EXPRESS KENYA PLC

2020

Annual Report & Consolidated Financial Statements

Diniz Holdings Limited

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FINANCIAL STATEMENTS:

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

Group Information

BOARD OF DIRECTORS	Dr. Chris W. Obura - **Chairman** Hector Diniz Kajal Thakker Davinder Singh Devgun
CHIEF EXECUTIVE OFFICER	Managing Director - Hector Diniz
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	LR NO. 12596/1 Express House Road A, Off Enterprise Road Industrial Area P.O Box 40433 - 00100 NAIROBI.
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
LEGAL ADVISOR	Archer and Wilcock Advocates, Nairobi
SHARE REGISTRARS	Custody & Registrars Services Limited IKM Place, Tower B, 1ST Floor, 5TH Ngong Avenue, Off Bishops Road P.O Box 8484 - 00100 NAIROBI.
SUBSIDIARIES	Express Mombasa Limited Container Services Limited Airporter Limited

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2020, 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 2020, the total turnover of the company and group decreased from Shs. 20,218,251 to Shs. 17,760,471. This resulted mainly from decline in revenue from warehouse business.

KEY PERFORMANCE INDICATORS

	Group		Company	
	2020 Kshs.	**2019 Kshs.**	**2020 Kshs.**	**2019 Kshs.**
Turnover (Shs)	15,760,471	20,218,251	15,760,471	20,218,251
(Loss) for the year (Shs)	(30,652,826)	(21,778,518)	(30,652,826)	(21,712,518)
Earnings Before Interest, Tax Depreciaition and Amortisation (EBITDA)	(986,993)	10,332,728	(986,993)	10,398,728

PRINCIPAL RISKS AND UNCERTAINTIES

The group faces a number of risks and uncertainties including financial and operational risks and uncertainties. Changes to these factors, including the macro-economic effect of performance of the Kenyan economy affect the group's business. Other factors include the impact of the recent coronavirus outbreak and related restrictions and economic impact thereof. The operations from the group was significantly afffected during the year which continued with every wave that affect the economy. This has further delayed the group's real estate project. The group's main business in logostics continues to under perform due to the distruptions in the economy leading to scaling down of operations and in keeping with the government of Kenya guidlines in safeguarding the staff. The directors continue to monitor the situation with a view of mitigating its impact on the business.

In addition to the business risks discusssed above the group's activities expose it to a number of financial risks including credit risks,cash flow and foreign currency risks and liquidity risks as set out on note 26 to the financial statements.

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

DIVIDEND

The directors do not recommend declaration of a dividend for the year (2019: Nil).

Report of the Directors

FOR THE YEAR ENDED DECEMBER 31, 2020

DIRECTORS

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

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

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.

29th June 2021

Report of the Directors' Remuneration

FOR THE YEAR ENDED DECEMBER 31, 2020

This report of directors' remuneration sets out the remuneration for the Board of Directors of the group for the year ended 31 December 2020.

DIRECTORS' REMUNERATION

2020			
		Remuneration Kshs.	**Total Kshs.**
Dr. C. W. Obura	Chairman	-	-
Hector Diniz	Director	-	-
Kajal Thakker	Director	-	-
Davinder Singh Devgun	Director	-	-
Total		-	-

2019			
		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.

29th June 2021

Statement of Directors' Responsibilities

FOR THE YEAR ENDED DECEMBER 31, 2020

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 2020 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 **29th June 2021** and signed on its behalf by:

.....

DIRECTOR

.....

DIRECTOR

OPINION

We have audited the accompanying consolidated financial statements of Express Kenya Public Limited Company and its subsidiaries (collectively referred to as the 'group'), set out on pages 10 to 51 which comprise the consolidated and company statements of financial position as at 31 December 2020 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 2020, and of the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1(a) of the consolidated financial statements which indicates that during the year ended 31 December 2020, the group incurred a loss of Shs. 30,652,826 (2019: Shs. 21,778,518) and had accumulated losses of Shs. 458,418,293 (2019: Shs. 439,980,261). 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, 2020

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report of The Independent Auditor (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i) the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements; and

ii) the auditable part of the directors' remuneration report on page 4 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

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

Darshan Shah

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

29th June 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 Kshs.	2019 Kshs.
Revenue		15,760,471	20,218,251
Direct costs		(21,625,102)	(20,069,188)
Gross profit/(loss)		(5,864,631)	149,063
Other operating income	3	2,775,568	15,047,855
Impairment provisions	4	10,223	(484,567)
Administrative expenses		(13,327,022)	(15,573,973)
Other operating expenses		(10,228,184)	(11,516,393)
Operating (loss)	5	(26,634,046)	(12,378,015)
Finance costs	7	(8,936,322)	(10,785,152)
(Loss) before tax		(35,570,368)	(23,163,167)
Tax credit	8	4,917,542	1,384,649
(Loss) for the year		(30,652,826)	(21,778,518)
Other comprehensive income:			
- Surplus on revaluation of buildings and right of use assets	11	903,420,135	155,895,960
- Deferred tax on revaluation surplus on buildings and right of use assets	14	(271,026,041)	(46,768,788)
Total other comprehensive income		632,394,094	109,127,172
Total comprehensive income/(loss) for the year		601,741,268	87,348,654
Income/(loss) for the year is attributable to:			
- Owners of the company	9	601,741,268	87,348,654
(Loss) per share			
Basic and diluted (loss) per share	9	(0.64)	(0.53)

The notes on pages 18 to 51 form an integralpart of these financial statements.

Report of the independent auditor - pages 6 to 9.

Company Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 Kshs.	2019 Kshs.
Revenue		15,760,471	20,218,251
Direct costs		(21,625,102)	(20,069,188)
Gross profit/(loss)		(5,864,631)	149,063
Other operating income	3	2,775,568	15,047,855
Impairment provisions	4	10,223	(484,567)
Administrative expenses		(13,327,022)	(15,507,973)
Other operating expenses		(10,228,184)	(11,516,393)
Operating (loss)	5	(26,634,046)	(12,312,015)
Finance costs	7	(8,936,322)	(10,785,152)
(Loss) before tax		(35,570,368)	(23,097,167)
Tax credit	8	4,917,542	1,384,649
(Loss) for the year		(30,652,826)	(21,712,518)
Other comprehensive income:			
- Surplus on revaluation of buildings and right of use assets	11	903,420,135	155,895,960
- Deferred tax on revaluation surplus on buildings and right of use assets	14	(271,026,041)	(46,768,788)
Total other comprehensive income		632,394,094	109,127,172
Total comprehensive income/(loss) for the year		601,741,268	87,414,654
Basic and diluted (loss) per share	9	(0.64)	(0.46)

The notes on pages 18 to 51 form an integralpart of these financial statements.

Report of the independent auditor - pages 6 to 9.

