

**ECU WORLDWIDE (KENYA) LIMITED
ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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COMPANY INFORMATION

BOARD OF DIRECTORS	: Saleem Mohamed Nazir (British) : Rene Marcel Wernli (Swiss) : Sanjeev Sukumaran (Indian)
REGISTERED OFFICE	: Inchcape House : 3rd Floor, Archbishop Makarios cls : Off Moi Avenue : P. O. Box 94066 - 80107 : Mombasa
INDEPENDENT AUDITOR	: PKF Kenya : Certified Public Accountants : P. O. Box 90553 - 80100 : Mombasa
COMPANY SECRETARIES	: Zainash Registrars (Resigned on 16/01/2019) : Certified Public Secretaries : P.O. Box 44 - 00606 : Nairobi : Africa Registrars (Appointed on 16 January 2019) : Certified Public Secretaries : P. O. Box 1243 - 00100 : Nairobi
PRINCIPAL BANKER	: Stanbic Bank Kenya Limited : P. O. Box 90131 - 80100 : Mombasa
LEGAL ADVISORS	: Kiarie, Kariuki & Co. Advocates : Ambalal House : P. O. Box 838 - 80100 : Mombasa
SUBSIDIARY	: Ecu Shipping Logistics (K) Limited : Mombasa
PARENT COMPANY	: ECUHOLD NV : Belgium

REPORT OF THE DIRECTORS

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2019, 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, warehousing agents and investment in property letting. The principal activity of the subsidiary company, Ecu Shipping Logistics (K) Limited, is lodging of import manifests.

BUSINESS REVIEW

During the year 2019 the total turnover of the group and company decreased from Shs 323,254,636 to Shs 258,005,832. This was mainly attributed to overall decrease in business activity due to the economic conditions during the year.

As at 31 December 2019, the net asset position of the group was Shs 14,189,889 compared to Shs 19,506,976 as at 31 December 2018 and for that of company was Shs 13,049,290 in 2019 compared to Shs 18,412,395 in 2018

Key performance indicators	Group		Company	
	2019	2018	2019	2018
Turnover (Shs)	258,005,832	323,254,636	258,005,832	323,254,636
Profit/(loss) for the year (Shs)	10,276,778	(14,503,135)	10,230,714	(14,574,443)
Net assets (Shs)	14,189,889	19,506,976	13,049,290	18,412,395

PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging and this has a resultant effect on overall demand of the group's/company's services. The group's/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 group's/company's activities exposes it to a number of financial risks including credit risk and liquidity risk as set-out below:

Credit risk

The group's/company's principal financial assets are cash and bank balances and trade and other receivables which consist primarily of related party balances. The group's/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 group's/company's transactions 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.

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REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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.

DIVIDEND

The directors declared and paid a final dividend of Shs 19,383.72 per share amounting to Shs 15,506,976 (2018: Nil).

DIRECTORS

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

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

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

- (a) there is, so far as the person is aware, no relevant audit information of which the 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 1,054,366 for the group and Shs 764,033 for the company has been charged to profit or loss in the year.

BY ORDER OF THE BOARD



DIRECTOR
MOMBASA

18-03-

2020

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; and
- 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 2019 and of the group's and company's financial performance and its cash flows for the year then ended in accordance with the 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 18-03- 2020 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 27 which comprise the consolidated and company statements of financial position as at 31 December 2019, 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 2019, 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 and schedule of net rental income 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 have no realistic alternative but to do so.

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

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Partners: Rajan Shah, Atul Shah, Alpesh Vadher, Piyush Shah, Ritesh Mirchandani*, David Kabeberi, Charles Oguttu***, Asif Chaudhry, Ketan Shah**, Michael Mburugu, Gurmit Santokh, Darshan Shah, Salim Alibhai, Larian Abreu, Patrick Kuria, Nishith Shah, Jalpesh Shah, Erick Njuguna, Peter Kahi, Ajay Chandria, Mike Kimundu, Shilpa Chheda** (*Indian, **British, ***Ugandan)

PKF Kenya and its associates are member firms of the PKF International Limited family of legally independent firms and do not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms

**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.

PKS Kenya
**Certified Public Accountants
Mombasa**

**CPA Piyush Ramesh Devchand Shah, Practising Certificate No. 1521
Signing partner responsible for the independent audit**

