2021

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 NCBA Bank, Nairobi
LEGAL ADVISOR	Archer and Wilcock Advocates, Nairobi
SHARE REGISTRAR	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

Chairman's Statement

I once again thank you for standing with the company during this challenging financial year 2021. The performance of the company has been stable despite the unpredicable economic situation in which costs have been sky rocketing. The impact of Covid 19 has continued to negatively affect the performance of the company as it has not been able to utilise the available storage capacity effectively. The rental yield on the leased space has equally been low as business continue to struggle to break even.

The company has continued to control its cost structures and work more efficiently with the limited available resources. The loss incurred this year is as a result of the accounting treatment rather than operational loss. Currently, we have a lean staff structure who are putting in a lot of effort to stabilise the operations and ensure that the business is turned around. Business has also been slow especially the second quarter of this year as many of our clients have been cautious but we are hopeful that with elections done, the business will gradually improve.

The company is in the process of strengthening its Governance Structures in order to respond to the ever changing business dynamics in the sector.

Going forward, the company plans to review the planned investment in real estate and I urge the shareholders to continue supporting the company as there is better prospect in the near future. The Board will continue to work hard to ensure that the plans in place are executed for the benefit of all the members of the company.

On behalf of Express Kenya PLC

Yours Truly,

Dr. Chris Obura
Chairman

Chief Executive Officer's report

FOR THE YEAR ENDED DECEMBER 31, 2021

'' The pandemic, economy, social conflict and climate-related catastrophes will continue to test all businesses, including Express Kenya Plc. But we do not accept that our future is pre-ordained, it is ours to shape and I am certain that tomorrow will be better than today''

Introduction

Dear Shareholders,

Against a challenging backdrop of the COVID-19 pandemic, we have managed to stay listed on the stock exchange while we have seen several businesses across the economy delist or go under due to financial pressures. Despite the impacts of COVID-19 still prevalent across the economy, we continue to dedicate resources to make our company more resilient.

We are proud that the real estate division of our company is planned to kick-off within the next 12 months with a keystone project expected to generate income and improve the company's financial position.

2021 Performance

Last year (2021) during the pandemic, our company managed to execute effective cost cutting to keep it afloat during these tough times. As a result, Express Kenya is positioned as a stronger company and has cultivated strategies with the management team to propel the performance in the coming year with a range of projects and asset sale planned.

Way Forward

Moving forward, there is a plan to dispose some land assets to create increased liquidity that will reduce existing loans and can be contributed towards the commencement of our Real Estate project.

The Real estate project is in the pipe-line and will kick-off within the next 12 months. Through this new project and the sale of some assets, we expect to improve our performance and financial position.

We aim to capitalise on the real estate division that has seen rapid growth due to increased demand in both the residential and commercial sector for world-class products due to Kenya's growing middle class with increased purchasing power. We have a prime location for the project that is planned and expect positive results.

Ending Remarks

Finally, I would like to thank all our employees, partners and customers for their continuous support. Your support is a testament to your unwavering commitment to our company, and it is highly valued.

While we are fully aware that much work remains to be done, we are encouraged by your continued constructive feedback as we strive to enhance our efforts.

We look forward to being an integral part of the lucrative real estate division and ultimately deliver world-class products to deliver the highest asset value.

Our ambition is to drive a high-performance culture, remain true to our values and our purpose; by employing expert strategies to propel our company to deliver world-class products and services, and with every step that Express Kenya takes with you, we move closer to that point.

Hector Diniz
Chief Executive Officer

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2021, 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 2021, the total turnover of the company and group increased from Shs. 15,760,471 to Shs. 27,375,731 largely attributed to growth in the warehouse business clientele.

KEY PERFORMANCE INDICATORS

	Group		Company	
	2021 Kshs.	**2020 Kshs.**	**2021 Kshs.**	**2020 Kshs.**
Turnover (Shs)	26,290,512	15,760,471	26,290,512	15,760,471
(Loss) for the year (Shs)	(82,978,255)	(30,652,826)	(82,978,255)	(30,652,826)
Earnings Before Interest, Tax Depreciaition and Amortisation (EBITDA)	11,270,264	(986,993)	11,270,264	(986,993)

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 ongoing coronavirus outbreak and related restrictions and the economic impact thereof. The operations of the group were significantly affected during the year which continued with every wave that affects the economy. This has further delayed the group's real estate project. The group's main business in logistics continues to underperform due to the disruptions in the economy leading to scaling down of operations and in keeping with the government of Kenya guidelines 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 discussed above, the group's activities expose it to a number of financial risks including credit risk, cash flow and foreign currency risk and liquidity risk as set out on Note 26 to the financial statements.

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

DIVIDEND

The directors do not recommend declaration of a dividend for the year (2020: Nil).

DIRECTORS

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

Mr. Davinder Singh Devgun retires by rotation in accordance with Section 113 of the Company's Articles of Association and being eligible, offers himself 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.

ESR KENYA LLP
SECRETARIES

COMPANY SECRETARY
NAIROBI.

24th May 2022

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

DIRECTORS' REMUNERATION

2021			
		Remuneration Kshs.	**Total Kshs.**
Dr. C. W. Obura	Chairman	-	-
Hector Diniz	Director	-	-
Kajal Thakker	Director	-	-
Davinder Singh Devgun	Director	-	-
Total		-	-

2020			
		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.

24th May 2022

Statement of Directors' Responsibilities

FOR THE YEAR ENDED DECEMBER 31, 2021

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.

he 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 2021 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 **24th May 2022** and signed on its behalf by:

..... **DIRECTOR**

..... **DIRECTOR**

PKF KENYA LLP

Report of The Independent Auditor
To the members of Express Kenya Public Limited Company

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 53 which comprise the consolidated and company statements of financial position as at 31 December 2021 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 2021, and of the consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1(a) of the consolidated financial statements which indicates that during the year ended 31 December 2021, the group incurred a loss of Shs. 82,978,255 (2020: Shs. 30,652,826) and had accumulated losses of Shs. 491,958,412 (2020: Shs. 458,418,292). These events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

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

Report of The Independent Auditor
To the members of Express Kenya Public Limited Company(continued)

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Report of The Independent Auditor
To the members of Express Kenya Public Limited Company (continued)

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

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

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

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

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

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

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

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

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

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

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

Report of The Independent Auditor
To the members of Express Kenya Public Limited Company (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Kunal Popat Bharadva - Practicing Certificate Number 2387.

.....

