

MASTER COPY

**ECU WORLDWIDE (KENYA) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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) : 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 LLP : Certified Public Accountants : P. O. Box 90553 - 80100 : Mombasa
COMPANY SECRETARIES	: Africa Registrars : 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 2020, 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

The turnover of the group and company increased from Shs 258,005,832 in 2019 to Shs 346,219,986 in 2020. This was mainly attributed to the aggressive marketing policy employed by sales team that led to increase in the number of shipments during the year.

As at 31 December 2020, the net asset position of the group was Shs 38,109,923 compared to Shs 14,189,889 as at 31 December 2019 and for that of company was Shs 38,052,604 in 2020 compared to Shs 13,049,290 in 2019

Key performance indicators	Group		Company	
	2020	2019	2020	2019
Turnover (Shs)	346,219,986	258,005,832	346,219,986	258,005,832
Profit for the year (Shs)	23,921,235	10,276,778	25,003,314	10,230,714
Net assets (Shs)	38,109,923	14,189,889	38,052,604	13,049,290

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 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 and other factors such as the impact of the recent coronavirus (Covid-19) outbreak.

The world is experiencing a significant challenge emanating from the Covid-19 pandemic. Globally and locally, the authorities are attempting to stop the spread of the virus with the introduction of various measures, including complete lockdowns of countries. The Kenya Government has introduced certain economic stimulus proposals to ease the burden of businesses and their citizens as a whole. At group/company level, we are following the developments, particularly the impact on business, its staff, customers and other stakeholders. Preliminary measures and business continuity plans to mitigate adverse impact are being activated and will be closely monitored and the group/company will continually assess them on an ongoing basis and adopt changes as events unfold. These financial statements have not been adjusted for potential impacts of the Covid-19 pandemic.

In addition to the business risks discussed above, the group's/company's activity exposes it to a number of financial risks including credit risk, cash flow and foreign currency 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.

.....continued on page 3

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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.

DIVIDEND

The directors propose a final dividend of Shs 25,000 per share (2019: Shs 19,383.72) amounting to a total of Shs 20,000,000 (2019: Shs 15,506,976).

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

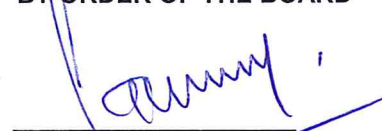
With respect to each director at the time this report was approved:

- (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 LLP, continues in office in accordance with the company's Articles of Association and Section 719 of the 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 fee.

BY ORDER OF THE BOARD



DIRECTOR
MOMBASA
17/3/2021

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:

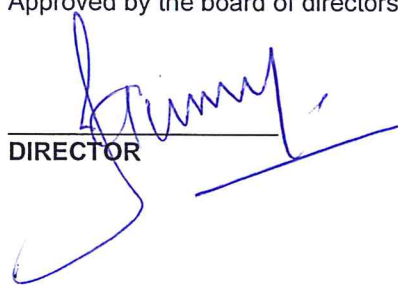
- i) Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) Selecting and applying appropriate accounting policies; and
- iii) Making 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 2020 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.

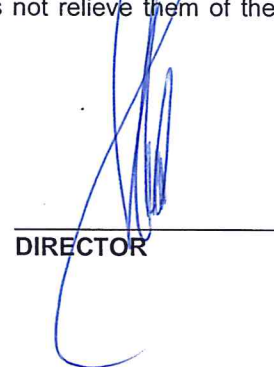
In preparing these financial statements the directors have assessed the group's and company's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the company and its subsidiary will not remain a going concern for at least the next twelve months 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 17/3 2021 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 2020, 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 2020, 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

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PKF Kenya, a partnership carrying on business under BN registration no. 309855 was on 10 March 2020 converted to PKF Kenya LLP (LLP-8519PL), a limited liability partnership under the Limited Liability Partnership Act, 2011.

Partners: A. Shah, A. Vadher, P. Shah, R. Mirchandani*, D. Kabeberi, C. Oguttu**, A. Chaudhry, K. Shah**, M. Mburugu, G. Santokh, D. Shah, S. Alibhai, L. Abreu, P. Kuria, N. Shah, J. Shah, E. Njuguna, P. Kahi, A. Chandria, M. Kimundu, S. Chheda**, M. Bhavsar, C. Mukunu, K. Bharadva (*Indian, **British, ***Ugandan)

PKF Kenya LLP 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 other 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.

