

**ECU WORLDWIDE (KENYA) LIMITED  
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**COMPANY INFORMATION**

|                                    |  |
|------------------------------------|--|
| <b>BOARD OF DIRECTORS</b>          | : Luc Van Dooren (Belgian) (Resigned on 01/04/2017)<br>: Benjamin K. Nzoka (Kenyan) (Resigned on 31/12/2017)<br>: Saleem Mohamed Nazir (British)<br>: Shantha Martin (Indian) (Resigned on 16 February 2018) |
| <b>REGISTERED OFFICE</b>           | : Mombasa Block XXI/277<br>: Ralli House<br>: Nyerere Avenue<br>: P. O. Box 87227 - 80100<br>: Mombasa   |
| <b>PRINCIPAL PLACE OF BUSINESS</b> | : Office 3A, 3rd Floor<br>: Sheetal Plaza<br>: Mohdhar Mohd Habib Road<br>: P.O. Box 94066 - 80107<br>: Mombasa  |
| <b>INDEPENDENT AUDITOR</b>         | : PKF Kenya<br>: Certified Public Accountants<br>: P. O. Box 90553 - 80100<br>: Mombasa  |
| <b>COMPANY SECRETARIES</b>         | : Zainash Registrars<br>: Certified Public Secretaries<br>: P. O. Box 44-00606<br>: Nairobi  |
| <b>PRINCIPAL BANKER</b>            | : Stanbic Bank Kenya Limited<br>: P. O. Box 90131 - 80100<br>: Mombasa   |
| <b>LEGAL ADVISORS</b>              | : Kiarie, Kariuki & Co. Advocates<br>: Ambalal House<br>: P. O. Box 838 - 80100<br>: Mombasa   |
| <b>SUBSIDIARY</b>                  | : Ecu Shipping Logistics (K) Limited<br>: Mombasa  |

**REPORT OF THE DIRECTORS**

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

**PRINCIPAL ACTIVITIES**

The principal activities of the company are those of provision of freight shipping and air services, clearing, forwarding and warehousing agents. The principal activity of the subsidiary company, Ecu Shipping Logistics (K) Limited, is lodging of import manifests.

**BUSINESS REVIEW**

During the year 2017 the total turnover of the group/company decreased from Shs 429,733,277 to Shs 368,432,472. This was mainly attributed to overall decrease in business activity due to the economic conditions during the year. The profit before tax of the group decreased from Shs 31,573,834 to Shs 9,971,183 and of the company decreased from Shs 31,214,004 to Shs 9,910,713 reflecting the effects of the above.

As at 31 December 2017, the net asset position of the group was Shs 34,012,205 compared to Shs 57,262,977 as at 31 December 2016 and for that of company was Shs 32,986,838 compared to Shs 56,281,921 as at 31 December 2016.

| Key performance indicators     | Group       |             | Company     |             |
|--------------------------------|-------------|-------------|-------------|-------------|
|                                | 2017        | 2016        | 2017        | 2016        |
| Turnover (Shs)                 | 368,432,472 | 429,733,277 | 368,432,472 | 429,733,277 |
| Profit for the year (Shs)      | 6,747,247   | 21,741,324  | 6,704,917   | 21,489,443  |
| Net profit margin (%)          | 1.83        | 5.06        | 1.82        | 5.00        |
| Net assets (Shs)               | 34,012,205  | 57,262,977  | 32,986,838  | 56,281,921  |
| Return on capital employed (%) | 19.84       | 37.97       | 20.33       | 38.18       |

**PRINCIPAL RISKS AND UNCERTAINTIES**

The overall business environment continues to remain challenging and this has a resultant effect on overall demand of the company's services. The company's strategic focus is to enhance sales growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions.

In addition to the business risk discussed above, the company's activities exposes it to a number of financial risks including credit risk and liquidity risk as set-out below:

**Credit risk**

The company's principal financial assets are cash and bank balances and trade and other receivables which consist primarily of related party balances. The company's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made in line with impairment accounting policy outlined under Note 2(b) (significant accounting policies). The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**Cash flow and foreign currency risk**

The majority of the company's sales are in foreign currency, thus it is exposed to currency risk. This risk is managed through appropriate operational offset of open receivable and payable foreign currency positions.

**Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company monitors its need for cash on a regular basis and takes appropriate action through intercompany financing arrangements.

.....continued on page 3

**REPORT OF THE DIRECTORS**

**DIVIDEND**

The directors do not propose a final dividend (2016: Shs 30,000,000).

**DIRECTORS**

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

Saleem M. Nazir retires by rotation in accordance with 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 company'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 company's auditor is aware of that information.

**TERMS OF APPOINTMENT OF THE AUDITOR**

PKF Kenya continues in office in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of Shs 693,000 for the company has been charged to profit or loss in the year.

**BY ORDER OF THE BOARD**



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**DIRECTOR**  
**MOMBASA**

9-4- 2018

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Kenyan Companies Act, 2015 requires the directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company; and that disclose, with reasonable accuracy, the financial position of the group and the company and that enables them to prepare financial statements of the company that comply with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the group and the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the group and the company as at 31 December 2017 and of the group's and company's financial performance and its cash flows for the year then ended in accordance with IFRS for SMEs 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. Nothing has come to the attention of the directors to indicate that the company and its subsidiary will not remain a going concern for at least the next twelve months from the date of this statement.

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

Approved by the board of directors on 9-4- 2018 signed on its behalf by:



\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF ECU WORLDWIDE (KENYA) LIMITED**

**Opinion**

We have audited the consolidated financial statements of Ecu Worldwide (Kenya) Limited and its subsidiary (the Group), set out on pages 7 to 26 which comprise the consolidated and company statements of financial position as at 31 December 2017, the consolidated and company statements of profit or loss, consolidated and company statements of changes in equity and the consolidated and company statements of cash flows the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated and company financial position as at 31 December 2017, and of the consolidated and company financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and the Kenyan Companies Act, 2015.

**Basis for Opinion**

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

**Other information**

The directors are responsible for the other information. The other information comprises the directors' report and the consolidated and company schedules of expenditure but does not include the consolidated financial statements and our auditor's report thereon.

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

**Responsibilities of Directors for the Financial Statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS for SMEs, and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the directors determine 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

.....continued on page 5

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF ECU WORLDWIDE (KENYA) LIMITED (CONTINUED)**

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of 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.

**Report on Other Matters Prescribed by the Kenyan Companies Act, 2015**

In our opinion the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Piyush Ramesh Devchand Shah P/No. 1521.