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

30th May 2022

508/22

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021 Kshs.	2020 Kshs.
Revenue from contracts with customers	2	26,290,512	15,760,471
Direct costs		(74,832,555)	(21,625,102)
Gross profit/(loss)		(48,542,043)	(5,864,631)
Other operating income	3	1,480,795	2,775,568
Impairment provisions	4	(102)	10,223
Administrative expenses		(9,292,296)	(13,327,022)
Other operating expenses		(11,248,152)	(10,228,184)
Operating (loss)	5	(67,601,798)	(26,634,046)
Finance costs	7	(8,033,458)	(8,936,322)
(Loss) before tax		(75,635,256)	(35,570,368)
Tax (charge)/credit	8	(7,342,999)	4,917,542
(Loss) for the year		(82,978,255)	(30,652,826)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
- Surplus on revaluation of buildings and right of use assets	11	-	903,420,135
- Deferred tax on revaluation surplus on buildings and right of use assets	14	-	(271,026,041)
Total other comprehensive income		-	632,394,094
Total comprehensive income/(loss) for the year		(82,978,255)	601,741,268
Total comprehensive income for the year is attributable to:			
- Owners of the company	9	(82,978,255)	601,741,268
(Loss) per share			
Basic and diluted (loss) per share	9	(1.74)	(0.64)

The notes on pages 20 to 57 form an integralpart of these financial statements.

Report of the independent auditor - pages 8 to 11.

Company Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021 Kshs.	2020 Kshs.
Revenue from contracts with customers	2	26,290,512	15,760,471
Direct costs		(74,832,555)	(21,625,102)
Gross profit/(loss)		(48,542,043)	(5,864,631)
Other operating income	3	1,480,795	2,775,568
Impairment provisions	4	(102)	10,223
Administrative expenses		(9,292,296)	(13,327,022)
Other operating expenses		(11,248,152)	(10,228,184)
Operating (loss)	5	(67,601,798)	(26,634,046)
Finance costs	7	(8,033,458)	(8,936,322)
(Loss) before tax		(75,635,256)	(35,570,368)
Tax (charge)/credit	8	(7,342,999)	4,917,542
(Loss) for the year		(82,978,255)	(30,652,826)
Other comprehensive income:			
- Surplus on revaluation of buildings and right of use assets	11	-	903,420,135
- Deferred tax on revaluation surplus on buildings and right of use assets	14	-	(271,026,041)
Total other comprehensive income		-	632,394,094
Total comprehensive income/(loss) for the year		(82,978,255)	601,741,268
Basic and diluted (loss) per share		(1.74)	(0.64)

The notes on pages 20 to 57 form an integralpart of these financial statements.

Report of the independent auditor - pages 8 to 11.

Company Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	As at 31 December 2021 Kshs.	2020 Kshs.
CAPITAL EMPLOYED			
Share capital	10	238,557,405	238,557,405
Share premium	10	28,963,264	28,963,264
Revaluation reserve	11	772,921,942	822,360,077
Accumulated losses		(491,958,412)	(458,418,293)
Shareholders' funds/(deficit)		548,484,199	631,462,454
Non-current liabilities			
Borrowings	12	264,081,877	271,838,640
Lease liabilities	13	5,365,939	9,825,289
Deferred tax	14	391,937,061	384,594,062
		661,384,877	666,257,991
		1,209,869,076	1,297,720,445
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	352,329,389	374,063,496
Right-of-use assets	16	842,337,738	899,852,325
		1,194,667,127	1,273,915,821
Current assets			
Inventories	18	28,752,342	28,752,342
Trade and other receivables	19	3,393,661	8,018,445
Cash and cash equivalents	20	301,699	278,052
Tax recoverable		31,300,900	31,300,900
		63,748,602	68,349,739
Current liabilities			
Borrowings	12	9,939,269	8,088,820
Lease liabilities	13	4,459,350	3,678,246
Trade and other payables	21	34,148,034	32,278,049
Provision for legal claims	22	-	500,000
		48,546,653	44,545,115
Net current assets/(liabilities)		15,201,949	23,804,624
		1,209,869,076	1,297,720,445

The financial statements on pages 12 to 57 were approved and authorised for issue by the Board of Directors on 24th May 2022 and were signed on its behalf by:

..... **DIRECTOR**

..... **DIRECTOR**

The notes on pages 20 to 57 form an integralpart of these financial statements.

Report of the independent auditor - pages 8 to 11.

Company Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	As at 31 December 2021 Kshs.	2020 Kshs.
CAPITAL EMPLOYED			
Share capital	10	238,557,405	238,557,405
Share premium	10	28,963,264	28,963,264
Revaluation reserve	11	772,921,942	822,360,077
Accumulated losses		(494,010,436)	(460,470,316)
Shareholders' funds/(deficit)		546,432,175	629,410,430
Non-current liabilities			
Borrowings	12	264,081,877	271,838,640
Lease liabilities	13	5,365,939	9,825,289
Deferred tax	14	391,937,061	384,594,062
		661,384,877	666,257,991
		1,207,817,052	1,295,668,421
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	15	352,306,650	374,040,758
Right-of-use assets	16	842,337,738	899,852,325
		1,194,644,388	1,273,893,083
Current assets			
Inventories	18	28,752,342	28,752,342
Trade and other receivables	19	3,393,661	8,018,445
Cash and cash equivalents	20	301,699	278,052
Tax recoverable		31,300,900	31,300,900
		63,748,602	68,349,739
Current liabilities			
Borrowings	12	9,939,269	8,088,820
Lease liabilities	13	4,459,350	3,678,246
Trade and other payables	21	36,177,319	34,307,335
Provision for legal claims	22	-	500,000
		50,575,938	46,574,401
Net current assets/(liabilities)		13,172,664	21,775,338
		1,207,817,052	1,295,668,421

The financial statements on pages 12 to 57 were approved and authorised for issue by the Board of Directors on 24th May 2022 and were signed on its behalf by:

..... **DIRECTOR**

..... **DIRECTOR**

The notes on pages 20 to 57 form an integralpart of these financial statements.

Report of the independent auditor - pages 8 to 11.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	Share Capital Kshs.	Share Premium Kshs.	Revaluation Reserve Kshs.	Accumulated Losses Kshs.	Total Kshs.
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)
Other comprehensive income:						
Surplus on revaluation of buildings 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	11	-	-	5,234,912	(5,234,912)	-
At end of year		238,557,405	28,963,264	822,360,077	(458,418,292)	631,462,454
Year ended 31 December 2021						
At start of year		238,557,405	28,963,264	822,360,077	(458,418,292)	631,462,454
(Loss) for the year		-	-	-	(82,978,255)	(82,978,255)
Transfer of excess depreciation	11	-	-	(70,625,907)	70,625,907	-
Deferred tax on excess depreciation transfer	11	-	-	21,187,772	(21,187,772)	-
		238,557,405	28,963,264	772,921,942	(491,958,412)	548,484,199

The notes on pages 20 to 57 form an integralpart of these financial statements.