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


For and on behalf of PKF Kenya LLP
Certified Public Accountants
Mombasa

15 April 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2020 Shs	2019 Shs
Revenue	3	346,219,986	258,005,832
Cost of sales		<u>(219,614,823)</u>	<u>(148,052,178)</u>
Gross profit		126,605,163	109,953,654
Other income	4	5,507,768	5,581,695
Administrative expenses		(72,899,365)	(80,102,589)
Other operating expenses		<u>(24,163,506)</u>	<u>(21,509,528)</u>
Operating profit		35,050,060	13,923,232
Finance income	7	<u>522,102</u>	<u>196,717</u>
Profit before tax		35,572,162	14,119,949
Tax charge	8	<u>(11,650,927)</u>	<u>(3,843,171)</u>
Profit for the year		<u><u>23,921,235</u></u>	<u><u>10,276,778</u></u>
Attributable to:			
Owners of the company		23,921,176	10,276,732
Non-controlling interests		<u>59</u>	<u>46</u>
		<u><u>23,921,235</u></u>	<u><u>10,276,778</u></u>
Dividend			
Paid during the year			
- Final paid (2019)		-	15,593,819
- Final proposed (2020)		<u><u>20,000,000</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.

COMPANY STATEMENT OF PROFIT OR LOSS

	Notes	2020 Shs	2019 Shs
Revenue	3	346,219,986	258,005,832
Cost of sales		<u>(220,702,823)</u>	<u>(149,128,178)</u>
Gross profit		125,517,163	108,877,654
Other income	4	6,581,429	5,464,713
Administrative expenses		(71,883,232)	(79,041,425)
Other operating expenses		<u>(24,101,581)</u>	<u>(21,443,516)</u>
Operating profit		36,113,779	13,857,426
Finance income	7	<u>522,102</u>	<u>196,717</u>
Profit before tax		36,635,881	14,054,143
Tax charge	8	<u>(11,632,567)</u>	<u>(3,823,429)</u>
Profit for the year		<u>25,003,314</u>	<u>10,230,714</u>
Dividend for the year:			
- Final paid		<u>1,142</u>	<u>15,593,819</u>
- Final proposed - 2020		<u>20,000,000</u>	<u>-</u>


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

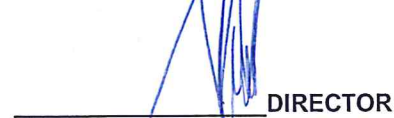
Report of the independent auditor - pages 5 - 6.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2020 Shs	2019 Shs
CAPITAL EMPLOYED			
Share capital	10	4,000,000	4,000,000
Proposed dividends		20,000,000	-
Retained earnings		14,109,923	10,189,889
Equity attributable to owners of the company		38,109,923	14,189,889
Non-controlling interests		2,200	2,141
		38,112,123	14,192,030
Non current liabilities			
Borrowings	11	4,039,290	29,993,325
		42,151,413	44,185,355
REPRESENTED BY			
Non-current assets			
Vehicles and equipment	12	27,776,497	34,422,329
Intangible asset	13	79,318	113,312
Deferred tax	14	5,621,098	6,848,969
		33,476,913	41,384,610
Current assets			
Financial assets	16	1,478,389	1,456,153
Trade and other receivables	17	50,554,160	52,876,309
Cash and cash equivalents	18	12,530,696	14,761,615
Tax recoverable		-	5,556,106
		64,563,245	74,650,183
Current liabilities			
Trade and other payables	19	46,382,847	51,935,091
Borrowings	11	4,693,348	19,914,347
Tax payables		4,812,550	-
		55,888,745	71,849,438
Net current assets		8,674,500	2,800,745
		42,151,413	44,185,355

The financial statements on pages 7 to 27 were approved and authorised for issue by the Board of Directors on 17/3/2021 and were signed on its behalf by:


 DIRECTOR


 DIRECTOR


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

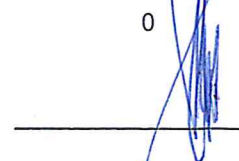
Report of the independent auditor - pages 5 - 6.