19-3-

2020

0030/2020

Ecu Worldwide (Kenya) Limited
Annual report and consolidated financial statements
For the year ended 31 December 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2019 Shs	2018 Shs
Revenue	3	258,005,832	323,254,636
Cost of sales		<u>(148,052,178)</u>	<u>(221,226,227)</u>
Gross profit		109,953,654	102,028,409
Other income	4	5,581,695	951,958
Administrative expenses		(80,102,589)	(102,259,510)
Other operating expenses		<u>(21,509,528)</u>	<u>(15,291,275)</u>
Operating profit/(loss)		13,923,232	(14,570,418)
Finance income	7	<u>196,717</u>	<u>460,924</u>
Profit/(loss) before tax		14,119,949	(14,109,494)
Tax charge	8	<u>(3,843,171)</u>	<u>(393,641)</u>
Profit/(loss) for the year		<u>10,276,778</u>	<u>(14,503,135)</u>
Attributable to:			
Owners of the company		10,276,732	(14,503,206)
Non-controlling interests		<u>46</u>	<u>71</u>
		<u>10,276,778</u>	<u>(14,503,135)</u>

The notes on pages 15 to 27 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 2019

COMPANY STATEMENT OF PROFIT OR LOSS

	Notes	2019 Shs	2018 Shs
Revenue	3	258,005,832	323,254,636
Cost of sales		<u>(149,128,178)</u>	<u>(222,270,227)</u>
Gross profit		108,877,654	100,984,409
Other income	4	5,464,713	811,276
Administrative expenses		(79,041,425)	(101,237,850)
Other operating expenses		<u>(21,443,516)</u>	<u>(15,230,191)</u>
Operating profit/(loss)		13,857,426	(14,672,356)
Finance income	7	<u>196,717</u>	<u>460,924</u>
Profit/(loss) before tax		14,054,143	(14,211,432)
Tax charge	8	<u>(3,823,429)</u>	<u>(363,011)</u>
Profit/(loss) for the year		<u><u>10,230,714</u></u>	<u><u>(14,574,443)</u></u>
Dividend for the year:			
- Final paid		<u><u>15,593,819</u></u>	<u><u>-</u></u>

The notes on pages 15 to 27 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 2019

COMPANY STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2019 Shs	2018 Shs
CAPITAL EMPLOYED			
Share capital	10	4,000,000	4,000,000
Retained earnings		<u>9,049,290</u>	<u>14,412,395</u>
Equity attributable to owners of the company		<u>13,049,290</u>	<u>18,412,395</u>
Non current liabilities			
Borrowings	11	<u>29,993,325</u>	<u>33,898,375</u>
		<u>43,042,615</u>	<u>52,310,770</u>
REPRESENTED BY			
Non-current assets			
Vehicles and equipment	12	34,422,330	39,241,122
Intangible asset	13	113,312	161,875
Deferred tax	14	6,810,108	6,810,108
Investment in subsidiary	15	<u>999,000</u>	<u>999,000</u>
		<u>42,344,750</u>	<u>47,212,105</u>
Current assets			
Trade and other receivables	17	52,841,837	54,666,462
Cash and cash equivalents	18	14,267,171	9,462,324
Tax recoverable		<u>6,221,545</u>	<u>9,044,974</u>
		<u>72,330,353</u>	<u>73,173,760</u>
Current liabilities			
Trade and other payables	19	51,718,141	44,320,745
Borrowings	11	<u>19,914,347</u>	<u>23,754,350</u>
		<u>71,632,488</u>	<u>68,075,095</u>
Net current assets		<u>697,865</u>	<u>5,098,665</u>
		<u>43,042,615</u>	<u>52,310,770</u>

The financial statements on pages 7 to 27 were approved and authorised for issue by the Board of Directors on 18-03-2020 and were signed on its behalf by:

 **DIRECTOR**

 **DIRECTOR**

The notes on pages 15 to 27 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 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Retained earnings Shs	Total equity attributable to the owners interests Shs	Non-controlling interests Shs	Total Shs
Year ended 31 December 2019					
As start of year	4,000,000	15,506,976	19,506,976	2,095	19,509,071
Profit for the year	-	10,276,732	10,276,732	46	10,276,778
Dividends: 2019 paid	-	(15,593,819)	(15,593,819)	-	(15,593,819)
At end of year	<u>4,000,000</u>	<u>10,189,889</u>	<u>14,189,889</u>	<u>2,141</u>	<u>14,192,030</u>
Year ended 31 December 2018					
As start of year	4,000,000	30,010,182	34,010,182	2,024	34,012,205
Loss for the year	-	(14,503,206)	(14,503,206)	71	(14,503,135)
At end of year	<u>4,000,000</u>	<u>15,506,976</u>	<u>19,506,976</u>	<u>2,095</u>	<u>19,509,070</u>