Report of the independent auditor - pages 8 to 11.

Company Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	Share Capital Kshs.	Share Premium Kshs.	Revaluation Reserve Kshs.	Accumulated Losses Kshs.	Total Kshs.
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)
Other comprehensive income:						
Surplus on revaluation of buildings and right-of-use assets		-	-	903,420,135	-	903,420,135
Deferred income tax on revaluation surplus		-	-	(271,026,041)	-	(271,026,041)
Transfer of excess depreciation	11	-	-	(17,449,707)	17,449,707	-
Deferred tax on excess depreciation transfer	11	-	-	5,234,912	(5,234,912)	-
At end of year		238,557,405	28,963,264	822,360,077	(460,470,316)	629,410,430
Year ended 31 December 2021						
At start of year		238,557,405	28,963,264	822,360,077	(460,470,316)	629,410,430
(Loss) for the year		-	-	-	(82,978,255)	(82,978,255)
Transfer of excess depreciation	11	-	-	(70,625,907)	70,625,907	-
Deferred tax on excess depreciation transfer	11	-	-	21,187,772	(21,187,772)	-
		238,557,405	28,963,264	772,921,942	(494,010,436)	546,432,175

The notes on pages 20 to 57 form an integralpart of these financial statements.

Report of the independent auditor - pages 8 to 11.

Consoidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021 Kshs.	2020 Kshs.
Operating activities			
Cash (used in) operations	23	17,263,165	4,182,787
Interest paid	7	(6,482,849)	(4,411,372)
Interest paid on lease liabilities	7	(1,483,227)	(1,896,578)
Net cash (used in) operating activities		9,297,089	(2,125,163)
Investing activities			
Purchase of property, plant and equipment	15	(21,500)	(424,878)
Proceeds from disposal of property, plant and equipment		400,000	-
Net cash generated from (used in) investing activities		378,500	(424,878)
Financing activities			
(Repayment of) bank borrowings	12	(6,588,264)	(51,411,903)
(Repayment of) related party borrowings	12	-	(3,626,230)
(Repayment of) borrowings from directors	12	(7,560,002)	-
Proceeds from borrowings from related parties	12	9,060,000	8,150,000
Proceeds from borrowings from directors	12	-	982,482
Proceeds from bank borrowings	12	-	49,598,244
(Payments of) principal portion of lease liabilities	13	(3,678,246)	(3,278,493)
Net cash (used in)/generated from financing activities		(8,766,512	414,100
Increase/(decrease) in cash and cash equivalents		909,077	(2,135,941)
Movement in cash and cash equivalents			
At start of year		(5,595,914)	(3,351,719)
Increase/(decrease)		909,077	(2,135,941)
Effect of exchange rate changes		(67,382)	(108,254)
At end of year	20	(4,754,219)	(5,595,914)

The notes on pages 20 to 57 form an integralpart of these financial statements.

Report of the independent auditor - pages 8 to 11.

Company Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021 Kshs.	2020 Kshs.
Operating activities			
Cash (used in) operations	23	17,263,165	4,182,787
Interest paid	7	(6,482,849)	(4,411,372)
Interest paid on lease liabilities	7	(1,483,227)	(1,896,578)
Net cash (used in) operating activities		9,297,089	(2,125,163)
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Increase/(decrease) in cash and cash equivalents		909,077	(2,135,941)
Movement in cash and cash equivalents			
At start of year		(5,595,914)	(3,351,719)
Increase/(decrease)		909,077	(2,135,941)
Effect of exchange rate changes		(67,382)	(108,254)
At end of year	20	(4,754,219)	(5,595,914)

The notes on pages 20 to 57 form an integralpart of these financial statements.

Report of the independent auditor - pages 8 to 11.

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

A) BASIS OF PREPARATION

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

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

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

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

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

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

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

GOING CONCERN

During the year ended 31 December 2021, the group recognised a loss of Shs. 82,978,255 (2020: Shs. 30,652,826) and it had accumulated losses of Shs. 491,958,412 (2020: Shs. 458,418,292). The directors consider it appropriate to prepare the group's financial statements on a going concern basis based on the factors described below:

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) BASIS OF PREPARATION (CONTINUED)

GOING CONCERN (CONTINUED)

	Group and Company	
	2021 Kshs.	2020 Kshs.
Cash generated from operations	9,297,089	(2,125,163)
Cash profit/(loss) for the year before tax	3,304,188	(9,815,061)
EBITDA	11,270,264	(986,993)

- a significant component of the loss relates to depreciation and amortisation cummulativley amounting to Shs. 78,939,444 (2020: Shs. 25,755,307) which does not represent a cash outflow;
- the management has implemented various cost rationalisation measures aimed at ensuring that the group is cash generative or neutral;
- the group has prepared cash flow projections for a period exceeding eighteen months to ensure that it meets its operating obligations;
- the group is pursuing part disposal and part redevelopment of a parcel of land to put up a street mall and a petrol station to generate cashflows in order to reduce third party debts.

In addition to the above strategies employed by the management, the principal shareholder has continuously provided financial support to the group throughout the years. Furthermore, the principal shareholder has provided a written letter of support to meet the deficit in cash flows covering a period up to 30 June 2023.

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 2021. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

INTEREST RATE BENCHMARK REFORM – PHASE 2: AMENDMENTS TO IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the group. The group intends to use the practical expedients in future periods if they become applicable.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) BASIS OF PREPARATION (CONTINUED)

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP (CONTINUED)

COVID-19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021 - AMENDMENTS TO IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. 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 was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

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 on 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 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (issued in February 2021)

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

- Amendments to IAS 8 'Definition of Accounting Estimates' (issued in February 2021), effective for annual reporting periods beginning on or after 1 January 2023, introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates and change in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

- 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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) BASIS OF PREPARATION (CONTINUED)

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP (CONTINUED)

- 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.

- Amendment to IAS 41 Agriculture 'Taxation in fair value measurements' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

  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.

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014), applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- IFRS 17 'Insurance Contracts' (issued in May 2017), effective for annual periods beginning on or after 1 January 2023, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The company does not issue insurance contracts.

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

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

- **Fair value measurement and valuation process**

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

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

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

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

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

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

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

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

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.

