

**ECU WORLDWIDE (KENYA) LIMITED
ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

CONTENTS	PAGE
Company information	1
Report of the directors	2 - 3
Statement of directors' responsibilities	4
Report of the independent auditor	5 - 6
Financial statements:	
Consolidated statement of profit or loss	7
Company statement of profit or loss	8
Consolidated statement of financial position	9
Company statement of financial position	10
Consolidated statement of changes in equity	11
Company statement of changes in equity	12
Consolidated statement of cash flows	13
Company statement of cash flows	14
Notes	15 - 27
The following pages do not form an integral part of these financial statements	
Consolidated schedule of expenditure	28
Company schedule of expenditure	29
Schedule of net rental income	30

COMPANY INFORMATION

BOARD OF DIRECTORS

- : Saleem Mohamed Nazir (British)
- : Shantha Martin (Indian) (Resigned on 16 February 2018)
- : Benjamin Kioko (Resigned on 26 February 2018)
- : Rene Marcel Wernli (Swiss)(Appointed on 16 November 2018)
- : Sanjeev Sukumaran (Indian) (Appointed on 1 August 2018)

REGISTERED OFFICE

Changed from:

- : Mombasa Block XXI/539
- : Mohd Habib Road
- : P. O. Box 94066 - 80107
- : Mombasa

Changed to: 19 February 2019

- : Inchcape House
- : 3rd Floor, Archbishop Makarios cls
- : Off Moi Avenue
- : P. O. Box 94066 - 80107
- : Mombasa

PRINCIPAL PLACE OF BUSINESS

- : 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 January 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

REPORT OF THE DIRECTORS

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2018, which disclose the state of affairs of the company and the group.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

During the year 2018 the total turnover of the group and company decreased from Shs 368,432,472 to Shs 323,254,636. This was mainly attributed to overall decrease in business activity due to the economic conditions during the year. This resulted in the company having a loss for the year 2018 compared to a profit for the year 2017 as indicated below.

As at 31 December 2018, the net asset position of the group was Shs 19,506,976 compared to Shs 34,010,182 as at 31 December 2017 and for that of company was Shs 18,412,395 compared to Shs 32,986,838 as at 31 December 2017.

Key performance indicators	Group		Company	
	2018	2017	2018	2017
Turnover (Shs)	323,254,636	368,432,472	323,254,636	368,432,472
(Loss)/profit for the year (Shs)	(14,503,135)	6,747,247	(14,574,443)	6,704,917
Net assets (Shs)	19,506,976	34,010,182	18,412,395	32,986,838

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.

Liquidity risk

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

.....continued on page 3

REPORT OF THE DIRECTORS

DIVIDEND

The directors do not recommend declaration of a dividend for the year (2017: 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

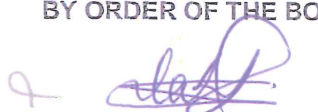
With respect to each director at the time this report was approved:

- (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 915,626 for the group and Shs 727,650 for the company has been charged to profit or loss in the year.

BY ORDER OF THE BOARD



DIRECTOR
MOMBASA

27 February 2019

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 2018 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 27 February 2019 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 2018, 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 2018, 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.

.....continued on page 6

**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.


Certified Public Accountants
Mombasa
CPA Piyush Ramesh Devchand Shah, Practising certificate No. 1521
Signing partner responsible for the independent audit


28 February 2019

0028/2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2018 Shs	2017 Shs
Revenue	3	323,254,636	368,432,472
Cost of sales		<u>(221,226,227)</u>	<u>(234,181,283)</u>
Gross profit		102,028,409	134,251,189
Other income	4	951,958	643,405
Administrative expenses		(102,259,510)	(112,534,918)
Other operating expenses		<u>(15,291,275)</u>	<u>(12,388,493)</u>
Operating (loss)/profit		(14,570,418)	9,971,183
Finance income	7	<u>460,924</u>	<u>-</u>
(Loss)/profit before tax		(14,109,494)	9,971,183
Tax charge	8	<u>(393,641)</u>	<u>(3,223,936)</u>
(Loss)/profit for the year		<u><u>(14,503,135)</u></u>	<u><u>6,747,247</u></u>
Attributable to:			
Owners of the company		(14,503,206)	6,747,205
Non-controlling interests		<u>71</u>	<u>42</u>
		<u><u>(14,503,135)</u></u>	<u><u>6,747,247</u></u>

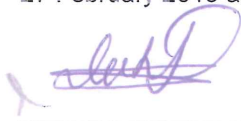
The notes on pages 15 to 27 form an integral part of these financial statements.