The notes on pages 15 to 27 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Retained earnings Shs	Total Shs
Year ended 31 December 2019			
As start of year	4,000,000	14,412,395	18,412,395
Profit for the year	-	10,230,714	10,230,714
Dividends: 2019 paid	-	(15,593,819)	(15,593,819)
At end of year	<u>4,000,000</u>	<u>9,049,290</u>	<u>13,049,290</u>
Year ended 31 December 2018			
As start of year	4,000,000	28,986,838	32,986,838
Loss for the year	-	(14,574,443)	(14,574,443)
At end of year	<u>4,000,000</u>	<u>14,412,395</u>	<u>18,412,395</u>

The notes on pages 15 to 27 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 Shs	2018 Shs
Cash flows from operating activities			
Profit/(loss) before tax		14,119,949	(14,109,494)
Adjustments for:			
Depreciation of vehicles and equipment	12	7,699,328	1,685,932
Amortisation of intangible asset	13	48,563	23,125
Interest income	4	(114,982)	(140,681)
(Profit)/loss on disposal of vehicles and equipment		(401,903)	572,048
Changes in working capital:			
- financial assets		(10,188)	(8,326)
- trade and other receivables		1,831,246	13,128,753
- trade and other payables		7,406,798	2,043,470
Tax paid		(72,245)	(4,094,177)
Net cash from/(used in) operating activities		30,506,566	(899,350)
Cash flows from investing activities			
Cash paid for purchase of vehicles and equipment	12	(3,211,392)	(33,228,875)
Cash paid for purchase of intangible assets		-	(185,000)
Proceeds from disposal of vehicles and equipment		732,760	951,810
Interest received	4	114,982	140,681
Net cash used in investing activities		(2,363,650)	(32,321,384)
Cash flows from financing activities			
Dividends paid	9	(15,593,819)	(22,500,000)
Proceeds from borrowings		15,556,225	57,652,725
Repayment of borrowings		(23,301,278)	
Net cash (used in)/from financing activities		(23,338,872)	35,152,725
Increase in cash and cash equivalents		4,804,044	1,931,991
Movement in cash and cash equivalents			
At start of year		9,957,571	8,025,581
Increase		4,804,044	1,931,991
At end of year	18	14,761,615	9,957,571

The notes on pages 15 to 27 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

COMPANY STATEMENT OF CASH FLOWS

	Notes	2019 Shs	2018 Shs
Cash flows from operating activities			
Profit/(loss) before tax		14,054,143	(14,211,432)
Adjustments for:			
Depreciation of vehicles and equipment	12	7,699,328	1,685,932
Amortisation of intangible asset	13	48,563	23,125
(Profit)/loss on disposal of vehicles and equipment		(401,903)	572,048
Changes in working capital:			
- trade and other receivables		1,824,825	13,121,802
- trade and other payables		7,397,396	2,158,497
Tax paid		-	(4,019,298)
Net cash from/(used in) operating activities		<u>30,622,352</u>	<u>(669,326)</u>
Cash flows from investing activities			
Cash paid for purchase of vehicles and equipment	12	(3,211,392)	(33,228,875)
Cash paid for purchase of intangible assets	13	-	(185,000)
Proceeds from disposal of vehicles and equipment		<u>732,760</u>	<u>951,810</u>
Net cash used in investing activities		<u>(2,478,632)</u>	<u>(32,462,065)</u>
Cash flows from financing activities			
Dividends paid	9	(15,593,819)	(22,500,000)
Proceeds from borrowings		15,556,225	62,764,225
Payments of borrowings		<u>(23,301,278)</u>	<u>(5,111,500)</u>
Net cash (used)/from in financing activities		<u>(23,338,872)</u>	<u>35,152,725</u>
Increase in cash and cash equivalents		<u>4,804,848</u>	<u>2,021,334</u>
Movement in cash and cash equivalents			
At start of year		9,462,324	7,440,990
Increase		<u>4,804,848</u>	<u>2,021,334</u>
At end of year	18	<u>14,267,171</u>	<u>9,462,324</u>

The notes on pages 15 to 27 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.