- **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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) REVENUE RECOGNITION

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

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

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

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

E) INVESTMENT IN SUBSIDIARIES/CONSOLIDATION

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2021. Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the company; has power over the investee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

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

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

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

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Assets, liabilities, income and expenses 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 amount of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) INVESTMENT IN SUBSIDIARIES/CONSOLIDATION (CONTINUED)

- **Changes in ownership interests in subsidiaries without change of control**
  When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

F) PROPERTY, PLANT AND EQUIPMENT

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

Buildings are subsequently measured at fair value, based on periodic valuations, less subsequent depreciation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to revaluation reserve in equity except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income. All other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating loss. On disposal of revalued assets amounts in the revaluation reserve relating to the particular assets being disposed of are transferred to retained earnings in the statement of changes in equity.

G) TRANSLATION OF FOREIGN CURRENCIES

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

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

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

H) FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

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

The group classifies its financial assets into the following categories:

i) Amortised cost:

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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.

Derecognition/write off

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

Impairment

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) FINANCIAL INSTRUMENTS (CONTINUED)

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

FINANCIAL LIABILITIES

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

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

DERECOGNITION

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

OFFSETTING FINANCIAL INSTRUMENTS

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

I) CASH AND CASH EQUIVALENTS

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

J) INTANGIBLE ASSETS - COMPUTER SOFTWARE

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

K) INVENTORIES - WORK-IN-PROGRESS

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

L) SHARE CAPITAL

Ordinary shares are classified as equity.

M) TAXATION

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M) TAXATION (CONTINUED)

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.

N) ACCOUNTING FOR LEASES

The group as a lessee:

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N) ACCOUNTING FOR LEASES (CONTINUED)

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.

O) IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

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

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

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

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

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

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

P) RETIREMENT BENEFIT OBLIGATIONS

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

Q) COMPARATIVES

There were no changes in presentation in the current year.

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:

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

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

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The group evaluates performance based on each segment's gross profit 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. 4,525,049 (2020: Shs. 1,989,500) from a single customer that represents 16.53% (2020: 12.62%) of total turnover.

Year ended 31 December 2021	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
Revenue	26,290,512	-	26,290,512
Direct costs	(74,832,555)	-	(74,832,555)
Gross profit	(48,542,043)	-	(48,542,043)
Other operating income (Note 3)	1,480,795	-	1,480,795
Impairment on provisions (Note 4)	(102)	-	(102)
Operating and administrative expenses	(20,540,448)	-	(20,540,448)
Finance costs (Note 7)	(8,033,458)	-	(8,033,458)
Profit/(loss) before tax	(75,635,256)	-	(75,635,256)
Tax credit (Note 8)	(7,342,999)	-	(7,342,999)
Profit/(loss) for the year	(82,978,255)	-	(82,978,255)

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

2. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020	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)	-	(35,590,814)
Tax credit (Note 8)	4,917,542	-	4,917,542
(loss) for the year	(30,652,826)	-	(30,673,272)

Other segment items included in profit or loss are:

	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
Year ended 31 December 2021			
Depreciation on property, plant and equipment	75,370,727	-	75,370,727
Year ended 31 December 2020			
Depreciation on property, plant and equipment	21,822,537	-	21,822,537

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

	Warehousing Kshs.	Real estate Kshs.	Total Kshs.
Year ended 31 December 2021			
Assets	1,198,362,487	28,752,342	1,227,114,829
Liabilities	317,994,469	-	317,994,469
Year ended 31 December 2020			
Assets	1,282,212,318	28,752,342	1,310,964,660
Liabilities	326,209,044	-	326,209,044

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

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

Notes (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

3. OTHER OPERATING INCOME

	Group		Company	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Gain on disposal of property, plant and equipment	69,250	-	69,250	-
Miscellaneous income	1,411,545	2,775,568	1,411,545	2,775,568
	1,480,795	2,775,568	1,480,795	2,775,568

4. IMPAIRMENT PROVISIONS

Expected Credit Losses on cash and bank (Note 20	102	(10,223)	102	(10,223)
Expected Credit Losses on trade receivables (Note 19)	-	-	-	-
	102	(10,223)	102	(10,223)

5. OPERATING (LOSS)

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

Depreciation on property, plant and equipment (Note 15)	21,424,857	21,822,537	21,424,857	21,822,537
Depreciation on right-of-use assets (Note 16)	57,514,587	3,932,770	57,514,587	3,932,770
(Gain) on disposal of property, plant and equipment (Note 3)	69,250	-	69,250	-
Auditors' remuneration				
- current year	1,200,000	1,251,500	1,200,000	1,251,500
-underunderprovision in prior years	17,495	68,995	17,495	68,995
Operating lease rentals	717,784	219,648	717,784	219,648
Repairs and maintenance	1,221,889	678,935	1,221,889	678,935
Staff costs (Note 6)	4,656,859	8,313,076	4,656,859	8,313,076

6. STAFF COSTS

Salaries and wages:				
- administrative	4,364,267	7,848,389	4,364,267	7,848,389
Staff welfare and other costs	120,652	238,711	120,652	238,711
Pension costs:				
- National Social Security Fund	51,200	71,476	51,200	71,476
- Defined Contribution Scheme	120,740	154,500	120,740	154,500
	4,656,859	8,313,076	4,656,859	8,313,076

6. STAFF COSTS(CONTINUED)

The average number of persons employed during the year, by category, were:	Group and Company 2021 Number	2020 Number
Management and administration	11	14

7. Finance costs

	Group and Company 2021 Kshs.	2020 Kshs.
Interest expense:		
- bank overdraft	665,828	643,990
- bank loan	5,817,021	6,287,500
- lease liabilities	1,483,227	1,896,578
Foreign exchange (gain)	67,382	108,254
	8,033,458	8,936,322

8. Tax

	Group 2021 Kshs.	Group 2020 Kshs.	Company 2021 Kshs.	Company 2020 Kshs.
Current tax	-	-	-	-
Deferred tax (credit) (Note 14)	7,342,999	(4,917,542)	7,342,999	(4,917,542)
	7,342,999	(4,917,542)	7,342,999	(4,917,542)
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	(75,635,256)	(35,570,368)	(75,635,256)	(35,570,368)
Tax calculated at a tax rate of 30% (2020: 25%)	(22,690,577)	(8,892,592)	(22,690,577)	(8,892,592)
Tax effect of:				
- expenses not deductible for tax purposes	3,622,667	1,495,250	3,622,667	1,495,250
- tax loss brought forward	(130,539,112)	(152,687,667)	(130,539,112)	(152,687,667)
- tax loss carried forward	156,950,021	130,539,112	156,950,021	130,539,112
- effect of change in tax rate	-	24,628,354	-	24,628,354
Tax (credit)	7,342,999	(4,917,542)	7,342,999	(4,917,542)

