710
Non-interest bearing liabilities:					
- Trade and other payables	-	38,861,261	-	-	38,861,261
		45,801,821	660,084,520	47,911,152	753,797,492

**Year ended 31 December 2023 - Company**

Interest bearing liabilities:					
-Borrowing from related parties	12.0%	-	279,031,104	-	279,031,104
-Borrowing from directors	12.0%	-	337,716,418	-	337,716,418
Lease liabilities	12.5%	6,940,560	43,336,998	47,911,152	98,188,710
Non-interest bearing liabilities:					
- Trade and other payables	-	40,913,285	-	-	40,913,285
		47,853,845	660,084,520	47,911,152	755,849,516

	Interest Rate %	Less than 1 year Kshs.	1-5 years Kshs.	Over 5 years Kshs.	Total Kshs.
<b>Year ended 31 December 2022 - Group</b>					
Interest bearing liabilities:					
- Bank overdraft	13.0%	5,062,735	-	-	5,062,735
-Bank loan	13.0%	6,279,876	30,324,823	-	36,604,699
-Borrowing from related parties	12.0%	-	194,359,482	-	194,359,482
-Borrowing from directors	12.0%	-	272,480,385	-	272,480,385
Lease liabilities	12.5%	5,737,647	-	-	5,737,647
Non-interest bearing liabilities:					
- Trade and other payables	-	32,250,239	-	-	32,250,239
		49,330,497	497,164,690	-	546,495,187

**Year ended 31 December 2022 - Company**

Interest bearing liabilities:					
- Bank overdraft	13.0%	5,062,735	-	-	5,062,735
-Bank loan	13.0%	6,279,876	30,324,823	-	36,604,699
-Borrowing from related parties	12.0%	-	194,359,482	-	194,359,482
-Borrowing from directors	12.0%	-	272,480,385	-	272,480,385
Lease liabilities	12.5%	5,737,647	-	-	5,737,647
Non-interest bearing liabilities:					
- Trade and other payables	-	34,302,263	-	-	34,302,263
		51,382,521	497,164,690	-	548,547,211

## Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

### 26. CAPITAL MANAGEMENT

The group's objectives when managing capital are:

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

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

The gearing ratios at 31 December 2023 and 2022 were as follows:

	Group		Company	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
Total borrowings (Note 12)	349,959,107	302,353,752	349,959,107	302,353,752
Less, cash and cash equivalents (Note 20)	(1,216,434)	(732,143)	(1,216,434)	(732,143)
Net debt	348,742,673	301,621,609	348,742,673	301,621,609
Total equity	519,885,808	623,311,515	519,885,808	621,259,491
Gearing ratio (%)	0.67	0.48	0.67	0.49

### 27. CONTINGENT LIABILITIES

The group 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.

### 28. INCORPORATION

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

### 29. PRESENTATION CURRENCY

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

## SCHEDULE OF DIRECT COSTS AND ADMINISTRATIVE EXPENDITURE

### FOR THE YEAR ENDED DECEMBER 31, 2023

#### I. DIRECT EXPENSES

	Group		Company	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
Insurance	248,790	374,969	248,790	374,969
Depreciation on right-of-use assets	70,166,662	53,945,970	70,166,662	53,945,970
Depreciation on property, plant and equipment	20,689,190	22,829,197	20,689,190	22,829,197
<b>Total direct costs</b>	<b>91,104,642</b>	<b>77,150,136</b>	<b>91,104,642</b>	<b>77,150,136</b>

#### 2. ADMINISTRATIVE EXPENSES

##### Employment:

Salaries and wages	6,687,247	5,630,130	6,687,247	5,630,130
Staff welfare and other costs	140,317	141,646	140,317	141,646
<b>Total employment costs</b>	<b>6,827,564</b>	<b>5,771,776</b>	<b>6,827,564</b>	<b>5,771,776</b>