Company Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	As at 31 December 2020 Kshs.	2019 Kshs.
CAPITAL EMPLOYED			
Share capital	10	238,557,405	238,557,405
Share premium	10	28,963,264	28,963,264
Revaluation reserve	11	822,360,077	202,180,778
Accumulated losses		(458,418,293)	(439,980,261)
Shareholders' funds/(deficit)		631,462,454	29,721,186
Non-current liabilities			
Borrowings	12	271,838,640	259,040,460
Lease liabilities	13	9,825,289	13,775,434
Deferred tax	14	384,594,062	118,485,563
		666,257,991	391,301,457
		1,297,720,445	421,022,643
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	374,063,496	375,180,316
Right-of-use assets	16	899,852,325	20,645,799
		1,273,915,821	395,826,115
Current assets			
Inventories	18	28,752,342	28,752,342
Trade and other receivables	19	8,018,445	14,149,032
Cash and cash equivalents	20	278,052	1,709,321
Tax recoverable		31,300,900	31,300,900
		68,349,739	75,911,595
Current liabilities			
Borrowings	12	8,088,820	13,861,363
Lease liabilities	13	3,678,246	3,006,594
Trade and other payables	21	32,278,049	33,197,110
Provision for legal claims	22	500,000	650,000
		44,545,115	50,715,067
Net current assets/(liabilities)		23,804,624	25,196,528
		1,297,720,445	421,022,643

The financial statements on pages 10 to 51 were approved and authorised for issue by the Board of Directors on 29th June 2021 and were signed on its behalf by:

....

DIRECTOR **DIRECTOR**

The notes on pages 18 to 51 form an integral part of these financial statements.
Report of the independent auditor - pages 6 to 9.

Company Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	As at 31 December 2020 Kshs.	2019 Kshs.
CAPITAL EMPLOYED			
Share capital	10	238,557,405	238,557,405
Share premium	10	28,963,264	28,963,264
Revaluation reserve	11	822,360,077	202,180,778
Accumulated losses		(460,470,316)	(442,032,284)
Shareholders' funds/(deficit)		629,410,430	27,669,163
Non-current liabilities			
Borrowings	12	271,838,640	259,040,460
Lease liabilities	13	9,825,289	13,775,434
Deferred tax	14	384,594,062	118,485,563
		666,257,991	391,301,457
		1,295,668,421	418,970,620
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	374,040,758	375,175,316
Right-of-use assets	16	899,852,325	20,645,799
		1,273,893,083	395,803,377
Current assets			
Inventories	18	28,752,342	28,752,342
Trade and other receivables	19	8,018,445	12,868,462
Cash and cash equivalents	20	278,052	1,709,321
Tax recoverable		31,300,900	31,300,900
		68,349,739	74,631,025
Current liabilities			
Borrowings	12	8,088,820	13,861,363
Lease liabilities	13	3,678,246	3,006,594
Trade and other payables	21	34,307,335	33,945,825
Provision for legal claims	22	500,000	650,000
		46,574,401	51,463,782
Net current assets/(liabilities)		21,775,338	23,167,243
		1,295,668,421	418,970,620

The financial statements on pages 10 to 51 were approved and authorised for issue by the Board of Directors on 29th June 2021 and were signed on its behalf by:

..... DIRECTOR

..... DIRECTOR

The notes on pages 18 to 51 form an integral part of these financial statements.
Report of the independent auditor - pages 6 to 9.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	Share Capital Kshs.	Share Premium Kshs.	Revaluation Reserve Kshs.	Accumulated Losses Kshs.	Total Kshs.
Year ended 31 December 2019						
At start of year		177,018,950	10,501,719	102,920,726	(427,301,050)	(136,859,655)
Issue of ordinary share capital		61,538,455	18,461,545	-	-	80,000,000
Transition adjustments: -effect of change in accounting policy		-	-	-	(767,813)	(767,813)
(Loss) for the year		-	-	-	(21,778,518)	(21,778,518)
Surplus on revaluation of property, plant and equipment	11	-	-	155,895,960	-	155,895,960
Deferred income tax on revaluation surplus	14	-	-	(46,768,788)	-	(46,768,788)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	14	-	-	4,228,766	(4,228,766)	-
At end of year		238,557,405	28,963,264	202,180,778	(439,980,261)	29,721,186
Year ended 31 December 2020						
At start of year		238,557,405	28,963,264	202,180,778	(439,980,261)	29,721,186
(Loss) for the year		-	-	-	(30,652,826)	(30,652,826)
Surplus on revaluation of property, plant and equipment and right-of-use assets	11	-	-	903,420,135	-	903,420,135
Deferred income tax on revaluation surplus	14	-	-	(271,026,041)	-	(271,026,041)
Transfer of excess depreciation	11	-	-	(17,449,707)	17,449,707	-
Deferred tax on excess depreciation transfer	14	-	-	5,234,912	(5,234,912)	-
		238,557,405	28,963,264	822,360,077	(458,418,293)	631,462,454

The notes on pages 18 to 51 form an integralpart of these financial statements.
Report of the independent auditor - pages 6 to 9.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	Share Capital Kshs.	Share Premium Kshs.	Revaluation Reserve Kshs.	Accumulated Losses Kshs.	Total Kshs.
Year ended 31 December 2019						
At start of year		177,018,950	10,501,719	102,920,726	(429,419,073)	(138,977,678)
Issue of ordinary share capital		61,538,455	18,461,545	-	-	80,000,000
Transition adjustments: -effect of change in accounting policy		-	-	-	(767,813)	(767,813)
(Loss) for the year		-	-	-	(21,778,518)	(21,712,518)
Surplus on revaluation of property, plant and equipment	11	-	-	155,895,960	-	155,895,960
Deferred income tax on revaluation surplus	14	-	-	(46,768,788)	-	(46,768,788)
Transfer of excess depreciation	11	-	-	(14,095,886)	14,095,886	-
Deferred tax on excess depreciation transfer	14	-	-	4,228,766	(4,228,766)	-
At end of year		238,557,405	28,963,264	202,180,778	(442,032,284)	27,669,163
Year ended 31 December 2020						
At start of year		238,557,405	28,963,264	202,180,778	(442,032,284)	27,669,163
(Loss) for the year		-	-	-	(30,652,826)	(30,652,826)
Surplus on revaluation of property, plant and equipment and right-of-use assets	11	-	-	903,420,135	-	903,420,135
Deferred income tax on revaluation surplus	14	-	-	(271,026,041)	-	(271,026,041)
Transfer of excess depreciation	11	-	-	(17,449,707)	17,449,707	-
Deferred tax on excess depreciation transfer	14	-	-	5,234,912	(5,234,912)	-
		238,557,405	28,963,264	822,360,077	(460,470,316)	629,410,430

The notes on pages 18 to 51 form an integralpart of these financial statements.
Report of the independent auditor - pages 6 to 9.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 Kshs.	2019 Kshs.
Operating activities			
Cash (used in) operations	23	4,182,787	(22,559,404)
Interest paid		(4,411,372)	(8,554,877)
Interest paid on lease liabilities	13	(1,896,578)	(2,232,560)
Tax paid		-	(357,500)
Net cash (used in) operating activities		(2,125,163)	(33,704,341)
Investing activities			
Purchase of property, plant and equipment	15	(424,878)	-
Proceeds from disposal of property, plant and equipment		-	7,753,446
Net cash (used in) operating activities		(424,878)	7,753,446
Financing activities			
(Repayment of) bank borrowings	12	(51,411,903)	(17,037,309)
(Repayment of) related party borrowings	12	(3,626,230)	-
(Repayment of) borrowings from directors	12	-	(1,800,000)
Proceeds from borrowings from related parties	12	8,150,000	38,700,000
Proceeds from borrowings from directors	12	982,482	-
Proceeds from bank borrowings	12	-	53,000,000
Payments of principal portion of lease liabilities	13	(3,278,493)	(2,158,432)
Net cash from financing activities		414,100	70,704,259
Increase/(decrease) in cash and cash equivalents		(2,135,941)	44,753,364
Movement in cash and cash equivalents			
At start of year		(3,351,719)	(48,107,368)
Increase/(decrease)		(2,135,941)	44,753,364
Effect of exchange rate changes		(108,254)	2,285
At end of year	20	(5,595,914)	(3,351,719)