The statutory tax rate was increased to 30% for the year of income 2021 by the Tax Laws (Amendment) (No. 2) Act 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		Company	
	2021	2020	2021	2020
Net (loss) attributable to shareholders (Shs.)	(82,978,255)	(30,652,826)	(82,978,255)	(30,652,826)
Number of ordinary shares (Number)	47,711,481	47,711,481	47,711,481	47,711,481
Basic and diluted (loss) per share (Shs.)	(1.74)	(0.64)	(1.74)	(0.64)
Weighted average number of shares	47,711,481	47,711,481	47,711,481	47,711,481

10.Share capital

	Group and Company	
	2021 Kshs.	2020 Kshs.
Authorised: 250,000,000 (2020: 250,000,000) ordinary shares of Shs. 5 each	1,250,000,000	1,250,000,000
Issued and fully paid: 47,711,481 (2020: 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	
	2021 Kshs.	2020 Kshs.
Leasehold land (right-of-use asset)	580,690,235	618,197,507
Buildings	192,231,707	204,162,570
	772,921,942	822,360,077
The movement of the reserve is as follows:		
At start of year	822,360,077	202,180,778
Surplus on revaluation (Note 15)	-	903,420,135
Deferred income tax on revaluation surplus (Note14)	-	(271,026,041)
Transfer of excess depreciation	(70,625,907)	(17,449,707)
Deferred tax on excess depreciation transfer (Note 14)	21,187,772	5,234,912
At end of year	772,921,942	822,360,077

11. Revaluation reserve(continued)

	Group and Company	
	2021 Kshs.	**2020 Kshs.**
Leasehold land (right-of-use asset)		
At start of year	618,197,507	-
Surplus on revaluation	-	883,139,296
Deferred tax on revaluation surplus (Note 14)	-	(264,941,789)
Transfer of excess depreciation	(53,581,817)	-
Deferred tax on excess depreciation (Note 14)	16,074,545	-
At end of year	580,690,235	618,197,507
Buildings		
At start of year	204,162,570	202,180,778
Surplus on revaluation - buildings	-	20,280,839
Deferred income tax on revaluation surplus - buildings	-	(6,084,252)
Transfer of excess depreciation	(17,044,090)	(17,449,707)
Deferred tax on excess depreciation transfer (Note 14)	5,113,227	5,234,912
At end of year	192,231,707	204,162,570

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

12. Borrowings

	Group and Company	
	2021 Kshs.	**2020 Kshs.**
Non-current		
Bank loan	38,126,629	47,383,390
Borrowings from related parties (Note 25)	185,715,248	176,655,248
Borrowings from directors (Note 25)	40,240,000	47,800,002
	264,081,877	271,838,640
Current		
Bank loan	4,883,351	2,214,854
Bank overdraft (Note 21)	5,055,918	5,873,966
	9,939,269	8,088,820
Total borrowings	274,021,146	279,927,460

12. Borrowings(continued)	Group and Company 2021 Kshs.	Group and Company 2020 Kshs.

Reconciliation of liabilities arising from financing activities:	Bank borrowing Kshs.	Related parties Kshs.	Directors Kshs.	Total Kshs.
Year ended 31 December 2021				
At start of year	49,598,244	176,655,248	47,800,002	274,053,494
Interest charged to profit or loss	6,482,849	-	-	6,482,849
Cash flows:				
- operating activities (interest paid)	(6,482,849)	-	-	(6,482,849)
- proceeds from borrowings	-	9,060,000	-	9,060,000
- (repayment) of borrowings	(6,588,264)	-	(7,560,002)	(14,148,266)
At end of year	43,009,980	185,715,248	40,240,000	268,965,228
Year ended 31 December 2020				
At start of year	48,891,785	172,131,478	48,817,520	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

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.

Weighted average effective interest rates at the year end were:

	Group and Company 2021 %	Group and Company 2020 %
- bank loan	13	12.5
- bank overdraft	13	12.5
- borrowings from related parties	12.0*	12.0*
- borrowings from directors	8*	8*

*** - the related parties and directors had however waived the interest in full for the year 2021 and 2020.**

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

In the opinion of the directors, the carrying amounts of short-term borrowings approximate to their fair value and it is impracticable to assign fair values to the company's long-term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

The carrying amounts of borrowings are denominated in Kenya Shillings.

12. Borrowings(continued)

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

	Group and Company	
	2021 Kshs.	2020 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	240,119,094	232,189,224
	264,081,877	271,838,640

13. Lease liabilities

Non-current	5,365,939	9,825,289
Current	4,459,350	3,678,246
Lease liabilities	9,825,289	13,503,535
Reconciliation of lease liabilities:		
At start of year	13,503,535	16,782,027
Interest charged to profit or loss	1,483,227	1,896,578
Cash flows:		
- operating activities (interest paid)	(1,483,227)	(1,896,578)
- payments under leases	(3,678,246)	(3,278,493)
At end of year	9,825,289	13,503,535

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	4,459,350	3,678,246
1 - 5 years	5,365,939	9,825,289
	9,825,289	13,503,535

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

Not later than 1 year	5,439,147	5,161,473
Later than 1 year and not later than 5 years	5,737,647	11,176,794
Total gross lease	11,176,794	16,338,266
Future interest expense on leases liabilities	(1,351,505)	(2,834,732)
Present value of lease liabilities	9,825,289	13,503,535
Present value of lease liabilities - minimum lease payments		
Not later than 1 year	4,459,350	3,678,246
Later than 1 year and not later than 5 years	5,365,939	9,825,289
	9,825,289	13,503,535

14. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using principal tax rates of 30% (2020: 30%). The movement on the deferred tax account is as follows:

	Group and Company	
	2021 Kshs.	**2020 Kshs.**
At start of year	384,594,062	118,485,563
Charge to statement of other comprehensive income (Note 11)	-	271,026,041
(Credit) to profit or loss (Note 8)	7,342,999	(4,917,542)
At end of year	391,937,061	384,594,062

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

	At start of year Kshs.	**(Credit) to profit or loss Kshs.**	**Total Kshs.**
Deferred tax liabilities			
Property, plant and equipment	33,143,751	28,347,943	61,491,695
Revaluation - buildings	87,498,245	(5,113,227)	82,385,018
Revaluation - leasehold land	264,941,789	(16,074,545)	248,867,244
Right of use assets	3,211,845	(1,070,615)	2,141,230
	388,795,630	6,089,556	394,885,187
Deferred tax (assets)			
Other provisions	(150,508)	149,969	(538)
Lease liabilities	(4,051,060)	1,103,474	(2,947,587)
	(4,201,568)	1,253,443	(2,948,125)
Net deferred tax liability	384,594,062	7,342,999	391,937,062

