

**RED STAR EXPRESS PLC**  
**Lagos, Nigeria**

**REPORT OF THE DIRECTORS**

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY FINANCIAL INFORMATION**

**FOR THE YEAR ENDED 31 MARCH 2018**

**RED STAR EXPRESS PLC**

**REPORT OF THE DIRECTORS, CONSOLIDATED AUDITED FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY FINANCIAL INFORMATION**

**FOR THE YEAR ENDED 31 MARCH 2018**

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**RED STAR EXPRESS PLC**

**CORPORATE INFORMATION**

**FOR THE YEAR ENDED 31 MARCH 2018**

<b>BOARD OF DIRECTORS:</b>	Dr. Mohammed.H. Koguna Peter Olusola Obabori Enobong Victor Ukwat Badamasi Auwalu Babura Isaac Orolugbagbe Sule Umar Bichi Aminu Dangana Sulaiman L. Koguna Chris Ogbechie	Chairman Managing Director/Chief Executive Executive Director Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
REGISTERED OFFICE	70, International Airport Road Lagos. Tel: 01-2715670-6 Email: <a href="mailto:enquiries@redstarplc.com">enquiries@redstarplc.com</a> <a href="http://www.redstarplc.com">http://www.redstarplc.com</a>	
REGISTERED NUMBER	RC No. 200303	
FRC NUMBER	FRC/2012/000000000253	
SECRETARIES	Frances Ndidi Akpomuka	
AUDITORS	Ernst & Young 10th & 13th Floor, UBA House Marina, Lagos.	
REGISTRARS	United Securities Limited Plot 09, Amodu Ojikutu Street Victoria Island Lagos.	
SOLICITORS	Uwensuyi Edosomwan & Co. 195A, Corporation Drive Dolphin Estate Ikoyi, Lagos.	
BANKERS	Guaranty Trust Bank Plc Diamond Bank Plc Zenith Bank Plc Access Bank Plc Stanbic IBTC Bank Plc Skye Bank Plc First Bank of Nigeria Ltd Fidelity Bank Plc United Bank for Africa Plc Ecobank Plc Sterling Bank Plc	

## REPORT OF THE DIRECTORS

### TO THE MEMBERS OF

### RED STAR EXPRESS PLC

### FOR THE YEAR ENDED 31 MARCH 2018

The directors have the pleasure in presenting their annual report on the affairs of Red Star Express Plc (the Company) and its subsidiaries (the Group) together with the consolidated audited financial statements for the year ended 31 March 2018.

#### Legal Status

Red Star Express Plc was incorporated in Nigeria under the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004 as a private limited liability company on 10 July 1992 and it commenced business on 12 October 1992.

The company became a public company on 9 July 2007 and subsequently listed its shares on the Nigerian Stock Exchange (NSE) on 14 November 2007.

The company has three (3) subsidiaries; Red Star Freight Limited, Red Star Logistics Limited and Red Star Support Services Limited. The results of the Company's subsidiaries have been consolidated in these financial statements.

#### Principal activities

The company is principally engaged in the provision of courier services, mail room management services, outsourcing, freight services, logistics, ware-housing and general haulage.

There was no change in the principal activities of the company.

#### Results for the year

	The Group		The Company	
	2018	2017	2018	2017
	₦ '000	₦ '000	₦ '000	₦ '000
Revenue	8,407,507	7,298,642	4,406,118	4,049,921
Profit before taxation	610,589	653,200	486,487	408,342
Taxation	(263,031)	(226,444)	(151,715)	(93,665)
Profit after taxation	347,558	426,756	334,772	314,677

## RED STAR EXPRESS PLC

### REPORT OF THE DIRECTORS - Continued

#### FOR THE YEAR ENDED 31 MARCH 2018

##### Dividend

The directors are pleased to recommend to the shareholders the payment of ₦236million that is 40kobo gross per share which is subject to approval by shareholders at the Annual General Meeting. Payment of dividend is subject to withholding tax at 10% (2017: ₦236 million).

##### Directors

The Directors who served during the year to the date of this report are:

1. Dr. Mohammed Hassan Koguna	Chairman
2. Peter Olusola Obabori	Group Managing Director/Chief Executive
3. Enobong Victor Ukwat	Executive Director
4. Badamasi Auwalu Babura	Executive Director
5. Isaac Orolugbagbe	Non-Executive Director
6. Sule Umar Bichi	Non-Executive Director
7. Aminu Dangana	Non-Executive Director
8. Sulaiman Lawan Koguna	Non-Executive Director
9. Chris Ike Ogbechie	Non-Executive Director

In accordance with the provisions of section 256 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, special notice is hereby given that the Chairman Dr. Mohammed Koguna, is above 70 years of age.

The Directors to retire by rotation at the forthcoming Annual General Meeting in conformity with the Articles of Association, and who, being eligible, have offered themselves for re-election at the meeting are Mr. Isaac Orolugbagbe and Alh. Aminu Dangana.

##### Records of Directors' Attendance at Board Meetings

In accordance with the provisions of Section 258 (2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, 2004, the record of the Directors' attendance at Directors' meeting during the year under review are hereby disclosed.

The directors have a formal schedule of meetings and met four times in the year under review. The table below shows the number of meetings (board and committee) attended by each director:

**RED STAR EXPRESS PLC**

**REPORT OF THE DIRECTORS - Continued**

**FOR THE YEAR ENDED 31 MARCH 2018**

Directors	Board	Strategy & Business Development	Governance, Nomination & Remuneration	Risk Management
Frequency of meetings	24/4/17; 22/6/17 16/10/17; 1/3/18	21/4/17; 22/6/17 26/10/17; 24/1/18	21/6/17; 6/10/17 29/10/17; 22/2/18	24/4/17; 19/2/17
Dr. M.H. Koguna	3	N/A	N/A	N/A
Sola Obabori	4	4	N/A	2
Victor Ukwat	4	4	N/A	2
Auwalu Babura	4	4	N/A	2
Isaac Orolugbagbe	4	4	4	N/A
Aminu Dangana	4	N/A	4	2
Sulaiman Koguna	4	4	N/A	2
Chris Ogbechie	4	4	4	N/A
Sule Umar Bichi	4	N/A	4	1

**Audit Committee**

Name	21/4/17	19/6/17	24/7/17	19/10/17	25/1/18	26/3/18
Isaac Orolugbagbe	✓	✓	✓	✓	✓	✓
Sulaiman Koguna	✓	✓	✓	-	✓	✓
Moses Ayodele Ogundeji**	-	-	-	✓	✓	✓
Chief Cyril Ugwummadu	✓	✓	✓	✓	✓	✓
Kolawole Ganiyu Amoo	✓	✓	✓	✓	✓	✓
Auwalu Babura	✓	✓	✓	✓	✓	✓
Sule Umar Bichi **	-	-	-	ABSENT	✓	✓

\*\* Appointed with effect from 31<sup>st</sup> August 2017.

**DIRECTORS' SHAREHOLDING**

The direct and indirect interests of Directors in the issued share capital of the Company as recorded in the Register of Directors' shareholdings and/or as notified by them for the purposes of sections 275 and 276 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and the listing requirements of the Nigerian Stock Exchange are as follows:

S/NO	NAME	NUMBER OF SHARES HELD AS AT 31 MARCH 2018	NUMBER OF SHARES HELD AS AT 31 MARCH 2017
1.	Alhaji Mohammed H. Koguna	109,419,912– direct 84,966,028– indirect Representing Koguna Babura Insurance Brokers Limited	109,419,912– direct 84,756,059– indirect Representing Koguna Babura Insurance Brokers Limited
2.	Sola Obabori	356,896	356,896
3.	Victor Ukwat	54,377	54,377
4.	Auwalu Babura	112,178	112,178
5.	Sule Umar Bichi	5,416,680	5,416,680
6.	Isaac Orolugbagbe	12,552,959	12,552,959
7.	Aminu Dangana	110,000	20,000
8.	Sulaiman Lawan Koguna	4,020,430	2,382,272
9.	Chris Ogbechie	4,200,000	4,166,000

**RED STAR EXPRESS PLC**

**REPORT OF THE DIRECTORS - Continued**

**FOR THE YEAR ENDED 31 MARCH 2018**

**SHARE CAPITAL HISTORY**

The company's initial authorized share capital was ₦7million comprising 7 million ordinary shares of ₦1.00 each. The shares were subdivided into ordinary shares of 50 kobo each in 2006. The company's authorized share capital is currently ₦500 million, comprising 1 billion ordinary shares of 50 Kobo each with an issued share capital of ₦294,748,155 representing 589,496,760 ordinary shares of 50 Kobo each.

The following changes have taken place in the authorized and issued share capital of the Company since incorporation.

Year	Authorized ₦'000		Issued & Fully paid up ₦'000		Consideration
	Increase	Cumulative	Increase	Cumulative	
1992	7,000,000	7,000,000	3,570,186	3,570,186	Cash
1993	14,000,000	21,000,000	-	3,570,186	-
1994	7,000,000	28,000,000	-	3,570,186	-
1995	17,000,000	45,000,000	-	3,570,186	-
1996	-	45,000,000	38,358,445	41,928,631	Cash
1998	-	45,000,000	1,238,534	43,167,165	Cash
1999	-	45,000,000	298,947	43,466,112	Cash
2000	-	45,000,000	593,550	44,059,662	Cash
2001	-	45,000,000	102,501	44,162,163	Cash
2002	-	45,000,000	5,000	44,167,163	Cash
2003	10,000,000	55,000,000	7,282,468	51,449,631	Cash
2007	245,000,000	300,000,000	205,798,524	257,248,155	Bonus issue
2008	-	-	37,500,000	294,748,155	Cash
2014	200,000,000	500,000,000	-	294,748,155	-

**Analysis of Shareholdings**

According to the register of members, the spread of Shareholdings in the Company was as follows:

As at 31 March 2018

Share Range	Number Of Shareholders	% of Shareholder	Number Of Holdings	% Shareholding
1	1,047	24.05	477,441	0.08
1,001	1,062	24.40	3,440,684	0.58
5,001	646	14.84	5,430,140	0.92
10,001	1,146	26.33	29,736,229	5.04
50,001	215	4.94	16,306,681	2.77
100,001	174	4.00	38,652,506	6.56
500,001	24	0.55	18,485,199	3.14
1,000,001	26	0.60	59,548,085	10.10
5,000,001	4	0.09	29,937,925	5.08
10,000,001	9	0.21	387,481,870	65.73
<b>TOTAL</b>	<b>4,353</b>	<b>100</b>	<b>589,496,760</b>	<b>100</b>

**RED STAR EXPRESS PLC**

**REPORT OF THE DIRECTORS - Continued**

**FOR THE YEAR ENDED 31 MARCH 2018**

As at 31 March 2017

	Share Range	Number Of Shareholders	% of Shareholders	Number Of Holdings	% Shareholding
1	-1,000	921	21.64	456,668	0.08
1,001	-5,000	1,031	24.22	3,352,924	0.57
5,001	-10,000	655	15.39	5,492,688	0.93
10,001	-50,000	1,176	27.63	30,537,594	5.18
50,001	-100,000	224	5.26	16,957,422	2.88
100,001	-500,000	186	4.37	39,469,629	6.70
500,001	-1,000,000	25	0.59	20,110,488	3.41
1,000,001	-5,000,000	24	0.56	54,836,437	9.30
5,000,001	-10,000,000	5	0.12	36,434,994	6.18
10,000,001	-100,000,000	8	0.19	272,438,004	46.22
100,000,001	-1,000,000,000	1	0.02	109,409,912	18.56
<b>TOTAL</b>		<b>4,256</b>	<b>100</b>	<b>589,496,760</b>	<b>100.00</b>

g) The shareholders who have more than 5% holding are as follows:

NAME	2018	%	2017	%
STANBIC NOMINEES LTD	151,257,636	25.7	151,020,853	25.6
KOGUNA MOHAMMED, HASSAN	109,419,912	18.6	109,409,912	18.6
KOGUNA BABURA INSURANCE BROKERS LIMITED	84,966,028	14.4	84,756,059	14.7

**UNCLAIMED DIVIDEND**

Some dividend warrants have remained unclaimed and are yet to be presented for payment or returned to the Company for revalidation. Affected Shareholders are advised to contact the Registrars, United Securities Limited, Plot 09, Amodu Ojikutu Street, Victoria Island, Lagos.