The notes on pages 18 to 51 form an integralpart of these financial statements.
Report of the independent auditor - pages 6 to 9.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 Kshs.	2019 Kshs.
Operating activities			
Cash (used in) operations	23	4,182,787	(22,559,404)
Interest paid		(4,411,372)	(8,554,877)
Interest paid on lease liabilities	13	(1,896,578)	(2,232,560)
Tax paid		-	(357,500)
Net cash (used in) operating activities		(2,125,163)	(33,704,341)
Investing activities			
Purchase of property, plant and equipment	15	(424,878)	-
Proceeds from disposal of property, plant and equipment		-	7,753,446
Net cash (used in) operating activities		(424,878)	7,753,446
Financing activities			
(Repayment of) bank borrowings	12	(51,411,903)	(17,037,309)
(Repayment of) related party borrowings	12	(3,626,230)	-
(Repayment of) borrowings from directors	12	-	(1,800,000)
Proceeds from borrowings from related parties	12	8,150,000	38,700,000
Proceeds from borrowings from directors	12	982,482	-
Proceeds from bank borrowings	12	49,598,244	53,000,000
Payments of principal portion of lease liabilities	13	(3,278,493)	(2,158,432)
Net cash from financing activities		414,100	70,704,259
Increase/(decrease) in cash and cash equivalents		(2,135,941)	44,753,364
Movement in cash and cash equivalents			
At start of year		(3,351,719)	(48,107,368)
Increase/(decrease)		(2,135,941)	44,753,364
Effect of exchange rate changes		(108,254)	2,285
At end of year	20	(5,595,914)	(3,351,719)

The notes on pages 18 to 51 form an integralpart of these financial statements.
Report of the independent auditor - pages 6 to 9.

1. SIGNIFICANT ACCOUNTING POLICIES

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

A) BASIS OF PREPARATION

The consolidated financial statements are prepared on the historical cost basis in accordance with International Financial Reporting Standard (IFRS), as modified by the revaluation of certain items of property, plant and equipment and right-of-use assets in line with the requirements of International Accounting Standard 16 (IAS 16) on Property, Plant and Equipment and International Financial Reporting Standard 17 on leases.

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

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

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

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

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

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

GOING CONCERN

During the year ended 31 December 2020, the group recognised a loss of Shs. 30,652,826(2019: Shs. 21,778,518) and it had accumulated losses of Shs. 458,418,293 (2019: Shs. 439,980,261). The directors consider it appropriate to prepare the group's financial statements on a going concern basis based on the factors described below:

- the management has implemented various cost rationalisation measures aimed at significantly improving the group's profitability and cash flows;
- the group has prepared cash flow projections for a period exceeding eighteen months to ensure the it meets its operating obligations;
- the group is pursuing disposal of a parcel of land to generate cashflows in order to reduce third party debts.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) BASIS OF PREPARATION (CONTINUED)

GOING CONCERN (CONTINUED)

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

Furthermore, the principle shareholder has provided a written letter of support to meet deficit in the cash flow covering a period up to 31 July 2022.

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 2020. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING ISSUED ON 29 MARCH 2018

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the group.

AMENDMENTS TO IAS 1 AND IAS 8 'DEFINITION OF MATERIAL' ISSUED IN OCTOBER 2018

The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

AMENDMENTS TO IFRS 3 'DEFINITION OF A BUSINESS' ISSUED IN OCTOBER 2018

The amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. These amendments had no impact on the consolidated financial statements of the group, but may impact future periods should the group enter into any business combinations.

AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39 INTEREST RATE BENCHMARK REFORM (ISSUED IN SEPTEMBER 2019)

The amendments, applicable to annual periods beginning on or after 1 January 2020, provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the group as it does not have any interest rate hedge relationships.

AMENDMENTS TO IFRS 16 COVID-19 RELATED RENT CONCESSIONS (ISSUED ON 28 MAY 2020)

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the group.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) BASIS OF PREPARATION (CONTINUED)

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE

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

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion 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.

- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

- 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 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

- Amendments to IFRS 3 Business Combinations - the amendments added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of property, plant and equipment and intangible 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.

- **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).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **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.

Most extension options in offices 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.

Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **Tax losses**

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

- **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.

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 2020. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) INVESTMENT IN SUBSIDIARIES/CONSOLIDATION (CONTINUED)

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 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.

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

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

- **Disposal of subsidiaries**

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

F) PROPERTY,PLANT AND EQUIPMENT

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation (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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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. period in which they are incurred.

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

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

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 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.

G) TRANSLATION OF FOREIGN CURRENCIES

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

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

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

i) Amortised cost:

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

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

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently 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.

Not with standing 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.

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.

Derecognition/write off

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) FINANCIAL INSTRUMENTS (CONTINUED)

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

FINANCIAL LIABILITIES

All 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 company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the statement of financial position date.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) FINANCIAL INSTRUMENTS (CONTINUED)

OFFSETTING FINANCIAL INSTRUMENTS

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

I) CASH AND CASH EQUIVALENTS

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

J) INTANGIBLE ASSETS - COMPUTER SOFTWARE

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

K) INVENTORIES - WORK-IN-PROGRESS

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

L) SHARE CAPITAL

Ordinary shares are classified as equity.

M) TAXATION

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

Current tax

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

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 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 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (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 assets 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 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 a 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.

O) RETIREMENT BENEFIT OBLIGATIONS

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

P) COMPARATIVES

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

Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

2. SEGMENT INFORMATION

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

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

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

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

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

During the year, the group recognised revenue of Shs. 1,989,500 (2019: Shs. 4,931,300) to a single customer that represents 12% (2019: 25%) of total turnover.

The group does not allocate tax expense to reportable segments.

The segment results are as follows:

Year ended 31 December 2020	Clearing and forwarding Kshs.	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
Revenue	-	15,760,471	-	15,760,471
Direct costs	-	(21,625,102)	-	(21,625,102)
Gross (loss)	-	(5,864,631)	-	(5,864,631)
Other operating income (Note 3)	-	2,775,568	-	2,775,568
Impairment on provisions (Note 4)	-	10,223	-	10,223
Operating and administrative expenses	-	(23,555,206)	-	(23,555,206)
Finance costs (Note 7)	-	(8,936,322)	-	(8,936,322)
(Loss) before tax	-	(35,570,368)	-	(35,570,368)
Tax credit (Note 8)	-	4,917,542	-	4,917,542
(Loss) for the year	-	(30,652,826)	-	(30,652,826)

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

Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

2. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	Clearing and forwarding Kshs.	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
Revenue	-	20,218,251	-	20,218,251
Direct costs	-	(20,069,188)	-	(20,069,188)
Gross profit	-	149,063	-	149,063
Other operating income (Note 3)	15,047,855	-	-	15,047,855
Impairment on provisions (Note 4)	455,476	29,091	-	29,091
Operating and administrative expenses	-	(27,090,366)	-	(27,090,366)
Finance costs (Note 7)	-	(10,785,152)	-	(10,785,152)
Profit/(loss) before tax	15,503,331	(37,697,364)	-	(23,163,167)
Tax credit (Note 8)	-	1,384,649	-	1,384,649
Profit/(loss) for the year	15,503,331	(36,312,715)	-	(21,778,518)

Other segment items included in profit or loss are:

	Clearing and forwarding Kshs.	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
Year ended 31 December 2020				
Depreciation on property, plant and equipment	455,682	21,366,855	-	21,822,537
Year ended 31 December 2019				
Depreciation on property, plant and equipment	893,740	17,820,748	-	18,714,488

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

	Clearing and forwarding Kshs.	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
Year ended 31 December 2020				
Assets	694,811,270	587,401,048	28,752,342	1,310,964,660
Liabilities	267,491,416	58,717,628	-	326,209,044
Year ended 31 December 2019				
Assets	233,431,509	178,252,959	28,752,342	440,436,810
Liabilities	265,295,388	58,235,573	-	323,530,961

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

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

Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

3. OTHER OPERATING INCOME

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Gain on disposal of property, plant and equipment	-	7,573,146	-	7,573,146
Miscellaneous income	2,775,568	7,474,709	2,775,568	7,474,709
	2,775,568	15,047,855	2,775,568	15,047,855

4. IMPAIRMENT PROVISIONS

Scrapped assets	-	179	-	179
Bad debts	-	863,479	-	863,479
Expected Credit Losses on cash and bank (Note 20	(10,223)	(29,091)	(10,223)	(29,091)
Expected Credit Losses on trade receivables (Note 19)	-	(350,000)	-	(350,000)
	(10,223)	484,567	(10,223)	484,567

5. OPERATING (LOSS)

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

Depreciation on property, plant and equipment (Note 15)	21,822,537	18,714,488	21,822,537	18,714,488
Depreciation on right-of-use assets (Note 16)	3,932,770	3,932,770	3,932,770	3,932,770
Amortisation of intangible assets (Note 17)	-	61,200	-	61,200
(Gain) on disposal of property, plant and equipment (Note 3)	-	7,573,146	-	7,573,146
Auditors' remuneration				
- current year	1,251,500	1,200,000	1,251,500	1,200,000
-underunderprovision in prior years	17,495	100,826	17,495	100,826
Operating lease rentals	219,648	19,126	219,648	19,126
Repairs and maintenance	678,935	1,432,381	678,935	1,432,381
Staff costs (Note 6)	8,313,076	10,755,341	8,313,076	10,755,341

6. STAFF COSTS

Salaries and wages: administrative	7,848,389	10,141,232	7,848,389	10,141,232
Staff welfare and other costs	238,711	377,022	238,711	377,022
Pension costs:				
- National Social Security Fund	71,476	97,200	71,476	97,200
- Defined Contribution Scheme	154,500	139,888	154,500	139,888
	8,313,076	10,755,341	8,313,076	10,755,341

6. Staff costs(continued)

The average number of persons employed during the year, by category, were:	Group and Company 2020 Number	2019 Number
Management and administration	14	20

7. Finance costs

	Group and Company 2020 Kshs.	2019 Kshs.
Interest expense:		
- bank overdraft	643,990	3,347,782
- bank loan	6,287,500	5,207,095
- lease liabilities	1,896,578	2,232,560
Foreign exchange (gain)	108,254	(2,285)
	8,936,322	10,785,152

8. Tax

	Group 2020 Kshs.	Group 2019 Kshs.	Company 2020 Kshs.	Company 2019 Kshs.
Current tax	-	-	-	-
Capital gains tax	-	357,500	-	357,500
Deferred tax (credit) (Note 14)	(4,917,542)	(1,742,149)	(4,917,542)	(1,742,149)
	(4,917,542)	(1,384,649)	(4,917,542)	(1,384,649)
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	(35,570,368)	(23,163,167)	(35,570,368)	(23,097,167)
Tax calculated at a tax rate of 25% (2019: 30%)	(8,892,592)	(6,948,950)	(8,892,592)	(6,929,150)
Tax calculated at a tax rate of 5% (2019: 5%)	-	357,500	-	357,500
Tax effect of:				
- income not subject to tax	-	(2,258,727)	-	(2,258,727)
- expenses not deductible for tax purposes	1,495,250	1,359,566	1,495,250	1,379,186
- tax loss brought forward	(152,687,667)	(157,625,218)	(152,687,667)	(157,625,218)
- expired tax losses	-	11,004,094	-	11,004,094
- tax loss carried forward	130,539,112	152,727,087	130,539,112	152,687,667
- effect of change in tax rate	24,628,354	-	24,628,354	-
Tax (credit)	(4,917,542)	(1,384,649)	(4,917,542)	(1,384,649)

Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

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 and Company	
	2020	**2019**
Net (loss) attributable to shareholders (Shs.)	(30,652,826)	(21,712,518)
Number of ordinary shares (Number)	47,711,481	47,711,481
Basic and diluted (loss) per share (Shs.)	(0.64)	(0.46)
Weighted average number of shares	47,711,481	41,287,137

10.Share capital

	Group and Company	
	2020 Kshs.	**2019 Kshs.**
Authorised:		
250,000,000 (2019: 250,000,000) ordinary shares of Shs. 5 each	1,250,000,000	1,250,000,000
Issued and fully paid:		
47,711,481 (2019: 47,711,481) ordinary shares of Shs. 5 each	238,557,405	238,557,405
Share premium	28,963,264	28,963,264

11. Revaluation reserve

	Group and Company	
	2020 Kshs.	**2019 Kshs.**
Leasehold land (right-of-use asset)	618,197,507	-
Buildings	204,162,570	202,180,778
	822,360,077	202,180,778
The movement of the reserve is as follows:		
At start of year	202,180,778	102,920,726
Surplus on revaluation (Note 15)	903,420,135	155,895,960
Deferred income tax on revaluation surplus (Note14)	(271,026,041)	(46,768,788)
Transfer of excess depreciation	(17,449,707)	(14,095,886)
Deferred tax on excess depreciation transfer (Note 14)	5,234,912	4,228,766
At end of year	822,360,077	202,180,778

11. Revaluation reserve(continued)

	Group and Company 2020 Kshs.	2019 Kshs.
Leasehold land (right-of-use asset)		
At start of year	-	-
Surplus on revaluation	883,139,296	-
Deferred tax on revaluation surplus (Note 14)	(264,941,789)	-
At end of year	618,197,507	-
Buildings		
At start of year	202,180,778	102,920,726
Surplus on revaluation - buildings	20,280,839	155,895,960
Deferred income tax on revaluation surplus - buildings	(6,084,252)	(46,768,788)
Transfer of excess depreciation	(17,449,707)	(14,095,886)
Deferred tax on excess depreciation transfer (Note 14)	5,234,912	4,228,766
At end of year	204,162,570	202,180,778

The revelation reserved rose upon the revaluation of leashold land (right-of-use asset) and buildings. The reserve is not distributable.