Deferred tax assets on tax losses carried forward and deductible temporary differences are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses and deductible temporary differences against. Deferred tax assets amounting to Shs. 156.9 million (2020: Shs. 156.6 million) in respect of tax losses carried forward amounting to Shs. 523 million (2020: Shs. 522 million) that can be carried forward indefinately against future taxable profits 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

15. Property, plant and equipment – Group

Year ended 31 December 2021

	Leasehold Improvements Kshs.	Buildings Kshs.	Pant and Machinery Kshs.	Furniture, Fittings and Equipment Kshs.	Motor Vehicles Kshs.	Computers and copiers Kshs.	Total Kshs.
Cost or valuation							
At start of year	3,189,655	368,000,000	15,500,991	35,642,869	15,568,554	37,794,031	475,696,100
Additions	-	-	-	21,500	324,562	-	21,500
Disposal	-	-	-	-	(900,000)	-	(900,000)
Scrapped assets	-	-	-	-	(11,943,992)	-	(11,943,992)
At end of year	3,189,655	368,000,000	15,500,991	35,664,369	2,724,562	37,794,031	462,873,608
Comprising							
Cost	3,189,655	83,619,742	15,500,991	35,664,369	2,724,562	37,794,031	178,493,350
Valuation	-	284,380,258	-	-	-	-	284,380,258
	3,189,655	368,000,000	15,500,991	35,664,369	2,724,562	37,794,031	462,873,608
Depreciation							
At start of year	752,759	-	15,500,991	32,656,027	14,978,154	37,744,673	101,632,604
Disposal	-	-	-	-	(569,250)	-	(569,250)
Scrapped assets	-	-	-	-	(11,943,992)	-	(11,943,992)
Charge for the year	637,931	20,280,839	-	373,200	118,080	14,807	21,424,857
At end of year	1,390,690	-	15,500,991	33,029,227	2,582,992	37,759,481	110,544,219
Carrying amount	1,798,965	347,719,161	-	2,635,142	141,570	34,550	352,329,389

Depreciation expense has been charged in profit or loss as follows:	**Kshs.**
Direct costs	20,398,919
Establishment expenses	1,025,938
Total	21,424,857

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

15. Property, plant and equipment - Company

Year ended 31 December 2021

	Leasehold Improvements Kshs.	Buildings Kshs.	Pant and Machinery Kshs.	Furniture, Fittings and Equipment Kshs.	Motor Vehicles Kshs.	Computers and copiers Kshs.	Total Kshs.
Cost or valuation							
At start of year	3,189,655	368,000,000	15,500,991	35,607,325	15,568,554	37,794,031	475,660,556
Additions	-	-	-	21,500	-	-	21,500
Disposal	-	-	-	-	(900,000)	-	(900,000)
Scrapped assets	-	-	-	-	(11,943,992)	-	(11,943,992)
At end of year	3,189,655	368,000,000	15,500,991	35,628,825	2,724,562	37,794,031	462,838,064
Comprising							
Cost	3,189,655	83,619,742	15,500,991	35,628,825	2,724,562	37,794,031	178,457,806
Valuation	-	284,380,258	-	-	-	-	284,380,258
	3,189,655	368,000,000	15,500,991	35,628,825	2,724,562	37,794,031	462,838,064
Depreciation							
At start of year	752,759	-	15,500,991	32,643,221	14,978,154	37,744,673	101,619,798
Disposal	-	-	-	-	(569,250)	-	(569,250)
Scrapped assets	-	-	-	-	(11,943,992)	-	(11,943,992)
Charge for the year	637,931	20,280,839	-	373,200	118,080	14,807	21,424,857
At end of year	1,390,690	20,280,839	15,500,991	33,016,421	2,582,992	37,759,480	110,531,414
Carrying amount	1,798,965	347,719,161	-	2,612,404	141,570	34,551	352,306,650

Depreciation expense has been charged in profit or loss as follows:	**Kshs.**
Direct costs	20,398,919
Establishment expenses	1,025,938
Total	21,424,857

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

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 Vehicles 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	83,619,742	15,500,991	35,642,869	15,568,554	37,794,031	191,315,842
Valuation	-	284,380,258	-	-	-	-	284,380,258
	3,189,655	-	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	37,744,673	101,632,604
Carrying amount	2,436,896	368,000,000	-	2,986,842	590,400	-	374,063,496

Depreciation expense has been charged in profit or loss as follows:	**Kshs.**
Direct costs	20,736,521
Establishment expenses	1,086,016
Total	21,822,537

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

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 Vehicles 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	83,619,742	15,500,991	35,607,325	15,568,554	37,794,031	191,280,298
Valuation	-	284,380,258	-	-	-	-	284,380,258
	3,189,655	-	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
Carrying amount	2,436,896	368,000,000	-	2,964,104	590,400	-	374,040,758

Depreciation expense has been charged in profit or loss as follows:	**Kshs.**
Direct costs	20,736,521
Establishment expenses	1,086,016
Total	21,822,537

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

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 years.

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

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

	Group and Company	
	2021 Kshs.	2020 Kshs.
Cost	141,556,623	141,556,623
Accumulated depreciation	(68,454,189)	(65,217,439)
Net book value	73,102,434	76,339,184

16. Right-of use assets

	Group and Company		
	Leasehold buildings Kshs.	Leasehold land Kshs.	Total Kshs.
At start of year and end of year	17,843,584	889,146,175	906,989,759
Depreciation			
At start of year	7,137,434	-	7,137,434
Depreciation charge for the year	3,568,717	53,945,870	57,514,587
At end of year	10,706,151	53,945,870	64,652,021
As at 31 December 2021	7,137,433	835,200,305	842,337,738
As at 31 December 2020	10,706,150	889,146,175	899,852,325

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 years.

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

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

	Group and Company	
	2021 Kshs.	2020 Kshs.
Cost	6,734,985	6,734,985
Accumulated depreciation	(1,092,159)	(728,106)
Net book value	5,642,826	6,006,879

17. Intangible assets - computer software

	Group and Company	
	2021 Kshs.	2020 Kshs.
Cost		
At start and end of year	306,000	306,000
Amortisation		
At start and end of year	306,000	306,000
Carrying amount	-	-

18. Inventories

At start and end of year	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	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Trade receivables	83,260,065	83,060,739	83,260,065	83,060,739
Less: expected credit loss allowance	(81,404,443)	(81,404,443)	(81,404,443)	(81,404,443)
Net trade receivables	1,855,622	1,656,296	1,855,622	1,656,296
Prepayments, deposits and other receivables	1,455,924	1,559,743	1,455,924	1,559,743
Receivable from related parties (Note 25)	82,115	4,802,406	82,115	4,802,406
	3,393,661	8,018,445	3,393,661	8,018,445
Movement in expected credit losses				
At start and 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 their fair value.