**E-DIVIDEND**

Following the resolution reached at the Capital Market Committee Meeting held on August 9, 2017, the Securities and Exchange Commission has directed all Capital market Registrars to discontinue the issuance of dividend warrants to investors after July 31, 2018.

In view of the directive, shareholders are advised to complete the e-dividend mandate forms with the Registrar or their bankers as dividend not claimed after July 31, 2018 will only be paid electronically to shareholders' bank account.

**DIRECTORS INTEREST IN CONTRACTS**

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, of their direct or indirect interest in contracts or proposed contracts with the company during the year under review.

**SERVICE CONTRACT AGREEMENT**

The company has a contract agreement with Federal Express Europe Inc. and Co. (FedEx) under the Global Service Participant Scheme of FedEx. The agreement provides for the movement of sensitive documents and parcels worldwide and supported with training and Information Technology.

## RED STAR EXPRESS PLC

### REPORT OF THE DIRECTORS - Continued

#### FOR THE YEAR ENDED 31 MARCH 2018

On 21<sup>st</sup> September 2017, the Company signed a contract agreement with TNT Management (Bahrain) E.C. TNT was acquired by Federal Express Europe Inc. and Co. (FedEx) on May 25, 2017, and operates as a business entity under direct control of FedEx. Under the Agreement, the Company will provide certain services to TNT, mainly the delivery of TNT's international express consignment destined for Nigeria.

There is no service fees payable. All transactions are done at arm's length basis.

#### COMPLIANCE WITH THE LAW

During the year, the Company complied substantially with existing laws including the under listed laws/corporate governance guidelines and cooperated with regulatory agencies in the course of carrying out its activities.

- The Nigerian Stock Exchange Post-listing Rules
- The Securities and Exchange Commission's Code of Corporate Governance for Public Companies 2011
- Companies and Allied Matters Act, Cap C20, LFN 2004
- Financial Reporting Council of Nigeria Act, No 6, 2011
- Economic & Financial Crimes Commission Act
- Independent and Corrupt Practices Act
- Foreign & Corrupt Practices Act
- International Corporate Governance Best Practices
- Red Star Express Plc Code of Business Conduct

#### DONATIONS/CHARITABLE GIFTS

The Company made donations amounting to ~~₦~~563,000 during the year ended 31 March 2018 (2017: ~~₦~~800,000).

<b>Beneficiaries</b>	<b>2018 (<del>₦</del>)</b>	<b>2017 (<del>₦</del>)</b>
Institute of Directors of Nigeria	-	500,000
University of Lagos Records Office	-	50,000
Emerald High School	-	100,000
Adeola Ajayi Residents Association	-	150,000
General Resource Group (CSR) - Let's Talk Depression	100,000	-
Federal Road Safety Corps	100,000	-
Us Consulate General - USA Embassy	363,000	-
	-----	-----
<b>TOTAL</b>	<b><u>563,000</u></b>	<b><u>800,000</u></b>

#### TAXATION

Adequate provision has been made for all forms of taxes relevant to the activities carried out by the Group during the year.

#### PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plant and equipment is given in Note 11 to the financial statements. In the opinion of the Directors, the market value of the Company's properties is not less than the value shown in the financial statements.

## **RED STAR EXPRESS PLC**

### **REPORT OF THE DIRECTORS - Continued**

#### **FOR THE YEAR ENDED 31 MARCH 2018**

#### **EMPLOYMENT OF DISABLED PERSONS**

Red Star Express maintains equal employment opportunity for all persons. Therefore, there is no discrimination in the consideration of applications for employment including those of physically challenged persons. All are given equal opportunities to develop their expertise and knowledge and qualify for promotion in furtherance of their careers. In the event of members of staff becoming disabled, efforts are geared towards ensuring that their employment continues. As at 31 March 2018, no disabled person was employed by the Group.

#### **EMPLOYEE INVOLVEMENT AND TRAINING**

In line with Red Star Express Plc commitment to providing its employees with the best opportunities for learning and development. Our training and development programmes are designed to challenge our people and empower them to be more professional in their careers and personal lives. With a combination of external and overseas training, supported by our seasoned in-house Training Faculty, job rotations and mentoring, our employees are equipped with the requisite skills to take ownership of their professional and personal development. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism.

#### **HEALTH, SAFETY AND WELFARE OF EMPLOYEES**

Employees of Red Star Express are its most prized assets, therefore ensuring their safety and wellbeing is paramount importance. The Group continues to sensitize staff and provide state of the art equipment for the safety of employees, both in the office and on the roads. We ensure our trucks, vans and motorcycles are well maintained at all times.

Employees and members of their immediate families have access to free health care, under the Health Management Organization (HMO) Scheme.

The group also maintains a safe and healthy workplace with fire prevention and fire-fighting equipment installed at strategic locations in the company's offices.

Furthermore, the Group maintains a group personal accident and NSITF insurance, contributory pension scheme, all for the benefit and comfort of employees.

#### **EVENTS AFTER THE REPORTING DATE**

There have been no material events after reporting date, which could have had a material effect on the financial statements of the Group as at 31 March 2018 and the profit for the year ended on that date which have not been adequately provided for or recognized.

#### **AUDITORS**

The auditors, Messrs. Ernst & Young, who have indicated their willingness to continue in office in accordance with section 357(2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. A resolution approving this will be passed at the Annual General Meeting.

#### **BY ORDER OF THE BOARD**



**FRANCES NDIDI AKPOMUKA**  
**COMPANY SECRETARY**  
**FRC/2013/ICSAN/00000002640**  
**Lagos, Nigeria**

**Date: June 28, 2018**

## **RED STAR EXPRESS PLC**

### **FOR THE YEAR ENDED 31 MARCH 2018**

## **CORPORATE GOVERNANCE**

### **GOVERNANCE STRUCTURE**

Red Star Express Plc is committed to ensuring sound corporate governance principles are maintained throughout the Group. The Group abides by applicable rules and regulations of corporate Governance and maintains best practices.

During the period under view, the Directors and key staff complied with applicable rules and regulations.

### **THE BOARD**

The Board has as its main responsibility setting the strategic direction for the Company as well as maintain oversight function on other activities of management.

The Board is made up of nine (9) Directors, possessing relevant knowledge and skills in the fields of Accounting, Insurance, Strategy and Corporate Governance, Sales and Marketing amongst others.

The Board is made up of a Non-Executive Chairman, five (5) Non-Executive Directors and three (3) Executive Directors. The position of the Chairman and Managing Director are separate. The responsibilities of the board are as contained in the Board Charter.

Membership of Board during this period are:

- I. Dr. Mohammed Koguna
- II. Mr. Sule Umar Bichi
- III. Mr. Sola Obabori
- IV. Mr. Victor Ukwat
- V. Mr. Auwalu Babura
- VI. Mr. Isaac Orolugbagbe
- VII. Alh. Aminu Dangana
- VIII. Prof. Chris Ogbechie
- IX. Mr. Suleiman Koguna

A brief resume of the Directors can be found on the Company's website.

### **BOARD COMMITTEES**

#### **Strategy and Business Development Committee**

This committee is charged with the responsibility basically to review and advice on long term strategy and major business initiatives of the Company. The committee is comprised of the Executive Directors and two Non-Executive Directors.

#### **Governance, Nomination and Remuneration Committee**

This committee is comprised solely of Non-Executive Directors and chaired by the Chairman of the Board. The Committee's terms of reference are in line with SEC Code of Corporate Governance 2011.

#### **Risk Management Committee**

The Committee in line with its Terms of Reference is charged with the review of risks and recommendation of management plans to hedge against risks. The Executive Directors and two Non-Executive Directors are members of this committee.

## **RED STAR EXPRESS PLC**

**FOR THE YEAR ENDED 31 MARCH 2018**

### **CORPORATE GOVERNANCE - Continued**

#### **Audit Committee**

The responsibilities of the Audit committee are governed by Section 359 (6) of the Companies and Allied Matters Act, CAP C20, LFN 2004. The committee is comprised of two (2) Non-Executive Directors and two (2) shareholders representatives.

#### **Group Executive Committee**

This is the highest governing body of Management and headed by the Group Executive Director, supported by the Executive Directors, Divisional Managing Directors and Head of Corporate Resources. The Group Executive Committee (GEC) meets bi-weekly or as business need demands to deliberate on implementation of Board strategies and ensure effective and efficient deployment of Company resources.

#### **RELATIONSHIP WITH SHAREHOLDERS**

The Group maintains a cordial relationship with shareholders and all shareholders are treated equally regardless of number of shares or social status. Financial and other mandatory information are promptly communicated to shareholders through appropriate media, including quarterly publication of the Group performance in the newspapers.

#### **THE COMPANY SECRETARY**

The company secretary provides a point of reference and support for all directors, Management and shareholders. The company secretary also consults with the directors to ensure that they receive required information promptly.

#### **INSIDER TRADING AND PRICE SENSITIVE INFORMATION**

Directors, insiders and their related persons in possession of confidential price sensitive information ("insider information") are prohibited from dealing with the securities of the company where such would amount to insider trading. Directors, insiders and related parties are prohibited from disposing, selling, buying or transferring their shares in the company for a period commencing from the date of receipt of such insider information until such a period when the information is released to the public or any other period as defined by the company from time to time.

**RED STAR EXPRESS PLC**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**FOR THE YEAR ENDED 31 MARCH 2018**

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Group at the end of the year and of its income statements. The responsibilities include ensuring that the Group:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its consolidated and separate financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act, No 6, 2011.

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 and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the consolidated and separate financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

**SIGNED ON BEHALF OF THE DIRECTORS BY**



**DR. MOHAMMED HASSAN KOGUNA**  
**CHAIRMAN**  
FRC/2013/CIIN/00000003090



**PETER OLUSOLA OBABORI**  
**MANAGING DIRECTOR/CEO**  
FRC/2016/IODN/00000015290

**28 JUNE 2018**

## **REPORT OF THE AUDIT COMMITTEE**

### **TO THE SHAREHOLDERS OF RED STAR EXPRESS PLC**

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, we have reviewed the Group's consolidated and separate financial statements for the year ended 31 March 2018 and report as follows:

- (a) The accounting and reporting policies of the Group are consistent with legal requirements and agreed ethical practices.
- (b) The scope and planning of the external audit was adequate.
- (c) The Group maintained effective systems of accounting and internal controls during the year.
- (d) Management has adequately responded to matters covered in the Management report issued by the external auditors.



**SULE UMAR BICHI**  
**FRC/2013/ICAN/0000003079**  
**Chairman – Audit Committee**

**28 JUNE 2018**

#### **Members of the Audit Committee**

Mr. Ganiyu Kola Amoo	Independent shareholder
Chief Cyril I. Ugwumadu	Independent shareholder
Mr. Moses Ayodele Ogundeji	Independent shareholder
Mr. Sulaiman Lawan Koguna	Non-Executive Director
Mr. Isaac Orolugbagbe	Non-Executive Director

#### **Secretary**

Frances N. Akpomuka

## **Independent Auditors' Report To the Members of Red Star Express Plc**

### **Report on the Audit of the Consolidated and Separate Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated and separate financial statements of Red Star Express Plc (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated and separate statements of financial position as at 31 March 2018, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Red Star Express Plc and its subsidiaries as at 31 March 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act No. 6, 2011.