*PKF Kenya*  
**Certified Public Accountants  
Mombasa**

*9-4-* 2018

88/2018

*Ecu Worldwide (Kenya) Limited*  
*Annual report and consolidated financial statements*  
*For the year ended 31 December 2017*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

|                               | Notes | 2017<br>Shs             | 2016<br>Shs              |
|-------------------------------|-------|-------------------------|--------------------------|
| Revenue                       | 3     | 368,432,472             | 429,733,277              |
| Cost of sales                 |       | <u>(234,181,283)</u>    | <u>(281,360,246)</u>     |
| <b>Gross profit</b>           |       | 134,251,189             | 148,373,031              |
| Other income                  | 4     | 643,405                 | 197,344                  |
| Administrative expenses       |       | (112,534,918)           | (104,302,701)            |
| Other operating expenses      |       | <u>(12,388,493)</u>     | <u>(12,693,840)</u>      |
| <b>Profit before tax</b>      |       | 9,971,183               | 31,573,834               |
| Tax charge                    | 7     | <u>(3,223,936)</u>      | <u>(9,832,510)</u>       |
| <b>Profit for the year</b>    |       | <u><u>6,747,247</u></u> | <u><u>21,741,324</u></u> |
| <b>Attributable to:</b>       |       |                         |                          |
| Owners of the company         |       | 6,747,205               | 21,741,072               |
| Non-controlling interests     |       | <u>42</u>               | <u>252</u>               |
|                               |       | <u><u>6,747,247</u></u> | <u><u>21,741,324</u></u> |
| <b>Dividend for the year:</b> |       |                         |                          |
| - Final (proposed)            | 8     | <u><u>-</u></u>         | <u><u>30,000,000</u></u> |

The notes on pages 15 to 26 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

*Ecu Worldwide (Kenya) Limited*  
*Annual report and consolidated financial statements*  
*For the year ended 31 December 2017*

**COMPANY STATEMENT OF PROFIT OR LOSS**

|                               | Notes | 2017<br>Shs             | 2016<br>Shs              |
|-------------------------------|-------|-------------------------|--------------------------|
| Revenue                       | 3     | 368,432,472             | 429,733,277              |
| Cost of sales                 |       | <u>(235,158,283)</u>    | <u>(282,728,247)</u>     |
| <b>Gross profit</b>           |       | 133,274,189             | 147,005,030              |
| Other income                  | 4     | 506,768                 | 63,653                   |
| Administrative expenses       |       | (111,546,407)           | (103,216,519)            |
| Other operating expenses      |       | <u>(12,323,837)</u>     | <u>(12,638,160)</u>      |
| <b>Profit before tax</b>      |       | 9,910,713               | 31,214,004               |
| Tax charge                    | 7     | <u>(3,205,796)</u>      | <u>(9,724,561)</u>       |
| <b>Profit for the year</b>    |       | <u><u>6,704,917</u></u> | <u><u>21,489,443</u></u> |
| <b>Dividend for the year:</b> |       |                         |                          |
| - Final (proposed)            | 8     | <u><u>-</u></u>         | <u><u>30,000,000</u></u> |

The notes on pages 15 to 26 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

*Ecu Worldwide (Kenya) Limited*  
*Annual report and consolidated financial statements*  
*For the year ended 31 December 2017*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|   | Notes | As at 31 December        |                          |
|---|-------|--------------------------|--------------------------|
|   |       | 2017<br>Shs              | 2016<br>Shs              |
| <b>CAPITAL EMPLOYED</b>                             |       |                          |                          |
| Share capital                                       | 8     | 4,000,000                | 4,000,000                |
| Retained earnings                                   |       | 30,010,182               | 23,262,977               |
| Proposed dividends                                  |       | -                        | 30,000,000               |
| <b>Equity attributable to owners of the company</b> |       | <u>34,010,182</u>        | <u>57,262,977</u>        |
| Non-controlling interests                           |       | <u>2,023</u>             | <u>1,981</u>             |
| <b>Total equity</b>                                 |       | <u><u>34,012,205</u></u> | <u><u>57,264,958</u></u> |
| <b>REPRESENTED BY</b>                               |       |                          |                          |
| <b>Non-current assets</b>                           |       |                          |                          |
| Vehicles and equipment                              | 10    | 9,222,038                | 8,476,253                |
| Deferred tax  | 11    | <u>6,960,790</u>         | <u>2,284,995</u>         |
|   |       | <u>16,182,828</u>        | <u>10,761,248</u>        |
| <b>Current assets</b>                               |       |                          |                          |
| Financial assets                                    | 13    | 1,437,640                | 1,241,645                |
| Trade and other receivables                         | 14    | 67,834,310               | 79,037,282               |
| Cash and cash equivalents                           | 15    | 8,025,581                | 15,083,312               |
| Tax recoverable                                     |       | <u>5,533,117</u>         | <u>257,909</u>           |
|   |       | <u>82,830,648</u>        | <u>95,620,148</u>        |
| <b>Current liabilities</b>                          |       |                          |                          |
| Trade and other payables                            | 16    | 42,501,271               | 46,792,865               |
| Dividends payable                                   | 9     | 22,500,000               | -                        |
| Current tax   |       | -                        | <u>2,323,573</u>         |
|   |       | <u>65,001,271</u>        | <u>49,116,438</u>        |
| <b>Net current assets</b>                           |       | <u>17,829,377</u>        | <u>46,503,710</u>        |
|   |       | <u><u>34,012,205</u></u> | <u><u>57,264,958</u></u> |

The financial statements on pages 7 to 26 were approved and authorised for issue by the Board of Directors on 9-11- 2018 and were signed on its behalf by:

\_\_\_\_\_  
**DIRECTOR**

\_\_\_\_\_  
**DIRECTOR**

The notes on pages 15 to 26 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