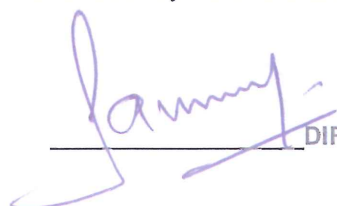
Report of the independent auditor - pages 5 - 6.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2018 Shs	2017 Shs
CAPITAL EMPLOYED			
Share capital	10	4,000,000	4,000,000
Retained earnings		15,506,976	30,010,182
Equity attributable to owners of the company		19,506,976	34,010,182
Non-controlling interests		2,094	2,023
		19,509,070	34,012,205
Non current liabilities			
Borrowings	11	33,898,375	-
		53,407,445	34,012,205
REPRESENTED BY			
Non-current assets			
Vehicles and equipment	12	39,241,122	9,222,038
Intangible asset	13	161,875	-
Deferred tax	14	6,831,820	6,960,790
		46,234,816	16,182,828
Current assets			
Financial assets	16	1,445,966	1,437,640
Trade and other receivables	17	54,705,557	67,834,310
Cash and cash equivalents	18	9,957,572	8,025,581
Tax recoverable		9,362,625	5,533,117
		75,471,720	82,830,648
Current liabilities			
Trade and other payables	19	44,544,741	42,501,271
Borrowings	11	23,754,350	-
Dividends payable	9	-	22,500,000
		68,299,091	65,001,271
Net current assets		7,172,629	17,829,377
		53,407,445	34,012,205

The financial statements on pages 7 to 27 were approved and authorised for issue by the Board of Directors on 27 February 2019 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 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital Shs	Retained earnings Shs	Proposed dividends Shs	Total equity attributable to the owners interests Shs	Non-controlling interests Shs	Total Shs
Year ended 31 December 2018							
As start of year		4,000,000	30,010,182	-	34,010,182	2,023	34,012,205
Loss for the year		-	(14,503,206)	-	(14,503,206)	71	(14,503,135)
At end of year		4,000,000	15,506,976	-	19,506,976	2,094	19,509,070
Year ended 31 December 2017							
As start of year		4,000,000	23,262,977	30,000,000	57,262,977	1,981	57,264,958
Profit for the year		-	6,747,205	-	6,747,205	42	6,747,247
Dividends for 2016 declared and paid	9	-	-	(7,500,000)	(7,500,000)	-	(7,500,000)
Dividends for 2016 declared and transferred to liabilities	9	-	-	(22,500,000)	(22,500,000)	-	(22,500,000)
At end of year		4,000,000	30,010,182	-	34,010,182	2,023	34,012,205

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	2018 Shs	2017 Shs
Cash flows from operating activities			
(Loss)/profit before tax		(14,109,494)	9,971,183
Adjustments for:			
Depreciation of vehicles and equipment	12	1,685,932	1,813,522
Amortisation of intangible asset	13	23,125	
Interest income	4	(140,681)	(136,637)
Loss/(profit) on disposal of vehicles and equipment		572,048	(389,077)
Changes in working capital:			
- financial assets		(8,326)	(195,995)
- trade and other receivables		13,128,753	11,201,673
- trade and other payables		2,043,470	(4,290,296)
Tax paid		(4,094,177)	(15,498,511)
Net cash (used in)/from operating activities		(899,350)	2,475,862
Cash flows from investing activities			
Cash paid for purchase of vehicles and equipment	12	(33,228,875)	(3,713,700)
Cash paid for purchase of intangible assets		(185,000)	-
Proceeds from disposal of vehicles and equipment		951,810	1,543,470
Interest received	4	140,681	136,637
Net cash used in investing activities		(32,321,384)	(2,033,593)
Cash flows from financing activities			
Dividends paid	9	(22,500,000)	(7,500,000)
Proceeds from borrowings		57,652,725	-
Net cash from/(used in) financing activities		35,152,725	(7,500,000)
Increase/(decrease) in cash and cash equivalents		<u>1,931,991</u>	<u>(7,057,731)</u>
Movement in cash and cash equivalents			
At start of year		8,025,581	15,083,312
Increase/(decrease)		<u>1,931,991</u>	<u>(7,057,731)</u>
At end of year	18	<u>9,957,572</u>	<u>8,025,581</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 older than 90 days and other receivables older than 120 days are considered as doubtful debts, hence a 100% provision is made. Doubtful debts that are later confirmed to be uncollectible are written off as bad debts.