12. Borrowings

	Group and Company 2020 Kshs.	2019 Kshs.
Non-current		
Bank loan	47,383,390	40,091,462
Borrowings from related parties (Note 25)	176,655,248	172,131,478
Borrowings from directors (Note 25)	47,800,002	46,817,520
	271,838,640	259,040,460
Current		
Bank loan	2,214,854	8,800,323
Bank overdraft (Note 20)	5,873,966	5,061,040
	8,088,820	13,861,363
Total borrowings	279,927,460	272,901,823

Reconciliation of liabilities arising from financing activities:	Bank borrowing Kshs.	Related parties Kshs.	Directors Kshs.	Total Kshs.
Year ended 31 December 2020				
At start of year	48,891,785	172,131,478	46,817,520	267,840,783
Interest charged to profit or loss	6,931,490	-	-	6,931,490
Cash flows:				
- operating activities (interest paid)	(4,411,372)	-	-	(4,411,372)
- proceeds from borrowings	49,598,244	8,150,000	982,482	58,730,726
- (repayment) of borrowings	(51,411,903)	(3,626,230)	-	(55,038,133)
At end of year	49,598,244	176,655,248	47,800,002	274,053,494

Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

12. Borrowings(continued)			Group and Company 2020 Kshs.	2019 Kshs.
Reconciliation of liabilities arising from financing activities:	**Bank borrowing Kshs.**	**Related parties Kshs.**	**Directors Kshs.**	**Total Kshs.**
Year ended 31 December 2019				
At start of year	12,929,094	213,431,478	48,617,520	274,978,092
Interest charged to profit or loss	8,554,877	-	-	8,554,877
Cash flows:				
- operating activities (interest paid)	(8,554,877)	-	-	(8,554,877)
- proceeds from borrowings	53,000,000	38,700,000	-	91,700,000
- (repayment) of borrowings	(17,037,309)	-	(1,800,000)	(18,837,309)
- (conversion) of borrowings to ordinary shares	-	(80,000,000)	-	(80,000,000)
At end of year	48,891,785	172,131,478	46,817,520	267,840,783

The bank borrowings and overdraft are secured by the following:

a) Legal charge over L.R. No. 12596/1; and

b) 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.

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

Weighted average effective interest rates at the year end were:

	Group and Company 2020 %	2019 %
- bank loan	13	12.5
- bank overdraft	13	12.5
- borrowings from related parties	12.0*	12.0*

*** - after the end of the interest moratorium.**

12. Borrowings(continued)

The borrowing facilities expiring within one year are subject to review at various dates during the next financial year.
In the opinion of the directors, the carrying amounts of borrowings approximate to their fair value.
The carrying amounts of borrowings are denominated in Kenya Shillings.
Maturity based on the repayment structure of non-current borrowings is as follows:

	Group and Company	
	2020 Kshs.	2019 Kshs.
Between 1 and 2 years	4,883,351	9,950,170
Between 3 and 5 years	19,079,432	29,699,246
No fixed maturity period	247,875,857	219,391,044
	271,838,640	259,040,460

13. LEASE LIABILITIES

Non-current	9,825,289	13,775,434
Current	3,678,246	3,006,594
Lease liabilities	13,503,535	16,782,027
Reconciliation of lease liabilities:		
At start of year	16,782,027	-
Effect of change in accounting policy	-	18,940,460
Interest charged to profit or loss	1,896,578	2,232,560
Cash flows:		
- operating activities (interest paid)	(1,896,578)	(2,232,560)
- payments under leases	(3,278,493)	(2,158,432)
At end of year	13,503,535	16,782,028

Lease liabilities are secured by a right over the leased assets.
The exposure of the company's leases to interest rate changes and the contractual repricing dates at the reporting date are as follows:

0 - 12 months	3,678,246	3,006,594
1 - 5 years	9,825,289	13,775,434
	13,503,535	16,782,028

Weighted average effective interest rates at the reporting date were 13%.
The carrying amounts of the company's lease liabilities are denominated in Kenya shillings.
Maturity based on the repayment structure of lease liabilities is as follows:
Gross lease liabilities- minimum lease payments

Not later than 1 year	5,161,473	4,903,171
Later than 1 year and not later than 5 years	11,176,794	16,338,266
Total gross lease	16,338,266	21,241,437
Future interest expense on leases liabilities	(2,834,732)	(4,731,310)
Present value of lease liabilities	13,503,535	16,782,027

Present value of lease liabilities - minimum lease payments

Not later than 1 year	3,678,246	3,006,594
Later than 1 year and not later than 5 years	9,825,289	13,775,434
	13,503,535	16,782,027

14. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using principal tax rates of 30% (2019: 30%). The movement on the deferred tax account is as follows:

	Group and Company	
	2020 Kshs.	**2019 Kshs.**
At start of year	118,485,563	73,787,987
Transition adjustment	-	(329,063)
Charge to statement of other comprehensive income (Note 11)	271,026,041	46,768,788
(Credit) to profit or loss (Note 8)	(4,917,542)	(1,742,149)
At end of year	384,594,062	118,485,563

Deferred tax (assets)/liabilities in the statement of financial position, deferred tax charge to other comprehensive income and deferred tax charge/(credit) to profit or loss are attributable to the following items:

	At start of year	**Change to other comprehensive income**	**(Credit) to profit or loss**	**At end of year**
	Kshs.	Kshs.	Kshs.	Kshs.
Deferred tax liabilities				
Property, plant and equipment	32,782,255	-	361,496	33,143,751
Revaluation - buildings	86,648,905	6,084,252	(5,234,912)	87,498,245
Revaluation - leasehold land	-	264,941,789	-	264,941,789
Right of use assets	4,282,460	-	(1,070,615)	3,211,845
	123,713,620	271,026,041	(5,944,031)	388,795,630
Deferred tax (assets)				
Other provisions	(191,425)	-	40,917	(150,508)
Foreign exchange differences	(2,024)	-	2,024	-
Lease liabilities	(5,034,608)	-	983,548	(4,051,060)
	(5,228,057)	-	1,026,489	(4,201,568)
Net deferred tax liability	118,485,563	271,026,041	(4,917,542)	384,594,062

Deferred tax assets on tax losses carried forward and deductable temporarly differences are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses and deductable temoprarly differences against.
Deferred tax assets amounting to Shs. 152.7 million (2019: Shs. 130.5 million) in respect of tax losses carried forward amounting to Shs. 522 million (2019: Shs. 509 million) that can be carried forward against futurable profits that have not been recognised.

The (credit)/charge to other comprehensive income relates to:

	Group and Company	
	2020 Kshs.	**2019 Kshs.**
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of property, plant and equipment and right-of-use asset	271,026,041	46,768,788

15. PROPERTY, PLANT AND EQUIPMENT - GROUP

Year ended 31 December 2020

	Leasehold Improvements Kshs.	Buildings Kshs.	Pant and Machinery Kshs.	Furniture, Fittings and Equipment Kshs.	Motor Vehicle Kshs.	Computers and copiers Kshs.	Total Kshs.
Cost or valuation							
At start of year	3,189,655	368,000,000	15,500,991	35,616,553	15,243,992	37,720,031	475,271,222
Additions	-	-	-	26,316	324,562	74,000	424,878
At end of year	3,189,655	368,000,000	15,500,991	35,642,869	15,568,554	37,794,031	475,696,100
Comprising							
Cost	3,189,655	-	15,500,991	35,642,869	15,568,554	37,794,031	107,696,100
Valuation	-	368,000,000	-	-	-	-	368,000,000
	3,189,655	368,000,000	15,500,991	35,642,869	15,568,554	37,794,031	475,696,100
Depreciation							
At start of year	114,828	-	15,500,991	32,232,584	14,522,472	37,720,031	100,090,906
Charge for the year	637,931	20,280,839	-	423,443	455,682	24,642	21,822,537
Reversal on revaluation	-	(20,280,839)	-	-	-	-	(20,280,839)
At end of year	752,759	-	15,500,991	32,656,027	14,978,154	37,744,674	101,632,604
Net book value	2,436,896	368,000,000	-	2,986,842	590,400	49,357	374,063,496