**COMPANY STATEMENT OF FINANCIAL POSITION**

|   | Notes | As at 31 December |                   |
|---|-------|-------------------|-------------------|
|   |       | 2017<br>Shs       | 2016<br>Shs       |
| <b>CAPITAL EMPLOYED</b>                             |       |                   |                   |
| Share capital                                       | 8     | 4,000,000         | 4,000,000         |
| Retained earnings                                   |       | 28,986,838        | 22,281,921        |
| Proposed dividends                                  |       | -                 | 30,000,000        |
|   |       | <u>32,986,838</u> | <u>56,281,921</u> |
| <b>Equity attributable to owners of the company</b> |       |                   |                   |
| <b>REPRESENTED BY</b>                               |       |                   |                   |
| <b>Non-current assets</b>                           |       |                   |                   |
| Vehicles and equipment                              | 10    | 9,222,039         | 8,476,253         |
| Deferred tax  | 11    | 6,952,611         | 2,298,724         |
| Investment in subsidiary                            | 12    | 999,000           | 999,000           |
|   |       | <u>17,173,650</u> | <u>11,773,977</u> |
| <b>Current assets</b>                               |       |                   |                   |
| Trade and other receivables                         | 14    | 67,788,263        | 78,989,368        |
| Cash and cash equivalents                           | 15    | 7,440,990         | 14,290,305        |
| Tax recoverable                                     |       | 5,246,183         | -                 |
|   |       | <u>80,475,436</u> | <u>93,279,673</u> |
| <b>Current liabilities</b>                          |       |                   |                   |
| Trade and other payables                            | 16    | 42,162,248        | 46,448,157        |
| Dividends payable                                   | 9     | 22,500,000        | -                 |
| Current tax   |       | -                 | 2,323,572         |
|   |       | <u>64,662,248</u> | <u>48,771,729</u> |
| <b>Net current assets</b>                           |       | <u>15,813,188</u> | <u>44,507,944</u> |
|   |       | <u>32,986,838</u> | <u>56,281,921</u> |

The financial statements on pages 7 to 26 were approved and authorised for issue by the Board of Directors on 9-4- 2018 and were signed on its behalf by:

DIRECTOR

DIRECTOR

The notes on pages 15 to 26 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

*Ecu Worldwide (Kenya) Limited*  
*Annual report and consolidated financial statements*  
*For the year ended 31 December 2017*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|                                      | Note | Share capital<br>Shs | Retained earnings<br>Shs | Proposed dividends<br>Shs | Total equity attributable to the owners interests<br>Shs | Non-controlling interests<br>Shs | Total Shs    |
|--------------------------------------|------|----------------------|--------------------------|---------------------------|--|----------------------------------|--------------|
| <b>Year ended 31 December 2017</b>   |      |                      |                          |                           |  |                                  |              |
| As start of year                     |      | 4,000,000            | 23,262,977               | 30,000,000                | 57,262,977   | 1,981                            | 57,264,958   |
| Profit for the year                  |      | -                    | 6,747,205                | -                         | 6,747,205  | 42                               | 6,747,247    |
| Dividends paid for 2016              |      | -                    | -                        | (7,500,000)               | (7,500,000)  | -                                | (7,500,000)  |
| Transfer to liability                | 9    | -                    | -                        | (22,500,000)              | (22,500,000)   | -                                | (22,500,000) |
| At end of year                       |      | 4,000,000            | 30,010,182               | -                         | 34,010,182   | 2,023                            | 34,012,205   |
| <b>Year ended 31 December 2016</b>   |      |                      |                          |                           |  |                                  |              |
| As start of year                     |      | 4,000,000            | 31,521,905               | -                         | 35,521,905   | 1,729                            | 35,523,634   |
| Profit for the year                  |      | -                    | 21,741,072               | -                         | 21,741,072   | 252                              | 21,741,324   |
| Dividends: Final (proposed) for 2016 |      | -                    | (30,000,000)             | 30,000,000                | -  | -                                | -            |
| At end of year                       |      | 4,000,000            | 23,262,977               | 30,000,000                | 57,262,977   | 1,981                            | 57,264,958   |

The notes on pages 15 to 26 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

**COMPANY STATEMENT OF CHANGES IN EQUITY**

|                                    | Note | Share capital<br>Shs | Retained earnings<br>Shs | Proposed dividends<br>Shs | Total<br>Shs      |
|------------------------------------|------|----------------------|--------------------------|---------------------------|-------------------|
| <b>Year ended 31 December 2017</b> |      |                      |                          |                           |                   |
| As start of year                   |      | 4,000,000            | 22,281,921               | 30,000,000                | 56,281,921        |
| Profit for the year                |      | -                    | 6,704,917                | -                         | 6,704,917         |
| Dividends paid for 2016            |      | -                    | -                        | (7,500,000)               | (7,500,000)       |
| Transfer to liability              | 9    | -                    | -                        | (22,500,000)              | (22,500,000)      |
| At end of year                     |      | <u>4,000,000</u>     | <u>28,986,838</u>        | <u>-</u>                  | <u>32,986,838</u> |
| <b>Year ended 31 December 2016</b> |      |                      |                          |                           |                   |
| As start of year                   |      | 4,000,000            | 30,792,478               | -                         | 34,792,478        |
| Profit for the year                |      | -                    | 21,489,443               | -                         | 21,489,443        |
| Dividends: final proposed for 2016 |      | -                    | (30,000,000)             | 30,000,000                | -                 |
| At end of year                     |      | <u>4,000,000</u>     | <u>22,281,921</u>        | <u>-</u>                  | <u>56,281,921</u> |

The notes on pages 15 to 26 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

|  | Notes | 2017<br>Shs        | 2016<br>Shs         |
|--|-------|--------------------|---------------------|
| <b>Cash flows from operating activities</b>      |       |                    |                     |
| Profit before tax                                |       | 9,971,183          | 31,573,834          |
| <b>Adjustments for:</b>                          |       |                    |                     |
| Depreciation of vehicles and equipment           | 10    | 1,813,522          | 2,357,261           |
| Interest expense                                 | 3     | (136,637)          | (133,691)           |
| Profit on disposal of vehicles and equipment     |       | (389,077)          | -                   |
| Changes in working capital:                      |       |                    |                     |
| - financial assets                               |       | (195,995)          | (1,241,645)         |
| - trade and other receivables                    |       | 11,201,673         | (37,662,930)        |
| - trade and other payables                       |       | (4,290,296)        | 3,135,525           |
| Tax paid   |       | (15,498,511)       | (11,773,269)        |
| Net cash from/(used in) operating activities     |       | <u>2,475,862</u>   | <u>(13,744,914)</u> |
| <b>Cash flows from investing activities</b>      |       |                    |                     |
| Cash paid for purchase of vehicles and equipment | 10    | (3,713,700)        | (649,648)           |
| Proceeds from disposal of vehicles and equipment |       | 1,543,470          | -                   |
| Interest received                                | 4     | <u>136,637</u>     | <u>133,691</u>      |
| Net cash used in investing activities            |       | <u>(2,033,593)</u> | <u>(515,957)</u>    |
| <b>Cash flows from financing activities</b>      |       |                    |                     |
| Dividends paid                                   | 9     | <u>(7,500,000)</u> | <u>-</u>            |
| Net cash used in financing activities            |       | <u>(7,500,000)</u> | <u>-</u>            |
| <b>Decrease in cash and cash equivalents</b>     |       | <u>(7,057,731)</u> | <u>(14,260,871)</u> |
| <b>Movement in cash and cash equivalents</b>     |       |                    |                     |
| At start of year                                 |       | 15,083,312         | 29,344,183          |
| Decrease   |       | <u>(7,057,731)</u> | <u>(14,260,871)</u> |
| At end of year                                   | 15    | <u>8,025,581</u>   | <u>15,083,312</u>   |