#### **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 and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Red Star Express Plc and its subsidiaries. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Red Star Express Plc and its subsidiaries. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

**Independent Auditors' Report  
To the Members of Red Star Express Plc - continued**

<b>Key Audit Matters</b>	<b>How the matter was addressed in the audit</b>
<p><b>Impairment of Trade Receivables</b> During the year, the Group's trade receivables of N2.12 billion were impaired and partially provided for N130.76million.</p> <p>The determination of allowance for impairment involves management judgment and review of individual receivable balances in accordance with IAS 39- Financial Instruments (Recognition and Measurement). This is based on the following criteria:</p> <ul style="list-style-type: none"> <li>• individual customer's prior payment record</li> <li>• current economic trends</li> <li>• a breach of contract, such as a default or delinquency in interest or principal payments</li> <li>• analysis of historical bad debts of a similar type</li> <li>• average credit period days per customer</li> <li>• going concern status of the customer</li> </ul> <p>The determination of the allowance for impairment of receivables is a key audit matter at it requires the use of management's judgement in determining the extent at which each of the trade receivables are impaired; and also the account receivable balance is considered significant.</p> <p>The policy on impairment of receivables is set out in Note 2.3.1 while the disclosure of the impairment of the receivables is set out in Note 17 to the consolidated and separate financial statements.</p>	<p>Our audit procedures in relation to impairment of trade receivables include:</p> <ul style="list-style-type: none"> <li>• We tested the trade receivables in accordance with the entity's accounting policies and applicable financial reporting framework.</li> <li>• We ascertained that receivables are measured at amortised cost using the effective interest rate method less allowance for impairment.</li> <li>• We reviewed the basis of management's judgements for each trade receivable as well as periodic reports prepared to validate management's position.</li> <li>• We performed our audit reasonableness tests calculation on trade receivables impairment and compared with the Company's estimates.</li> </ul>
<p><b>Estimates on Defined Benefit Plan</b></p> <p>The Group contributes to a duly registered gratuity scheme operated by Red Star Retirement Benefit Scheme; employees are eligible to join the scheme after 3 years of continuous service to the Company.</p> <p>The cost of the defined benefit pension plan and the present value of the obligation are determined using actuarial valuations.</p> <p>An actuarial valuation involves making various assumptions that may differ from actual developments in the future. There are complexities involved in the valuation and it has a long-term nature, a defined benefit obligation is highly sensitive to changes in the assumptions made.</p> <p>We consider this a key audit matter due to the significance of the amount and the fact that the actuarial assumptions used in the estimate of defined benefit plan are judgmental particularly with respect to the determination of the discount rates, future salary increases, mortality rates and future pension increases.</p> <p>The policy on defined benefit plan is set out in Note 2.3.6 while the disclosure of the estimates on defined benefit plan is set out in Note 23 to the consolidated and separate financial statements.</p>	<p>With the involvement of our actuarial specialist, we have performed the following procedures on the actuarial valuation of defined benefit obligation:</p> <ul style="list-style-type: none"> <li>• We reviewed the valuation methodology for compliance with IFRS. We evaluated whether the actuarial methodologies are consistent with those used in the prior periods.</li> <li>• We assessed the competence, independence and objectivity of the actuarial specialists engaged by the Company.</li> <li>• We tested the accuracy and completeness of the underlying data used in the actuarial valuations by checking to the financial bases and demographic assumptions and other data.</li> <li>• We obtained the actuarial valuation of the Group which was computed by an Independent Specialist. We reviewed the methodologies used in determining the reasonableness of the underlying data and assumptions used.</li> </ul>

## **Independent Auditors' Report**

### **To the Members of Red Star Express Plc - continued**

#### **Other Information**

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Corporate Governance, Report of the Audit Committee, Statement of Value Added and Five-Year Financial Summary as required by the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, 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 the Directors for the Consolidated and Separate Financial Statements**

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, and Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group and the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and separate financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and 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.

## Independent Auditors' Report

### To the Members of Red Star Express Plc - continued

- Conclude on the appropriateness of the 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 and 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 consolidated and separate 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 and the Company to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group and the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, we confirm that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion proper books of account have been kept by the Group and the Company, in so far as it appears from our examination of those books; and
- (iii) The Group and the Company's Consolidated and Separate Statements of Financial Position and Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income are in agreement with the books of account.

  
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Yusuf Aliu, FCA  
FRC/2012/ICAN/00000000138  
For: Ernst & Young  
Lagos, Nigeria

29th June 2018



RED STAR EXPRESS PLC

CONSOLIDATED & SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	The Group		The Company	
		2018 ₦ '000	2017 ₦ '000	2018 ₦ '000	2017 ₦ '000
Revenue	4	8,407,507	7,298,642	4,406,118	4,049,921
Cost of Sales		(5,625,188)	(5,111,140)	(2,932,236)	(2,733,636)
<b>GROSS PROFIT</b>		<b>2,782,319</b>	<b>2,187,502</b>	<b>1,473,882</b>	<b>1,316,285</b>
Administrative expenses	6	(2,178,476)	(1,581,340)	(1,131,460)	(1,036,988)
Other operating income	5	11,088	50,464	123,876	121,975
<b>Total operating profit</b>		<b>614,931</b>	<b>656,626</b>	<b>466,298</b>	<b>401,272</b>
Finance income	7	23,318	17,684	20,189	16,594
Finance cost		(27,660)	(21,110)	-	(9,524)
<b>PROFIT BEFORE TAXATION</b>	8	<b>610,589</b>	<b>653,200</b>	<b>486,487</b>	<b>408,342</b>
TAXATION	9.1	(263,031)	(226,444)	(151,715)	(93,665)
<b>PROFIT AFTER TAXATION</b>		<b>347,558</b>	<b>426,756</b>	<b>334,772</b>	<b>314,677</b>
<b>Other comprehensive income/ (loss) to be reclassified to profit or loss</b>					
Fair value loss on available for sale instrument		-	(91)	-	(91)
Reclassification adjustments for loss included in profit or loss		-	91	-	91
<b>Other comprehensive income/ (loss) to be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods.</b>					
Re-measurement (loss)/gain on defined benefit plan	23.2	(23,172)	610	(23,172)	610
Tax effect	15.1	6,952	(183)	6,952	(183)
<b>Other comprehensive income for the year, net of tax</b>		<b>(16,220)</b>	<b>427</b>	<b>(16,220)</b>	<b>427</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>331,338</b>	<b>427,183</b>	<b>318,552</b>	<b>315,104</b>
<b>Profit attributable to ordinary equity holders</b>		<b>347,558</b>	<b>426,756</b>	<b>334,772</b>	<b>314,677</b>
<b>Total comprehensive income for the year attributable to ordinary equity holders</b>		<b>331,338</b>	<b>427,183</b>	<b>318,552</b>	<b>315,104</b>
<b>Earnings per share (kobo)</b>	10				
Basic and diluted earnings per share		0.59	0.72	0.57	0.53

See notes to the financial statements.

RED STAR EXPRESS PLC

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	The Group		The Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant & equipment	11	1,259,512	1,150,232	615,458	573,030
Intangible assets	12	32,668	18,172	32,668	18,168
Prepayments	13	32,456	22,968	32,456	24,468
Available for sale financial instrument	14.1	477	477	477	477
Investment in subsidiary	14.2	-	-	374,065	284,065
<b>Total non-current assets</b>		<b>1,325,113</b>	<b>1,191,849</b>	<b>1,055,124</b>	<b>900,208</b>
<b>Current assets</b>					
Inventories	16	52,956	47,356	49,216	43,494
Trade and other receivables	17	2,930,854	2,520,269	2,297,336	1,900,419
Current prepayments	13	135,204	158,422	74,421	106,732
Cash and cash equivalents	19	549,868	513,661	391,029	443,464
<b>Total current assets</b>		<b>3,668,882</b>	<b>3,239,708</b>	<b>2,812,002</b>	<b>2,494,109</b>
<b>TOTAL ASSETS</b>		<b>4,993,995</b>	<b>4,431,557</b>	<b>3,867,126</b>	<b>3,394,317</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	20	294,748	294,748	294,748	294,748
Share premium	21	296,433	296,433	296,433	296,433
Retained earnings		1,936,404	1,840,867	1,282,609	1,199,858
<b>Total equity</b>		<b>2,527,585</b>	<b>2,432,048</b>	<b>1,873,790</b>	<b>1,791,039</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Employee benefit liabilities	23.2	78,473	49,176	78,473	49,176
Deferred tax liabilities	15	181,313	150,623	29,693	33,283
Finance lease obligation	22.1	76,832	48,903	-	-
<b>Total non-current liabilities</b>		<b>336,618</b>	<b>248,702</b>	<b>108,166</b>	<b>82,459</b>

**RED STAR EXPRESS PLC**  
**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION – Continued**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	Note	The Group		The Company	
		2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>Current liabilities</b>					
Trade and other payables	24	1,808,983	1,526,286	1,718,607	1,411,402
Finance lease obligation	22.1	70,580	18,077	-	-
Income tax liabilities	9.2	250,229	206,444	166,563	109,418
		-----	-----	-----	-----
<b>Total current liabilities</b>		<b>2,129,792</b>	<b>1,750,807</b>	<b>1,885,170</b>	<b>1,520,820</b>
		-----	-----	-----	-----
<b>Total liabilities</b>		<b>2,466,410</b>	<b>1,999,509</b>	<b>1,993,336</b>	<b>1,603,279</b>
		-----	-----	-----	-----
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,993,995</b>	<b>4,431,557</b>	<b>3,867,126</b>	<b>3,394,317</b>
		=====	=====	=====	=====

The financial statements were approved by the Board on 26<sup>th</sup> of June 2018 and signed on its behalf by:



-----  
 Dr. Mohammed Hassan Koguna  
 Chairman

28 June 2018  
 FRC/2013/CIIN/00000003090



-----  
 Peter Olusola Obabori  
 Group Managing Director

28 June 2018  
 FRC/2016/IODN/00000015290



-----  
 Badamasi Babura Auwalu  
 Finance Director

28 June 2018  
 FRC/2016/ICAN/00000014402

See notes to the financial statements.

RED STAR EXPRESS PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

The Group

	Issued Capital	Share Premium	Retained Earnings	Total
	₦'000	₦'000	₦'000	₦'000
<b>As at 1 April 2017</b>	<b>294,748</b>	<b>296,433</b>	<b>1,840,867</b>	<b>2,432,048</b>
Profit for the year	-	-	347,558	347,558
Other comprehensive income: - Re-measurement gain/(loss) on defined benefit plan	-	-	(16,220)	(16,220)
Dividend (Note 27)	-	-	(235,801)	(235,801)
	-----	-----	-----	-----
<b>As at 31 March 2018</b>	<b>294,748</b>	<b>296,433</b>	<b>1,936,404</b>	<b>2,527,585</b>
	=====	=====	=====	=====
<b>Consolidated statement of changes in equity</b>				
<b>for the year ended 31 March 2017</b>				
	Issued Capital	Share Premium	Retained Earnings	Total
	₦'000	₦'000	₦'000	₦'000
<b>As at 1 April 2016</b>	<b>294,748</b>	<b>296,433</b>	<b>1,620,862</b>	<b>2,212,043</b>
Profit for the year	-	-	426,756	426,756
Other comprehensive income: - Re-measurement gain/ (loss) on defined benefit plan	-	-	(427)	(427)
Dividend (Note 27)	-	-	(206,324)	(206,324)
	-----	-----	-----	-----
<b>As at 31 March 2017</b>	<b>294,748</b>	<b>296,433</b>	<b>1,840,867</b>	<b>2,432,048</b>
	=====	=====	=====	=====

RED STAR EXPRESS PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY - Continued

FOR THE YEAR ENDED 31 MARCH 2018

The Company

	Issued Capital	Share Premium	Retained Earnings	Total
	₦'000	₦'000	₦'000	₦'000
<b>As at 1 April 2017</b>	<b>294,748</b>	<b>296,433</b>	<b>1,199,858</b>	<b>1,791,039</b>
Profit for the year	-	-	334,772	334,772
Re-measurement gain/(loss) on defined benefit plan	-	-	(16,220)	(16,220)
Dividend (Note 27)	-	-	(235,801)	(235,801)
	-----	-----	-----	-----
<b>As at 31 March 2018</b>	<b>294,748</b>	<b>296,433</b>	<b>1,282,609</b>	<b>1,873,790</b>
	=====	=====	=====	=====
<b>Statement of changes in equity for the year ended 31 March 2017</b>				
	Issued Capital	Share Premium	Retained Earnings	Total
	₦'000	₦'000	₦'000	₦'000
<b>As at 1 April 2016</b>	<b>294,748</b>	<b>296,433</b>	<b>1,091,932</b>	<b>1,683,113</b>
Profit for the year	-	-	314,677	314,677
Re-measurement gain on defined benefit plan	-	-	(427)	(427)
Dividend (Note 27)	-	-	(206,324)	(206,324)
	-----	-----	-----	-----
<b>As at 31 March 2017</b>	<b>294,748</b>	<b>296,433</b>	<b>1,199,858</b>	<b>1,791,039</b>
	=====	=====	=====	=====

