

GS1 KENYA LIMITED

(A Company Limited by Guarantee and not having a Share Capital)

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Gatune & Associates
Certified Public Accountants
P.O. Box 5213- 00506
Nairobi

GSI KENYA LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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GS1 KENYA LIMITED

COMPANY INFORMATION

Board of Directors	2018 31st December 2018	2017 31st December 2017
Chairman	Sospeter Kioko	Sospeter Kioko
Vice Chairman	Peter Otieno	Peter Otieno
Director	Prof. Michael Okoth	Prof. Michael Okoth
Director	Charles Nduati	Charles Nduati
Director	Dr. Jerusha Kamau	Dr. Jerusha Kamau
SECRETARY	Rikan Registrars Certified Public Secretary(K), P.O. Box 69565-00400 Nairobi, Kenya	
Registered Office	GS1 (K) LTD Next Gen Mall 5 nd Floor P.O Box 3243-00200 Nairobi	
Independent Auditor	Gatune & Associates Certified Public Accountants (Kenya) P O Box 5213 - 00506 Nairobi	
Bankers	Co-Operative bank of Kenya, Mombasa road Branch P O Box 74956-00100 Nairobi Co-Operative bank of Kenya, Ukulima Branch P O Box 49338-00200 Nairobi Kenya Commercial Bank Sarit Center Branch P O Box 14959-00800 Nairobi	

GS1 KENYA LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the company remains that of administering and promoting the system of standards development by GS1 International for Unique item Identification, Bar-coding, location numbering and electronic data interchange (EDI).

RESULTS

The results for the year ended 31 December 2018 are shown on page 6

Membership statistics

	Total
Old members who renewed subscription in 2018	845
New Members 2018	197
Total active members in 2018	1042

Last Membership number given as per the booklet 6725

DIVIDENDS

The Articles of the company prohibits distribution of profits.

DIRECTORS

The directors who served during the year are shown on page 1.

AUDITOR

During the year, Gatune & Associates were appointed as the company's auditors and have expressed their willingness to continue in office in accordance with Kenyan Companies Act 2015.

BY ORDER OF THE BOARD

Director.....

Nairobi..........2019

GS1 KENYA LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act 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 the company's profit. It also requires the directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- 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 state of the financial affairs of the company as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium – Sized Entities and the requirements of the Kenyan Companies Act 2015.

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.



Director

15-1-2019

GS1 KENYA LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GS1 KENYA LIMITED FOR THE YEAR ENDED 31ST DECEMBER 2018

1. Report on the Financial Statements

We have audited the accompanying financial statements set out on pages 6 to 16 of GS1 Kenya Limited, which comprise the Statement of Financial Position as at 31 December 2018 and Statement of Comprehensive Income, statement of changes in equity and Statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

2. Board of Directors' responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Debtors

Included in debtors' balance is an amount of Kshs 44,418,236 (2016) which relates to Membership subscription whose individual balances provided could not be validated, however the directors has proposed unrecoverable debtors of Kshs 14,999,988 leaving the balance of Kshs 29,418,248 (2018)

Membership Status - The membership statistics as on page 3 could not also ascertained and verified.

5. Tax Matters

The company is faced with a total probable tax exposure of **Kshs 7.4M**

6. Opinion

Subject to the effect on the financial statements of the matters referred to in the preceding paragraphs, in our opinion, the accompanying financial statements give a true and a fair view of the state of financial affairs of the GS1 Kenya Limited as at 31 December 2018 and of its profit and cash flows for the year ended in accordance with International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SME's)

7. Report on other legal requirements

As required by the Kenya Companies Act 2015 we report to you, based on our audit, that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) The Statement of Financial Position of the company is in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Peter Gatune – P/No. 2007

Gatune & Associate
Certified Public Accountants (Kenya)

Nairobi 15th February 2019

GS1 KENYA LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018**

STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	2018 Kshs	2017 Kshs
Income		47,079,616	52,859,343
Other Income		(85,447)	(2,059,210)
Total Income		<u>46,993,669</u>	<u>50,800,133</u>
Direct Costs		(1,807,960)	(886,359)
Administrative expenses		(40,771,347)	(36,617,784)
Establishment Costs		(1,131,218)	(3,787,510)
Selling & Marketing Costs		(1,523,972)	(2,160,335)
Operating Surplus		<u>1,179,173</u>	<u>7,348,510</u>
Finance Costs		(154,084)	(464,530)
Surplus/Deficit before tax for the year		<u>1,605,008</u>	<u>6,883,615</u>
Current Tax	[15]	(481,526)	(2,065,084)
Tax Penalties		-	-
Net Surplus After Tax for the year		<u><u>1,123,562</u></u>	<u><u>4,818,530</u></u>

Report of the auditors - page 5.