15. PROPERTY, PLANT AND EQUIPMENT - COMPANY

Year ended 31 December 2020

	Leasehold Improvements Kshs.	Buildings Kshs.	Pant and Machinery Kshs.	Furniture, Fittings and Equipment Kshs.	Motor Vehicle Kshs.	Computers and copiers Kshs.	Total Kshs.
Cost or valuation							
At start of year	3,189,655	368,000,000	15,500,991	35,581,009	15,243,992	37,720,031	475,235,678
Additions	-	-	-	26,316	324,562	74,000	424,878
At end of year	3,189,655	368,000,000	15,500,991	35,607,325	15,568,554	37,794,031	475,660,556
Comprising							
Cost	3,189,655	-	15,500,991	35,607,325	15,568,554	37,794,031	107,660,556
Valuation	-	368,000,000	-	-	-	-	-
	3,189,655	368,000,000	15,500,991	35,607,325	15,568,554	37,794,031	475,660,556
Depreciation							
At start of year	114,828	-	15,500,991	32,219,778	14,522,472	37,720,031	100,078,100
Charge for the year	637,931	20,280,839	-	423,443	455,682	24,642	21,822,537
Reversal on revaluation	-	(20,280,839)	-	-	-	-	(20,280,839)
At end of year	752,759	-	15,500,991	32,643,221	14,978,154	37,744,673	101,619,798
Net book value	2,436,896	368,000,000	-	2,964,104	590,400	49,358	374,040,496

Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

15. PROPERTY, PLANT AND EQUIPMENT - GROUP

Year ended 31 December 2019

	Freehold land **Kshs.**	Leasehold land **Kshs.**	Leasehold Improvements **Kshs.**	Buildings **Kshs.**	Pant and Machinery **Kshs.**	Furniture, Fittings and Equipment **Kshs.**	Motor Vehicle **Kshs.**	Computers and copiers **Kshs.**	Total **Kshs.**
Cost or valuation									
At start of year	30,300	6,734,985	3,700,000	300,000,000	15,500,991	35,616,553	32,544,171	37,720,031	431,847,031
Reversal	-	-	(510,345)	-	-	-	-	-	(510,345)
Assets scrapped	-	-	-	-	-	-	(179)	-	(179)
Disposals	(30,300)	-	-	-	-	-	(17,300,000)	-	(17,330,300)
Surplus on revaluation	-	-	-	68,000,000	-	-	-	-	68,000,000
Transfer to right-of-use assets	-	(6,734,985)	-	-	-	-	-	-	(6,734,985)
At end of year	-	-	3,189,655	368,000,000	15,500,991	35,616,553	15,243,992	37,720,031	475,271,222
Comprising									
Cost	-	-	3,189,655	-	15,500,991	35,616,553	15,243,992	37,720,031	107,271,222
Valuation	-	-	-	368,000,000	-	-	-	-	368,000,000
	-	-	3,189,655	-	15,500,991	35,616,553	15,243,992	37,720,031	475,271,222
Depreciation									
At start of year	-	-	61,667	70,968,942	15,455,043	31,437,963	30,778,732	37,720,031	186,422,377
Disposals	-	-	-	-	-	-	(17,150,000)	-	(17,150,000)
Charge for the year	-	-	53,161	16,927,018	45,948	794,621	893,740	-	18,714,488
Reversal on revaluation	-	-	-	(87,895,960)	-	-	-	-	(87,895,960)
At end of year	-	-	114,828	-	15,500,991	32,232,584	14,522,472	37,720,031	100,090,906
Net book value	-	-	3,074,827	368,000,000	-	3,383,969	721,520	-	375,180,316

15. PROPERTY, PLANT AND EQUIPMENT - COMPANY

Year ended 31 December 2019

	Freehold land **Kshs.**	Leasehold land **Kshs.**	Leasehold Improvements **Kshs.**	Buildings **Kshs.**	Pant and Machinery **Kshs.**	Furniture, Fittings and Equipment **Kshs.**	Motor Vehicle **Kshs.**	Computers and copiers **Kshs.**	Total **Kshs.**
Cost or valuation									
At start of year	30,300	6,734,985	3,700,000	300,000,000	15,500,991	35,581,009	32,544,171	37,720,031	431,811,487
Reversal	-	-	(510,345)	-	-	-	-	-	(510,345)
Assets scrapped	-	-	-	-	-	-	(179)	-	(179)
Disposals	(30,300)	-	-	-	-	-	(17,300,000)	-	(17,330,300)
Surplus on revaluation	-	-	-	68,000,000	-	-	-	-	68,000,000
Transfer to right-of-use assets	-	(6,734,985)	-	-	-	-	-	-	(6,734,985)
At end of year	-	-	3,189,655	368,000,000	15,500,991	35,581,009	15,243,992	37,720,031	475,235,678
Comprising									
Cost	-	-	3,189,655	-	15,500,991	35,581,009	15,243,992	37,720,031	107,235,678
Valuation	-	-	-	368,000,000	-	-	-	-	368,000,000
	-	-	3,189,655	-	15,500,991	35,581,009	15,243,992	37,720,031	475,235,678
Depreciation									
At start of year	-	-	61,667	70,968,942	15,455,043	31,425,157	30,778,732	37,720,031	186,409,572
Disposals	-	-	-	-	-	-	(17,150,000)	-	(17,150,000)
Charge for the year	-	-	53,161	16,927,018	45,948	794,621	893,740	-	18,714,488
Reversal on revaluation	-	-	-	(87,895,960)	-	-	-	-	(87,895,960)
At end of year	-	-	114,828	-	15,500,991	32,219,778	14,522,472	37,720,031	100,078,100
Net book value	-	-	3,074,827	368,000,000	-	3,361,231	721,520	-	375,157,578

15. PROPERTY, PLANT AND EQUIPMENT - GROUP AND COMPANY

Buildings were professionally valued on 29 December 2020 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 periods.

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	
	2020 Kshs.	**2019 Kshs.**
Cost	141,556,623	141,556,623
Accumulated depreciation	(65,217,439)	(62,386,307)
Net book value	76,339,184	79,170,316

16. RIGHT-OF USE ASSETS

	Group and Company		
	Leasehold buildings Kshs.	**Leasehold land Kshs.**	**Total Kshs.**
At start of year	17,843,584	6,734,985	24,578,569
Surplus on revaluation	-	882,411,190	882,411,190
At end of year	17,843,584	889,146,175	906,989,759
Depreciation			
At start of year	3,568,717	364,053	3,932,770
Depreciation charge for the year	3,568,717	364,053	3,932,770
Reversal on revaluation	-	(728,106)	(728,106)
At end of year	7,137,434	-	7,137,434
As at 31 December 2020	10,706,150	889,146,175	899,852,325
As at 31 December 2019	14,274,867	6,370,932	20,645,799

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

Leasehold land was professionally valued on 29 December 2020 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.

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 periods.

