PKF

ECU SHIPPING LOGISTICS (K) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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COMPANY INFORMATION

BOARD OF DIRECTORS	: Benjamin K. Nzoka : MLS Bvba (Resigned on 28/09/2016) : Saleem Mohamed Nazir (British) : Shantha Martin (Indian) (appointed on 28/09/2016)
REGISTERED OFFICE	: Plot No. Mombasa Block XXI/539 : Sheetal Plaza, : Mohdhar Mohd Habib Road : P.O. Box 94066 : Mombasa
INDEPENDENT AUDITOR	: PKF Kenya : Certified Public Accountants : P.O. Box 90553 - 80100 : Mombasa
COMPANY SECRETARY	: Zainash Registrars : Certified Public Secretaries : P.O. Box 44 - 00606 : Nairobi
PRINCIPAL BANKER	: Stanbic Bank Limited : P.O. Box 90131 - 80100 : Mombasa
LEGAL ADVISORS	: Kiarie, Kariuki & Co' Advocates : Ambalal House : P.O. Box 838 - 80100 : Mombasa
PARENT COMPANY	: Ecu Worldwide (Kenya) Limited : Mombasa

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITY

The principal activity of the company is that of lodging of import manifests.

RESULTS	2016 Shs	2015 Shs
Profit before tax	359,829	206,344
Tax charge	(107,949)	(61,903)
Profit for the year	251,880	144,441

DIVIDEND

The directors do not propose a dividend for the year 2016 (2015: Nil).

DIRECTORS

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

MSL Bvba retires by rotation in accordance with the company's Articles of Association and being eligible, offers itself for re-election.

INDEPENDENT AUDITOR

The company's auditor, PKF Kenya, has indicated willingness to continue in office in accordance with the Kenyan Companies Act, 2015.

BY ORDER OF THE BOARD

DIRECTOR
MOMBASA

10TH MARCH 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare 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 year and of its profit or loss for that year. It also requires the directors to ensure that the company 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 financial statements of the group and the company that comply with the International Financial Reporting Standards and the requirements of the Kenya Companies Act, 2015. The directors are also responsible for safeguarding the assets of 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 there financial statements in accordance with the International Financial Reporting Standards and in the manner required by the 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 company as at 31 December 2016 and of the company'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 company's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the company 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.

So far as each of the directors is aware, there is no relevant audit information which the auditor is unaware of, and each of the directors has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the board of directors on 10TH MARCH 2017 signed on its behalf by:

DIRECTOR
BENJAMIN KIOKO NZOKA

DIRECTOR
Obo Directors
LUCIAN DOOLEY

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ECU SHIPPING LOGISTICS (K) LIMITED

Opinion

We have audited the financial statements of Ecu Shipping Logistics (K) Limited, set out on pages 6 to 20 which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Financial Statements section of our report. We are independent of the company 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 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 but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibilty is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially mistated. If, based on the work we have performed, we conclude that there is a material mistatement 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 financial statements that give a true and fair view in accordance with IFRSs, and the requirements of the Kenyan Companies Act, 2015, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material mistatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

.....continued on page 5

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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF ECU SHIPPING LOGISTICS (K) LIMITED (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
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 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 company'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 company'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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements
As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii) the company's statement of financial position and statement of profit or loss are in agreement with the books of account.

PKF Kenya
Certified Public Accountants
Mombasa

15 March **2017**

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

033/2017

STATEMENT OF PROFIT OR LOSS

	Notes	2016 Shs	2015 Shs
Revenue		1,368,000	1,248,000
Other income	2	133,691	90,450
Administrative expenses		(1,141,862)	(1,132,106)
Profit before tax	3	359,829	206,344
Tax charge	4	(107,949)	(61,903)
Profit for the year		251,880	144,441

The notes on pages 6 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 - 5.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2016 Shs	2015 Shs
CAPITAL EMPLOYED			
Share capital	5	1,000,000	1,000,000
Retained earnings		982,037	730,157
Equity attributable to owners of the company		1,982,037	1,730,157
Non-current liabilities			
Deferred tax	6	13,730	-
		1,995,767	1,730,157
REPRESENTED BY			
Non-current assets			
Deferred tax	6	-	55,268
Current assets			
Financial asset	7	1,241,645	-
Receivables	8	55,214	15,137
Cash and cash equivalents	9	793,007	1,666,090
Tax recoverable		257,909	214,749
		1,106,130	1,895,976
Current liabilities			
Payables	10	352,008	221,087
Net current assets		754,122	1,674,889
		754,122	1,730,157

The financial statements on pages 6 to 20 were approved and authorised for issue by the board of directors on 10TH MARCH 2017 and were signed on its behalf by:

DIRECTOR

DIRECTOR

obo Directors
Luc Van Acoum

The notes on pages 6 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 - 5.