20. Cash and cash equivalents

	Group and Company	
	2021 Kshs.	2020 Kshs.
Cash at bank and in hand	301,699	278,052
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash and bank balances	301,699	278,052
Bank overdraft (Note 12)	(5,055,918)	(5,873,966)
	(4,754,219)	(5,595,914)
The carrying amounts of cash and cash equivalents are denominated in the following currencies:		
Kenya Shillings	187,187	142,137
United States Dollar	114,512	135,915
	301,699	278,052
Movement in provision expected credit losses		
At start of year	1,692	11,915
Expected credit loss allowance:		
- Increase/(decrease) in provision for the year	102	(10,223)
At end of year	1,794	1,692

21. Trade and other payables

	Group		Company	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Trade payables	16,967,618	15,254,085	16,967,618	15,254,085
Accruals and other payables	15,548,364	15,295,874	15,548,364	15,295,874
Payable to related parties (Note 25)	1,632,052	1,728,090	3,661,337	3,757,376
	34,148,034	32,278,049	36,177,319	34,307,335

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	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Kenya Shillings	34,093,144	32,071,194	36,122,429	34,100,480
United States Dollar	54,890	206,855	54,890	206,855
	34,148,034	32,278,049	36,177,319	34,307,335

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

21. Trade and other payables(continued)

	0-3 Months Kshs.	4-12 Months Kshs.	Total Kshs.
Year ended 31 December 2021 - Group			
Trade payables	2,894,992	14,072,626	16,967,618
Accruals and other payables	3,511,593	12,036,771	15,548,364
Payable to related parties	-	1,632,052	1,632,052
	6,406,585	27,741,449	34,148,034
Year ended 31 December 2021 - Company			
Trade payables	2,894,992	14,072,626	16,967,618
Accruals and other payables	3,511,593	12,036,771	15,548,364
Payable to related parties	-	3,661,337	3,661,337
	6,406,585	29,770,734	36,177,319
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

22. Provision for legal claims

	Group and Company	
	2021 Kshs.	2020 Kshs.
At start of year	500,000	650,000
Transfer to other payables	318,888	-
(Decrease) in provisions for the year	(181,112)	(150,000)
At end of year	-	500,000

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 2021 Kshs.	Group 2020 Kshs.	Company 2021 Kshs.	Company 2020 Kshs.
(Loss) before tax	(75,635,256)	(35,570,368)	(75,635,256)	(35,570,368)
Adjustments for:				
Depreciation on property, plant and equipment (Note 15)	21,424,857	21,822,537	21,424,857	21,822,537
Depreciation on right-of-use assets (Note 16)	57,514,587	3,932,770	57,514,587	3,932,770
(Gain) on disposal of property, plant and equipment (Note 3)	(69,250)	-	(69,250)	-
Interest expense	7,966,076	8,828,068	7,966,076	8,828,068
Net foreign exchange loss/(gain)	67,382	108,254	67,382	108,254
(Decrease) in provision for legal claim (Note 22)	(500,000)	(150,000)	(500,000)	(150,000)
Changes in working capital:				
- trade and other receivables	4,624,784	4,850,017	4,624,784	4,850,017
- trade and other payables	1,869,985	361,509	1,869,985	361,509
Cash (used in) operation	17,263,165	4,182,787	17,263,165	4,182,787

24. Investment in subsidiaries

	Country of incorporation	Holding	Company 2021 Kshs.	Company 2020 Kshs.
Express Mombasa Limited	Kenya	100%	284,800	284,800
Container Services Limited	Kenya	100%	1,694,552	1,694,552
Airporter Limited Impairment	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% (2020: 44.84%) of the company's shares has significant influence over the company. The remaining 55.16% (2020: 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	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Receivable from related parties (Note 19)	82,115	4,802,406	82,115	4,802,406
Payable to related parties (Note 21)	1,632,052	1,728,090	3,661,337	3,757,376
Borrowings from related parties (Note 12)	185,715,248	172,131,478	185,715,248	172,131,478
Borrowings directors (Note 12)	40,240,000	47,800,002	40,240,000	47,800,002
Receivables from related parties can be analysed as follows:				
Other related parties	(97,681)	2,821,977	(667,577)	2,496,241
Subsidiaires	-	-	569,896	325,736
Parent	179,796	1,980,429	179,796	1,980,429
	82,115	4,802,406	82,115	4,802,406
Payable to related parties can be analysed as follows:				
Other related parties	1,632,052	1,728,090	1,489,294	1,809,253
Subsidiaires	-	-	2,172,043	1,948,123
	1,632,052	1,728,090	3,661,337	3,757,376

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	176,655,248	172,131,478
Proceeds from borrowings	9,060,000	8,150,000
Repayments	-	(3,626,230)
At end of year	185,715,248	176,655,248
Borrowings from related parties can be analysed as follows:		
-Other related parties	185,715,248	176,655,248

25. Related party transactions and balances(continued)

iii) Borrowings directors (Note 12)	Group and company	
	2021 Kshs.	2020 Kshs.
At start of year	47,800,002	46,817,520
Advances	-	982,482
Repayments	(7,560,002)	-
At end of year (Note 12)	40,240,000	47,800,002

Borrowings from directors are interest free, have no specific dates of repayment 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 the dollar, the effect would have been the opposite.

	Group		Company	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Effect on (loss) - (decrease)/increase	(4,174)	4,966	(4,174)	4,966

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	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Effect on (loss) - increase	557,625	617,965	557,625	617,965

26. Risk management objectives and policies (continued)

(b) Credit risk

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

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

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

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

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*	
	2021 Kshs.	**2020 Kshs.**	**2021 Kshs.**	**2020 Kshs.**
As at 31 December 2020				
Trade receivables	83,260,065	83,060,739	83,260,065	83,060,739
Prepayments, deposits and other receivables	1,455,924	1,559,743	1,455,924	1,559,743
Receivable from related parties	82,115	4,802,406	82,115	4,802,406
Cash at bank	301,699	278,052	301,699	278,052
Gross carrying amount	85,099,803	89,700,940	85,099,803	89,700,940
Loss allowance	(81,406,237)	(81,406,135)	(81,406,237)	(81,406,135)
Exposure to credit risk	3,693,566	8,294,805	3,693,566	8,294,805

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 2021	709,572	550,269	595,781	81,404,443	83,260,065
As at 31 December 2020	2,771,040	1,559,908	812,866	77,916,925	83,060,739

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 2021			
At start of year	1,692	81,404,443	81,406,136
Changes relating to assets	102	-	102
At end of year	1,794	81,404,443	81,406,238

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

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:

- changesininterestrateshavenotbeenaccountedforasthesecannotbepredicted;
- changesinforeignexchangerateshavenotbeenaccountedforasthesecannotbepredicted;and
- theborrowingswillberepaidbasedontherepaymentscheduleagreedwiththelenders.