The notes on pages 10 to 16 form part of these financial statements.

GSI KENYA LIMITED

**FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2018**

STATEMENTS OF FINANCIAL POSITION

		2018	2017
ASSETS	Notes	KSHS	KSHS
Non-Current Assets			
Property and Equipment	[2]	3,486,377	3,345,125
Software – WIP	[2a]	1,978,388	-
		<u>5,465,139</u>	<u>3,345,125</u>
Investments	[11]	<u>8,515,531</u>	<u>2,769,785</u>
Current Assets			
Trade Receivables and Prepayments	[7]	7,637,756	17,574,996
Cash and cash equivalents	[8]	1,978,596	1,925,678
Tax recoverable		3,032,670	1,980,726
		<u>12,249,022</u>	<u>21,481,041</u>
TOTAL ASSETS		<u><u>26,629,691</u></u>	<u><u>27,596,311</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Retained earnings		11,878,642	10,908,166
Total Members funds		<u>11,878,642</u>	<u>10,908,166</u>
Current liabilities			
Trade and other payables	[9]	12,269,522	11,357,647
Tax Payable		481,526	2,628,668
Total Current Liabilities		<u>12,751,049</u>	<u>14,166,314</u>
Long Term Liabilities	[10]	<u>2,000,000</u>	<u>2,521,830</u>
TOTAL EQUITY AND LIABILITIES		<u><u>26,629,691</u></u>	<u><u>27,596,311</u></u>

The financial statements were approved by the board of directors' on 15/02/ 2019 and were signed on its behalf by:


Director

Report of the auditors- page 5.

The notes on pages 10 to 16 form part of these financial statements.

GSI KENYA LIMITED

**FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2018**

COMPANY STATEMENT OF CHANGES IN EQUITY

	2018 Retained Earnings Kshs	2017 Retained Earnings Kshs
Balance as at 1st January	10,908,166	4,215,172
(Loss)/Profit the year	1,123,562	4,818,530
Prior Year Adjustments	(158,085)	1,874,463
Balances as at 31 December	<u>11,878,642</u> =====	<u>10,908,166</u> =====

GSI KENYA LIMITED

**FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2018**

STATEMENT OF CASH FLOW STATEMENTS

	Notes	2018 Kshs	2017 Kshs
Operating activities			
Cash generated from operations			
Net Surplus Before Tax		1,605,088	6,883,615
Deprecation on property ,plant &equipment		859,801	955,489
Receivables and Prepayments		6,118,921	(13,248,982)
Payables and Accruals		(1,937,096)	4,746,599
Loss On disposal			
		<u>6,646,214</u>	<u>(663,279)</u>
Cash Generating From Operations			
Investing activities			
Purchase of Property and equipment		(745,965)	(4,348,479)
Disposal of Property and equipment		51,500	1,472,918
Investment in treasury Bills & Fixed Deposits		(5,745,745)	1,442,351
Net cash used by investing activities		<u>(6,440,210)</u>	<u>(1,433,210)</u>
Financing Activities			
Prior adjustment		(153,085)	1,874,463
Net Financing activities		<u>(153,085)</u>	<u>1,874,463</u>
Increase in cash and cash equivalents		<u>(52,918)</u>	<u>(222,026)</u>
Movement in cash and cash equivalents			
As At 1st January 2018		1,925,678	2,147,703
Increase in cash and cash equivalents		52,918	(222,026)
As at 31st December 2018		<u>1,973,596</u>	<u>1,925,678</u>
Represented by:			
Cash in Hand		1,739,671	669
Cash at bank			1,812,954
M-Pesa		239,351	112,056
Totals		<u>1,978,596</u>	<u>1,925,678</u>

GSI KENYA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and summary of significant accounting policies

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (Shs). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

(b) Revenue recognition

Revenue is recognized from Registration of new members, Member Verification and Annual Subscription from members. The revenue is recognized on accrual basis.

(c) Borrowing costs

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

(d) Income tax

Tax expense represents the aggregate amount included in profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income tax payable or refundable in respect of the taxable profit or loss for the current and prior periods, determined in accordance with the Kenyan Income Tax Act.

(e) Translation of foreign currencies

All transactions in foreign currencies are initially recorded in Kenya Shillings, using the spot rate at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement or translation are recognized in profit or loss.