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 consolidated and company 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.

- **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 and other receivables are provisioned based on the below:

- 90 - 180 days 10% provision
- 180 - 365 days 50% provision
- > 365 days 100% provision
- Intercompany - nil provision

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Key sources of estimation uncertainty (continued)

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; and
- ii) Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.
- iii) Rental income is accrued by reference to time on a straight line basis with reference to the relevant agreements

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.

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.

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Investment in subsidiaries/Consolidation (continued)

- Changes in ownership interests in subsidiaries without change of control

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.

Investment in subsidiary is held at cost less any permanent diminution in value.

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) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of eight years.

f) Plant and equipment

All plant 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 on pro-rata, 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
Specialised racks and shelves	21.5

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

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Plant and equipment (continued)

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 plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

g) 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.

h) 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.

i) 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.

j) Financial liabilities

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

k) 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.

The group as a lessor

The group leases out (as an operating lease) assets that it owns. The asset is included in the statement of financial position under plant and equipment. The group also sub-leases a property that it leases from a third party landlord. Rental income is recognised in accordance with the rental income accounting policy.

NOTES (CONTINUED)

l) 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.

m) 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.

n) 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.

o) Employee entitlements

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

p) 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 also 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.

q) Share capital

Ordinary shares are classified as equity.

NOTES (CONTINUED)

	Group		Company	
	2019	2018	2019	2018
	Shs	Shs	Shs	Shs
3. Revenue				
Exports	55,807,720	79,056,704	55,807,720	79,056,704
Imports	202,198,112	243,710,011	202,198,112	243,710,011
Others	-	487,921	-	487,921
	<u>258,005,832</u>	<u>323,254,636</u>	<u>258,005,832</u>	<u>323,254,636</u>
4. Other income				
Interest income	114,982	140,681	-	-
Profit/(loss) on disposal of plant and equipment	401,903	(572,048)	401,903	(572,048)
Rental income	5,062,810	989,878	5,062,810	989,878
Miscellaneous Income	2,000	(135,333)	-	(135,333)
Insurance claims	-	528,780	-	528,780
	<u>5,581,695</u>	<u>951,958</u>	<u>5,464,713</u>	<u>811,276</u>
5. Operating profit/(loss)				
The following items have been charged in arriving at operating profit/(loss):				
Depreciation of plant and equipment (Note 12)	7,699,328	1,685,932	7,699,328	1,685,932
Operating lease rentals	8,651,287	8,563,260	8,651,287	8,563,260
Auditors' remuneration	961,411	915,626	764,036	727,650
Directors' remuneration and bonus (Note 20 (iv))	11,969,407	8,307,553	11,969,407	8,307,553
Staff costs (Note 6)	<u>47,351,974</u>	<u>58,071,425</u>	<u>47,351,974</u>	<u>58,071,425</u>
6. Staff costs				
Salaries and wages	37,033,422	48,777,043	37,033,422	48,777,043
Staff training and welfare	8,924,760	7,260,847	8,924,760	7,260,847
Commissions and incentives	-	597,425	-	597,425
Training levy	16,050	16,650	16,050	16,650
Pension cost:				
- Defined contribution scheme	1,307,742	1,351,660	1,307,742	1,351,660
- National Social Security Fund	<u>70,000</u>	<u>67,800</u>	<u>70,000</u>	<u>67,800</u>
	<u>47,351,974</u>	<u>58,071,425</u>	<u>47,351,974</u>	<u>58,071,425</u>
The average number of persons employed during the year were:	<u>29</u>	<u>26</u>	<u>29</u>	<u>26</u>
7. Finance income				
Net foreign exchange gain	(196,717)	(715,775)	(196,717)	(715,775)
Interest expense on related party loans	-	254,851	-	254,851
	<u>(196,717)</u>	<u>(460,924)</u>	<u>(196,717)</u>	<u>(460,924)</u>

NOTES (CONTINUED)

8. Tax	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Current tax	3,860,320	264,671	3,823,429	220,508
Deferred tax charge (Note 14)	(17,149)	132,822	-	146,355
Overprovision of deferred tax in prior years	-	(3,852)	-	(3,852)
Tax charge	<u>3,843,171</u>	<u>393,641</u>	<u>3,823,429</u>	<u>363,011</u>