COMPANY STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2020 Shs	2019 Shs
CAPITAL EMPLOYED			
Share capital	10	4,000,000	4,000,000
Proposed dividends		20,000,000	-
Retained earnings		14,052,604	9,049,290
Equity attributable to owners of the company		38,052,604	13,049,290
Non current liabilities			
Borrowings	11	4,039,290	29,993,325
		<u>42,091,894</u>	<u>43,042,615</u>
REPRESENTED BY			
Non-current assets			
Vehicles and equipment	12	27,776,497	34,422,329
Intangible asset	13	79,318	113,312
Deferred tax	14	5,577,065	6,810,108
Investment in subsidiary	15	999,000	999,000
		<u>34,431,880</u>	<u>42,344,749</u>
Current assets			
Trade and other receivables	17	51,573,934	52,841,637
Cash and cash equivalents	18	12,180,087	14,267,171
Tax recoverable		-	5,221,546
		<u>63,754,021</u>	<u>72,330,354</u>
Current liabilities			
Borrowings	11	4,693,347	19,914,347
Trade and other payables	19	46,222,681	51,718,141
Tax payables		5,177,979	-
		<u>56,094,007</u>	<u>71,632,488</u>
Net current assets		<u>7,660,014</u>	<u>697,866</u>
		<u>42,091,894</u>	<u>43,042,615</u>

The financial statements on pages 7 to 27 were approved and authorised for issue by the Board of Directors on 17/3/2021 and were signed on its behalf by:


 DIRECTOR

0

 DIRECTOR

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 CHANGES IN EQUITY

	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 2020						
As start of year	4,000,000	10,189,889	-	14,189,889	2,141	14,192,030
Profit for the year	-	23,921,176	-	23,921,176	59	23,921,235
Dividends: Final for 2020 (proposed)	-	(20,000,000)	20,000,000	-	-	-
Dividends: Final for 2020 (paid)	-	(1,142)	-	(1,142)	-	(2,284)
At end of year	4,000,000	14,109,923	20,000,000	38,109,923	2,200	38,110,981
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: Final for 2019 (paid)	-	(15,593,819)	-	(15,593,819)	-	(15,593,819)
At end of year	4,000,000	10,189,889	-	14,189,889	2,141	14,192,030

Report of the independent auditor - pages 5 - 6.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Retained earnings Shs	Proposed dividends Shs	Total Shs
Year ended 31 December 2020				
As start of year	4,000,000	9,049,290	-	13,049,290
Profit for the year	-	25,003,314	-	25,003,314
Dividends: Final for 2020 (proposed)	-	(20,000,000)	20,000,000	-
At end of year	<u>4,000,000</u>	<u>14,052,604</u>	<u>20,000,000</u>	<u>38,052,604</u>
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: Final for 2019 (paid)	-	(15,593,819)	-	(15,593,819)
At end of year	<u>4,000,000</u>	<u>9,049,290</u>	<u>-</u>	<u>13,049,290</u>

Report of the independent auditor - pages 5 - 6.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 Shs	2019 Shs
Cash flows from operating activities			
Profit before tax		35,572,162	14,119,949
Adjustments for:			
Depreciation of vehicles and equipment	12	7,411,600	7,699,328
Amortisation of intangible asset	13	33,994	48,563
Interest income	4	(66,937)	(114,982)
Loss on disposal of vehicles and equipment		(304,480)	(401,903)
Changes in working capital:			
- financial assets		(22,236)	(10,188)
- trade and other receivables		1,294,348	1,831,246
- trade and other payables		(5,556,244)	7,406,798
Tax paid		(54,400)	(72,245)
Net cash from operating activities		38,307,807	30,506,566
Cash flows from investing activities			
Cash paid for purchase of vehicles and equipment	12	(832,500)	(3,211,392)
Proceeds from disposal of vehicles and equipment		371,212	732,760
Interest received	4	66,937	114,982
Net cash used in investing activities		(394,351)	(2,363,650)
Cash flows from financing activities			
Dividends paid		(1,142)	(15,593,819)
Proceeds from borrowings		1,026,538	15,556,225
Repayment of borrowings		(41,169,772)	(23,301,278)
Net cash used in financing activities		(40,144,376)	(23,338,872)
(Decrease)/increase in cash and cash equivalents		(2,230,920)	4,804,044
Movement in cash and cash equivalents			
At start of year		14,761,616	9,957,572
(Decrease)/increase		(2,230,920)	4,804,044
At end of year	18	12,530,696	14,761,616

