

**ECU SHIPPING LOGISTICS (K) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The following page does not form an integral part of these financial statements

Schedule of expenditure	Appendix I
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COMPANY INFORMATION

BOARD OF DIRECTORS	: Benjamin K. Nzoka (Resigned on 31 December 2017) : Saleem Mohamed Nazir (British) : Shantha Martin (Indian) (Resigned on 16 February 2018)
REGISTERED OFFICE	: Plot No. Mombasa Block XXI/539 : Sheetal Plaza, : Mohdhar Mohd Habib Road : P.O. Box 94066 : Mombasa
INDEPENDENT AUDITOR	: PKF Kenya : Certified Public Accountants : P.O. Box 90553 - 80100 : Mombasa
COMPANY SECRETARY	: Zainash Registrars : Certified Public Secretaries : P.O. Box 44 - 00606 : Nairobi
PRINCIPAL BANKER	: Stanbic Bank Limited : P.O. Box 90131 - 80100 : Mombasa
LEGAL ADVISORS	: Kiarie, Kariuki & Co. Advocates : Ambalal House : P.O. Box 838 - 80100 : Mombasa
PARENT COMPANY	: Ecu Worldwide (Kenya) Limited : Mombasa

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

During the year 2017 the total turnover of the company decreased from Shs 1,368,000 to Shs 977,000. This was mainly attributed to overall decrease in business activity due to the economic conditions during the year. The profit before tax decreased from Shs 359,829 to Shs 60,472 reflecting the effects of the above.

As at 31 December 2017, the net asset position of the company was Shs 2,024,368 compared to Shs 1,982,037 as at 31 December 2016.

Key performance indicators	2017	2016
Turnover (Shs)	977,000	1,368,000
Profit for the year (Shs)	42,331	251,880
Net profit margin (%)	4	18
Net assets (Shs)	2,024,368	1,982,037
Return on capital employed (%)	3	18

PRINCIPAL RISKS AND UNCERTAINTIES

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

In addition to the business risk discussed above, the company's activity is not exposed to financial risks including credit risk and liquidity risk.

Cash flow and foreign currency risk

All transactions are in Kenya Shilling and hence the company is not exposed to foreign currency risk.

DIVIDEND

The directors do not propose dividend for the year (2016: 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.

REPORT OF THE DIRECTORS (CONTINUED)

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

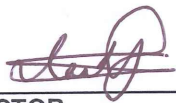
With respect to each director at the time this report was approved:

- (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 179,025 has been charged to profit or loss in the year.

BY ORDER OF THE BOARD



DIRECTOR
MOMBASA

9-4- 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the 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 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 and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

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

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2017 and of the company's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act, 2015.

In preparing these financial statements the directors have assessed the company's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

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

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



DIRECTOR

DIRECTOR

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

Opinion

We have audited the financial statements of Ecu Shipping Logistics (K) Limited, set out on pages 7 to 15 which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with the 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 Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

.....continued on page 6

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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 Gautam Shah, Jalpesh Shah, Erick Njuguna, Peter Kahi, Ajay Chandria (*Indian, **British, ***Ugandan)

PKF Kenya is a member firm of the PKF International Limited family of legally independent firms and does 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 SHIPPING LOGISTICS (K) LIMITED (CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Statements

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

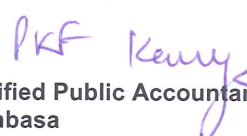
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

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

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


**Certified Public Accountants
Mombasa**

9-4- 2018

28/2018

Ecu Shipping Logistics (K) Limited
Annual report and financial statements
For the year ended 31 December 2017

STATEMENT OF PROFIT OR LOSS

	Notes	2017 Shs	2016 Shs
Revenue		977,000	1,368,000
Other income	3	136,637	133,691
Administrative expenses		<u>(1,053,165)</u>	<u>(1,141,862)</u>
Profit before tax		60,472	359,829
Tax charge	5	<u>(18,141)</u>	<u>(107,949)</u>
Profit for the year		<u><u>42,331</u></u>	<u><u>251,880</u></u>

The notes on pages 11 to 15 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2017 Shs	2016 Shs
EQUITY			
Share capital	6	1,000,000	1,000,000
Retained earnings		1,024,368	982,037
Equity attributable to owners of the company		2,024,368	1,982,037
Non-current liabilities			
Deferred tax	7	-	13,730
		2,024,368	1,995,767
REPRESENTED BY			
Non-current assets			
Deferred tax	7	8,178	-
Current assets			
Financial asset	8	1,437,640	1,241,645
Trade and other receivables	9	54,647	55,214
Cash and cash equivalents	10	584,591	793,007
Tax recoverable		286,935	257,909
		2,363,813	2,347,775
Current liabilities			
Trade and other payables	11	347,623	352,008
Net current assets		2,016,190	1,995,767
		2,024,368	1,995,767

The financial statements on pages 7 to 15 were approved and authorised for issue by the board of directors on 9-4- 2018 and were signed on its behalf by:



DIRECTOR

DIRECTOR

The notes on pages 11 to 15 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital Shs	Retained earnings Shs	Total Shs
Year ended 31 December 2017			
At start of year	1,000,000	982,037	1,982,037
Profit for the year	-	42,331	42,331
At end of year	<u>1,000,000</u>	<u>1,024,368</u>	<u>2,024,368</u>
Year ended 31 December 2016			
At start of year	1,000,000	730,157	1,730,157
Profit for the year	-	251,880	251,880
At end of year	<u>1,000,000</u>	<u>982,037</u>	<u>1,982,037</u>

Report of the independent auditor - pages 5 - 6.