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital Shs	Retained earnings Shs	Total Shs
Year ended 31 December 2016			
At start of year	1,000,000	730,157	1,730,157
Profit for the year	-	251,880	251,880
At end of year	1,000,000	982,037	1,982,037
Year ended 31 December 2015			
At start of year	1,000,000	585,716	1,585,716
Profit for the year	-	144,441	144,441
At end of year	1,000,000	730,157	1,730,157

The notes on pages 6 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 - 5.

STATEMENT OF CASH FLOWS

	Notes	2016 Shs	2015 Shs
Operating activities			
Cash (used in)/from operations	10	(924,663)	137,734
Tax paid		(82,111)	(76,696)
Net cash (used in)/from operating activities		(1,006,774)	61,038
Investing activities			
Interest received		133,691	90,450
Net cash from investing activities		133,691	90,450
(Decrease)/increase in cash and cash equivalents		(873,083)	151,488
Movement in cash and cash equivalents			
At start of year		1,666,090	1,514,602
(Decrease)/increase		(873,083)	151,488
At end of year	8	793,007	1,666,090

The notes on pages 6 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 - 5.

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.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these 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 in use in IAS 36.

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 ar unobservable inputs for the asset or liability.

Going concern

The financial performance of the company is set out in the directors' report and in the statement of profit or loss. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk and capital management are set out in note 12 and 13.

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

These 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 statement of financial position represents the balance sheet referred to in the Act.

New and amended standards adopted by the company

A number of new and revised Standards and Interpretations have been adopted in the current year. Their adoption has had no material impact on the amounts reported in these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective:

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

- Amendments issued in January 2016 to IAS 7 ' Statement of Cash Flows ' to improve information provided about an entity's changes in liabilities from financing activities through disclosure (as applicable) of: (i) changes from financing cash flows; (ii) changes from obtaining cash flows; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other charges. There amendments are effective for annual periods beginning on or after 1 January 2017.

- Amendments issued in January 2017 to IAS 12 ' Income Taxes' that are effective for annual periods beginning on or after 1 January 2017 clarify that unrealised losses on debt instruments that are carried at fair value give rise to a deductible temporary difference on which deferred tax arises where they are carried as cost for tax purposes.

- IFRS 9 'Financial Instruments'(Issued in July 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1 January 2018.It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.

  IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

  In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is at is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.

  In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

- IFRS 15 'Revenue from Contracts with Customers' (issued in May 2014) effective for annual periods beginning on or after 1 January 2018, replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and their interpretations (SIC-31 and IFRIC 13,15 and 18).It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.

The directors expect that the future adoption of IFRS 9 and IFRS 15 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) **Key sources of estimation uncertainty**

In the application of the accounting policies, the directors are required to make the judgments, 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.

- **Impairment of trade receivables** - the 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 cash flows expected.

c) **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 rebates and discounts.

The 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 when the specific criteria have been met for each of the company'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 company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

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) **Impairment of non-financial assets**

At the end of each reporting period, the company 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments

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

- Financial assets

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

The company's financial assets which include receivables and cash and cash equivalents fall into the following categories:

- **Held-to-maturity**: financial assets with fixed or determinable payments and fixed maturity where the management have the positive intent and ability to hold to maturity. Subsequent to initial recognition, such assets are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

- **Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairment losses are recognised in profit or loss.

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss in the year in which they occur.

Gains and losses on disposal of assets whose changes in fair value were initially recognised in profit or loss are determined by reference to their carrying amount and are taken into account in determining operating profit/(loss). On disposal of assets whose changes in fair value were initially recognised in equity, the gains/losses are recognised in the reserve, where the fair values were initially recognised. Any resultant surplus/deficit after the transfer of the gains/losses is transferred to retained earnings. gains/losses are transferred to retained earnings.

1. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e) **Financial instruments (continued)**

- ***Financial assets (continued)***

Management classifies financial assets as follows:

Government securities are classified as held-to-maturity as the company has the intention and ability to hold these to maturity. These are carried at amortised cost.

Cash in hand and balances with financial institutions and receivables are classified as loans and receivables and are carried at amortised cost.

Management classify the fair values of financial assets based on the qualitative characteristics of the fair valuation as at the financial year end. The three hierarchy levels used by management are:

- **Level 1:** where fair values are based on non-adjusted quoted prices in active markets for identical financial assets.
- **Level 2:** where fair values are based on adjusted quoted prices and observable prices of similar financial assets.
- **Level 3:** where fair values are not based on observable market data.

- Financial liabilities

The company's financial liabilities which include payables fall into the following category:

Financial liabilities measured at amortised cost: These include payables. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

Offsetting financial instruments

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

f) **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.

g) **Share capital**

Ordinary shares are classified as equity.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) 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.

i) 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 other comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income and equity.