##### Other administration expenses:

Postages and telephones	439,008	508,268	439,008	508,268
Advertisement expenses	425,291	315,520	425,291	315,520
Travelling and transport	48,812	186,052	48,812	186,052
Printing and stationery	57,945	30,430	57,945	30,430
Subscriptions and periodicals	(95,321)	114,650	(95,321)	114,650
Audit fees				
- current year	1,200,000	1,200,000	1,200,000	1,200,000
- underprovision in prior years	25,300	25,000	25,300	25,000
Legal and professional fees	5,628,961	3,515,485	5,628,961	3,515,485
Annual General Meeting expenses	283,505	391,471	283,505	391,471
Bank charges and commissions	88,649	340,648	88,649	340,648
Fines and penalties	501,764	25,784	501,764	25,784
Miscellaneous expenses	214,347	238,654	214,347	238,654
<b>Total other administration expenses</b>	<b>9,043,261</b>	<b>6,891,962</b>	<b>9,043,261</b>	<b>6,891,962</b>
<b>Total administrative expenses</b>	<b>15,870,825</b>	<b>12,663,738</b>	<b>15,870,825</b>	<b>12,663,738</b>



## SCHEDULE OF OTHER EXPENDITURE

### FOR THE YEAR ENDED DECEMBER 31, 2023

#### 3. OTHER OPERATING EXPENSES

	Group		Company	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
<b>Establishment:</b>				
Rent and rates	2,675,704	943,335	2,675,704	943,335
Electricity and water	775,081	911,476	775,081	911,476
Repairs and maintenance	1,248,521	224,827	1,248,521	224,827
Insurance	11,050	11,050	11,050	11,050
Licences	263,000	233,000	263,000	233,000
Security expenses	3,348,806	3,479,564	3,348,806	3,479,564
Depreciation on right-of-use assets	3,568,716	3,568,617	3,568,716	3,568,617
Depreciation on property, plant and equipment	942,070	990,778	942,070	990,778
<b>Total other operating expenses</b>	<b>12,832,948</b>	<b>10,362,647</b>	<b>12,832,948</b>	<b>10,362,647</b>

#### 4. FINANCE COSTS

	Group		Company	
	2023 Kshs.	2022 Kshs.	2023 Kshs.	2022 Kshs.
<b>Interest expense:</b>				
- bank overdraft	774,951	692,594	774,951	692,594
- bank loan	4,271,054	5,273,138	4,271,054	5,273,138
- other borrowings	32,546,450	27,391,230	32,546,450	27,391,230
- lease liabilities	371,708	979,797	371,708	979,797
Foreign exchange loss	1,853,345	29,221	1,853,345	29,221
<b>Total finance costs</b>	<b>39,817,508</b>	<b>34,365,980</b>	<b>39,817,508</b>	<b>34,365,980</b>