The notes on pages 15 to 26 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

**COMPANY STATEMENT OF CASH FLOWS**

|   | Notes | 2017<br>Shs        | 2016<br>Shs         |
|---|-------|--------------------|---------------------|
| <b>Cash flows from operating activities</b>           |       |                    |                     |
| Profit before tax                                     |       | 9,910,713          | 31,214,004          |
| <b>Adjustments for:</b>                               |       |                    |                     |
| Depreciation of vehicles and equipment                | 10    | 1,813,522          | 2,357,261           |
| Profit on disposal of vehicles and equipment          | 3     | (389,077)          | -                   |
| Changes in working capital:                           |       |                    |                     |
| - trade and other receivables                         |       | 11,201,105         | (37,622,853)        |
| - trade and other payables                            |       | (4,285,909)        | 3,004,604           |
| Tax paid  |       | (15,429,439)       | (11,691,157)        |
| Net cash from/(used in) operating activities          |       | <u>2,820,915</u>   | <u>(12,738,140)</u> |
| <b>Cash flows from investing activities</b>           |       |                    |                     |
| Cash paid for purchase of vehicles and equipment      | 10    | (3,713,700)        | (649,648)           |
| Proceeds from disposal of vehicles and equipment      |       | 1,543,470          | -                   |
| Net cash used in investing activities                 |       | <u>(2,170,230)</u> | <u>(649,648)</u>    |
| <b>Cash flows from financing activities</b>           |       |                    |                     |
| Dividends paid  | 9     | (7,500,000)        | -                   |
| Net cash used in financing activities                 |       | <u>(7,500,000)</u> | <u>-</u>            |
| <b>Decrease increase in cash and cash equivalents</b> |       | <u>(6,849,315)</u> | <u>(13,387,788)</u> |
| <b>Movement in cash and cash equivalents</b>          |       |                    |                     |
| At start of year                                      |       | 14,290,305         | 27,678,093          |
| Decrease  |       | (6,849,315)        | (13,387,788)        |
| At end of year  | 15    | <u>7,440,990</u>   | <u>14,290,305</u>   |

The notes on pages 15 to 26 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

**NOTES: SIGNIFICANT ACCOUNTING POLICIES**

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

**Transition to IFRS for SMEs**

The company's consolidated financial statements for the year ended 31 December 2017 are its first annual financial statements prepared under accounting policies that comply with the International Financial Reporting Standard for Small and Medium-sized Entities. The consolidated financial statements of the previous period were prepared in accordance with full International Financial Reporting Standards. There were no material changes during this transition.

**1. General Information**

Ecu Worldwide (Kenya) Limited is a limited liability company incorporated and domiciled in Kenya. The address of its registered office and principal place of business is in Mombasa, Kenya. Their principal activity is that of provision of freight shipping and air services, clearing, forwarding and warehousing agents. The principal activity of the subsidiary company, Ecu Shipping Logistics (K) Limited, is lodging of import manifests.

**2. a) Basis of preparation**

The consolidated financial statements of Ecu Worldwide (Kenya) Limited have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) with early adoption of the 2015 amendments to the standard. The early adoption of the amendments has not resulted in any prior period restatements or other material changes in presentation.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

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

**Going concern**

The financial performance of the group and company is set out in the directors' report and in the statement of profit or loss. The financial position of the group and company is set out in the consolidated and company statement of financial position.

Based on the financial performance and position of the group and company and its risk management policies, the directors are of the opinion that the group and company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

**b) Key sources of estimation uncertainty**

The group and company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Key sources of estimation uncertainty (Continued)**

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

Local receivables older than 90 days and other receivables older than 120 days are considered as doubtful debts, hence a 100% provision is made. Doubtful debts that are later confirmed to be uncollectible are written off as bad debts.

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

**c) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the performance of services in the ordinary course of the company's activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts and after eliminating sales within the group.

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

- i) Sales of services are recognised upon performance of the services rendered by reference to the stage of completion of the service contract.
- ii) Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.

**d) Investment in subsidiaries/Consolidation**

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the company; has power over the 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 etc.

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

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

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

**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Investment in subsidiaries/Consolidation (continued)**

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

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

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

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

**- Disposal of subsidiaries**

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

**e) Vehicles and equipment**

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

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

Depreciation is calculated on the reducing balance basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

|                                    | <u>Rate %</u> |
|------------------------------------|---------------|
| Motor vehicles                     | 25            |
| Computers and electronic equipment | 30            |
| Furniture, fittings and equipment  | 12.5          |

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

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

Gains and losses on disposal of vehicles and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

**NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Impairment of non-financial assets**

At the end of each reporting period, the group reviews the carrying amounts of its tangible 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

**g) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and short-term deposits held at call with banks.

Short-term deposits are liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

**h) Financial assets**

Trade and other receivables are initially recognised at the transaction price (less transaction costs). Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Debt instruments such as Treasury bills or corporate bonds are initially recognised at the transaction price including transaction costs, and subsequently measured at amortised cost using the effective interest method.

**i) Financial liabilities**

Financial liabilities are initially recognised at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest.

**j) Accounting for leases**

**The group as a lessee**

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

**k) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings (functional currency) at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Kenya Shillings (functional currency) at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

**NOTES (CONTINUED)**

**l) Current and deferred income tax**

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 equity. In this case, the tax is also recognised in equity.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

**Offsetting**

An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**m) Dividends**

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

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

**n) Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

**o) Retirement benefit obligations**

The group/company operates a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The scheme is administered by an insurance company. The group's/company's contributions to the defined contribution retirement benefit scheme are charged to profit or loss in the year to which they relate. The group/company has no further payment obligations once the contributions have been paid.

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

**p) Share capital**

Ordinary shares are classified as equity.