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	2020 Shs	2019 Shs
Cash flows from operating activities			
Profit before tax		36,635,881	14,054,143
Adjustments for:			
Depreciation of vehicles and equipment	12	7,411,600	7,699,328
Amortisation of intangible asset	13	33,994	48,563
Profit on disposal of vehicles and equipment		(304,480)	(401,903)
Changes in working capital:			
- trade and other receivables		1,262,441	1,824,825
- trade and other payables		(5,495,460)	7,397,396
Net cash from operating activities		<u>39,543,976</u>	<u>30,622,352</u>
Cash flows from investing activities			
Cash paid for purchase of vehicles and equipment	12	(832,500)	(3,211,392)
Proceeds from disposal of vehicles and equipment		<u>371,212</u>	<u>732,760</u>
Net cash used in investing activities		<u>(461,288)</u>	<u>(2,478,632)</u>
Cash flows from financing activities			
Dividends paid		-	(15,593,819)
Proceeds from borrowings		-	15,556,225
Payments of borrowings		<u>(41,169,772)</u>	<u>(23,301,278)</u>
Net cash used in financing activities		<u>(41,169,772)</u>	<u>(23,338,872)</u>
(Decrease)/increase in cash and cash equivalents		<u>(2,087,084)</u>	<u>4,804,848</u>
Movement in cash and cash equivalents			
At start of year		14,267,171	9,462,323
(Decrease)/increase		<u>(2,087,084)</u>	<u>4,804,848</u>
At end of year	18	<u>12,180,087</u>	<u>14,267,171</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).

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. Disclosures in respect of principal risks and uncertainties are included within the Director's Report.

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.

The assumptions and judgements set-out below do not consider the full potential impact of the recent coronavirus outbreak as it is too early at this stage to predict the full potential impact of this on the financial statements of the company.

- **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.

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.

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

r) Share capital

Ordinary shares are classified as equity.

NOTES (CONTINUED)

3. Revenue	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Exports	64,039,315	55,807,720	64,039,315	55,807,720
Imports	282,180,671	202,198,112	282,180,671	202,198,112
	<u>346,219,986</u>	<u>258,005,832</u>	<u>346,219,986</u>	<u>258,005,832</u>

4. Other income

Interest income	66,937	114,982	-	-
Profit on disposal of plant and equipment	304,480	401,903	304,480	401,903
Rental income	4,660,900	5,062,810	4,660,900	5,062,810
Miscellaneous Income	475,451	2,000	475,451	-
Dividend income	-	-	1,140,598	-
	<u>5,507,768</u>	<u>5,581,695</u>	<u>6,581,429</u>	<u>5,464,713</u>

5. Operating profit

The following items have been charged in arriving at operating profit:

Depreciation of plant and equipment (Note 12)	7,117,031	7,699,328	7,117,031	7,699,328
Amortisation of intangible asset (Note 13)	33,994	48,563	33,994	48,563
Operating lease rentals	8,152,370	8,651,287	8,152,370	8,651,287
Auditors' remuneration	1,079,478	961,411	872,234	764,036
Directors' remuneration and bonus	17,606,880	11,969,407	17,606,880	11,969,407
Trade receivables - Impairment (Note 17)	14,459,499	14,083,497	14,459,499	14,083,497
Staff costs (Note 6)	40,267,108	47,351,974	40,267,108	47,351,974

6. Staff costs

Salaries and wages	30,045,882	37,033,422	30,045,882	37,033,422
Staff training and welfare	6,860,100	8,924,760	6,860,100	8,924,760
Commissions and incentives	2,008,413	-	2,008,413	-
Training levy	17,050	16,050	17,050	16,050
Pension cost:				
- Defined contribution scheme	1,267,063	1,307,742	1,267,063	1,307,742
- National Social Security Fund	68,600	68,600	68,600	70,000
	<u>40,267,108</u>	<u>47,350,574</u>	<u>40,267,108</u>	<u>47,351,974</u>

The average number of persons employed during the year were:

	2020 No	2019 No
Production		
Sales	16	16
Management and administration	6	5
	<u>7</u>	<u>8</u>
Total	<u>29</u>	<u>29</u>

NOTES (CONTINUED)