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

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Profit/(loss) before tax	14,119,949	(14,109,494)	14,054,143	(14,211,432)
Tax calculated at a tax rate of 30% (2018: 30%)	4,235,985	(4,232,848)	4,216,243	(4,263,430)
Tax effect of expenses not deductible for tax purposes				
- expenses not deductible for tax purposes	1,527,596	4,630,341	1,527,596	4,630,293
- deferred tax asset not recognised	(1,920,409)		(1,920,409)	
Overprovision of deferred tax in prior years	-	(3,852)	-	(3,852)
Tax charge	<u>3,843,171</u>	<u>393,641</u>	<u>3,823,430</u>	<u>363,011</u>

9. Dividends

The directors propose a final dividend of Shs 19,383.72 per share (2018: Nil), amounting to Shs 15,506,976 (2018: Nil). Shs 22,500,000 from the total 2016 final dividend of Shs 30,000,000 was 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 2019.

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. Share capital	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Authorised:				
1,500 (2018: 1,500) ordinary shares of Shs 5,000 each	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>
Issued and fully paid:				
800 (2018: 800) ordinary shares of Shs 5,000 each	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>

	Group		Company	
11. Borrowings	2019 Shs	2018 Shs	2019 Shs	2018 Shs
The borrowings are made up as follows:				
Non-current				
Borrowings from parent	29,993,325	33,898,375	29,993,325	33,898,375
Current				
Borrowings from parent	19,914,347	23,754,350	19,914,347	23,754,350
Total borrowings (Note 20 (vi))	<u>49,907,672</u>	<u>57,652,725</u>	<u>49,907,672</u>	<u>57,652,725</u>

All the borrowings from related party are unsecured and bear an interest rate of 2% per annum.

The non-current borrowing is not repayable within the next 12 months of the reporting date.

12. Vehicles and equipment - Group and Company

The Group and the Company

	Motor vehicles Shs	Computers and electronic equipment Shs	Furniture, fittings and equipment Shs	Specialised Racks and Shelves Shs	Capital work-in- progress Shs	Total Shs
Cost						
At start of year	8,370,999	13,064,247	13,807,733	-	29,806,574	65,049,553
Additions	83,533	843,471	-	-	2,284,388	3,211,392
Transfers	-	-	-	32,090,962	(32,090,962)	-
Disposals	(2,126,000)	-	-	-	-	(2,126,000)
At end of year	<u>6,328,532</u>	<u>13,907,718</u>	<u>13,807,733</u>	<u>32,090,962</u>	<u>-</u>	<u>66,134,945</u>
Depreciation						
At start of year	4,860,275	12,006,940	8,941,216	-	-	25,808,431
Disposals	(1,795,143)	-	-	-	-	(1,795,143)
Charge for the year	875,514	453,056	608,315	5,762,443	-	7,699,328
At end of year	<u>3,940,646</u>	<u>12,459,996</u>	<u>9,549,531</u>	<u>5,762,443</u>	<u>-</u>	<u>31,712,616</u>
Net book value						
As at 31 December 2019	<u>2,387,886</u>	<u>1,447,722</u>	<u>4,258,202</u>	<u>26,328,519</u>	<u>-</u>	<u>34,422,330</u>
As at 31 December 2018	<u>3,510,724</u>	<u>1,057,307</u>	<u>4,866,517</u>	<u>-</u>	<u>29,806,574</u>	<u>39,241,122</u>

Capital work-in-progress related to costs incurred for purchase of specialised racks and shelves for installation in the rented warehouse. The project was completed end of February 2019.

NOTES (CONTINUED)

13. Intangible assets

	Group and Company	
	2019 Shs	2018 Shs
Cost		
At start of year	185,000	-
Additions	-	185,000
At end of year	185,000	185,000
Amortization		
At start of year	23,125	-
Charge for the year	48,563	23,125
At end of year	71,688	23,125
Net book value	113,312	161,875

14. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2018: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	Shs 2019	Shs 2018	Shs 2019	Shs 2018
At start of year	(6,831,820)	(6,960,790)	(6,810,108)	(6,952,611)
Charge to profit or loss (Note 8)	(17,149)	132,822	-	146,355
Overprovision in prior year	-	(3,852)	-	(3,852)
At end of year	(6,848,969)	(6,831,820)	(6,810,108)	(6,810,108)