RED STAR EXPRESS PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	The Group		The Company	
		2018	2017	2018	2017
		₹'000	₹'000	₹'000	₹'000
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>					
Cash received from customers		7,515,467	6,786,095	4,012,044	3,829,252
Cash paid to suppliers and employees		(6,842,324)	(6,211,958)	(3,767,537)	(3,583,802)
Tax paid	9.2	(61,808)	(75,792)	(11,180)	(28,045)
		-----	-----	-----	-----
<b>Net cash provided by operating activities</b>	26	<b>611,335</b>	<b>498,345</b>	<b>233,327</b>	<b>217,405</b>
		-----	-----	-----	-----
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	11	(413,695)	(509,226)	(184,489)	(180,070)
Purchase of intangible assets	12	(30,060)	(20,198)	(30,060)	(20,198)
Proceeds from sale of property plant and equipment		558	5,942	558	5,942
Interest received		23,318	17,684	20,189	16,594
Dividend received	5	-	-	116,062	97,392
		-----	-----	-----	-----
<b>Net cash outflow from investing activities</b>		<b>(419,879)</b>	<b>(505,798)</b>	<b>(77,740)</b>	<b>(80,340)</b>
		-----	-----	-----	-----
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from finance lease obligation	22	114,175	72,000	-	-
Dividend paid	27	(212,221)	(185,692)	(212,221)	(185,692)
Interest paid		(27,760)	(21,110)	-	-
Payment of finance lease obligation	22	(33,743)	(5,020)	-	-
		-----	-----	-----	-----
<b>Net cash outflow from financing activities</b>		<b>(159,549)</b>	<b>(139,822)</b>	<b>(212,221)</b>	<b>(185,692)</b>
		-----	-----	-----	-----
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>31,907</b>	<b>(147,275)</b>	<b>(56,634)</b>	<b>(48,626)</b>
<b>Net foreign exchange difference</b>		<b>4,300</b>	<b>25,802</b>	<b>4,199</b>	<b>7,022</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>513,661</b>	<b>635,134</b>	<b>443,464</b>	<b>485,068</b>
		-----	-----	-----	-----
<b>Cash and cash equivalents at the end of the year</b>	19	<b>549,868</b>	<b>513,661</b>	<b>391,029</b>	<b>443,464</b>
		=====	=====	=====	=====

See notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

**1 Corporate information**

Red Star Express Plc (The Company) was incorporated as a Private Limited Liability Company on 10 July 1992 and commenced business on 12 October 1992. Its shares were admitted to the official list of the Nigerian Stock Exchange on 14 November 2007. 14% of the issued share capital of the Company is held by Koguna Babura Insurance Brokers Limited and 86% by Nigerians.

The registered office is located at 70 International Airport Road, Lagos in Nigeria. The company has three (3) subsidiaries; Red Star Freight Limited, Red Star Logistics Limited and Red Star Support Services Limited. The results of the Company's subsidiaries have been consolidated in these financial statements.

The Group is principally engaged in the provision of courier services, mail management services, freight services, logistics, ware housing and general haulage.

**2.1 Basis of preparation and adoption of IFRS**

The financial statements of Red Star Express Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act, No 6, 2011. These financial statements include the application of IAS 27 to the company's investment in its subsidiaries. Separate financial statements, as envisaged by IAS 27, are therefore presented as required under IFRS.

The financial statements have been prepared on a historical cost basis, except for the defined benefit asset, available for sale financial instrument which has been measured at fair value, of which have been measured at fair value.

**2.2 Functional currency, presentation currency and the level of rounding**

The financial statements are presented in Naira (₦) rounded to the nearest thousand, unless otherwise indicated. The Naira is also the functional currency of the Group.

**2.3 Significant accounting judgments, estimates and assumptions**

The preparation of the consolidated and separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated and separate financial statements:

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

**2.3 Significant accounting judgments, estimates and assumptions - continued**

**2.3.1 Impairment of trade receivables**

The allowance for doubtful accounts involves management judgment and review of individual receivable balances based on an individual customer's prior payment record, current economic trends and analysis of historical bad debts of a similar type.

**2.3.2 Going concern**

The company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**2.3.3 Impairment of available-for-sale investments**

The company records impairment charges on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost. The fair value loss is more than 6 months.

The impairment loss on available-for-sale investments is disclosed in more detail in Note 14.

**Estimates and assumption**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**2.3.4 Useful lives of Property, plant and equipment**

The Group carries its property, plant and equipment at cost in the statement of financial position. Estimates and assumptions made to determine their carrying value and related depreciation are critical to The Group's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.

The useful lives and residual values of the assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

The Group reviewed and estimated the useful lives and residual values of its property, plant and equipment, and account for such changes prospectively.

**2.3.5 Useful lives of Intangible assets**

The group's intangible assets include purchased computer software and software licences with finite useful lives.

Estimates and assumptions made to determine their carrying value and related amortisation are critical to The Group's financial position and performance. The charge in respect of periodic impairment is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life.

The useful lives and residual values of the assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar intangible assets as well as anticipation of future events, which may impact their life, such as changes in technology.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

#### 2.3.6 **Defined Benefit Plan**

The cost of the defined benefit pension plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers only the Nigerian Government bonds market yield as at the reporting date.

### **3. Summary of significant accounting policies**

The following are the significant accounting policies applied by Red Star Express Plc in preparing its financial statements:

#### 3.1 **Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on tangible assets with finite lives is recognised in profit or loss as the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets include computer software and software licences.

**Purchased software and software licences** with finite useful lives are recognised as assets if there is sufficient certainty that future economic benefits associated with the item will flow to the entity. Amortisation is calculated using the straight-line method over 3 years. The amortisation method and the useful life are reviewed annually.

Computer software primarily comprises external costs and other directly attributable costs.

## NOTES TO THE FINANCIAL STATEMENTS – Continued

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## 3.2 Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost but subsequently recognized at cost less accumulated depreciation and accumulated impairment loss.

Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is available for use. In the case of assets of own construction, cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components and work performed by subcontractors.

Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The depreciation base is determined as cost less any residual value. Depreciation is charged annually on a straight-line basis over the estimated useful lives of the assets and begins when the assets are available for use. The depreciation method and the useful life are reviewed annually.

<b>Asset category</b>	<b>Useful lives</b>
Building	40years
Improvement on building	Remaining depreciable life
Plants and Machinery	3 – 10years
Trucks	3 – 6years
Trailers	4–8years
Motor Vehicles	2 –4years
Motor cycles	3years
Furniture, Fittings and Equipment	3 – 5years
Computer and other I.T Equipment	3 years

We agree the following groups to form part of the new asset categories:

**Plants & Machinery**

<b><u>Category</u></b>	<b><u>Policy</u></b>
1-5 KVA	3years
6-50 KVA	5years
Above 50 KVA	8years
Others	10years

**Building**

Freehold Buildings to be depreciated for a period of 40 years (2.5%)

Long leased buildings/properties (RSL warehouse) to be depreciated over the life of the lease

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

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**3.3 Earnings per share**

**Basic earnings per share**

Basic earnings are determined by dividing the profit attributable to share-holders by the weighted average number of shares on issue during the year.

**3.4 Impairment of non-financial assets**

Property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or in the case of indefinite life intangibles, then the asset's (CGU's) recoverable amount is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, impairment losses on non-revalued assets are recognised in profit or loss as an expense, while reversals of impairment losses are also stated in profit or loss.

**3.5 Inventories**

Inventories are valued at the lower of cost and net realizable. Costs of inventories shall comprise of the costs of bringing the inventories into its present location and condition. Net Realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Purchase cost on a first in, first out basis.

**3.6 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

- **Financial Asset**

**Initial recognition and measurement**

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets.

Red Star Express Plc determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets measured at fair value through profit or loss where transaction costs are recognised as an expense when incurred.

The group's financial assets include cash and cash equivalents, trade and other receivables. It also has an investment in Neimeth International Pharmaceuticals, which per note 14 are classified as available for sale financial instrument.

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**3 Summary of significant accounting policies continued**

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This for Red Star Express Plc, comprise trade and other receivables which are initially measured at fair value which corresponds to the original invoice amount of the transaction.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method less provision for uncollectible debts. Gains and losses are recognised in profit and loss when the trade and other receivables are derecognised or impaired.

**Available-for-sale (AFS) financial assets**

AFS financial assets include equity investments and debt securities. The Group only have equity investment which is classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in administrative costs.

**Derecognition of financial assets**

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- a) The rights to receive cash flows from the asset have expired or
- b) The Company with its subsidiaries retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- c) The Group has transferred substantially all the risks and rewards of the asset; or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and separate statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**3 Summary of significant accounting policies - continued**

**Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- **Financial Assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

- **AFS financial assets**

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss – is removed from OCI and recognised in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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**3 Summary of significant accounting policies - continued**

• **Financial liabilities**

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or at amortised cost.

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, including directly attributable transaction costs, except in the case of financial liabilities classified as fair value through profit or loss where transaction costs are expensed immediately.

Red Star Express Plc's financial liabilities are trade and other payables. It also has borrowings in the form of a lease obligation from Financial Derivatives Company.

**Financial liabilities at amortised cost:**

Financial liabilities at amortised cost are measured at amortised cost using the effective interest rate method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

**3.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

**3.8 Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in Nigeria. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the profit or loss.

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**3 Summary of significant accounting policies - continued**

**Deferred tax**

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits.

No deferred tax is recognised when relating to temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

**Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**3.9 Borrowing costs**

Specific borrowing costs on directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized from the date the actual costs on the qualifying assets are incurred. Where such borrowed amount, or part thereof, is invested, the income earned is netted off the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they occur.

Where the entity does not specifically borrow funds to construct a qualifying asset, general borrowing costs are capitalized by applying the weighted average cost of the borrowing cost proportionate to the expenditure on the asset.

**3.10 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking

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**3 Summary of significant accounting policies - continued**

into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue. The following specific recognition criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from services rendered such as courier services, mail management services, freight services, logistics, warehousing and general haulage to customers is recognised as soon as the recipient of the services has signed off that such services have been rendered.

**Rental Income**

Rental income arising from warehouse lease is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

**Interest income**

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the statement of comprehensive income.

**Dividends**

Revenue is recognised when the Group's right to receive the payment of dividend is established, which is generally when shareholders approve the dividend.

**Appropriation to RSE Foundation**

In 2004, the Group in its Annual General Meeting approved the establishment of Red Star Foundation, which the Group used to carry out social responsibility for the benefit of its immediate community in particular and the society in general.

**3.11 Lease**

- Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss.

**3.12 Foreign currency**

Monetary assets and liabilities denominated in a foreign currency are translated into Naira at the spot rate of exchange ruling at reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

NOTES TO THE FINANCIAL STATEMENTS – Continued

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**3 Summary of significant accounting policies - continued**

**3.13 Segment Reporting**

The reportable segments are identified on the basis of Strategic Business Units (SBU) and the threshold of recognition is a contribution of not less than 10% of the revenue, assets, profits or losses of all the operating segments. Where the board and management is of the opinion that a strategic business unit is important to the growth initiative of the Group such SBU may be reported as a reportable segment even though it is not meeting the threshold of a reportable segment.

**3.14 Employees' benefits**

**Defined Contribution Plan**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to Pension Fund Administrators on a statutory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. The Group operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2014. The employer and the employee contributions are 10% and 8% respectively of the qualifying employee's salary.

**Defined Benefit Plan**

The Group also contributes to a duly registered gratuity scheme operated by Red Star Retirement Benefit Scheme; employees are eligible to join the scheme after 3 years of continuous service to the company.

The benefits payable to employees on retirement or resignation are accrued over the service life of the employee concerned based on their salary and the cost charged to profit or loss.

The liability recognised in the statement of financial position in respect of defined gratuity scheme is the present value of the gratuity obligation at the date of the statement of financial position less the fair value of any plan asset. Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

**3.15 Share capital and reserves**

**Share issue costs**

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

**Dividend on ordinary shares**

Dividends on the Group's ordinary shares are recognized in equity in the period in which they are paid or, if earlier, approved by the Group's shareholders.