	Interest Rate %	Less than 1 year Kshs.	1-5 years Kshs.	No fixed maturity period Kshs.	Total Kshs.
Year ended 31 December 2021 - Group					
Interest bearing liabilities:					
- Bank overdraft	13.0%	5,055,918	-	-	5,055,918
-Bank loan	13.0%	5,518,187	43,083,091	-	48,601,277
-Borrowing from related parties	12.0%	-	127,414,629	199,879,094	327,293,723
-Borrowing from directors	8.0%	-	-	-	-
Lease liabilities		5,439,147	5,737,647	-	11,176,794
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	40,240,000	40,240,000
- Trade and other payables	-	34,148,034	-	-	34,148,034
- Provision for legal claims	-	-	-	-	-
		50,161,286	176,235,366	240,119,094	466,515,746
Year ended 31 December 2021 - Company					
Interest bearing liabilities:					
- Bank overdraft	13.0%	5,055,918	-	-	5,055,918
-Bank loan	13.0%	5,518,187	43,083,091	-	48,601,277
-Borrowing from related parties	12.0%	-	127,414,629	199,879,094	327,293,723
-Borrowing from directors	8.0%	-	-	-	-
Lease liabilities		5,439,147	5,737,647		11,176,794
Non-interest bearing liabilities:					
- Borrowings from directors	-	-	-	40,240,000	40,240,000
- Trade and other payables	-	36,177,319	-	-	36,177,319
- Provision for legal claims	-	-	-	-	-
		52,190,571	176,235,366	240,119,094	468,545,031
Year ended 31 December 2020 - Group					
Interest bearing liabilities:					
- Bank overdraft	13.0%	5,873,966	-	-	5,873,966
-Bank loan	13.0%	2,502,785	53,543,231	-	56,046,016
-Borrowing from related parties	12.0%	-	79,137,683	232,189,224	311,326,907
-Borrowing from directors	8.0%	-	-	-	-
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
		46,316,273	143,857,707	279,989,226	470,163,206

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 2020 - Company					
Interest bearing liabilities:					
- Bank overdraft	13.0%	5,873,966	-	-	5,873,966
-Bank loan	13.0%	2,502,785	53,543,231	-	56,046,016
-Borrowing from related parties	12.0%	-	79,137,683	232,189,224	311,326,907
-Borrowing from directors	8.0%	-	-	-	
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
		48,345,559	143,857,707	279,989,226	472,192,492

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 2021 and 2020 were as follows:

	Group		Company	
	2020 Kshs.	2019 Kshs.	2020 Kshs.	2019 Kshs.
Total borrowings (Note 12)	274,021,146	279,927,460	274,021,146	279,927,460
Less cash and cash equivalents (Note 20)	(301,699)	(278,052)	(301,699)	(278,052)
Net debt	273,719,447	279,649,408	273,719,447	279,649,408
Total equity	548,484,199	631,462,454	546,432,175	629,410,430
Gearing ratio (%)	0.50	0.44	0.50	0.44

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, 2021

1. DIRECT EXPENSES

	Group		Company	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Insurance	487,766	524,528	487,766	524,528
Depreciation on right-of-use assets	53,945,870	364,053	53,945,870	364,053
Depreciation on property, plant and equipment	20,398,919	20,736,521	20,398,919	20,736,521
Total direct costs	74,832,555	21,625,102	74,832,555	21,625,102

2. ADMINISTRATIVE EXPENSES

Employment:				
Salaries and wages	4,536,207	8,074,365	4,536,207	8,074,365
Medical expenses	-	77,767	-	77,767
Staff welfare and other costs	120,652	160,944	120,652	160,944
Total employment costs	4,656,859	8,313,076	4,656,859	8,313,076
Other administration expenses:				
Postages and telephones	602,701	526,064	602,701	526,064
Advertisement expenses	18,103	410,030	18,103	410,030
Vehicle running expenses	-	162,931	-	162,931
Travelling and transport	26,150	193,710	26,150	193,710
Printing and stationery	116,871	61,265	116,871	61,265
Subscriptions and periodicals	634,234	431,355	634,234	431,355
Audit fees				
- current year	1,200,000	1,200,000	1,200,000	1,200,000
- underprovision in prior years	17,495	68,995	17,495	68,995
Legal and professional fees	1,025,840	1,475,649	1,025,840	1,475,649
Annual General Meeting expenses	475,946	122,550	475,946	122,550
Bank charges and commissions	440,664	335,397	440,664	335,397
Fines and penalties	38,713	26,000	38,713	26,000
Miscellaneous expenses	38,720	-	38,720	-
Total other administration expenses	4,635,437	5,013,946	4,635,437	5,013,946
Total administrative expenses	9,292,296	13,327,022	9,292,296	13,327,022

3. OTHER OPERATING EXPENSES

	Group		Company	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Establishment:				
Rent and rates	717,784	219,648	717,784	219,648
Electricity and water	806,196	647,649	806,196	647,649
Repairs and maintenance	1,221,889	678,935	1,221,889	678,935
Insurance	26,118	26,118	26,118	26,118
Licences	395,246	325,524	395,246	325,524
Security expenses	3,486,264	3,675,577	3,486,264	3,675,577
Depreciation on right-of-use assets	3,568,717	3,568,717	3,568,717	3,568,717
Depreciation on property, plant and equipment	1,025,938	1,086,016	1,025,938	1,086,016
Total other operating expenses	11,248,152	10,228,184	11,248,152	10,228,184

4. FINANCE COSTS

	Group		Company	
	2021 Kshs.	2020 Kshs.	2021 Kshs.	2020 Kshs.
Interest expense:				
- bank overdraft	665,828	643,990	665,828	643,990
- bank loan	5,817,021	6,287,500	5,817,021	6,287,500
- lease liabilities	1,483,227	1,896,578	1,483,227	1,896,578
Foreign exchange loss	67,382	108,254	67,382	108,254
Total finance costs	8,033,458	8,936,322	8,033,458	8,936,322