7. Finance cost /(income)	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Net foreign exchange gain	(522,102)	(196,717)	(522,102)	(196,717)
	<u>(522,102)</u>	<u>(196,717)</u>	<u>(522,102)</u>	<u>(196,717)</u>

8. Tax

Current tax	10,423,055	3,860,320	10,399,524	3,823,429
Deferred tax charge (Note 14)	(693,463)	(17,149)	(688,292)	-
Underprovision of deferred tax in prior years	1,921,335	-	1,921,335	-
Tax charge	<u>11,650,927</u>	<u>3,843,171</u>	<u>11,632,567</u>	<u>3,823,429</u>

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

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Profit before tax	35,572,162	14,119,949	36,635,881	14,054,143
Tax calculated at a tax rate of 25% (2019: 30%)	8,893,041	4,235,985	9,158,970	4,216,243
Tax effect of expenses not deductible for tax purposes				
- income not subject to tax	-	-	(285,150)	-
- expenses not deductible for tax purposes	952,128	1,527,595	952,127	1,527,595
- deferred tax asset not recognised	-	(1,920,409)	-	(1,920,409)
- change in tax rate on deferred tax movement	(115,577)	-	(114,715)	-
- underprovision of deferred tax in prior years	1,921,335	-	1,921,335	-
Tax charge	<u>11,650,927</u>	<u>3,843,171</u>	<u>11,632,567</u>	<u>3,823,429</u>

9. Dividends

The directors propose a final dividend of Shs 25,000 per share (2019: Shs 19,383.72), amounting to Shs 20,000,000 (2019: Shs 15,506,976).

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 2020.

Payment of dividend is subject to a withholding tax at the rate of 5% for residents and 15% 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	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Authorised:				
1,500 (2019: 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 (2019: 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)

	Group			
11. Borrowings	2020	2019	2020	2019
	Shs	Shs	Shs	Shs
The borrowings are made up as follows:				
Non-current				
Borrowings from parent	4,039,290	29,993,325	4,039,290	29,993,325
Current				
Borrowings from parent	4,693,348	19,914,347	4,693,347	19,914,347
Total borrowings (Note 20 (vi))	8,732,638	49,907,672	8,732,637	49,907,672

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	Computers and electronic equipment	Furniture, fittings and equipment	Specialised Racks and Shelves	Total
	Shs	Shs	Shs	Shs	Shs
Cost					
At start of year	6,328,532	13,907,718	13,807,733	32,090,962	66,134,945
Additions	-	722,500	110,000	-	832,500
Disposals	(990,000)	(545,100)	-	-	(1,535,100)
At end of year	5,338,532	14,085,118	13,917,733	32,090,962	65,432,345
Depreciation					
At start of year	3,940,646	12,459,996	9,549,531	5,762,443	31,712,616
Disposals	(934,249)	(534,119)	-	-	(1,468,368)
Charge for the year	584,195	609,283	544,879	5,673,243	7,411,600
At end of year	3,590,592	12,535,160	10,094,410	11,435,686	37,655,848
Net book value					
As at 31 December 2020	1,747,940	1,549,958	3,823,323	20,655,276	27,776,497
As at 31 December 2019	2,387,886	1,447,722	4,258,202	26,328,519	34,422,329

NOTES (CONTINUED)

	Group and Company	
	2020	2019
	Shs	Shs
13. Intangible assets		
Cost		
At start and end of year	185,000	185,000
Amortization		
At start of year	71,688	23,125
Charge for the year	33,994	48,563
At end of year	105,682	71,688
Net book value	<u>79,318</u>	<u>113,312</u>

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% (2019: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	Shs	Shs	Shs	Shs
	2020	2019	2020	2019
At start of year	(6,848,969)	(6,848,969)	(6,810,108)	(6,810,108)
Charge to profit or loss (Note 8)	(693,464)	-	(688,292)	-
Underprovision in prior year	1,921,335	-	1,921,335	-
At end of year	<u>(5,621,098)</u>	<u>(6,848,969)</u>	<u>(5,577,065)</u>	<u>(6,810,108)</u>