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

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Investment in subsidiaries/Consolidation (continued)

- Changes in ownership interests in subsidiaries without change of control

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

- Disposal of subsidiaries

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

e) 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) Vehicles and equipment

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

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

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

	<u>Rate %</u>
Motor vehicles	25
Computers and electronic equipment	30
Furniture, fittings and equipment	12.5
Specialised Racks and Shelves	12.5

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

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

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

NOTES (CONTINUED)

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)

8. Tax	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Current tax	264,671	7,899,731	220,508	7,859,683
Deferred tax charge/(credit) (Note 14)	132,822	(4,675,795)	146,355	(4,653,887)
Overprovision of deferred tax in prior years	(3,852)	-	(3,852)	-
Tax charge	<u>393,641</u>	<u>3,223,936</u>	<u>363,011</u>	<u>3,205,796</u>

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

	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
(Loss)/profit before tax	(14,109,494)	9,971,183	(14,211,432)	9,910,713
Tax calculated at a tax rate of 30% (2017: 30%)	(4,232,848)	2,991,355	(4,263,430)	2,973,214
Tax effect of expenses not deductible for tax purposes				
- expenses not deductible for tax purposes	4,630,341	311,317	4,630,293	311,318
- income not subject to tax	-	(78,736)	-	(78,736)
Overprovision of deferred tax in prior years	(3,852)	-	(3,852)	-
Tax charge	<u>393,641</u>	<u>3,223,936</u>	<u>363,011</u>	<u>3,205,796</u>

The tax losses carried forward at the reporting date and available for offset against future taxable profits amounted to Shs 1,698,163.

Tax losses expire as follows:	Shs	Expiry
- tax losses arising in 2018	<u>(1,698,162)</u>	31 December 2027

9. Dividends

The directors do not propose a final dividend (2017: Shs 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 2018.

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	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Authorised:				
1,500 (2017: 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 (2017: 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>

NOTES (CONTINUED)

13. Intangible assets

	Group and Company	
	2018	2017
	Shs	Shs
Cost		
At start of year	-	-
Additions	185,000	-
At end of year	185,000	-
Amortization		
At start of year	-	-
Charge/(charge) for the year	23,125	-
At end of year	23,125	-
Net book value	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% (2017: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	Shs	Shs	Shs	Shs
	2018	2017	2018	2017
At start of year	(6,960,790)	(2,284,995)	(6,952,611)	(2,298,725)
Charge/(credit) to profit or loss (Note 8)	132,822	(4,675,795)	146,355	(4,653,886)
Overprovision in prior year	(3,852)	-	(3,852)	-
At end of year	<u>(6,831,820)</u>	<u>(6,960,790)</u>	<u>(6,810,108)</u>	<u>(6,952,611)</u>

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

	At start of year	Credit/(charge) to profit or loss	Overprovision in prior year	At end of year
	Shs	Shs	Shs	Shs
The Group				
Deferred tax liability				
Vehicles and equipment	150,815	114,703	(3,852)	261,666
Accrued interest	14,672	(1,958)	-	12,714
	<u>165,487</u>	<u>112,745</u>	<u>(3,852)</u>	<u>274,380</u>
Deferred tax assets				
Tax losses	(22,850)	(521,023)	-	(543,873)
Other timing differences	(7,103,427)	541,100	-	(6,562,327)
	<u>(7,126,277)</u>	<u>20,077</u>	<u>-</u>	<u>(7,106,200)</u>
Net deferred tax asset	<u>(6,960,790)</u>	<u>132,822</u>	<u>(3,852)</u>	<u>(6,831,820)</u>
The Company				
Deferred tax liability				
Vehicles and equipment	150,815	114,703	(3,852)	261,666
Deferred tax assets				
Tax losses carried forward	-	(509,448)	-	(509,448)
Other timing differences	(7,103,426)	541,100	-	(6,562,326)
	<u>(7,103,426)</u>	<u>31,652</u>	<u>-</u>	<u>(7,071,774)</u>
Net deferred tax asset	<u>(6,952,611)</u>	<u>146,355</u>	<u>(3,852)</u>	<u>(6,810,108)</u>

NOTES (CONTINUED)