**NOTES (CONTINUED)**

| 3. Revenue  | Group              |                    | Company            |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2017<br>Shs        | 2016<br>Shs        | 2017<br>Shs        | 2016<br>Shs        |
| Exports   | 105,972,553        | 107,179,624        | 105,972,553        | 107,179,624        |
| Imports   | 261,751,256        | 322,431,435        | 261,751,256        | 322,431,435        |
| Others  | 708,663            | 122,218            | 708,663            | 122,218            |
|   | <u>368,432,472</u> | <u>429,733,277</u> | <u>368,432,472</u> | <u>429,733,277</u> |
| <b>4. Other income</b>  |                    |                    |                    |                    |
| Interest income   | 136,637            | 133,691            | -                  | -                  |
| Profit on disposal of vehicles and equipment                            | 389,077            | -                  | 389,077            | -                  |
| Miscellaneous Income  | 117,691            | -                  | 117,691            | -                  |
| Bad debts recovered   | -                  | 41,017             | -                  | 41,017             |
| Net foreign exchange gain   | -                  | 22,636             | -                  | 22,636             |
|   | <u>643,405</u>     | <u>197,344</u>     | <u>506,768</u>     | <u>63,653</u>      |
| <b>5. Operating profit</b>  |                    |                    |                    |                    |
| The following items have been credited in arriving at operating profit: |                    |                    |                    |                    |
| Depreciation of vehicles and equipment (Note 10)                        | 1,813,522          | 2,357,261          | 1,813,522          | 1,826,348          |
| Operating lease rentals   | 6,261,482          | 5,405,497          | 6,261,482          | 5,405,497          |
| Auditors' remuneration:   |                    |                    |                    |                    |
| - current year  | 872,025            | 830,500            | 693,000            | 660,000            |
| - overprovision in prior year   | -                  | (30,000)           | -                  | (30,000)           |
| Directors' remuneration   | 7,692,810          | 14,257,500         | 7,692,810          | 14,257,500         |
| Staff costs (Note 6)  | <u>2,016,072</u>   | <u>2,150,775</u>   | <u>2,016,072</u>   | <u>2,150,775</u>   |
| <b>6. Staff costs</b>   |                    |                    |                    |                    |
| Pension cost:   |                    |                    |                    |                    |
| - Defined contribution scheme   | 1,942,872          | 2,070,975          | 1,942,872          | 2,070,975          |
| - National Social Security Fund   | 73,200             | 79,800             | 73,200             | 79,800             |
|   | <u>2,016,072</u>   | <u>2,150,775</u>   | <u>2,016,072</u>   | <u>2,150,775</u>   |
| The average number of persons employed during the year were:            | <u>31</u>          | <u>33</u>          | <u>31</u>          | <u>33</u>          |
| <b>7. Tax</b>   |                    |                    |                    |                    |
| Current tax   | 7,899,731          | 11,929,845         | 7,859,683          | 11,890,893         |
| Deferred tax credit (Note 11)   | <u>(4,675,795)</u> | <u>(2,097,335)</u> | <u>(4,653,887)</u> | <u>(2,166,332)</u> |
| Tax charge  | <u>3,223,936</u>   | <u>9,832,510</u>   | <u>3,205,796</u>   | <u>9,724,561</u>   |

**NOTES (CONTINUED)**

**7. Tax (continued)**

The tax on the group's/company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2017<br>Shs | 2016<br>Shs | 2017<br>Shs | 2016<br>Shs |
| Profit before tax                                      | 9,971,183   | 31,573,834  | 9,910,713   | 31,214,004  |
| Tax calculated at a tax rate of 30% (2016: 30%)        | 2,991,355   | 9,472,150   | 2,973,214   | 9,364,201   |
| Tax effect of expenses not deductible for tax purposes |             |             |             |             |
| - expenses not deductible for tax purposes             | 311,317     | 372,665     | 311,318     | 372,666     |
| - income not subject to tax                            | (78,736)    | (12,305)    | (78,736)    | (12,305)    |
| Tax charge   | 3,223,936   | 9,832,510   | 3,205,796   | 9,724,561   |
| Effective rate of tax                                  | 31.73%      | 31.1%       | 31.74%      | 31.15%      |

**8. Share capital**

**Authorised:**

1,500 (2016: 1,500) ordinary shares of Shs 5,000 each

|           |           |           |           |
|-----------|-----------|-----------|-----------|
| 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 |
|-----------|-----------|-----------|-----------|

**Issued and fully paid:**

800 (2016: 800) ordinary shares of Shs 5,000 each

|           |           |           |           |
|-----------|-----------|-----------|-----------|
| 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |
|-----------|-----------|-----------|-----------|

**9. Dividends**

The directors do not propose a final dividend (2016: Shs 30,000,000). Shs 7,500,000 from the 2016 final dividend was paid during 2017. A further Shs \_\_\_\_\_ from the 2016 dividend liability is expected to be paid during 2018.

In accordance with the Kenyan Companies Act, 2015, these financial statements reflect this dividend payable which is accounted for in the shareholders' funds as an appropriation of retained profits in the year ended 31 December 2017.

Payment of dividend is subject to a withholding tax at the rate of 5% for residents and 10% for non-residents. Payment of dividends to shares held by resident limited entities in excess of 12.5% of the shareholding are exempt from withholding tax.

**10. Vehicles and equipment - Group and Company**

**The Group and the Company**

|                        | Motor<br>vehicles<br>Shs | Computers<br>and<br>electronic<br>equipment<br>Shs | Furniture,<br>fittings and<br>equipment<br>Shs | Total<br>Shs      |
|------------------------|--------------------------|--|--|-------------------|
| <b>Cost</b>            |                          |  |  |                   |
| At start of year       | 16,221,359               | 12,905,219   | 12,175,612                                     | 41,302,190        |
| Additions              | 3,450,000                | 263,700  | -  | 3,713,700         |
| Disposals              | (6,347,519)              | (133,802)  | (460,000)                                      | (6,941,321)       |
| At end of year         | <u>13,323,840</u>        | <u>13,035,117</u>                                  | <u>11,715,612</u>                              | <u>38,074,569</u> |
| <b>Depreciation</b>    |                          |  |  |                   |
| At start of year       | 12,333,792               | 11,484,642   | 9,007,504                                      | 32,825,938        |
| Disposals              | (5,248,364)              | (126,088)  | (412,478)                                      | (5,786,930)       |
| Charge for the year    | 984,603                  | 446,643  | 382,276  | 1,813,522         |
| At end of year         | <u>8,070,031</u>         | <u>11,805,197</u>                                  | <u>8,977,302</u>                               | <u>28,852,530</u> |
| <b>Net book value</b>  |                          |  |  |                   |
| As at 31 December 2017 | <u>5,253,809</u>         | <u>1,229,920</u>                                   | <u>2,738,310</u>                               | <u>9,222,039</u>  |
| As at 31 December 2016 | <u>3,887,567</u>         | <u>1,420,577</u>                                   | <u>3,168,108</u>                               | <u>8,476,253</u>  |