NOTES TO THE FINANCIAL STATEMENTS – Continued

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**3 Summary of significant accounting policies - continued**

**3.16 Basis of Consolidation**

The consolidated and separate financial statements comprise the financial statements of the Red Star Express Plc and its subsidiaries as at 31 March 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends (if any) are eliminated in full.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises both assets and liabilities of the subsidiary and the related non-controlling interest. Investments in the subsidiaries are measured at cost value. The Group determines control over the subsidiaries as it holds 100% of their entire shareholdings.

Investments in subsidiaries are recognised and measured at cost in the separate financial statements of the Group.

**3.17 Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

1. IFRS 15 - Revenue from Contracts with customers – 1 January 2018
2. IFRS 9 – Financial instruments – 1 January 2018
3. Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions – 1 January 2018
4. Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - 1 January 2018
5. Amendments to IAS 40: Transfers of Investment Property – 1 January 2018
6. IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration – 1 January 2018
7. IFRIC Interpretation 23 Uncertainty over Income Tax Treatment.

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

**3 Summary of significant accounting policies - continued**

8. IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice – 1 January 2018
9. IAS 7 Disclosure Initiative – Amendment to IAS 7.
10. IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12.
11. IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint.
12. Venture – Amendments to IFRS 10 and IAS 28
13. IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
14. IFRS 16 – Leases – 1 January 2019
15. Amendments to IFRS 10 and IAS 28: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture – Effective date has been deferred indefinitely
16. IFRS 17 – Insurance Contracts – 1 January 2021
17. IFRS 1 – First Time Adoption of International Financial Reporting Standards – Deletion of Short-term exemptions for first-time adopters – 1 January 2018.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements that have been identified to be applicable to the Company's financial statements are disclosed below. The Group and Company intends to adopt these standards, if applicable, when they become effective.

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Red Star Express Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Shortly before finalising the 2018 financial statements, Red Star Express Group performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to Red Star Express Group in 2019 they will adopt IFRS 9.

Overall, Red Star Express Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9 and as discussed below.

Red Star Express Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. There will be no changes in the classification and measurement of financial assets and financial liabilities.

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### 3 Summary of significant accounting policies - continued

#### (a) Classification and measurement

Red Star Express Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

Debt instruments classified as loans and receivables

Under IAS 39, Red Star Express Group has the following debt instruments which are classified under loans and receivables:

- Trade receivables
- Other receivables
- Receivables from related parties
- Bank balances
- Fixed term deposits

These debt instruments are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Red Star Express Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification of these instruments is not required. In addition, the measurement basis for these debt instruments will continue to be amortised cost, thus leading to no change in the current practice.

#### Available for sale financial instrument

Red Star Express Group has investments in quoted equity shares. The quoted equity shares are currently held as available-for-sale with gains and losses recorded in other comprehensive income (OCI). Red Star Express Group intends to apply the irrevocable option in measuring the quoted investments at fair value through OCI. The quoted equity shares are not intended to be held for short term profit making. Thus, there will be no change in the measurement basis of these investments under IFRS 9. However, fair value gain or loss accumulated within equity will not be reclassified to profit or loss upon de-recognition of these investment under IFRS 9.

#### (b) Impairment

IFRS 9 requires Red Star Express Group to record expected credit losses on all of its debt instruments including trade receivables, bank balances and receivable from group companies either on a 12-month or lifetime basis. Red Star Express Group will apply the simplified approach and record a lifetime expected credit loss on all trade receivables that do not have significant financing component. For all other debt instruments other than trade receivables, Red Star Express Group will apply general approach under which financial assets are classified into three stages i.e. stage 1, stage 2 or stage 3 depending on whether or not the credit risk of the financial asset has increased significantly.

#### (c) Hedge accounting

Although IFRS 9 does not change the general principles of how an entity accounts for effective hedges, Red Star Express Group does not engage in any financial or economic hedge. As such, this aspect of IFRS 9 will not have impact on Red Star Express Group.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Red Star Express Group plans to adopt the new standard on the required effective date using either of the methods which will be selected during the implementation phase.

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**3 Summary of significant accounting policies - continued**

Shortly before finalising the 2018 financial statements, Red Star Express Group performed a detailed assessment of IFRS 15 and the outcome of this assessment is described below.

**A. Rendering of services**

Red Star Express Group's principal activities are provision courier services, Shipment management services, freight services, logistics, warehousing and general haulage. These services are rendered to cash customers and credit customers. Credit customers are further divided into those with Service Level Agreement (SLA) and those without Service Level Agreement (SLA).

**(i) Contract enforceability and termination clauses**

IFRS 15 explains that a contract does not exist if each party to the contract has the unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party (or parties). Additionally, for implied contracts, Red Star Express Group may be required to account for contracts with stated terms as month-to-month (or possibly a shorter duration) contracts if the parties can terminate the contract without penalty. Under the current standard, the assessment of termination clauses is not of paramount importance as revenue is recognised on a straight line basis. Thus, Red Star Express Group recognizes revenue when risk and reward pass to the buyer as services were rendered.

However, under IFRS 15 the period in which enforceable rights and obligations exist are affected by termination provisions stated in the contract. Red Star Express Group has evaluated that in certain contracts, it has the ability to enforce its rights and obligations throughout the stated term of the contracts or the term in which the substantial termination payment covers because substantive termination payments have commercial substance i.e. these payments can affect the financial position or performance of Red Star Express Group if unperformed and signifies a commitment by both parties to execute the contract.

Red Star Express Group equally has contracts with customers which contain termination clauses. These contract specifically contains termination clauses relating to the effective date of the contract. However, after the effective date of the contract, both parties have enforceable rights and obligations only for the notice period of termination.

Therefore, Red Star Express Group has assessed that for contracts without substantive termination payments, the contract enforceability period is the given period of notice to terminate the contract from the effective date of the contract. Additionally, contracts with cash customers and credit customers without SLA commences on performance as the Group has no written contracts for such services. Red Star Express Group has identified an accounting policy development initiative, which involves appropriately identifying and developing accounting policies that will guide them in making judgements about what constitutes a substantive payment and how to evaluate termination clauses.

**(ii) Combining contracts**

Under the current revenue standard, contracts are not required to be combined for the purpose of recognising revenue.

On adoption of IFRS 15, Red Star Express Group will be combining its currently existing contracts with the same customer because the contracts meet the requirements of IFRS 15:17.

However, contracts with similar characteristics and different customers may be combined by applying the portfolio approach practical expedient. The expedient allows an entity to apply the five-step model to a portfolio of contracts (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying the Standard to the portfolio would not differ materially from applying the Standard to the individual contracts (or

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**3 Summary of significant accounting policies - continued**

performance obligations) within that portfolio. The IASB recognised that there may be situations in which it may be more practical for an entity to combine contracts for revenue recognition purposes rather than attempt to account for each contract separately.

Red Star Express Group assessed its contracts with customers as a portfolio of contracts due to the similarity of services to be provided, terms and conditions and accounting treatment and thereby applied the practical expedient all customers' contracts as divided into cash customers, credit customers with and without service level agreement.

**(iii) Distinct goods and services**

For contracts with cash customers and customers without SLA, Red Star Express Group delivers its promised service to customers as a separate performance obligation and they always recognize the transaction price as revenue when the shipments are pick-up/paid for from the customer and not until the Shipments are delivered.

Under IFRS 15, a good or service that is promised to a customer is distinct if both of the following criteria are met:

- a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the good or service is distinct within the context of the contract).

Red Star Express Group currently does not assess its promises as distinct goods. Shipments to be delivered are applied to the rate to recognize revenue immediately they are picked. However, the timing of delivery and pick up is not material affect the timing of recognition of the revenue.

In line with IFRS 15, the services rendered are distinct service transferred at a point in time and revenue should be recognised when control passes to the customer.

**(iv) Series of distinct goods and services**

For contracts with cash customers and customers without SLA, Red Star Express Group delivers its promised service to customers throughout the term as agreed in the contract.

Under IFRS 15, a series of distinct goods or services has the same pattern of transfer to the customer if both of the following criteria are met:

- each distinct good or service in the series that the entity promises to transfer to the customer would meet the criteria in revenue recognition over time to be a performance obligation satisfied overtime; and
- the same method would be used to measure the entity's progress towards complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.

Red Star Express Group currently does not assess its promises as series of services. Shipments to be delivered are applied to the rate to recognise revenue immediately the Shipments are picked. However, under IFRS 15, Red Star Express Group will need to recognise its revenue over time with an appropriate measure of progress. This measure will be most likely be based on Shipment delivered. By implication, the envisaged impact may be considerably low as Red Star Express Group currently recognizes revenue when risk and reward has been transferred. Using a measure of progress either input or output methods will most likely produce a result that is very similar to the current revenue recognition guidance. Red Star Express Group will need to develop clear accounting policy on series performance obligations.

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**3 Summary of significant accounting policies continued**

**(v) Allocation of transaction price to performance obligations**

Under the current revenue standard, Red Star Express Group is not required to determine performance obligations and therefore does not allocate transaction price to performance obligations.

However, IFRS 15 states that the objective when allocating the transaction price is for an entity to allocate the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. Determining the transaction price is an important step in applying IFRS 15 because this amount is allocated to the identified performance obligations and is recognised as revenue when (or as) those performance obligations are satisfied.

IFRS 15 also requires that once the separate performance obligations have been identified and the transaction price has been determined, an entity is expected to allocate the transaction price to the performance obligations in proportion to their stand-alone selling prices. IFRS 15 indicates that the observable price of a good or service sold separately provides the best evidence of stand-alone selling price. However, in many situations, stand-alone selling prices will not be readily observable. In those cases, an entity must estimate the stand-alone selling price.

For Red Star Express Group's contracts where they have one performance obligation, allocating the transaction price to the performance obligation will have no impact on Red Star Express Group. Red Star Express Group has determined that if there arises a contract with multiple performance obligations, they will determine the standalone price for each performance obligation and allocate the transaction price to the performance obligations in proportion to the stand alone price. Red Star Express Group believes that this will impact the timing of revenue recognition.

Red Star Express Group is working towards developing a clear accounting policy initiative that will guide the determination of stand-alone prices.

**(vi) Revenue recognition over time**

Red Star Express Group currently recognizes revenue from credit customers with service level agreement based on the Shipments taken daily/ multiplied by the price.

However, IFRS 15.35 states that an entity transfers control of a good or service over time if one of the following criteria are met:

- As the entity performs, the customer simultaneously receives and consumes the benefits provided by the entity's performance.
- The entity's performance creates or enhances an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced.
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Red Star Express Group has assessed that its credit customer with SLA meet the first criteria because a contract period has a minimum number of notice days that must be provided before such contract can be terminated. This ranges between thirty and ninety days. Thus, the customer can simultaneously receive and consumes the benefits as Shipments are taken over the minimum period of the contract as Red Star Express Group performs. IFRS 15 elucidates that when the Group has determined that a performance obligation is satisfied over time, they are required to select a single revenue recognition method for the relevant performance obligation that faithfully depicts the Group's performance in transferring control of the goods or services.

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### 3 Summary of significant accounting policies continued

In addition, Red Star Express Group should apply the method selected consistently to similar performance obligations. Hence, at the end of each reporting period, an entity is required to re-measure its progress towards completion of the performance obligations. On adoption of IFRS 15, Red Star Express Group is not expected to have any impact on its revenue and profit or loss. Measuring progress using output method (as anticipated) is not expected to have any impact since Red Star Express Group can demonstrate that the invoiced amount corresponds directly with the value to the customer of Red Star Express Group's performance completed to date, then, it is not expected to be significantly different from revenue recognised under the current standard. However, Red Star Express Group will need to develop clear accounting policy initiative for determining the appropriate method for measuring progress.

#### B. Advances received from customers

Generally, Red Star Express Group receives an initial advance from customers upon entering into the contract in which the customer draws down from.

Under the current accounting policy, Red Star Express Group presents such advances as deferred revenue under trade and other payables heading in the statement of financial position.

Under IFRS 15, Red Star Express Group must determine whether there is a significant financing component in its contracts.

However, Red Star Express Group decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where Red Star Express Group expects, at contract inception, that the period between the transfer of a promised service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, Red Star Express Group will not account for a financing component even if it is significant.