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

16. RIGHT-OF USE ASSETS (CONTINUED)

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

	Group and Company	
	2020 Kshs.	2019 Kshs.
Cost	6,734,985	6,734,985
Accumulated depreciation	(728,106)	(364,053)
Net book value	6,006,879	6,370,932

17. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Group and Company	
	2020 Kshs.	2019 Kshs.
Cost		
At start and end of year	306,000	306,000
Amortisation		
At start of year	306,000	244,800
Charge for the year	-	61,200
Charge for the year	306,000	306,000
Net book value	-	-

18. INVENTORIES

Real estate project	28,752,342	28,752,342

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

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 Kshs.	2019 Kshs.	2019 Kshs.	2019 Kshs.
Trade receivables	83,060,739	82,668,747	83,060,739	82,668,747
Less: expected credit loss allowance	(81,404,443)	(81,404,443)	(81,404,443)	(81,404,443)
Net trade receivables	1,656,296	1,264,304	1,656,296	1,264,304
Prepayments, deposits and other receivables	1,559,743	5,999,730	1,559,743	5,999,730
Receivable from related parties (Note 25)	4,802,406	6,884,998	4,802,406	5,604,428
	8,018,445	14,149,032	8,018,445	12,868,462
Movement in expected credit losses				
At start of year	(81,404,443)	82,368,911	(81,404,443)	82,368,911
Write off	-	(614,468)	-	(614,468)
Recoveries	-	(350,000)	-	(350,000)
At end of year	81,404,443	81,404,443	81,404,443	81,404,443

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

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

20. CASH AND CASH EQUIVALENTS

	Group and Company	
	2020 Kshs.	2019 Kshs.
Cash at bank and in hand	278,052	1,709,321
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash and bank balances	278,052	1,709,321
Bank overdraft (Note 12)	(5,873,966)	(5,061,040)
	(5,595,914)	(3,351,719)
The carrying amounts of cash and cash equivalents are denominated in the following currencies:		
Kenya Shillings	142,137	1,644,221
United States Dollar	135,915	65,100
	278,052	1,709,321

Movement in provision expected credit losses

At start of year	11,915	41,006
Expected credit loss allowance: - (decrease) in provision for the year	(10,223)	(29,091)
At end of year	1,692	11,915

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Trade payables	15,254,085	13,228,620	15,254,085	13,228,620
Accruals and other payables	15,295,874	17,622,671	15,295,874	17,556,672
Payable to related parties (Note 25)	1,728,090	2,345,819	3,757,376	3,160,533
	32,278,049	33,197,110	34,307,335	33,945,825

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 curremcies:

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Kenya Shillings	32,071,194	33,197,110	34,100,480	33,945,825
United States Dollar	206,855	-	206,855	-
	32,278,049	33,197,110	34,307,335	33,945,825

21. TRADE AND OTHER PAYABLES(continued)

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 2020 - Group			
Trade payables	2,894,992	12,359,093	15,254,085
Accruals and other payables	3,511,593	11,784,281	15,295,874
Payable to related parties	-	1,728,090	1,728,090
	6,406,585	25,871,464	32,278,049
Year ended 31 December 2020 - Company			
Trade payables	2,894,992	12,359,093	15,254,085
Accruals and other payables	3,511,593	11,784,281	15,295,874
Payable to related parties	-	3,757,376	3,757,376
	6,406,585	27,900,750	34,307,335
Year ended 31 December 2019 - Group			
Trade payables	1,677,003	11,551,617	13,228,620
Accruals and other payables	2,629,234	14,993,437	17,622,671
Payable to related parties	-	2,345,819	2,345,819
	4,306,237	28,890,873	33,197,110
Year ended 31 December 2019 - Company			
Trade payables	1,677,003	11,551,617	13,228,620
Accruals and other payables	2,629,235	14,927,437	17,556,672
Payable to related parties	-	3,160,533	3,160,533
	4,306,238	29,639,587	33,945,825

22. PROVISION FOR LEGAL CLAIMS

	Group and Company	
	2020 Kshs.	2019 Kshs.
At start of year	650,000	11,662,500
Transfer to other payables	-	(10,608,888)
(Decrease) in provisions for the year	(150,000)	(403,612)
At end of year	500,000	650,000

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

23. CASH (USED IN) OPERATIONS

Reconciliation of (loss) before tax to cash (used in) operations	Group 2020 Kshs.	Group 2019 Kshs.	Company 2020 Kshs.	Company 2019 Kshs.
(Loss) before tax	(35,570,368)	(23,097,167)	(35,570,368)	(23,097,167)
Adjustments for:				
Depreciation on property, plant and equipment (Note 15)	21,822,537	18,714,488	21,822,537	18,714,488
Depreciation on right-of-use assets (Note 16)	3,932,770	3,932,770	3,932,770	3,932,770
Adjustments to property, plant and equipment (Note 15)	-	510,345	-	510,345
Assets scrapped (Note 4)	-	179	-	179
Amortisation of intangible assets (Note 17)	-	61,200	-	61,200
(Gain) on disposal of property, plant and equipment (Note 3)	-	(7,573,146)	-	(7,573,146)
Interest expense	8,828,068	10,797,437	8,828,068	10,797,437
Net foreign exchange loss/(gain)	108,254	(2,285)	108,254	(2,285)
(Decrease) in provision for legal claim (Note 22)	(150,000)	(11,012,500)	(150,000)	(11,012,500)
Changes in working capital:				
- trade and other receivables	6,130,587	(562,078)	4,850,017	(562,078)
- trade and other payables	(919,061)	(14,318,647)	361,509	(14,318,647)
Cash (used in) operation	4,182,787	(22,559,404)	4,182,787	(22,559,404)

24. INVESTMENT IN SUBSIDIARIES

	Country of incorporation	Holding	Company 2020 Kshs.	Company 2019 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.

25. RELATED PARTY TRANSACTIONS AND BALANCES

Etcoville Holdings Limited which owns 44.84% (2019: 44.84%) of the company's shares has significant influence over the company. The remaining 55.16% (2019: 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) Outstanding balances arising from purchase of goods and services

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Receivable from related parties (Note 19)	4,802,406	6,884,998	4,802,406	5,604,428
Payable to related parties (Note 21)	1,728,090	2,345,819	3,757,376	3,160,533
Borrowings from related parties (Note 12)	176,655,248	172,131,478	176,655,248	172,131,478
Borrowings directors (Note 12)	47,800,002	46,817,520	47,800,002	46,817,520
Receivables from related parties can be analysed as follows:				
Other related parties	2,821,977	5,062,957	2,496,241	3,456,651
Subsidiaires	-	-	325,736	325,736
Parent	1,980,429	1,822,041	1,980,429	1,822,041
	4,802,406	6,884,998	4,802,406	5,604,428
Payable to related parties can be analysed as follows:				
Other related parties	1,728,090	2,345,819	1,809,253	-
Subsidiaires	-	-	1,948,123	3,160,533
	1,728,090	2,345,819	3,757,376	3,160,533

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

ii) Borrowings from related parties (Note 12)

	Group and company	
	2020 Kshs.	2019 Kshs.
At start of year	172,131,478	213,431,478
Proceeds from borrowings	8,150,000	38,700,000
Repayments	(3,626,230)	-
Conversion into ordinary shares	-	(80,000,000)
At end of year	176,655,248	172,131,478
Borrowings from related parties can be analysed as follows:		
-Other related parties	176,655,248	172,131,478

25. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

iii) Borrowings directors (Note 12)	Group and company	
	2020 Kshs.	2019 Kshs.
At start of year	46,817,520	46,617,520
Advances	982,482	--
Repayments	-	(1,800,000)
At end of year	47,800,002	46,817,520

Borrowings from directors are interest free, have no specific dates of repayments and are unsecured.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

FINANCIAL RISK MANAGEMENT

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

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

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

(A) MARKET RISK

- Foreign exchange risk

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

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

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Effect on (loss) - (decrease)/increase	4,966	(4,557)	4,966	(4,557)

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

- Interest rate risk

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

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

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Effect on (loss) - increase	617,965	755,121	617,965	755,121

26. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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

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

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

26. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(B) CREDIT RISK(CONTINUED)