## Company's Top 30 Shareholders

FOR THE YEAR ENDED DECEMBER 31, 2023

Rank	Name	Domicile	Total Shares	%
1.	ETCOVILLE HOLDINGS LIMITED	LC	21,392,898	44.84%
2.	AIRPORT TRADE CENTRE LIMITED	LC	6,461,538	13.54%
3.	DINIZ HOLDINGS LIMITED	LC	5,846,153	12.25%
<b>SUB-TOTAL(TOP 3)</b>			<b>33,700,589</b>	<b>70.63%</b>
4.	NDUNGU,PAUL WANDERI	LI	1,912,090	4.01%
5.	SARAJ PROPERTIES LIMITED	LC	1,478,400	3.10%
6.	DINIZ,HECTOR ROBERT	LI	1,391,100	2.92%
7.	NDUNGU,DANIEL KARANJA	LI	698,000	1.46%
8.	MUSANGI,ANDREW MUKITE	LI	574,556	1.20%
9.	HYDERY (P) LIMITED	LC	460,100	0.96%
10.	STANDARD CHARTERED NOMINEES A/C 9397	LC	457,054	0.96%
<b>SUB-TOTAL(TOP 10)</b>			<b>40,671,889</b>	<b>85.25%</b>
11.	SUNTRA NOMINEES A/C 0351	LC	255,800	0.54%
12.	SHAH,VISHAL SUDHIRKUMAR	LI	230,000	0.48%
13.	DEVGUN,DAVINDAR SINGH	LI	189,000	0.40%
14.	NDUNGU,AGNES,KARINGE,PATRICK KARIUKI	LI	157,300	0.33%
15.	SHAH,KUNAL KAMLESH;BID,EKTA BIMAL KUNAL	LI	154,300	0.32%
16.	ELEGANT HOLDINGS LIMITED	LC	150,800	0.32%
17.	MIGWI,MACHARIA	LI	110,000	0.23%
18.	KOTECHA,AJAY KISHORCHANDRA KARSANDAS	LI	107,597	0.23%
19.	SOIN,GURVEEN KAUR	LI	106,000	0.19%
20.	DINIZ,SYDELLE MARISE NATALIA	LI	105,600	0.22%
21.	GOCO,ROBINSON NGIGI	LI	98,007	0.22%
22.	MUKUI,JOSEPHAT KIMATA WA	LI	92,331	0.21%
23.	WAMBUGU,CYPRIAN MAMBO	LI	76,000	0.16%
24.	SHAH,MITAL MANSUKHLAL KESHAVJI;SHAH,MANSUKHLAL KESHAVJI;SHAH,NIRMALABEN MANSUKHLAL KESHAVJI	LI	73,200	0.15%
25.	FRANCIS P NGILLAH	LI	55,027	0.12%
26.	SHAH,SAVITABEN VELJI RAICHAND	LI	53,556	0.11%
27.	KIRIBA,PAUL GITHAIGA	LI	51,303	0.11%
28.	CONTINENTAL LOGISTICS NETWORK LTD.	LC	50,268	0.11%
29.	CARVALHO,LUSITANO ROSARIO	LI	50,222	0.11%
30.	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE003970	FC	50,000	0.10%
SHARES SELECTED			42,888,200	89.89%
SHARES NOT SELECTED - 3,990 Shareholders			4,823,281	10.11%
SHARES ISSUED			47,711,481	100%
<b>TOTAL SHAREHOLDER</b>			<b>4,020</b>	
CDSC IMMOBILISATION:				
NO. OF EXPRESS KENYA PLC SHAREHOLDERS AT THE CDSC			2,992	
NO. OF EXPRESS KENYA PLC SHARES HELD AT CDSC			46,603,563	

**Proxy Form**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**PROXY FORM FOR THE ANNUAL GENERAL MEETING 26 TH JULY 2024**

I/We ..... Of P.O. Box .....

Share Account No ..... being a shareholder of EXPRESS KENYA PLC hereby appoint

Please tick one only

1. Mr/ Mrs/ Ms ..... ☐

of P O Box .....

Proxy Mobile No .....

Proxy Email address .....

**OR**

2. The Chairman of the Meeting ☐

as my/our proxy to attend and on a poll vote for me/us on my /our behalf at the Annual General Meeting of the Company to be held virtually on Friday, 26th July 2024 at 11.00 a.m and at any adjournment thereof.

Signature .....

Signature .....

Signed/ Sealed ..... day of ..... 2024

**NOTES:**

1. In the case of a member being a corporation, the proxy must be under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
2. To be valid this proxy form must be completed and delivered to the Company Secretary, Dennis Aroka C/o ESR KENYA LLP, Kalamu House, Grevillea Grove, Westlands, P O Box 47323 00100 Nairobi or [esr@ke.esr-ea.com](mailto:esr@ke.esr-ea.com) or to the Company Registrars, Custody and Registrars Services, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi, P. O. Box 8484-00100 Nairobi or email to [proxy@candrgroup.co.ke](mailto:proxy@candrgroup.co.ke) not later than 11.00 am on 24 July 2024
3. A proxy need not be a member of the Company.



**STAMP**

**The Company Secretary**  
**EXPRESS KENYA PLC**  
**P.O Box 40433 - 00100 GPO**  
**Nairobi, Kenya**