(f) Financial assets

Trade and other receivables are initially recognized at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately.

(g) Property, plant and equipment, including investment property*

Items of property, plant and equipment, including investment property, are measured at cost less accumulated depreciation and any accumulated impairment losses.

For all other assets, depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the reducing balance method. The following annual rates are used for the depreciation of property and equipment:

Motor vehicles	-	25%
Furniture and Fittings	-	12.5%
Computers and Equipment	-	30%

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognized in profit or loss.

GSI KENYA LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

(i) Impairment of non-financial assets

At each reporting date, property, plant and equipment, investment property, intangible assets, and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

(j) Financial liabilities

Financial liabilities are initially recognized at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method.

(k) Employee benefits - post-employment benefit obligations

The liability for post-employment benefit obligations relates to terminal gratuities. All full-time staff, excluding directors, are covered by the programme. Employees who resign or retire after completing at least...1...year of service are entitled to...15.. days' pay for each completed year of service. The company does not fund this obligation in advance.

The company's obligations, both vested and unvested, to pay terminal gratuities to employees are recognized based on employees' service up to the reporting date and their salaries at that date. The net change in the obligation is recognized in profit or loss.

(l) Employee benefits - post-employment benefits (continued)

The company and the employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to profit or loss in the year to which they relate.

GS1 KENYA LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PLANT, PROPERTY AND EQUIPMENT

	Motor Vehicles	Computer Equipment	Furniture & Fittings	Office Partitions	Total
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
YEAR ENDED 31 DECEMBER 2018					
COST/VALUATION					
At 1 January 2018	-	3,836,245	349,500	3,329,990	7,515,735
Additions	-	361,051	384,914	-	745,965
Disposals	-	-	(51,500)	-	(51,500)
At 31 December 2018	-	4,197,296	682,914	3,329,990	8,210,200
DEPRECIATION					
At 1 January 2018	-	2,676,986	370,993	416,249	3,464,228
Charge for the year	-	456,093	38,990	364,218	859,301
Disposal	-	-	-	-	-
At 31 December 2018	-	3,133,079	409,983	780,466	4,323,528
NET BOOK VALUE					
At 31 December 2018	-	2,460,358	296,907	2,549,524	1,527,854
		1,159,259	296,907	2,913,741	
YEAR ENDED 31 DECEMBER 2017					
COST/VALUATION					
At 1 January 2017	700,000	3,500,033	1,907,202	-	6,107,235
Disposals	-	(682,277)	(466,384)	-	(1,148,660)
At 31 December 2017	700,000	3,500,033	1,440,818	-	4,958,575
DEPRECIATION					
At 1 January 2017	492,500	2,587,769	800,847	-	3,881,116
Charge for the year	51,875	274,670	104,476	-	431,021
Disposals	-	(682,278)	(195,838)	-	(878,115)
At 31 December 2017	544,375	2,180,161	709,485	-	3,434,022
NET BOOK VALUE					
At 31 December 2017	155,625	640,896	731,333	-	1,527,854

[2a] Software WIP

Kshs

Thamani online software
ERP software

1,605,000
378,388

Total

1,978,388

GS1 KENYA LIMITED
FOR THE YEAR ENDED 31ST DECEMBER 2018
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. DETAILED INCOME AND EXPENDITURE