**11. Deferred tax**

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

|                                   | Group              |                    | Company            |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | Shs<br>2017        | Shs<br>2016        | Shs<br>2017        | Shs<br>2016        |
| At start of year                  | (2,284,995)        | (187,660)          | (2,298,725)        | (132,392)          |
| Credit to profit or loss (Note 7) | (4,675,795)        | (2,097,335)        | (4,653,886)        | (2,166,332)        |
| At end of year                    | <u>(6,960,790)</u> | <u>(2,284,995)</u> | <u>(6,952,611)</u> | <u>(2,298,724)</u> |

NOTES (CONTINUED)

11. Deferred tax (continued)

Deferred tax (asset)/liability, deferred tax charge/(credit) to profit or loss are attributable to the following items:

|                                 | At start<br>of year<br>Shs | Credit/(charge)<br>to profit<br>or loss<br>Shs | At end<br>of year<br>Shs |
|---------------------------------|----------------------------|--|--------------------------|
| <b>The Group</b>                |                            |  |                          |
| <b>Deferred tax liability</b>   |                            |  |                          |
| Unrealised exchange differences | 12,396                     | (12,273)                                       | 123                      |
| Accrued interest                | 13,730                     | 942  | 14,672                   |
|                                 | <u>26,126</u>              | <u>(11,331)</u>                                | <u>14,795</u>            |
| <b>Deferred tax assets</b>      |                            |  |                          |
| Vehicles and equipment          | 20,634                     | 130,181  | 150,815                  |
| Tax losses                      | -                          | (22,850)                                       | (22,850)                 |
| Other timing differences        | (2,331,755)                | (4,771,795)                                    | (7,103,550)              |
|                                 | <u>(2,311,121)</u>         | <u>(4,664,464)</u>                             | <u>(6,975,585)</u>       |
| <b>Net deferred tax asset</b>   | <u>(2,284,995)</u>         | <u>(4,675,795)</u>                             | <u>(6,960,790)</u>       |
| <b>The Company</b>              |                            |  |                          |
| <b>Deferred tax liability</b>   |                            |  |                          |
| Unrealised exchange differences | 12,396                     | (12,273)                                       | 123                      |
| <b>Deferred tax assets</b>      |                            |  |                          |
| Vehicles and equipment          | 20,634                     | 130,181  | 150,815                  |
| Other timing differences        | (2,331,755)                | (4,771,794)                                    | (7,103,549)              |
|                                 | <u>(2,311,121)</u>         | <u>(4,641,613)</u>                             | <u>(6,952,734)</u>       |
| <b>Net deferred tax asset</b>   | <u>(2,298,724)</u>         | <u>(4,653,886)</u>                             | <u>(6,952,611)</u>       |

12. Investment in subsidiary

|  | 2017<br>Shs    | 2016<br>Shs    |
|--|----------------|----------------|
| 999 ordinary shares of Ecu Shipping Logistics (K) Limited of Shs 1,000 each (99.9% shareholding) | <u>999,000</u> | <u>999,000</u> |

The subsidiary is incorporated in Kenya. The proportion of the voting rights in the subsidiary undertaking held directly by the parent company does not differ from the proportion of ordinary shares held. The non-controlling interest in respect of Ecu Shipping Logistics (K) Limited is not material.

13. Financial assets

|               | 2017<br>Shs      | 2016<br>Shs      |
|---------------|------------------|------------------|
| Treasury bill | <u>1,437,640</u> | <u>1,241,645</u> |

The treasury bills with a total face value of Shs 1,500,000 were purchased by the subsidiary from CfC Stanbic Bank Kenya Limited, through the tenders dated 29 August 2017 (Shs 1,300,000) and 4 September 2017 (Shs 200,000). The investments mature within 6 months from the date acquired.

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**NOTES (CONTINUED)**

| 14. Trade and other receivables   | Group               |                    | Company             |                    |
|---|---------------------|--------------------|---------------------|--------------------|
|   | 2017<br>Shs         | 2016<br>Shs        | 2017<br>Shs         | 2016<br>Shs        |
| Trade receivables   | 62,259,488          | 47,818,251         | 62,259,488          | 47,818,251         |
| Less: impairment provisions   | <u>(23,678,495)</u> | <u>(7,772,513)</u> | <u>(23,678,495)</u> | <u>(7,772,513)</u> |
| Net trade receivables   | 38,580,993          | 40,045,738         | 38,580,993          | 40,045,738         |
| Prepayments   | 7,608,751           | 14,753,713         | 7,559,843           | 7,700,857          |
| Other receivables   | 3,683,539           | -                  | 3,682,400           | 7,002,442          |
| Advance payments  | 4,378,773           | -                  | 4,378,773           | -                  |
| Container deposits  | 2,497,106           | 7,032,935          | 2,497,106           | 7,032,935          |
| Receivable from related parties (Note 17 (vi))  | <u>11,085,148</u>   | <u>17,204,896</u>  | <u>11,089,148</u>   | <u>17,207,396</u>  |
|   | <u>67,834,310</u>   | <u>79,037,282</u>  | <u>67,788,263</u>   | <u>78,989,368</u>  |
| <b>Movement in impairment provisions</b>  |                     |                    |                     |                    |
| At start of year  | 7,772,513           | 768,268            | 7,772,513           | 768,268            |
| Additions   | 21,797,285          | 7,382,370          | 21,797,285          | 7,382,370          |
| Recoveries  | <u>(5,891,303)</u>  | <u>(378,125)</u>   | <u>(5,891,303)</u>  | <u>(378,125)</u>   |
| At end of year  | <u>23,678,495</u>   | <u>7,772,513</u>   | <u>23,678,495</u>   | <u>7,772,513</u>   |
| <b>15. Cash and cash equivalents</b>  |                     |                    |                     |                    |
| Cash at bank and in hand  | <u>8,025,581</u>    | <u>15,083,312</u>  | <u>7,440,990</u>    | <u>14,290,305</u>  |
| For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the above balances. |                     |                    |                     |                    |
| <b>16. Trade and other payables</b>   |                     |                    |                     |                    |
| Trade payables  | 14,260,041          | 8,667,404          | 14,260,041          | 8,667,404          |
| Accruals  | 3,718,232           | 10,756,785         | 3,374,609           | 10,407,277         |
| Deferred income   | 3,769,899           | -                  | 3,769,899           | -                  |
| Payable to related parties (Note 17 (vi))   | <u>20,753,097</u>   | <u>27,368,676</u>  | <u>20,757,699</u>   | <u>27,373,476</u>  |
|   | <u>42,501,270</u>   | <u>46,792,865</u>  | <u>42,162,248</u>   | <u>46,448,157</u>  |