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

	At start of year	Under provision	Credit/(charge)	At end of year
	Shs	in prior year	to profit	Shs
	Shs	Shs	or loss	
	Shs	Shs	Shs	Shs
The Group				
Deferred tax liability				
Vehicles and equipments	265,518	-	(912,065)	(646,547)
Accrued interest	10,318	-	(8,157)	2,161
Overprovision in prior year	(3,852)	(471,327)	-	(475,179)
	<u>271,984</u>	<u>(471,327)</u>	<u>(920,222)</u>	<u>(1,119,565)</u>
Deferred tax assets				
Tax losses	(558,626)	-	2,983	(555,643)
Other timing differences	(6,562,327)	2,392,662	223,775	(3,945,890)
	<u>(7,120,953)</u>	<u>2,392,662</u>	<u>226,758</u>	<u>(4,501,533)</u>
Net deferred tax asset	<u>(6,848,969)</u>	<u>1,921,335</u>	<u>(693,464)</u>	<u>(5,621,098)</u>
The Company				
Deferred tax liability				
Vehicles and equipment	261,666	(471,327)	(912,067)	(1,121,728)
Deferred tax assets				
Tax losses carried forward	(509,448)	509,448	-	-
Provisions	(6,743,837)	2,518,788	632,126	(3,592,923)
Unrealised exchange differences	181,511	(635,574)	(408,351)	(862,414)
	<u>(7,071,774)</u>	<u>2,392,662</u>	<u>223,775</u>	<u>(4,455,337)</u>
Net deferred tax asset	<u>(6,810,108)</u>	<u>1,921,335</u>	<u>(688,292)</u>	<u>(5,577,065)</u>

NOTES (CONTINUED)

15. Investment in subsidiary	2020 Shs	2019 Shs
999 (2019: 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	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Treasury bill	<u>1,478,389</u>	<u>1,456,153</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 2020. The investment matures within 6 months from the date acquired.

17. Trade and other receivables	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Trade receivables	40,714,541	34,718,988	40,714,541	34,718,988
Less: impairment provisions	<u>(11,976,410)</u>	<u>(14,083,497)</u>	<u>(11,976,410)</u>	<u>(14,083,497)</u>
Net trade receivables	28,738,131	20,635,491	28,738,131	20,635,491
Prepayments and other deposits	7,124,520	7,569,369	7,122,960	7,567,089
Other receivables	9,253,879	16,845,847	9,246,675	16,811,455
Container deposits	1,958,336	1,589,305	1,958,336	1,589,305
Loan to related party (Note 20 (vii))	-	-	1,026,538	-
Receivable from related parties (Note 20 (v))	<u>3,479,294</u>	<u>6,236,297</u>	<u>3,481,294</u>	<u>6,238,297</u>
	<u>50,554,160</u>	<u>52,876,309</u>	<u>51,573,934</u>	<u>52,841,637</u>

Movement in impairment provisions

At start of year	14,083,497	20,032,656	14,083,497	20,032,656
Additions	563,435	-	563,435	-
Recoveries	-	(4,099,599)	-	(4,099,599)
Write offs	<u>(2,670,522)</u>	<u>(1,849,560)</u>	<u>(2,670,522)</u>	<u>(1,849,560)</u>
At end of year	<u>11,976,410</u>	<u>14,083,497</u>	<u>11,976,410</u>	<u>14,083,497</u>