		2018	2017
INCOME	Notes	Kshs	Kshs
Subscriptions	[5]	42,161,992	46,131,743
Bar code Generations & verification		1,940,723	1,120,472
Membership Registration & re-statement fees		890,310	2,865,390
Seminars ,Advertising & Conferences		603,368	1,121,663
Projects		1,482,723	1,620,075
Total Income		47,079,116	52,589,343
EXPENDITURE:			
Direct costs	[4]	1,807,960	886,359
Administrative Expenses			
Audit Fees		200,000	200,000
Legal & Secretarial		145,246	1,328,062
Consultancy Fees		1,036,868	1,096,275
Depreciation		859,301	955,489
Motor Vehicle Running & Repairs		640,162	331,037
Office Utility & General Expenses		821,499	782,133
Board sitting allowance		1,464,914	2,340,337
Subscription to Professional bodies & Donations		327,838	423,524
Subscription Paid to Global office- for the year		6,102,434	5,765,744
Salaries & Wages		17,940,138	17,226,924
Training & Development		882,765	228,176
Communication-Telephone, Internet & Postage's		740,750	810,505
Travelling & Subsistence -Local & International		4,262,978	353,690
Printing & Stationery		289,612	539,434
Members Expenses-Cocktail, Conferences		145,512	600,817
AGM Expenses		62,286	773,279
Staff Medical		3,430,633	1,472,172
Staff Costs & Welfare		<u>1,379,112</u>	<u>1,390,186</u>
		40,771,347	36,617,784
Establishment Costs			
Insurances		516,852	214,334
Licenses & Permit		130,626	39,500
Rent & service charges		447,709	3,281,880
Repairs & Maintenance		36,030	251,796
		1,131,218	3,787,510
Selling & Marketing Costs			
Entertainment		-	<u>1,170,360</u>
Advertisement , Promotion & publication		1,523,972	989,975
Financial Expenses			
Bank Charges & Interest		<u>154,084</u>	<u>464,530</u>
Total Expenses		45,933,899	43,916,518
Net Profit For The Year		1,093,716	8,942,825
Other Income			10,000
Interest Receivable		181,394	302,060
Exchange Gain/(Loss)		<u>(266,841)</u>	<u>(2,371,269)</u>
		<u>(85,447)</u>	<u>(2,059,210)</u>
Tax expense for the year		-	<u>231,906</u>
Net Profit For the Year		1,008,269	6,651,709

GS1 KENYA LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DIRECT COSTS

	2018	2017
	Kshs	Kshs
Gateway Magazine	144,000	208,452
Projects	1,663,960	663,907
	1,807,960	872,359

5. SUBSCRIPTION FEES

Current Year Subscription Income	38,290,670	40,083,419
Add Prepayments 2018	580,748	644,000
Prepayments 2018	-	(580,748)
New Members Subscription	2,567,398	1,924,304
Arrears	4,060,768	4,060,768
Adjusted Subscription Fees FY	44,918,837	46,131,743

6. PROFIT BEFORE TAXATION

Profit taxation is stated after charging		
Depreciation	859,301	955,489
Auditor's fee	200,000	200,000
Director costs and Allowances	1,059,301	2,340,337

7. TRADE AND OTHER RECEIVABLES

Trade Receivables	5,951,794	16,759,693
Related Party	1,486,472	
Staff Debtors	199,490	815,303
	7,637,756	17,574,996

8. CASH AND CASH EQUIVALENTS

Cash at Bank	1,739,671	1,812,954
Cash in hand - Petty Cash	(426)	669
M-Pesa	239,351	112,056
	1,978,596	1,925,678

9. TRADE AND OTHER PAYABLES

Trade payables	6,051,488	5,410,960
Other payables (Accruals)	6018,034	5,926,686
Accrued Audit Fees	200,000	200,000
	12,269,522	11,537,647

GS1 KENYA LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. LONG TERM LIABILITIES

	2018	2017
	Kshs	Kshs
Contingent Liability	2,000,000	2,000,000
Accrued Leave	-	521,830
	<u>2,000,000</u>	<u>2,521,830</u>
	=====	=====

11. INVESTMENTS

Treasury Bills	2,369,907	1,450,145
Next Gen Office - Deposits	6,145,623	1,319,640
	<u>8,515,531</u>	<u>2,769,785</u>
	=====	=====

12. RELATED PARTY TRANSACTIONS

Due to EAN	1,486,472	1,608,916
	=====	=====

13. INCORPORATION

The company was incorporated in Kenya under the Kenyan Companies Act.

14. CURRENCY

These financial statements are presented in Kenya Shillings (Kshs)

GS1 KENYA LIMITED**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****NOTES TO THE FINANCIAL STATEMENTS (continued)****15. TAX COMPUTATION**

	2018	2017
	KSHS	KSHS
Net Surplus/Deficit Before Tax For The Year	1,605,088	6,883,615
Adjustment for:		
Depreciation	859,301	1,443,919
	-	
Wear & Tear	(859,301)	(1,443,919)
	<hr/>	<hr/>
Taxable Surplus For the Year	1,605,088	6,883,615
	<hr/>	<hr/>
INCOME TAX EXPENSE		
Current Tax Charge for the Year @ 30%	481,526	2,065,084
Tax Instalment	-	(231,906))
Withholding Tax	-	299,701)
Advance taxes	(102,914)	
	<hr/>	<hr/>
Total Income Tax for the Year	378,612	2,132,879
Unpaid tax Penalties from 2016	-	-
Tax due from 2016 Accounts	-	-
	<hr/>	<hr/>
Total Tax Payable	378,612	2,132,879
	<hr/> <hr/>	<hr/> <hr/>