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 values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

j) Comparatives

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

2. Other income

	2016 Shs	2015 Shs
Interest income from treasury bill (Note 11)	133,691	90,450

3. Profit before tax

The following item has been charged in arriving at profit before tax:

Auditors' remuneration	170,500	155,000

4. Tax

Current tax	38,951	26,991
Deferred tax charge (Note 6)	68,998	34,912
Tax charge	107,949	61,903

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

Profit before tax	359,829	206,344
Tax calculated at a tax rate of 30% (2015: 30%)	107,949	61,903
Tax charge	107,949	61,903

The current tax charge is applicable to interest received on treasury bills.

5. Share capital

Authorised, issued and fully paid:		
1,000 (2015: 1,000) ordinary shares of Shs 1,000 each	1,000,000	1,000,000

6. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2015: 30%). The movement on the deferred tax asset account is as follows:

	2016 Shs	2015 Shs
At start of year	(55,268)	(90,180)
Charge to profit or loss (Note 4)	68,998	34,912
At end of year	13,730	(55,268)

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

	At start of year Shs	Charge to profit or loss Shs	At end of year Shs
Deferred tax liabilities			
Accrued interest	2,245	11,485	13,730
Deferred tax assets			
Tax losses	(57,513)	57,513	-
Net deferred tax assets	(55,268)	68,998	13,730

7. Financial assets

	2016 Shs	2015 Shs
Treasury bill	1,241,645	-

The treasury bill with a face value of Shs 1,300,000 was purchased from CfC Stanbic Bank Kenya Limited, through a tender dated 29 August 2016. The investment matures within 6 months from the date acquired, and is expected to be rolled forward for the interval of 6 months.

8. Receivables

	2016 Shs	2015 Shs
Other receivables	4,646	7,483
Prepayments	45,768	3,454
Amounts due from parent company (Note 12 (iii) (a))	4,800	4,200
	55,214	15,137

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

9. Cash and cash equivalents

	2016 Shs	2015 Shs
Cash in bank	793,007	685,172
Treasury bill	-	980,918
	793,007	1,666,090

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the above:

The company's bank balance is held with a major Kenyan financial institution and, insofar as the directors are able to measure any credit risk to these assets, it is deemed to be limited.

10. Payables

	2016 Shs	2015 Shs
Accruals	349,508	218,587
Amount due to parent company (Note 12 (iii) (b))	2,500	2,500
	352,008	221,087

The maturity analysis of the company's payables is within 3 months (2015: within 3 months).

11. Cash (used in)/from operations

	2016 Shs	2015 Shs
Reconciliation of profit before tax to cash from/(used) in operations:		
Profit before tax	359,829	206,344
Adjustments for:		
Interest income (Note 2)	(133,691)	(90,450)
Changes in working capital:		
- financial assets	(1,241,645)	-
- receivables	(40,077)	53,340
- payables	130,921	(31,500)
Cash (used in)/from in operations	(924,663)	137,734

12. Related party transactions and balances

The company is controlled by Ecu Worldwide (Kenya) Limited, incorporated in Kenya, which owns 99% of the company's shares.

The following transactions were carried out with related party:

		2016 Shs	2015 Shs
i)	**Provision of service**		
	Parent	1,368,000	1,248,000
ii)	**Purchase of services**		
	Parent	1,003,091	710,284
iii)	**Outstanding balances arising from provision and purchase of services**		
	a) Receivable from parent company (Note 8)	4,800	4,200
	b) Payable to parent company (Note 10)	2,500	2,500

The receivable from/payable to the parent company is interest free, unsecured and has no specific dates of repayment.

13. Risk management objectives and policies

Financial risk management

The company's activities expose it to a variety of financial risks: credit risk and liquidity risk.

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

Risk management is carried out by the management.

a) Credit risk

Credit risk arises from cash and cash equivalents and receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

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

None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

13. **Risk management objectives and policies (continued)**

Financial risk management (continued)

b) **Liquidity risk**

Cash flow forecasting is performed by the finance department of the company by monitoring the company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Note 9 discloses the maturity analysis of payables.

14. **Capital management**

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing 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; and
- to maintain a strong asset base to support the development of business.
- to maintain an optimal capital structure to reduce the cost of capital.

15. **Country of incorporation**

Ecu Shipping Logistics (K) Limited is incorporated in Kenya under the Kenyan Companies Act as a private limited liability company and is domiciled in Kenya.

16. **Presentation currency**

These financial statements are presented in Kenya Shillings except where stated otherwise.

SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2016 Shs	2015 Shs
Management fees	696,000	696,000
VAT element on expenses	43,864	53,008
Computer expenses	15,532	10,368
Licences	55,680	57,451
Printing and stationery	16,850	19,800
Audit fees	170,500	155,000
Legal and professional fees	105,600	96,000
Secretarial	30,000	30,000
Bank charges and commissions	7,836	14,479
Total administrative expenses	1,141,862	1,132,106