STATEMENT OF CASH FLOWS

	Notes	2017 Shs	2016 Shs
Cash flows from operating activities			
Profit before tax		60,472	359,829
Adjustments for:			
Interest income	3	(136,637)	(133,691)
Changes in working capital:			
- financial assets	8	(195,995)	(1,241,645)
- receivables	9	567	(40,077)
- payables	11	(4,386)	130,921
Tax paid		(69,074)	(82,111)
Net cash used in operating activities		<u>(345,053)</u>	<u>(1,006,774)</u>
Cash flows from investing activities			
Interest received		<u>136,637</u>	<u>133,691</u>
Net cash from investing activities		<u>136,637</u>	<u>133,691</u>
Decrease in cash and cash equivalents		<u>(208,416)</u>	<u>(873,083)</u>
Movement in cash and cash equivalents			
At start of year		793,007	1,666,090
Decrease		<u>(208,416)</u>	<u>(873,083)</u>
At end of year	10	<u><u>584,591</u></u>	<u><u>793,007</u></u>

The notes on pages 11 to 15 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 financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Transition to IFRS for SMEs

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

1) General Information

Ecu Shipping Logistics (K) 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 lodging import manifests.

2. a) Basis of preparation

The financial statements of Ecu Shipping Logistics (K) 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 financial statements have been prepared under the historical cost convention.

The preparation of 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 company's accounting policies.

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

Going concern

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

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

b) Revenue recognition

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

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

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash at bank.

d) 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.

e) Financial liabilities

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

f) 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.

g) Share capital

Ordinary shares are classified as equity.

h) Comparatives

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

3. Other income	2017 Shs	2016 Shs
Interest income from treasury bill (Note 8)	<u>136,637</u>	<u>133,691</u>
4. Profit before tax		
The following item has been charged in arriving at profit before tax:		
Auditors' remuneration	<u>179,025</u>	<u>170,500</u>
5. Tax		
Current tax	40,049	38,951
Deferred tax (credit)/charge (Note 7)	<u>(21,908)</u>	<u>68,998</u>
Tax charge	<u>18,141</u>	<u>107,949</u>
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Profit before tax	<u>60,472</u>	<u>359,829</u>
Tax calculated at a tax rate of 30% (2016: 30%)	<u>18,141</u>	<u>107,949</u>
Tax charge	<u>18,141</u>	<u>107,949</u>
The current tax charge is applicable to interest received on treasury bills.		
The tax loss carried forward of Shs 76,165 expires in 2027.		
6. Share capital	2017 Shs	2016 Shs
Authorised, issued and fully paid:		
1,000 (2016: 1,000) ordinary shares of Shs 1,000 each	<u>1,000,000</u>	<u>1,000,000</u>
7. Deferred tax		
Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2016: 30%). The movement on the deferred tax asset account is as follows:		
	2017 Shs	2016 Shs
At start of year	13,730	(55,268)
(Credit)/charge to profit or loss (Note 5)	<u>(21,908)</u>	<u>68,998</u>
At end of year	<u>(8,178)</u>	<u>13,730</u>

7. Deferred tax (Continued)

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

	At start of year Shs	Charge to profit or loss Shs	At end of year Shs
Deferred tax liability			
Accrued interest	<u>13,730</u>	<u>942</u>	<u>14,672</u>
Deferred tax asset			
Tax losses carried forward	<u>-</u>	<u>(22,850)</u>	<u>(22,850)</u>
Net deferred tax liability/(asset)	<u><u>13,730</u></u>	<u><u>(21,908)</u></u>	<u><u>(8,178)</u></u>

8. Financial assets

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

The treasury bill with a face value of Shs 1,500,000 was purchased from CfC Stanbic Bank Kenya Limited, through a tender dated 28 August 2017. The investment matures within 6 months from the date acquired, and is expected to be rolled forward every 6 months.

9. Trade and other receivables

	2017 Shs	2016 Shs
Other receivables	48,908	45,768
Prepayments	1,139	4,646
Amount due from parent company (Note 12 (iii) (a))	<u>4,600</u>	<u>4,800</u>
	<u><u>54,647</u></u>	<u><u>55,214</u></u>

10. Cash and cash equivalents

Cash at bank	<u>584,591</u>	<u>793,007</u>
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For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the above.

11. Trade and other payables

	2017 Shs	2016 Shs
Accruals	343,623	349,508
Amount due to parent company (Note 12 (iii) (b))	<u>4,000</u>	<u>2,500</u>
	<u><u>347,623</u></u>	<u><u>352,008</u></u>

12. Related party transactions and balances

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

The following transactions were carried out with related party:

	2017 Shs	2016 Shs
i) Sale of services		
Parent	<u>977,000</u>	<u>1,368,000</u>
ii) Purchase of services		
Parent	<u>695,576</u>	<u>1,003,091</u>
iii) Outstanding balances arising from provision and purchase of services		
a) Receivable from parent company (Note 8)		
Parent	<u>4,600</u>	<u>4,800</u>
b) Payable to parent company (Note 10)		
Parent	<u>4,000</u>	<u>2,500</u>

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

13. Presentation currency

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

Ecu Shipping Logistics (K) Limited
Annual report and financial statements
For the year ended 31 December 2017

SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2017 Shs	2016 Shs
Management fees	580,000	696,000
VAT element on expenses	55,534	43,864
Computer expenses	16,105	15,532
Licences	64,656	55,680
Printing and stationery	20,324	16,850
Audit fees	179,025	170,500
Legal and professional fees	110,880	105,600
Secretarial	19,997	30,000
Bank charges and commissions	6,644	7,836
Total administrative expenses	1,053,165	1,141,862