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

	At start of year Shs	Credit/(charge) to profit or loss Shs	At end of year Shs
The Group			
Deferred tax liability			
Vehicles and equipments	265,518	-	265,518
Accrued interest	12,714	(2,396)	10,318
Overprovision in prior year	(3,852)	-	(3,852)
	274,380	(2,396)	271,984
Deferred tax assets			
Tax losses	(543,873)	(14,753)	(558,626)
Other timing differences	(6,562,327)	-	(6,562,327)
	(7,106,200)	(14,753)	(7,120,953)
Net deferred tax asset	(6,831,820)	(17,149)	(6,848,969)
The Company			
Deferred tax liability			
Vehicles and equipment	261,666	-	261,666
Deferred tax assets			
Unrealised exchange differences	-	-	-
Tax losses carried forward	(509,448)	-	(509,448)
Other timing differences	(6,562,326)	-	(6,562,326)
	(7,071,774)	-	(7,071,774)
Net deferred tax asset	(6,810,108)	-	(6,810,108)

NOTES (CONTINUED)

15. Investment in subsidiary	2019 Shs	2018 Shs
999 (2017: 999) ordinary shares of Ecu Shipping Logistics (K) Limited of Shs 1,000 each	<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.

	Group		Company	
16. Financial assets	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Treasury bill	<u>1,456,153</u>	<u>1,445,966</u>	<u>-</u>	<u>-</u>

Treasury bills with a total face value of Shs 1,500,000 were purchased by the subsidiary from Stanbic Bank Kenya Limited, through the tenders dated 16 September 2019. The investment matures within 6 months from the date acquired.

	Group		Company	
17. Trade and other receivables	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Trade receivables	34,718,988	46,627,099	34,718,988	46,627,099
Less: impairment provisions	<u>(14,083,497)</u>	<u>(20,032,656)</u>	<u>(14,083,497)</u>	<u>(20,032,656)</u>
Net trade receivables	20,635,491	26,594,443	20,635,491	26,594,443
Prepayments	7,569,369	9,736,381	7,567,089	9,735,668
Other receivables	16,845,847	4,507,447	16,811,455	4,465,067
Container deposits	1,589,305	2,001,231	1,589,305	2,001,231
Receivable from related parties (Note 20 (v))	<u>6,236,297</u>	<u>11,866,055</u>	<u>6,238,297</u>	<u>11,870,053</u>
	<u>52,876,309</u>	<u>54,705,557</u>	<u>52,841,637</u>	<u>54,666,462</u>

Movement in impairment provisions

At start of year	20,032,656	23,678,495	20,032,656	23,678,495
Additions	-	15,661,511	-	15,661,511
Recoveries	(4,099,599)	(7,664,311)	(4,099,599)	(7,664,311)
Write offs	<u>(1,849,560)</u>	<u>(11,643,039)</u>	<u>(1,849,560)</u>	<u>(11,643,039)</u>
At end of year	<u>14,083,497</u>	<u>20,032,656</u>	<u>14,083,497</u>	<u>20,032,656</u>

18. Cash and cash equivalents

Cash at bank and in hand	<u>14,761,615</u>	<u>9,957,572</u>	<u>14,267,171</u>	<u>9,462,324</u>
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For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the above balances.

NOTES (CONTINUED)

	Group		Company	
19. Trade and other payables	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Trade payables	7,483,278	6,739,854	7,483,278	6,739,854
Accruals and deferred income	25,640,985	17,799,029	25,420,035	17,571,033
Payable to related parties (Note 20 (v))	6,480,526	20,005,858	6,484,526	20,009,858
Advance receipts from customers	12,330,302	-	12,330,302	-
	<u>51,935,091</u>	<u>44,544,741</u>	<u>51,718,141</u>	<u>44,320,745</u>