NOTES (CONTINUED)

17. Related party transactions and balances

The company is controlled by Ecuhold NV incorporated in Belgium, which owns 82% of the company's shares. The remaining 18% of the shares are widely held. The ultimate parent company is AllCargo Global Logistics Limited (incorporated in India).

The following transactions were carried out with related parties which are related through common directorships.

|   | Group             |                    | Company           |                    |
|---|-------------------|--------------------|-------------------|--------------------|
|   | 2017<br>Shs       | 2016<br>Shs        | 2017<br>Shs       | 2016<br>Shs        |
| <b>i) Provision of services</b>                                   |                   |                    |                   |                    |
| Other related parties   | <u>46,657,806</u> | <u>92,394,743</u>  | <u>47,353,382</u> | <u>93,162,528</u>  |
| <b>ii) Purchase of services</b>                                   |                   |                    |                   |                    |
| Other related parties   | <u>85,334,239</u> | <u>147,960,044</u> | <u>86,311,239</u> | <u>148,016,069</u> |
| <b>iii) Sale of vehicle and equipment</b>                         |                   |                    |                   |                    |
| Directors   | <u>1,543,470</u>  | <u>500,000</u>     | <u>1,543,470</u>  | <u>500,000</u>     |
| <b>iv) Key management personnel compensation</b>                  | <u>12,108,360</u> | <u>12,108,360</u>  | <u>12,108,360</u> | <u>12,108,360</u>  |
| <b>v) Directors' benefits and other remuneration</b>              |                   |                    |                   |                    |
| - Salaries  | 7,692,810         | 14,257,500         | 7,692,810         | 14,257,500         |
| - Bonus   | 2,000,000         | -                  | 2,000,000         | -                  |
|   | <u>9,692,810</u>  | <u>14,257,500</u>  | <u>9,692,810</u>  | <u>14,257,500</u>  |
| <b>vi) Outstanding balances arising from trading transactions</b> |                   |                    |                   |                    |
| Receivable from other related parties (Note 14)                   | <u>11,085,148</u> | <u>17,204,896</u>  | <u>11,089,148</u> | <u>17,207,396</u>  |
| Payable to related parties (Note 16)                              | <u>20,753,097</u> | <u>27,368,676</u>  | <u>20,757,698</u> | <u>27,373,476</u>  |
| Receivables from related parties can be analysed as follows:      |                   |                    |                   |                    |
| Subsidiary  | -                 | -                  | 4,000             | 4,000              |
| Other related parties   | <u>20,753,097</u> | <u>27,368,676</u>  | <u>20,753,098</u> | <u>27,368,676</u>  |
|   | <u>20,753,097</u> | <u>27,368,676</u>  | <u>20,757,098</u> | <u>27,372,676</u>  |
| Payable to related parties can be analysed as follows:            |                   |                    |                   |                    |
| Subsidiaries  | -                 | -                  | 4,600             | 4,800              |
| Other related parties   | <u>20,753,097</u> | <u>27,368,676</u>  | <u>20,753,098</u> | <u>27,368,676</u>  |
|   | <u>20,753,097</u> | <u>27,368,676</u>  | <u>20,757,698</u> | <u>27,373,476</u>  |

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

**NOTES (CONTINUED)**

**18. Contingent liabilities**

- a) In 2006, the Kenya Revenue Authority (KRA) carried out a Value Added Tax (VAT) audit covering the period January 2002 to March 2006. An assessment in the amount of Shs 3,805,169 was raised. An objection has been raised with regard to this. The assessed amount has not been provided for as, in the opinion of the directors; the company has good grounds for the objection lodged.

In 2011, Kenya Revenue Authority (KRA) carried out an audit with respect to Value Added Tax (VAT), withholding tax and corporation tax for years of income from 2008 to 2011. In the year 2016, KRA confirmed tax assessments for Shs 26,100,091, Shs 31,813,290 and 9,310,238 for unpaid taxes, interest and penalties in respect of VAT, withholding tax and corporation tax respectively. The company has lodged an appeal to the VAT tribunal and Local Committee in respect of this. The assessment amounts have not been provided for as, in the opinion of the directors; the company has good grounds of winning the appeals lodged.

| b) Customs bonds | Group             |                   | Company           |                   |
|------------------|-------------------|-------------------|-------------------|-------------------|
|                  | 2017<br>Shs       | 2016<br>Shs       | 2017<br>Shs       | 2016<br>Shs       |
|                  | <u>30,000,000</u> | <u>30,000,000</u> | <u>30,000,000</u> | <u>30,000,000</u> |

**19. Commitments**

- a) **Operating lease commitments - as a lessee**

The future minimum lease payments payable under non-cancellable operating leases are as follows:

|  | Group             |                   | Company           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2017<br>Shs       | 2016<br>Shs       | 2017<br>Shs       | 2016<br>Shs       |
| Not later than 1 year                        | 4,253,065         | 4,483,472         | 4,253,065         | 4,483,472         |
| Later than 1 year and not later than 5 years | <u>8,036,592</u>  | <u>12,289,657</u> | <u>8,036,592</u>  | <u>12,289,657</u> |
|  | <u>12,289,657</u> | <u>16,773,129</u> | <u>12,289,657</u> | <u>16,773,129</u> |

The group and company leases various properties under non-cancellable operating lease agreements. The lease terms are between 1 to 5 years and these are generally renewable at the end of the tenure of the lease.

**20. Incorporation**

Ecu Worldwide (Kenya) Limited is incorporated in Kenya under the Companies Act as a private limited liability company and is domiciled in Kenya. The parent company is Ecuhold NV which is incorporated in Belgium while the ultimate holding company is AllCargo Global Logistics Limited which is incorporated in India.