#### C. Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Red Star Express Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and Red Star Express Group has assessed that the impact of some of these disclosures requirements will be significant. In particular, Red Star Express Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. Also, extended disclosures are expected as a result of the significant judgement made when assessing the contracts where Red Star Express Group has concluded that: it acts as an agent instead of a principal, there is a significant financing component, and service-type warranties are provided. In addition, as required by IFRS 15, Red Star Express Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2018, Red Star Express Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

#### IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g.,

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### 3 Summary of significant accounting policies continued

personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, Red Star Express Group will continue to assess the potential effect of IFRS 16 on its financial statements.

#### IAS 28 Investments in Associates and Joint Ventures

Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice

The amendments clarifies that:

An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

- The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

### 3.2 The following relevant new and amended standards have become effective for the current year

#### IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments has been disclosed in Note 22.1 will result in additional disclosure provided by the Company.

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### 3 Summary of significant accounting policies continued

#### IAS 12 – Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendment clarifies the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify:

- The requirements relating to recovery of an asset for more than its carrying amount in a way that enhances understanding and reduces the risk of an arbitrary estimate of probable future taxable profit was revised
- The standard clarify that taxable profit excluding tax deductions used for assessing the utilization of deductible temporary differences is different from taxable profit on which income taxes are payable

The amendment is effective for annual periods beginning on or after 1 January 2017.

The impact of this assessment has been disclosed in Note 9 and 15 of the financial statements.

The entity must apply the same accounting for each category of investment.

A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment. This amendment will not have any impact on the Company's financial statements.

#### IFRS 12 Disclosure of Interests in Other Entities

##### Clarification of the scope of the disclosure requirements in IFRS 12

- The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The impact of this amendments has assessed and disclosed in Note 14.2 and 25.

Annual Improvements Cycle – 2014 – 2016 Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12. These amendments clarify the scope of the disclosure requirements in IFRS 12. The amendments require that the disclosure requirements in IFRS 12 (other than those in paragraphs B10 –B16 relating to the presentation of summarised financial information) apply to interest in a subsidiary, a joint venture or an associate that is classified (or included in a disposal group that is classified) as held for sale.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. The amendments will also not affect the current periods.

### 3.18 IFRS 13 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

**3 Summary of significant accounting policies continued**

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

As at 31 March 2018	Date of valuation Total	Total (€)	Fair value measurement using		
			Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
<b>Assets measured at fair value</b>					
AFS Financial Assets (Note 14)					
Quoted equity shares	31.03.2018	477	477		

## NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

## 3 Summary of significant accounting policies – continued

As at 31 March 2017	Date of valuation Total	Total (N)	Fair value measurement using		
			Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
<b>Assets measured at fair value</b>					
AFS Financial Assets (Note 14)					
Quoted equity shares	31.03.2017	477	477		

There have been no transfers between Level 1 and Level 2 during the period.

**Fair value measurement**

Set out below is a comparison by class of the carrying amounts and fair values of the Red Star Express Plc financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	2018	2017	2018	2017
	N'000	N'000	N'000	N'000
<b>Financial assets</b>				
Quoted equity shares	<b>477</b>	<b>477</b>	<b>477</b>	<b>477</b>
	----	----	----	----
<b>Total</b>	<b><u>477</u></b>	<b><u>477</u></b>	<b><u>477</u></b>	<b><u>477</u></b>
	====	====	====	====

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in an orderly transaction between market participants, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The quoted equity financial asset is calculated based on the existing market share at the reporting date.
- The fair value of loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

## NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

	The Group		The Company	
	2018	2017	2018	2017
	₹ '000	₹ '000	₹ '000	₹ '000
<b>4 Revenue</b>				
Analysis by services				
Courier	4,406,118	4,049,921	4,406,118	4,049,921
Logistics (note 4i)	1,563,459	1,213,452	-	-
Freight (note 4ii)	794,971	535,843	-	-
Support services (note 4ii)	1,642,959	1,499,426	-	-
	<b>8,407,507</b>	<b>7,298,642</b>	<b>4,406,118</b>	<b>4,049,921</b>
	=====	=====	=====	=====
4i. Logistics relates to services involving warehousing and chain distribution services.				
4ii. Freight services is involved in clearing and forwarding of goods (importation and export services).				
4iii. Support services relates to mail room management and other delivery services.				
<b>5 Other operating income</b>				
Dividend from subsidiaries	-	-	116,062	97,392
Exchange gain	4,300	25,802	4,199	7,022
Sundry income (note 5i)	6,274	24,470	3,101	17,369
Gain on disposal of PPE	514	192	514	192
	<b>11,088</b>	<b>50,464</b>	<b>123,876</b>	<b>121,975</b>
	=====	=====	=====	=====
5i. Sundry income relates to recovery of bad debt and insurance claims received.				
<b>6 Administrative expenses</b>				
Annual general meeting expenses	7,266	5,749	2,175	5,682
Audit fee	14,300	14,300	11,000	11,000
Impairment on receivable	104,624	155,250	61,700	78,929
Bank charges	19,724	16,266	13,175	11,501
Communication and telephone	71,012	67,386	34,590	57,941
Amortisation of intangible assets	13,404	7,385	13,400	7,371
Depreciation	110,980	70,624	60,324	34,068
Impairment loss on available for sale financial instrument	-	91	-	91
Fines and penalties	-	4,942	-	4,942
Hotel accommodation and entertainment	63,713	44,499	44,001	36,347
Employee benefit expenses*	648,931	455,618	311,266	223,528
Insurance	68,439	46,891	32,659	22,352
Legal and professional charges	51,898	49,050	37,294	33,162
Medical	68,508	41,262	20,823	13,222
Newspaper and periodicals	1,757	3,228	1,430	2,858
Security expenses	42,576	42,883	26,773	28,251
Power and water	127,654	141,911	98,900	131,703
Printing and stationery	117,377	100,729	101,164	77,374
Publicity and promotion	81,746	56,076	40,386	40,602
Repairs and maintenance	424,693	123,972	117,974	111,154
Subscriptions and donations	16,809	45,026	12,803	28,543
Training	56,863	43,606	41,302	33,148
Transportation and travelling costs	66,202	44,596	48,321	43,219
	<b>2,178,476</b>	<b>1,581,340</b>	<b>1,131,460</b>	<b>1,036,988</b>
	=====	=====	=====	=====

\*Included in the employee benefit expenses for 2017 is ₹9,525,000 being finance lease interest paid by the company on behalf of the marketers.

## NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

	The Group		The Company	
	2018 ₦ '000	2017 ₦ '000	2018 ₦ '000	2017 ₦ '000
<b>7 Finance income</b>				
Interest received from fixed deposit	23,318	17,684	20,189	16,594
	=====	=====	=====	=====
<b>8 Profit before taxation was obtained</b>				
<b>After deducting:</b>				
Depreciation - Admin	110,980	70,624	60,324	34,068
Depreciation – Cost of sales	195,551	165,011	83,695	79,491
Amortization of intangible assets	13,404	7,385	13,400	7,371
Impairment loss on available for sale financial instrument	-	91	-	91
Audit fee	14,300	14,300	11,000	11,000
Profit on disposal of fixed assets	(514)	(192)	(514)	(192)
Directors emoluments	99,824	41,720	57,290	38,654
Exchange gain	(4,300)	(25,802)	(4,199)	(7,022)
Dividend received	-	-	(116,062)	(97,392)
	=====	=====	=====	=====
<b>9 Taxation</b>				
<b>9.1 Statement of Comprehensive Income</b>				
Income taxation	205,161	161,198	136,327	82,393
Education tax	20,228	18,233	12,026	8,815
	-----	-----	-----	-----
	225,389	179,431	148,353	91,208
Deferred tax expense	37,642	47,013	3,362	2,457
	-----	-----	-----	-----
	263,031	226,444	151,715	93,665
	=====	=====	=====	=====
<b>9.2 Statement of Financial Position</b>				
At the beginning of the year	206,444	256,886	109,418	158,548
Current year tax provision	225,389	179,431	148,353	91,208
Payment during the year	(61,808)	(75,792)	(11,180)	(28,045)
Withholding tax credit utilized	(119,796)	(154,081)	(80,028)	(112,293)
	-----	-----	-----	-----
	250,229	206,444	166,563	109,418
	=====	=====	=====	=====
<b>9.3 Reconciliation of income tax expense</b>				
Non-deductible expenses for tax purpose				
Profit before tax	610,589	653,200	486,487	408,342
	=====	=====	=====	=====
Nigeria's statutory income tax rate of 30%	183,177	195,960	145,946	122,503
Disallowable expenses	175,837	241,564	74,124	102,065
Non-taxable income	(59,633)	(222,337)	(36,233)	(135,160)
Education tax	20,228	18,233	12,026	8,815
Capital allowance	(56,578)	(6,976)	(44,148)	(4,558)
	-----	-----	-----	-----
Income tax expense	263,031	226,444	151,715	93,665
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

10. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations.

	Group		Company	
	2018 ₦'000	2017 ₦'000	2018 ₦'000	2017 ₦'000
Profit attributable to ordinary equity holders	347,558 =====	426,756 =====	334,772 =====	314,677 =====
Weighted average number of ordinary shares for basic earnings per share	589,497 =====	589,497 =====	589,497 =====	589,497 =====
Basic/diluted earnings per share	₦0.59 =====	₦0.72 =====	₦0.57 =====	₦0.53 =====

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

The Group – 31 March 2018

11. Property, plant and equipment

	Land	Building	Plant & Machinery	Motor Vehicles	Motor Cycle	Computer & Other IT Equipment	Furniture & Fittings	Capital-work-in-progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>COSTS</b>									
At 1 April 2016	167,043	429,302	62,114	551,583	342,867	259,056	58,034	-	1,869,999
Addition	500	9,778	6,880	377,329	41,966	41,259	22,374	9,140	509,226
Disposals	-	-	-	(27,203)	-	-	-	-	(27,203)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
At 31 March 2017	167,543	439,080	68,994	901,709	384,833	300,315	80,408	9,140	2,352,022
Additions	36,398	56,802	9,172	204,997	35,132	35,426	10,564	25,204	413,695
Transfer	3,000	6,050				90		(9,140)	
Disposals	-	-	-	(8,084)	(7,920)	(562)	-	-	(16,566)
Reclassification	-	-	-	-	-	2,160	-	-	2,160
	-----	-----	-----	-----	-----	-----	-----	-----	-----
At 31 March 2018	206,941	501,932	78,166	1,098,622	412,045	337,429	90,972	25,204	2,751,311
	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>DEPRECIATION</b>									
At 1 April 2016	-	46,991	31,706	339,147	329,576	195,878	44,308	-	987,606
Charge for the year		10,862	7,716	119,183	49,442	41,428	7,006	-	235,637
Disposal	-	-	-	(21,453)	-	-	-	-	(21,453)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
At 31 March 2017	-	57,855	39,422	436,877	379,018	237,306	51,312	-	1,201,790

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

The Group – 31 March 2017

11. Property, plant and equipment

	Land	Building	Plant & Machinery	Motor Vehicles	Motor Cycle	Computer & Other IT Equipment	Furniture & Fittings	Capital-work-in-progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Charge for the year		54,357	18,212	186,705	26,493	10,160	10,604	-	306,531
Disposals	-	-	-	(8,083)	(7,920)	(519)	-	-	(16,522)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>At 31 March 2018</b>		112,212	57,634	615,499	397,591	246,947	61,916	-	1,491,799
	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>NET BOOK VALUE</b>									
<b>At 31 March 2018</b>	206,941	389,720	20,532	483,123	14,454	90,482	29,056	25,204	1,259,512
	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>At 31 March 2017</b>	167,543	381,225	29,572	464,832	5,815	63,009	29,096	9,140	1,150,232
	=====	=====	=====	=====	=====	=====	=====	=====	=====

**Finance leases**

The carrying value of motor vehicles held under finance leases at 31 December 2018 was ₦186,175,400 (2017: ₦72,000,000). Additions during the year include ₦114,175,400 (2016: ₦72,000,000) of motor vehicle under finance leases contracts. Leased assets contracts are pledged as security for the related finance lease liabilities.