	Lifetime expected credit losses			
	Group		*Company*	
	2020 Kshs.	**2019 Kshs.**	**2020 Kshs.**	**2019 Kshs.**
As at 31 December				
Trade receivables	83,060,739	82,668,747	83,060,739	82,668,747
Prepayments, deposits and other receivables	1,559,743	5,999,730	1,559,743	5,999,730
Receivable from related parties	4,802,406	6,884,998	4,802,406	5,604,428
Cash at bank	278,052	1,709,321	278,052	1,709,321
Gross carrying amount	89,700,940	97,262,796	89,700,940	95,982,226
Loss allowance	(81,406,135)	(81,416,358)	(81,406,135)	(81,416,358)
Exposure to credit risk	8,294,805	15,846,438	8,294,805	14,565,868

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:

	Not past due Kshs.	**30 to 90 days past due Kshs.**	**90 to 180 days past due Kshs.**	**Over 180 days past due Kshs.**	**Total Kshs.**
As at 31 December 2020	2,771,040	1,559,908	812,866	77,916,925	83,060,739
As at 31 December 2019	1,425,786	953,132	446,179	79,843,650	82,668,747

26. 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 2020			
At start of year	11,915	81,404,443	81,416,359
Changes relating to assets	(10,223)	-	(10,223)
At end of year	1,692	81,404,443	81,406,136

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 2019			
At start of year	41,006	82,368,911	82,409,918
Changes relating to assets	(29,091)	(964,468)	(993,559)
At end of year	11,915	81,404,443	81,416,359

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.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The key assumptions made in the maturity profile are:

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

	Interest Rate %	Less than 1 year Kshs.	1-5 years Kshs.	No fixed maturity period Kshs.	Total Kshs.
Year ended 31 December 2020 - Group					
Interest bearing liabilities:					
- Bank overdraft	13.0%	6,637,582	-	-	6,637,582
-Bank loan	13.0%	2,502,785	53,543,231	-	56,046,016
-Borrowing from related parties	12.0%	-	311,326,907	-	311,326,907
Lease liabilities		5,161,473	11,176,794	-	16,338,266
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	47,800,002	47,800,002
- Trade and other payables	-	32,278,049	-		32,278,049
- Provision for legal claims	-	500,000	-		500,000
		47,079,888	376,046,931	47,800,002	470,926,822

	Interest Rate %	Less than 1 year Kshs.	1-5 years Kshs.	No fixed maturity period Kshs.	Total Kshs.
Year ended 31 December 2020 - Company					
Interest bearing liabilities:					
- Bank overdraft	13.0%	6,637,582	-	-	6,637,582
-Bank loan	13.0%	2,502,785	53,543,231	-	56,046,016
-Borrowing from related parties	12.0%	-	311,326,907	-	311,326,907
Lease liabilities		5,161,473	11,176,794	-	16,338,266
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	47,800,002	47,800,002
- Trade and other payables	-	34,307,335	-		34,307,335
- Provision for legal claims	-	500,000	-		500,000
		49,109,174	376,046,931	47,800,002	472,956,108

26. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

	Interest Rate %	Less than 1 year Kshs.	1-5 years Kshs.	No fixed maturity period Kshs.	Total Kshs.
Year ended 31 December 2019 - Company					
Interest bearing liabilities:					
- Bank overdraft	12.5%	5,693,670	-	-	5,693,670
-Bank loan	12.5%	14,265,462	48,719,882	-	62,985,344
-Borrowing from related parties	12.0%	-	303,354,479	-	303,354,479
Lease liabilities		4,903,171	16,338,266	-	21,241,438
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	46,817,520	46,817,520
- Trade and other payables	-	33,945,825	-	-	33,945,825
- Provision for legal claims	-	650,000	-	-	650,000
		59,458,128	368,412,627	46,817,520	474,688,275

27. CAPITAL MANAGEMENT

The group's objectives when managing capital are:

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

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

The gearing ratios at 31 December 2020 and 2019 were as follows:

	Group		Company	
	2020 Kshs.	**2019 Kshs.**	**2020 Kshs.**	**2019 Kshs.**
Total borrowings (Note 12)	279,927,460	272,901,823	279,927,460	272,901,823
Less cash and cash equivalents (Note 20)	(278,052)	(1,709,321)	(278,052)	(1,709,321)
Net debt	279,649,408	271,192,502	279,649,408	271,192,502
Total equity	631,462,454	66,708,598	629,410,430	64,591,176
Gearing ratio (%)	0.44	4.07	0.44	4.207

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

28. 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 (Note 22).

29. INCORPORATION

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

30. PRESENTATION CURRENCY

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

SCHEDULE OF DIRECT COSTS AND ADMINISTRATIVE EXPENDITURE

FOR THE YEAR ENDED DECEMBER 31, 2020

1. DIRECT EXPENSES

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Insurance	524,528	1,884,377	524,528	1,884,377
Depreciation on right-of-use assets	364,053	364,053	364,053	364,053
Depreciation on property, plant and equipment	20,736,521	17,820,758	20,736,521	17,820,758
Total direct costs	21,625,102	20,069,188	21,625,102	20,069,188

2. ADMINISTRATIVE EXPENSES

Employment:				
Salaries and wages	8,074,365	10,378,319	8,074,365	10,378,319
Medical expenses	77,767	79,157	77,767	79,157
Staff welfare and other costs	160,944	297,865	160,944	297,865
Total employment costs	8,313,076	10,755,341	8,313,076	10,755,341
Other administration expenses:				
Postages and telephones	526,064	287,896	526,064	287,896
Advertisement expenses	410,030	1,298,872	410,030	1,298,872
Vehicle running expense	162,931	126,250	162,931	126,250
Travelling and transport	193,710	276,891	193,710	276,891
Printing and stationery	61,265	484,100	61,265	484,100
Subscriptions and periodicals	431,355	599,558	431,355	599,558
Audit fees				
- current year	1,251,500	1,200,000	1,251,500	1,200,000
- underprovision in prior years	17,495	100,826	17,495	100,826
Legal and professional fees	1,475,649	(755,075)	1,475,649	(755,075)
Annual General Meeting expenses	122,550	418,950	122,550	418,950
Bank charges and commissions	335,397	254,054	335,397	254,054
Fines and penalties	26,000	34,000	26,000	34,000
Miscellaneous expenses	-	426,310	-	426,310
Total other administration expenses	5,013,946	4,818,632	5,013,946	4,752,632
Total administrative expenses	13,327,022	15,573,973	13,327,022	15,507,973

3. OTHER OPERATING EXPENSES

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Establishment:				
Rent and rates	219,648	19,126	219,648	19,126
Electricity and water	647,649	1,294,267	647,649	1,294,267
Repairs and maintenance	678,935	1,432,381	678,935	1,432,381
Insurance	26,118	9,205	26,118	9,205
Licences	325,524	1,284,441	325,524	1,284,441
Security expenses	3,675,577	2,953,326	3,675,577	2,953,326
Depreciation on right-of-use assets	3,568,717	3,568,717	3,568,717	3,568,717
Depreciation on property, plant and equipment	1,086,016	893,730	1,086,016	893,730
Amortisation of intangible assets	-	61,200	-	61,200
Total other operating expenses	10,228,184	11,516,393	10,228,184	11,516,393

4. FINANCE COSTS

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Interest expense:				
- bank overdraft	643,990	3,347,782	643,990	3,347,782
- bank loan	6,287,500	5,207,095	6,287,500	5,207,095
- lease liabilities	1,896,578	2,232,560	1,896,578	2,232,560
Foreign exchange (gain)	108,254	(2,285)	108,254	(2,285)
Total finance costs	8,936,322	10,785,152	8,936,322	10,785,152