20. Related party transactions and balances

The company is controlled by Ecuhold NV incorporated in Belgium, which owns 100% of the company's shares. 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	
i) Provision of services	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Other related parties	<u>25,222,940</u>	<u>44,202,039</u>	<u>25,847,252</u>	<u>44,864,257</u>
ii) Purchase of services				
Other related parties	<u>55,357,800</u>	<u>81,547,807</u>	<u>56,433,800</u>	<u>82,591,807</u>
iii) Purchase of vehicle and equipment				
Other related parties	<u>20,550</u>	<u>-</u>	<u>20,550</u>	<u>-</u>
iv) Directors' benefits and other remuneration				
- Salaries	11,969,407	8,307,553	11,969,407	8,307,553
- Benefits	<u>3,295,560</u>	<u>1,373,305</u>	<u>3,295,560</u>	<u>1,373,305</u>
	<u>15,264,967</u>	<u>9,680,858</u>	<u>15,264,967</u>	<u>9,680,858</u>
v) Outstanding balances arising from trading transactions				
Receivable from related parties (Note 17)	<u>6,236,297</u>	<u>11,866,055</u>	<u>6,238,297</u>	<u>11,870,053</u>
Payable to related parties (Note 19)	<u>6,480,526</u>	<u>20,005,858</u>	<u>6,484,526</u>	<u>20,009,858</u>
Receivables from related parties can be analysed as follows:				
Subsidiary	-	-	2,000	3,998
Other related parties	<u>6,236,297</u>	<u>11,866,055</u>	<u>6,236,297</u>	<u>11,866,055</u>
	<u>6,236,297</u>	<u>11,866,055</u>	<u>6,238,297</u>	<u>11,870,053</u>

NOTES (CONTINUED)

20. Related party transactions and balances (continued)

	Group		Company	
v) Outstanding balances arising from trading transactions (continued)	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Payable to related parties can be analysed as follows:				
Subsidiaries	-	-	5,400	4,000
Other related parties	6,480,526	20,005,858	6,479,126	20,005,858
	<u>6,480,526</u>	<u>20,005,858</u>	<u>6,484,526</u>	<u>20,009,858</u>

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

	Group		Company	
vi) Loan from parent company	2019 Shs	2018 Shs	2019 Shs	2018 Shs
At start of year	-	-	57,652,725	-
Advances	-	-	15,341,008	57,652,725
Repayments	-	-	(23,086,061)	-
Total (Note 11)	<u>-</u>	<u>-</u>	<u>49,907,672</u>	<u>57,652,725</u>

21. 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.

In 2019, Kenya Revenue Authority (KRA) carried out an audit with respect to Value Added Tax (VAT) for period of income April 2018 and confirmed tax assessment for Shs 538,250. The company lodged an objection in respect of this amount. In the opinion of the directors, the company has good grounds of winning the objection thus amount has not been provided for.

b) Customs bonds	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>

Subsequently the bonds were cancelled in January 2020.

22. Commitments

- a) Contractual commitments on capital work-in-progress

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Total amount committed during the year	-	31,639,655	31,639,655	31,639,655
Less: amount capitalised	-	(25,695,322)	(25,695,322)	(25,695,322)
	<u>-</u>	<u>5,944,333</u>	<u>5,944,333</u>	<u>5,944,333</u>

NOTES (CONTINUED)

22. Commitments (continued)

a) Contractual commitments on capital work-in-progress (continued)

This related to costs incurred for purchase of specialised racks and shelves for installation in the rented warehouse at Athi River. These are portable and movable. The project was completed in February 2019.

b) Operating lease commitments - as a lessee

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

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Not later than 1 year	5,784,872	5,509,406	5,784,872	5,509,406
Later than 1 year and not later than 5 years	11,548,394	17,333,266	11,548,394	17,333,266
	<u>17,333,266</u>	<u>22,842,672</u>	<u>17,333,266</u>	<u>22,842,672</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.

c) Operating lease commitments - as a lessor

The future minimum lease payments receivable under non-cancelable operating leases are as follows:

	Group		Company	
	2019 Shs	2018 Shs	2019 Shs	2018 Shs
Not later than 1 year	18,916,908	11,352,730	18,916,908	11,352,730
Later than 1 year and not later than 5 years	66,202,714	39,734,554	66,202,714	39,734,554
Later than 5 years	6,933,830	-	6,933,830	-
	<u>92,053,452</u>	<u>51,087,284</u>	<u>92,053,452</u>	<u>51,087,284</u>

The company leases its plant and equipment under fixed and variable lease agreements. These agreements expire in eight years and include an extension option.

23. 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.