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

The Company – 31 March 2018

11. Property, plant and equipment

	Land	Building	Plant & Machinery	Motor Vehicles	Motor Cycle	Computer & Other IT Equipment	Furniture & Fittings	Capital-work-in-progress	Total
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
<b>COSTS</b>									
At 1 April 2016	89,647	292,786	53,740	193,783	74,514	247,917	36,517	-	988,904
Addition	500	2,060	6,880	104,970	8,895	38,697	8,928	9,140	180,070
Disposals	-	-	-	(27,203)	-	-	-	-	(27,203)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>At 31 March 2017</b>	90,147	294,846	60,620	271,550	83,410	286,613	45,445	9,140	1,141,771
<b>Additions</b>	36,398	22,000	9,172	41,720	16,794	34,118	6,483	17,804	184,489
<b>Transfer</b>	3,000	6,050	-	-	-	90	-	(9,140)	-
<b>Reclassification</b>	-	-	-	-	-	2,160	-	-	2,160
<b>Disposal</b>	-	-	-	(1,600)	(7,920)	(549)	-	-	(10,069)
	129,545	322,896	69,792	311,670	92,284	322,433	51,928	17,804	1,318,351
<b>DEPRECIATION</b>									
At 1 April 2017	-	31,963	26,326	141,098	62,849	188,869	25,530	-	476,635

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

The Company – 31 March 2018

11. Property, plant and equipment

	Land	Building	Plant & Machinery	Motor Vehicles	Motor Cycle	Computer & Other IT Equipment	Furniture & Fittings	Capital-work-in-progress	Total
	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000	₹'000
Charge for the year	-	7,355	6,653	45,529	10,353	39,396	4,273	-	113,559
Disposal	-	-	-	(21,453)	-	-	-	-	(21,453)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
At 31 March 2017	-	39,318	32,979	165,174	73,202	228,265	29,803	-	568,741
Period Depreciation	-	49,789	17,212	44,869	13,081	13,593	5,475	-	144,019
Disposal	-	-	-	(1,600)	(7,762)	(507)	-	-	(9,869)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
At 31 March 2018	-	89,107	50,191	208,443	78,521	241,351	35,278	-	702,891
Net Book Value									
At 31 March 2018	129,545	233,789	19,601	103,227	13,763	81,082	16,650	17,804	615,458
	=====	=====	=====	=====	=====	=====	=====	=====	=====
At 31 March 2017	90,147	255,528	27,641	106,376	10,208	58,349	15,642	9,140	573,030
	=====	=====	=====	=====	=====	=====	=====	=====	=====

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

12 Intangible assets

	GROUP	COMPANY
<b>Cost:</b>	₦'000	₦'000
At 1 April 2016	<b>45,707</b>	<b>45,207</b>
Additions – externally acquired	20,198	20,198
	-----	-----
<b>At 1 April 2017</b>	<b>65,905</b>	<b>65,405</b>
Additions – externally acquired	30,060	30,060
Reclassification*	(2,160)	(2,160)
	-----	-----
<b>At 31 March 2018</b>	<b>93,805</b>	<b>93,305</b>
	-----	-----
<b>Amortization:</b>		
At 1 April 2015	<b>40,348</b>	<b>39,866</b>
Amortization charge for the year	7,385	7,371
	-----	-----
At 1 April 2017	<b>47,733</b>	<b>47,237</b>
Amortization charge for the year	13,404	13,400
	-----	-----
<b>At 31 March 2018</b>	<b>61,137</b>	<b>60,637</b>
	-----	-----
<b>Net Book Value:</b>		
<b>At 31 March 2018</b>	<b>32,668</b>	<b>32,668</b>
	=====	=====
<b>At 31 March 2017</b>	<b>18,172</b>	<b>18,168</b>
	=====	=====

\*This was a reclassification from intangible asset to computer and equipment. This reclassification was made as a result of wrong presentation of items in prior years.

The Group's intangible asset represents ₦93,805 investments on computer software and software licenses. This is being amortised to profit or loss over a period of three years. There is no further contractual commitment to acquire intangible assets as at 31 March 2018.

13 Prepayment

	The Group		The Company	
	2018	2017	2018	2017
	₦'000	₦'000	₦'000	₦'000
Current portion	135,204	158,422	74,421	106,732
Non-current portion	32,456	22,968	32,456	24,468
	-----	-----	-----	-----
<b>At 31 March 2018</b>	<b>167,660</b>	<b>181,390</b>	<b>106,877</b>	<b>131,200</b>
	=====	=====	=====	=====
Opening Balance	181,390	88,535	131,200	69,592
Addition	220,890	183,060	189,510	162,344
Utilised in the year	(234,620)	(90,205)	(213,833)	(100,736)
	-----	-----	-----	-----
<b>Closing Balance</b>	<b>167,660</b>	<b>181,390</b>	<b>106,877</b>	<b>131,200</b>
	=====	=====	=====	=====

The non-current prepayment relates to prepaid office rent for the Group's office outlets across the country which will not be amortised in the next 12 months; while the current portion relates to the rent that will be amortised within the next 12 months.

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

	The Group		The Company	
	2018 ₦'000	2017 ₦'000	2018 ₦'000	2017 ₦'000
<b>14.1 Available for sale financial instrument</b>				
<b>At 1 April</b>	477	568	477	568
Fair value loss	-	(91)	-	(91)
	-----	-----	-----	-----
<b>At 30 June</b>	477	477	477	477
	-----	-----	-----	-----

**Impairment on available-for-sale investments**

The Group assesses at each reporting date whether there is objective evidence that an investment in quoted shares is impaired. The objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost. The available for sale financial instrument - Neimeth International Pharmaceutical Plc is a listed entity on the Nigerian Stock Exchange.

Based on these criteria, the Company identified no impairment (2017: ₦91,000) on available-for-sale investments in quoted equity shares for the year.

**14.2 Investment in Subsidiaries**

	The Group		The Company	
	2018 ₦'000	2017 ₦'000	2018 ₦'000	2017 ₦'000
<b>Investment in subsidiaries measured at costs:</b>				
*Investment in Red Star Freight Limited	-	-	100,000	10,000
Investment in Red Star Support Services Limited	-	-	49,065	49,065
Investment in Red Star Logistics Limited	-	-	225,000	225,000
	-----	-----	-----	-----
	-	-	374,065	284,065
	=====	=====	=====	=====

\*The company increased its investment in Red Star Freight Limited (RSF) by N90,000,000 divided into 90,000,000 ordinary shares of N1.00 each which ranked paripassu in all respect with the existing share capital unit value of the Company. This was done through a debt-equity swap arrangement, where RSF indebtedness to RSE was converted to equity.

The Consolidated financial statement of the Group include:

Name	Principal Activities	Country of Incorporation	% equity interest	
			2018	2017
Red Star Freight Limited	Freight and custom clearance	Nigeria	100%	100%
Red Star Supports Services Limited	Mail management and despatch services	Nigeria	100%	100%
Red Star Logistics Limited	Haulage and warehousing services	Nigeria	100%	100%

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS – Continued

31 MARCH 2018

	The Group		The Company	
	2018 ₦'000	2017 ₦'000	2018 ₦'000	2017 ₦'000
<b>15.1 Deferred tax liabilities</b>				
At the beginning of the year	150,623	103,793	33,283	31,009
Tax (income) or expenses during the period (note 9.1)	37,642	47,013	3,362	2,457
Tax income or (expenses) during the period recognized in OCI	(6,952)	(183)	(6,952)	(183)
At the end of the year	181,313	150,623	29,693	33,283

	The Group		The Company	
	2018 ₦'000	2017 ₦'000	2018 ₦'000	2017 ₦'000
<b>15.2 Deferred tax relates to the following:</b>				
Accelerated depreciation for tax purposes	242,766	192,128	74,108	74,584
Provision for gratuity	(23,542)	(14,936)	(23,542)	(14,936)
Provision for fair-value	-	(27)	-	(27)
Impairment of receivables	(39,228)	(34,283)	(22,133)	(28,444)
Exchange difference on trade and other receivables	1,317	7,741	1,260	2,106
At the end of the year	181,313	150,623	29,693	33,283

<b>16 Inventories</b>				
Stationeries and packaging				
Materials	38,950	35,610	35,713	32,672
Fuel & Oil	9,457	10,822	9,457	10,822
Spares	4,549	924	4,046	-
	52,956	47,356	49,216	43,494

During 2018, ₦520,847,915 and ₦148,165,653 (2017: ₦ 521,978,502 and ₦ 183,540,000) was recognised as an expense for inventories carried at net realisable value for the Group and the Company respectively. This is recognised in cost of sales. There was no inventory write-down during the year.

<b>17 Trade and other receivables</b>				
Trade receivables	1,993,762	1,887,381	1,197,127	1,137,594
Receivable from Group companies (note 25)	-	-	655,405	456,455
Other receivables (note 18)	937,092	632,888	444,804	306,370
	2,930,854	2,520,269	2,297,336	1,900,419

Trade receivables are non-interest bearing and are generally on terms of 30 to over 360 days.

**RED STAR EXPRESS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS – Continued**

**31 MARCH 2018**

For terms and conditions relating to related party receivables, refer to Note 25.

As at 31 March 2018, trade receivables of an initial value of ₦130,760,816 (2017 ₦114,274,689), and ₦73,775,975 (2017: ₦94,813,811) were impaired and fully provided for by the Group and the Company respectively. See below for the reconciliation movements in the provision for impairment of trade receivables.

The Group

	<b>Individually impaired</b>	<b>Collectively impaired</b>	<b>Total</b>
	₦'000	₦'000	₦'000
At 1 April 2016	<b>123,195</b>	-	<b>123,195</b>
Charge for the year	155,250	-	155,250
Utilised	(20,700)	-	(20,700)
Unused amount reversed	(143,470)	-	(143,470)
	-----	-----	-----
<b>At 1 April 2017</b>	<b>114,275</b>	-	<b>114,275</b>
Charge for the year	104,624	-	104,624
Unused amount reversed	(88,138)	-	(88,138)
	-----	-----	-----
<b>At 31 March 2018</b>	<b>130,761</b>	-	<b>130,761</b>
	=====	=====	=====

As at 31 March, the ageing analysis of trade receivables (excluding receivables that have been specifically impaired) is as follows:

	<b>Neither past due nor</b>		<b>Past due impaired but not impaired</b>		
	0-90		91-180	181-270	271-360
	Total	Days	Days	Days	Days
	₦'000	₦'000	₦'000	₦'000	₦'000
2018	1,993,762	885,670	785,985	195,660	126,447
2017	1,887,381	959,165	737,833	132,887	57,496

The Company

	<b>Individually impaired</b>	<b>Collectively impaired</b>	<b>Total</b>
	₦'000'	₦'000'	₦'000'
<b>At 1 April 2016</b>	<b>105,164</b>	-	<b>105,164</b>
Charge for the year	78,929	-	78,929
<b>Utilised</b>	(20,700)	-	(20,700)
Unused amount reversed	(68,579)	-	(68,579)
	-----	-----	-----
<b>At 1 April 2017</b>	<b>94,814</b>	-	<b>94,814</b>
Charge for the year	61,700	-	61,700
Unused amount reversed	(82,738)	-	(82,738)
	-----	-----	-----
<b>At 31 March 2018</b>	<b>73,776</b>	-	<b>73,776</b>
	-----	-----	-----

As at 31 March, the ageing analysis of trade receivables (excluding receivables that have been specifically impaired) is as follows:

	<b>Neither past due nor impaired</b>		<b>Past due but not impaired</b>		
	0-90		91-180	181-270	271-360
	Total	days	days	days	days
	₦'000	₦'000	₦'000	₦'000	₦'000
2018	1,197,127	502,708	574,710	71,782	47,927
2017	1,137,594	585,307	424,951	84,381	42,955

See Note 31(1a) on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables.

**RED STAR EXPRESS PLC**

**NOTES TO THE FINANCIAL STATEMENTS – Continued**

**31 MARCH 2018**

	The Group		The Company	
	2018	2017	2018	2017
	₦'000	₦'000	₦'000	₦'000
<b>18 Other receivables</b>				
Unutilized WHT receipts	616,179	415,485	272,351	194,397
Staff car advance	152,608	63,496	74,040	46,933
Interest receivable	989	2,319	989	2,319
Other staff and operational advances*	167,316	151,588	97,424	62,721
	-----	-----	-----	-----
	937,092	632,888	444,804	306,370
	=====	=====	=====	=====

\*These are advances to staff in the ordinary course of business operation, which are yet to be retired as at year-end.