**21. Presentation currency**

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

**CONSOLIDATED SCHEDULE OF EXPENDITURE**

| 1. ADMINISTRATIVE EXPENSES                           | 2017<br>Shs        | 2016<br>Shs        |
|--|--------------------|--------------------|
| <b>Employment:</b>                                   |                    |                    |
| Salaries and wages                                   | 47,939,812         | 35,208,048         |
| Staff training and welfare                           | 5,797,400          | 5,333,291          |
| Pension scheme contribution - defined                | 1,942,872          | 2,070,975          |
| NSSF contributions                                   | 73,200             | 79,800             |
| Commissions and incentives                           | 609,875            | 2,116,633          |
| Training levy  | 18,350             | 19,900             |
| <b>Total employment costs</b>                        | <u>56,381,509</u>  | <u>44,828,647</u>  |
| <b>Other administrative expenses:</b>                |                    |                    |
| Directors' remuneration                              | 7,692,810          | 14,257,500         |
| Provision for director's bonus                       | 2,000,000          | -                  |
| Internet, postages and telephone expenses            | 2,734,211          | 3,136,639          |
| Entertainment  | 206,529            | 367,534            |
| Travelling   | 3,288,154          | 3,263,226          |
| Vehicle running                                      | 2,767,485          | 3,236,010          |
| Printing and stationery                              | 1,202,771          | 1,469,214          |
| Audit fees:  |                    |                    |
| - current year                                       | 872,025            | 830,500            |
| - overprovision in prior year                        | -                  | (30,000)           |
| Legal and professional fees                          | 3,103,120          | 3,665,213          |
| Management expenses                                  | 14,358,660         | 19,048,745         |
| Advertising expenses                                 | 119,130            | 1,097,035          |
| Subscriptions  | 266,580            | 214,100            |
| Donations  | 5,000              | 5,000              |
| Bank charges   | 703,666            | 702,494            |
| Office expenses                                      | 536,765            | 751,063            |
| Computer expense                                     | 334,987            | 379,375            |
| Fines and penalties                                  | -                  | 24,001             |
| Bad debts written off                                | -                  | 8,296              |
| Increase in impairment provision - trade receivables | 15,905,982         | 7,004,245          |
| VAT element on expenses                              | 55,534             | 43,864             |
| <b>Total other administration expenses</b>           | <u>56,153,409</u>  | <u>59,474,054</u>  |
| <b>Total administrative expenses</b>                 | <u>112,534,918</u> | <u>104,302,701</u> |
| <b>2. OTHER OPERATING EXPENSES</b>                   |                    |                    |
| <b>Establishment:</b>                                |                    |                    |
| Rent   | 6,261,482          | 5,405,497          |
| Electricity and water                                | 965,373            | 1,001,090          |
| Repairs and maintenance                              | 857,056            | 699,748            |
| Insurance  | 1,349,410          | 1,656,317          |
| Licences   | 477,946            | 546,727            |
| Security expenses                                    | 364,800            | 1,027,200          |
| Net foreign exchange losses                          | 298,904            | -                  |
| Depreciation of vehicles and equipment               | 1,813,522          | 2,357,261          |
| <b>Total other operating expenses</b>                | <u>12,388,493</u>  | <u>12,693,840</u>  |

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**COMPANY SCHEDULE OF EXPENDITURE**

**1. ADMINISTRATIVE EXPENSES**

|  | 2017<br>Shs               | 2016<br>Shs               |
|--|---------------------------|---------------------------|
| <b>Employment:</b>                                   |                           |                           |
| Salaries and wages                                   | 47,939,812                | 35,208,048                |
| Staff training and welfare                           | 5,797,400                 | 5,333,291                 |
| Pension scheme contribution - defined                | 1,942,872                 | 2,070,975                 |
| NSSF contributions                                   | 73,200                    | 79,800                    |
| Commissions and incentives                           | 609,875                   | 2,116,633                 |
| Training levy  | 18,350                    | 19,900                    |
| <b>Total employment costs</b>                        | <u>56,381,509</u>         | <u>44,828,647</u>         |
| <b>Other administrative expenses:</b>                |                           |                           |
| Directors' remuneration                              | 7,692,810                 | 14,257,500                |
| Provision for director's bonus                       | 2,000,000                 | -                         |
| Internet, postages and telephone expenses            | 2,734,211                 | 3,136,639                 |
| Entertainment  | 206,529                   | 367,534                   |
| Travelling   | 3,288,154                 | 3,263,226                 |
| Vehicle running expenses                             | 2,767,485                 | 3,236,010                 |
| Printing and stationery                              | 1,182,447                 | 1,452,364                 |
| Audit fees:  |                           |                           |
| - current year                                       | 693,000                   | 660,000                   |
| - overprovision in prior year                        | -                         | (30,000)                  |
| Legal and professional fees                          | 2,972,243                 | 3,529,613                 |
| Management expenses                                  | 13,778,660                | 18,352,745                |
| Advertising expenses                                 | 119,130                   | 1,097,035                 |
| Subscriptions  | 266,580                   | 214,100                   |
| Donations  | 5,000                     | 5,000                     |
| Bank charges   | 697,021                   | 694,658                   |
| Office expenses                                      | 520,660                   | 735,531                   |
| Computer expense                                     | 334,987                   | 379,375                   |
| Fines and penalties                                  | -                         | 24,001                    |
| Bad debts written off                                | -                         | 8,296                     |
| Increase in impairment provision - trade receivables | 15,905,982                | 7,004,245                 |
| <b>Total other administration expenses</b>           | <u>55,164,898</u>         | <u>58,387,872</u>         |
| <b>Total administrative expenses</b>                 | <u><u>111,546,407</u></u> | <u><u>103,216,519</u></u> |

**2. OTHER OPERATING EXPENSES**

|  |                          |                          |
|--|--------------------------|--------------------------|
| <b>Establishment:</b>                  |                          |                          |
| Rent                                   | 6,261,482                | 5,405,497                |
| Electricity and water                  | 965,373                  | 1,001,090                |
| Repairs and maintenance                | 857,056                  | 699,748                  |
| Insurance                              | 1,349,410                | 1,656,317                |
| Licences                               | 413,290                  | 491,047                  |
| Security expenses                      | 364,800                  | 1,027,200                |
| Net foreign exchange losses            | 298,904                  | -                        |
| Depreciation of vehicles and equipment | 1,813,522                | 2,357,261                |
| <b>Total other operating expenses</b>  | <u><u>12,323,837</u></u> | <u><u>12,638,160</u></u> |