24. Presentation currency

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

CONSOLIDATED SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2019 Shs	2018 Shs
Employment:		
Salaries and wages	37,033,422	48,777,043
Staff training and welfare	8,924,760	7,260,847
Pension scheme contribution - defined	1,307,742	1,351,660
NSSF contributions	70,000	67,800
Commissions and incentives	-	597,425
Training levy	16,050	16,650
Total employment costs	47,351,974	58,071,425
Other administrative expenses:		
Directors' remuneration	11,969,407	8,307,553
Internet, postages and telephone expenses	2,949,463	2,313,283
Entertainment	30,900	49,353
Travelling	3,870,768	3,868,639
Vehicle running	2,064,341	2,006,828
Printing and stationery	1,219,723	806,359
Audit fees	961,411	915,626
Legal and professional fees	1,506,184	1,894,699
Management expenses	9,591,193	12,726,185
Advertising expenses	157,102	84,000
Subscriptions	293,539	255,480
Bank charges	644,480	541,381
Office expenses	1,100,511	725,438
Computer expense	278,079	309,381
Miscellaneous expense	9,574	139,440
Fines and penalties	-	14,266
Bad debts written off	1,986,559	12,817,294
Decrease in impairment provision - trade receivables	(5,949,159)	(3,645,839)
VAT element on expenses	66,540	58,719
Total other administration expenses	32,750,615	44,188,085
Total administrative expenses	80,102,589	102,259,510
2. OTHER OPERATING EXPENSES		
Establishment:		
Rent	8,651,287	8,563,260
Electricity and water	1,058,783	965,827
Repairs and maintenance	942,746	646,124
Insurance	949,321	1,401,302
Licences	433,562	428,593
Security expenses	221,940	145,669
Net foreign exchange losses	1,503,998	1,431,443
Depreciation of plant and equipment	7,699,328	1,685,932
Amortisation of intangible assets	48,563	23,125
Total other operating expenses	21,509,528	15,291,275

COMPANY SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES

	2019	2018
	Shs	Shs
Employment:		
Salaries and wages	37,033,422	48,777,043
Staff training and welfare	8,924,760	7,260,847
Pension scheme contribution - defined	1,307,742	1,351,660
NSSF contributions	70,000	67,800
Commissions and incentives	-	597,425
Training levy	16,050	16,650
Total employment costs	47,351,974	58,071,425
Other administrative expenses:		
Directors' remuneration	11,969,407	8,307,553
Internet, postages and telephone expenses	2,392,663	2,313,283
Entertainment	30,900	49,353
Travelling	3,870,768	3,868,639
Vehicle running expenses	2,064,341	2,006,828
Printing and stationery	1,193,458	780,904
Audit fees	764,036	727,650
Legal and professional fees	1,299,949	1,746,992
Management expenses	9,591,193	12,157,785
Advertising expenses	157,102	84,000
Subscriptions	293,539	255,480
Bank charges	636,531	534,115
Office expenses	1,100,511	725,438
Computer expense	278,079	283,404
Miscellaneous Expense	9,574	139,280
Fines and penalties	-	14,266
Bad debts written off	1,986,559	12,817,294
(Decrease)/increase in impairment provision - trade receivables	(5,949,159)	(3,645,839)
Total other administration expenses	31,689,451	43,166,425
Total administrative expenses	79,041,425	101,237,850

2. OTHER OPERATING EXPENSES

Establishment:		
Rent	8,651,287	8,563,260
Electricity and water	1,058,783	965,827
Repairs and maintenance	942,746	646,124
Insurance	949,321	1,401,302
Licences	367,550	367,509
Security expenses	221,940	145,669
Net foreign exchange losses	1,503,998	1,431,443
Depreciation of plant and equipment	7,699,328	1,685,932
Amortisation of intangible assets	48,563	23,125
Total other operating expenses	21,443,516	15,230,191

SCHEDULE OF NET RENTAL INCOME

	2019 Shs	2018 Shs
Gross rental income	22,256,807	3,236,834
Less: Legal and professional fees	-	220,000
Electricity and water	132,466	3,050
Rental expenses	2,482,762	1,340,690
Maintenance expenses	-	397,968
Internet	307,002	24,784
Transport	113,960	11,800
Security, alarms and fire services	1,826,656	151,000
Employment costs - Casuals	805,414	80,000
Other expenses	623,003	17,665
Provision for profit share to parent	1,234,829	-
Interest on loan attributable to rental income	1,044,247	-
Finance Managers salary directly attributable to warehouse operations	643,898	-
Directors salary directly attributable to warehouse operations	7,979,760	-
	17,193,997	2,246,957
Net rental income	5,062,810	989,877