18. Cash and cash equivalents

Cash at bank and in hand	<u>12,530,696</u>	<u>14,761,615</u>	<u>12,180,087</u>	<u>14,267,171</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	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Trade payables	6,217,886	7,483,278	6,217,886	7,483,278
Accruals and deferred income	35,522,040	25,640,985	35,361,874	25,420,035
Payable to related parties (Note 20 (v))	4,642,921	6,480,526	4,642,921	6,484,526
Advance receipts from customers	-	12,330,302	-	12,330,302
	<u>46,382,847</u>	<u>51,935,091</u>	<u>46,222,681</u>	<u>51,718,141</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	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Other related parties	<u>3,479,294</u>	<u>25,222,940</u>	<u>3,481,294</u>	<u>25,847,252</u>
ii) Purchase of services				
Other related parties	<u>4,642,919</u>	<u>55,357,800</u>	<u>4,642,919</u>	<u>56,433,800</u>
iii) Purchase of vehicle and equipment				
Other related parties	<u>-</u>	<u>20,550</u>	<u>-</u>	<u>20,550</u>
iv) Directors' benefits and other remuneration				
- Salaries	17,606,880	11,969,407	17,606,880	22,416,960
- Benefits	<u>3,109,384</u>	<u>3,295,560</u>	<u>3,109,384</u>	<u>2,467,560</u>
	<u>20,716,264</u>	<u>15,264,967</u>	<u>20,716,264</u>	<u>24,884,520</u>
v) Outstanding balances arising from trading transactions				
Receivable from related parties (Note 17)	<u>3,479,294</u>	<u>6,236,297</u>	<u>3,481,294</u>	<u>6,238,297</u>
Payable to related parties (Note 19)	<u>4,642,921</u>	<u>6,480,526</u>	<u>4,642,921</u>	<u>6,484,526</u>
Receivables from related parties can be analysed as follows:				
Subsidiary	-	-	2,000	2,000
Other related parties	<u>3,479,294</u>	<u>6,236,297</u>	<u>3,479,294</u>	<u>6,236,297</u>
	<u>3,479,294</u>	<u>6,236,297</u>	<u>3,481,294</u>	<u>6,238,297</u>

NOTES (CONTINUED)

20. Related party transactions and balances (continued)

	Group		Company	
v) Outstanding balances arising from trading transactions (continued)	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Payable to related parties can be analysed as follows:				
Subsidiaries	-	-	-	5,400
Other related parties	4,642,921	6,480,526	4,642,921	6,479,126
	<u>4,642,921</u>	<u>6,480,526</u>	<u>4,642,921</u>	<u>6,484,526</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	2020 Shs	2019 Shs	2020 Shs	2019 Shs
At start of year	-	-	49,907,672	51,625,072
Advances	-	-	-	15,556,225
Repayments	-	-	(41,175,035)	(17,273,625)
At end of year (Note 11)	<u>-</u>	<u>-</u>	<u>8,732,637</u>	<u>49,907,672</u>
vii) Loan to subsidiary				
Advances (Note 17)	<u>-</u>	<u>-</u>	<u>1,026,538</u>	<u>-</u>

The advances to/from related parties are subject to interest at 2% p.a have no specific dates of repayment and are unsecured.

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 2020, Kenya Revenue Authority (KRA) carried out an audit with respect to Value Added Tax (VAT) for period of income April 2019 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	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
	<u>-</u>	<u>30,000,000</u>	<u>-</u>	<u>30,000,000</u>

The bonds were cancelled in January 2020.

- c) The company is a complainant in a legal matter for outstanding debt on account of services rendered to the customer valued at Shs. 11,257,788. Based on information currently available, the directors believe that there is a fair chance of success based on jurisdiction clauses contained in the charter party agreements.

NOTES (CONTINUED)

22. Commitments

a) Contractual commitments on capital work-in-progress

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Total amount committed during the year	-	-	-	31,639,655
Less: amount capitalised	-	-	-	(25,695,322)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,944,333</u>

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 2020.