	Group		Company	
19. Trade and other payables	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Trade payables	6,739,854	14,260,041	6,739,854	14,260,041
Accruals and deferred income	17,799,029	7,488,133	17,571,033	7,144,508
Payable to related parties (Note 19 (v))	20,005,858	20,753,097	20,009,858	20,757,699
	<u>44,544,741</u>	<u>42,501,271</u>	<u>44,320,745</u>	<u>42,162,248</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	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Other related parties	<u>44,202,039</u>	<u>46,657,806</u>	<u>44,864,257</u>	<u>47,353,382</u>
ii) Purchase of services				
Other related parties	<u>81,547,807</u>	<u>85,334,239</u>	<u>82,591,807</u>	<u>86,311,239</u>
iii) Sale of vehicle and equipment				
Directors	<u>-</u>	<u>1,543,470</u>	<u>-</u>	<u>1,543,470</u>
iv) Directors' benefits and other remuneration				
- Salaries	8,307,553	7,692,810	8,307,553	7,692,810
- Bonus	-	2,000,000	-	2,000,000
- Benefits	345,000	1,172,850	345,000	1,172,850
	<u>8,652,553</u>	<u>10,865,660</u>	<u>8,652,553</u>	<u>10,865,660</u>
v) Outstanding balances arising from trading transactions				
Receivable from other related parties (Note 16)	<u>11,866,055</u>	<u>11,085,148</u>	<u>11,870,053</u>	<u>11,089,148</u>
Payable to related parties (Note 18)	<u>20,005,858</u>	<u>20,753,097</u>	<u>20,009,858</u>	<u>20,757,698</u>
Receivables from related parties can be analysed as follows:				
Subsidiary	-	-	3,998	4,000
Other related parties	<u>11,866,055</u>	<u>11,085,148</u>	<u>11,866,055</u>	<u>11,085,148</u>
	<u>11,866,055</u>	<u>11,085,148</u>	<u>11,870,053</u>	<u>11,089,148</u>

22. Commitments (continued)

b) Operating lease commitments - as a lessee

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

	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Not later than 1 year	5,509,406	4,253,065	5,509,406	4,253,065
Later than 1 year and not later than 5 years	17,333,266	8,036,592	17,333,266	8,036,592
	<u>22,842,672</u>	<u>12,289,657</u>	<u>22,842,672</u>	<u>12,289,657</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	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Not later than 1 year	4,984,308	-	4,984,308	-
Later than 1 year and not later than 5 years	14,952,924	-	14,952,924	-
	<u>19,937,232</u>	<u>-</u>	<u>19,937,232</u>	<u>-</u>

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).

COMPANY SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2018 Shs	2017 Shs
Employment:		
Salaries and wages	48,777,043	47,939,812
Staff training and welfare	7,260,847	5,797,400
Pension scheme contribution - defined	1,351,660	1,942,872
NSSF contributions	67,800	73,200
Commissions and incentives	597,425	609,875
Training levy	16,650	18,350
Total employment costs	58,071,425	56,381,509
Other administrative expenses:		
Directors' remuneration	8,307,553	7,692,810
Provision for director's bonus	-	2,000,000
Internet, postages and telephone expenses	2,313,283	2,734,211
Entertainment	49,353	206,529
Travelling	3,868,639	3,288,154
Vehicle running expenses	2,006,828	2,767,485
Printing and stationery	780,904	1,182,447
Audit fees	727,650	693,000
Legal and professional fees	1,746,992	2,972,243
Management expenses	12,157,785	13,778,660
Advertising expenses	84,000	119,130
Subscriptions	255,480	266,580
Donations	-	5,000
Bank charges	534,115	697,021
Office expenses	725,438	520,660
Computer expense	283,404	334,987
Miscellaneous Expense	139,280	-
Fines and penalties	14,266	-
Bad debts written off	12,817,294	-
(Decrease)/increase in impairment provision - trade receivables	(3,645,839)	15,905,982
Total other administration expenses	43,166,425	55,164,898
Total administrative expenses	101,237,850	111,546,407
2. OTHER OPERATING EXPENSES		
Establishment:		
Rent	8,563,260	6,261,482
Electricity and water	965,827	965,373
Repairs and maintenance	646,124	857,056
Insurance	1,401,302	1,349,410
Licences	367,509	413,290
Security expenses	145,669	364,800
Net foreign exchange losses	1,431,443	298,904
Depreciation of vehicles and equipment	1,685,932	1,813,522
Amortisation of intangible assets	23,125	-
Total other operating expenses	15,230,191	12,323,837