b) Operating lease commitments - as a lessee

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

	Group		Company	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Not later than 1 year	5,972,714	5,784,872	5,972,714	5,784,872
Later than 1 year and not later than 5 years	5,575,680	11,548,394	5,575,680	11,548,394
	<u>11,548,394</u>	<u>17,333,266</u>	<u>11,548,394</u>	<u>17,333,266</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	
	2020 Shs	2019 Shs	2020 Shs	2019 Shs
Not later than 1 year	20,046,563	18,916,908	20,046,563	18,916,908
Later than 1 year and not later than 5 years	57,883,980	66,202,714	57,883,980	66,202,714
Later than 5 years	-	6,933,830	-	6,933,830
	<u>77,930,543</u>	<u>92,053,452</u>	<u>77,930,543</u>	<u>92,053,452</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	2020 Shs	2019 Shs
Employment:		
Salaries and wages	30,045,882	37,033,422
Staff training and welfare	6,860,100	8,924,760
Pension scheme contribution - defined	1,267,063	1,307,742
NSSF contributions	68,600	70,000
Commissions and incentives	2,008,413	-
Training levy	17,050	16,050
Total employment costs	40,267,108	47,351,974
Other administrative expenses:		
Directors' remuneration	10,574,823	11,969,407
Internet, postages and telephone expenses	2,754,672	2,949,463
Entertainment	21,975	30,900
Travelling	1,684,434	3,870,768
Vehicle running	1,149,724	2,064,341
Printing and stationery	1,079,849	1,219,723
Audit fees	1,079,478	961,411
Legal and professional fees	1,763,968	1,506,184
Management expenses	10,211,918	9,591,193
Advertising expenses	72,000	157,102
Subscriptions	139,751	293,539
Bank charges	702,173	644,480
Office expenses	665,805	1,100,511
Computer expense	293,973	278,079
Miscellaneous expense	64,007	9,574
Fines and penalties	642,899	-
Bad debts written off	2,401,330	1,986,559
Decrease in impairment provision - trade receivables	(2,670,522)	(5,949,159)
VAT element on expenses	-	66,540
Total other administration expenses	32,632,257	32,750,615
Total administrative expenses	72,899,365	80,102,589
2. OTHER OPERATING EXPENSES		
Establishment:		
Rent	8,152,370	8,651,287
Electricity and water	826,575	1,058,783
Repairs and maintenance	875,070	942,746
Insurance	1,202,693	949,321
Licences	644,622	433,562
Security expenses	221,940	221,940
Net foreign exchange losses	4,794,642	1,503,998
Depreciation of plant and equipment	7,411,600	7,699,328
Amortisation of intangible assets	33,994	48,563
Total other operating expenses	24,163,506	21,509,528

COMPANY SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2020 Shs	2019 Shs
Employment:		
Salaries and wages	30,045,882	37,033,422
Staff training and welfare	6,860,100	8,924,760
Pension scheme contribution - defined	1,267,063	1,307,742
NSSF contributions	68,600	70,000
Commissions and incentives	2,008,413	-
Training levy	17,050	16,050
Total employment costs	40,267,108	47,351,974
Other administrative expenses:		
Directors' remuneration	10,574,823	11,969,407
Internet, postages and telephone expenses	2,143,049	2,392,663
Entertainment	21,975	30,900
Travelling	1,684,434	3,870,768
Vehicle running expenses	1,149,724	2,064,341
Printing and stationery	1,059,239	1,193,458
Audit fees	872,234	764,036
Legal and professional fees	1,600,610	1,299,949
Management expenses	10,211,918	9,591,193
Advertising expenses	72,000	157,102
Subscriptions	139,751	293,539
Bank charges	688,875	636,531
Office expenses	665,805	1,100,511
Computer expense	293,973	278,079
Miscellaneous expense	64,007	9,574
Fines and penalties	642,899	-
Bad debts written off	2,401,330	1,986,559
Decrease in impairment provision - trade receivables	(2,670,522)	(5,949,159)
Total other administration expenses	31,616,124	31,689,451
Total administrative expenses	71,883,232	79,041,425
2. OTHER OPERATING EXPENSES		
Establishment:		
Rent	8,152,370	8,651,287
Electricity and water	826,575	1,058,783
Repairs and maintenance	875,070	942,746
Insurance	1,202,693	949,321
Licences	582,697	367,550
Security expenses	221,940	221,940
Net foreign exchange losses	4,794,642	1,503,998
Depreciation of plant and equipment	7,411,600	7,699,328
Amortisation of intangible assets	33,994	48,563
Total other operating expenses	24,101,581	21,443,516

SCHEDULE OF NET RENTAL INCOME

	2020 Shs	2019 Shs
Gross rental income	<u>21,413,407</u>	<u>22,256,807</u>
Less:		
Electricity and water	132,496	132,466
Rental expenses	2,453,886	2,482,762
Internet	136,230	307,002
Transport	-	113,960
Security, alarms and fire services	2,227,782	1,826,656
Employment costs - Casuals	839,997	805,414
Other expenses	87,143	623,003
Provision for profit share to parent	2,559,154	1,234,829
Interest on loan attributable to rental income	651,333	1,044,247
Finance Managers salary directly attributable to warehouse operations	621,734	643,898
Directors salary directly attributable to warehouse operations	<u>7,042,752</u>	<u>7,979,760</u>
	<u>16,752,507</u>	<u>17,193,997</u>
Net rental income	<u><u>4,660,900</u></u>	<u><u>5,062,810</u></u>