	The Group		The Company	
	2018	2017	2018	2017
	₦'000	₦'000	₦'000	₦'000
<b>19 Cash and bank balances</b>				
Cash balances	751	1,109	723	892
Cash -in- transit	27,117	46,499	26,518	44,382
Bank balances	223,936	146,048	137,249	93,343
Short term deposit	298,064	320,005	226,539	304,847
	-----	-----	-----	-----
	549,868	513,661	391,029	443,464
	=====	=====	=====	=====

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The Cash-in-transit are cash sales at the end of the financial year by the up country locations that have been deposited at various banks for which the supporting document have not been received at the Head Office for appropriate recording.

	The Group		The Company	
	2018	2017	2018	2017
	₦'000	₦'000	₦'000	₦'000
<b>20 Share capital</b>				
Authorized 1,000,000,000				
Ordinary shares of 50 kobo each	500,000	500,000	500,000	500,000
	=====	=====	=====	=====
Issued and fully paid:				
589,496,760 ordinary shares of 50 kobo each	294,748	294,748	294,748	294,748
	=====	=====	=====	=====
<b>21 Share premium</b>	296,433	296,433	296,433	296,433
	=====	=====	=====	=====

Section 120.2 of Companies and Allied Matters Act requires that where a company issues shares at premium (i.e. above the par value), the value of the premium should be transferred to share premium.

At an extraordinary general meeting held on 22 February 2007, the shareholders passed a resolution to raise additional capital through private placement by the creation of additional 75 million ordinary shares of 50 kobo each issued at ₦4 per share. The share premium increase from ₦43.8 million to ₦296.4 million for the year ended 31 March 2007.

**RED STAR EXPRESS PLC**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**31 MARCH 2018**

**22 Interest Bearing Loans and Borrowings**

**22.1 Finance Lease Obligation**

Red Star Support Services Limited (a subsidiary company) entered into a lease agreement with Financial Derivative Company Limited who granted a loan of ₦ 72,000,000 in 2017 to finance the acquisition of 3 units of Toyota Coaster buses. The duration of the loan is for 48 months with an interest rate of 21%. The loan is secured by Lessor's legal ownership of the equipment particularly contained in the invoice including all replacements and renewals thereof and all accessories and additions thereto whether made before or after the agreement and throughout the duration of the lease.

In July 2017, Red Star Logistics Limited (a subsidiary company) entered into a lease agreement with Financial Derivative Company Limited who granted a loan of ₦ 114,175,400 to finance the acquisition of motor vehicles. The duration of the loan is for 36 months with an interest rate of 21.5%. The loan is secured by Lessor's legal ownership of the equipment particularly contained in the invoice including all replacements and renewals thereof and all accessories and additions thereto whether made before or after the agreement and throughout the duration of the lease.

	The Group		The Company	
	2018 ₦'000	2017 ₦'000	2018 ₦'000	2017 ₦'000
Opening balance	66,980	-	-	-
Addition	114,175	72,000	-	-
Payments	(33,743)	(5,020)	-	-
	-----	-----	-----	-----
Total lease balance loan	147,412	66,980	-	-
	=====	=====	=====	=====

	The Group		The Company	
	2018 ₦'000	2017 ₦'000	2018 ₦'000	2017 ₦'000
Long-term	76,832	48,903	-	-
Short-term	70,580	18,077	-	-
	-----	-----	-----	-----
Total term loan	147,412	66,980	-	-
	=====	=====	=====	=====

Further disclosure on the finance lease arrangement is made in Note 34 – Commitments and contingencies.

**RED STAR EXPRESS PLC**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**31 MARCH 2018**

**23.1 Post-employment Gratuity plans**

The Group operates a non-contributory gratuity scheme for both the Company and its subsidiaries (Group). The entitlement of the employees are based on applicable emoluments and qualifying years of service at the time of leaving the Company. The contributions are remitted to the Initiative on monthly basis over the employees' period of service.

The asset of the plan are held in a separate fund administered by the Trustee to meet the long term gratuity liabilities of retired employees. The Trustee is required to act in the best interest of the beneficiary. The Trustee which is appointed by the Board is responsible for preparing proper accounting records of the scheme, safeguarding assets and taking reasonable steps to prevent and detect fraud and any other irregularities. The trustee actively monitors how the duration and the expected yield of the plan assets match the expected cash flows from the gratuity obligations. The trust deed specify that assets of the fund are not available for the Group for other uses and must be used only to fund defined pension obligation.

In line with its terms of agreement, the Actuarial valuation was performed by Messrs. KDA Associates (Actuaries, Statisticians, Employee Benefits and Investment Analyst) with FRC Registration Number FRC/2013/0000000001556 for both the current year and the comparative year.

The major categories of plan assets of the fair value of the total plan assets are, as follows:

<b>Investment Type</b>	<b>2018</b>	<b>2017</b>	<b>Nature</b>
Investment Property	102,463,489	104,690,956	Buildings (Unquoted)
Investment in Shares	4,060,246	2,954,839	Quoted
FGN Bond	413,258,025	367,446,850	Quoted
Treasury bills	49,704,829	59,317,477	Quoted
Cash and Bank	14,668,413	39,424,907	Unquoted
Others	86,517,464	48,521,996	Unquoted
	-----	-----	
<b>Total</b>	<b>670,672,466</b>	<b>622,357,025</b>	
	=====	=====	

The following tables summarise the components of net benefit expense recognised in profit or loss and the funded status and amounts recognised in the statement of financial position for the respective plans:

	<b>2018</b>	<b>2017</b>
	<b>₦'000</b>	<b>₦'000</b>
<b>Net employee defined benefit liabilities</b>	(78,473)	(49,176)
	=====	=====

31 MARCH 2018

The principal assumptions used in determining employees' benefit obligations for the Group's plans are shown below:

23.2 2018 changes defined benefit obligation

	Pension obligation charged to profit or loss				Re-measurement gains/(losses) in other comprehensive income						
	1-Apr-17 £'000	Service cost £'000	Net interest expense £'000	Sub-total included in profit or loss £'000	Benefits paid £'000	Actuarial changes arising from changes in demographic assumptions £'000	Actuarial changes arising from changes in financial assumptions £'000	Experience adjustments £'000	Sub-total included in OCI £'000	Contributions by employer £'000	31 March 2018 £'000
Defined benefit obligation	(671,532)	(81,700)	(97,920)	(179,620)	26,797	-	75,210	-	75,210	-	(749,145)
Fair value of plan assets	622,356	-	90,540	90,540	(26,797)	-	(98,382)	-	(98,382)	82,954	670,672
Benefit liability	<u>(49,176)</u>			<u>(89,080)</u>	<u>-</u>	<u>-</u>	<u>(23,172)</u>	<u>-</u>	<u>(23,172)</u>	<u>82,954</u>	<u>(78,473)</u>

2017 changes defined benefit obligation

	Pension obligation charged to profit or loss				Re-measurement gains/(losses) in other comprehensive income						
	1-Apr-16 £'000	Service cost £'000	Net interest expense £'000	Sub-total included in profit or loss £'000	Benefits paid £'000	Actuarial changes arising from changes in demographic assumptions £'000	Actuarial changes arising from changes in financial assumptions £'000	Experience adjustments £'000	Sub-total included in OCI £'000	Contributions by employer £'000	31 March 2017 £'000
Defined benefit obligation	(565,651)	(74,076)	(83,165)	(157,241)	59,626	-	8,267	-	8,267	-	(671,532)
Fair value of plan assets	540,870	-	70,313	70,313	(59,626)	-	(7,657)	-	(7,657)	63,142	622,356
Benefit liability	<u>(24,781)</u>			<u>(86,928)</u>	<u>-</u>	<u>-</u>	<u>610</u>	<u>-</u>	<u>610</u>	<u>63,142</u>	<u>(49,176)</u>

**RED STAR EXPRESS PLC**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**31 MARCH 2018**

The principal assumptions used in determining post-employment benefit obligations for the Group's plans are shown below:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Discount rate	13.5	10
Future salary increases	5	5
Mortality rate	8	8

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

Sensitivity level	Future salary increases		Discount rate		Mortality rate	
	1% Increase	1% Decrease	1% Increase	1% Decrease	1 year improvement	1 year deterioration
	N'000	N'000	N'000	N'000	N'000	N'000
<b>2018</b>						
Impact on defined benefit obligation	764,394	734,881	734,289	765,240	750,111	748,241
<b>2017</b>						
Impact on defined benefit obligation	552,876	565,652	553,518	578,877	566,769	564,278

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

*The following payments are expected contributions to the defined benefit plan in future years:*

	<b>2018</b>	<b>2017</b>
	<b>N'000</b>	<b>N'000</b>
<i>Within the next 12 months (next annual reporting period)</i>	122,032	115,398
<i>Between 2 and 5 years</i>	366,449	346,528
<i>Between 5 and 10 years</i>	855,047	808,565
<i>Beyond 10 years</i>	977,197	924,073
<b>Total expected payments</b>	<b>2,320,725</b>	<b>2,194,564</b>

The average duration of the defined benefit plan obligation at the end of the reporting period is 18.7 years (2017: 20 years).

## NOTES TO THE FINANCIAL STATEMENTS - Continued

## 31 MARCH 2018

	The Group		The Company	
	2018 ₹'000	2017 ₹'000	2018 ₹'000	2017 ₹'000
<b>24. Trade and other payables</b>				
Trade Creditor	520,434	240,105	515,215	239,178
Other Creditors and accruals (Note 24.1)	1,288,549	1,286,181	1,018,096	934,945
Payable to related parties	-	-	185,296	237,279
	-----	-----	-----	-----
	1,808,983	1,526,286	1,718,607	1,411,402
	=====	=====	=====	=====
<b>24.1 Other creditors and accruals</b>				
Accruals	310,713	422,291	210,781	226,905
Agent clearing charges	472,994	411,237	472,994	411,242
Union dues	-	12,502	-	6,709
WHT	76,975	58,983	69,698	51,787
VAT	239,233	218,606	121,580	120,810
Staff pension (note 24.2)	18,607	10,967	4,727	4,347
Unclaimed dividend	101,539	92,034	101,539	92,034
Other payables	68,488	59,561	36,777	21,111
	-----	-----	-----	-----
	1,288,549	1,286,181	1,018,096	934,945
	=====	=====	=====	=====

Other payables relates to statutory payables and professional fees due to consultants.

**24.2 Staff pension accruals**

At the beginning of the year	10,967	25,066	4,347	4,979
Provision for the year	169,364	155,112	67,007	77,230
	-----	-----	-----	-----
	180,331	180,178	71,354	82,209
Payment during the year	(161,724)	(169,211)	(66,627)	(77,862)
	-----	-----	-----	-----
At the end of the year	18,607	10,967	4,727	4,347
	=====	=====	=====	=====

\*The Group's defined contribution pension plans is a final salary plan for the employees of Red Star Express Plc and its subsidiaries, which requires contributions to be made to separately administered funds.

**25. Related party disclosure**

The Group holds 100% equity interest in Red Star Freight Limited, Red Star Support Services Limited and Red Star Logistics Limited. The transactions with the related party are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees received for any related party receivables. For the year ended 31 March 2018, the Group has not recorded impairment of receivables relating to amounts owed by related parties.

This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operate. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. It is the Group's policy not to recognise impairment on related parties' transactions.

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 MARCH 2018

	Nature of transaction	Transaction value	Balance receivable/ (payable) 2018	Balance receivable/ (payable) 2017
		₹'000	₹'000	₹'000
<b>Related Companies:</b>				
Red Star Freight Ltd	Freight and custom clearance.	65,643	112,000	162,092
Red Star Logistics Ltd	Haulage and warehousing services	354,950	543,405	294,363
Red Star Support Services Ltd	Mail management and despatch services	287,890	(185,296)	(237,279)

26. Reconciliation of net profit to cash from operating activities

	The Group		The Company	
	2018	2017	2018	2017
	₹'000	₹'000	₹'000	₹'000
Net profit before taxation	610,589	653,200	486,487	408,342
Adjustment to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	319,935	243,020	157,419	120,930
Profit on disposal of fixed assets	(514)	(192)	(514)	(192)
Interest expense	27,660	21,111	-	9,524
Interest income	(23,318)	(17,684)	(20,189)	(16,594)
Dividend income	-	-	(116,062)	(97,383)
Fair value loss on available for sale	-	91	-	91
Impairment in receivable	(104,624)	(155,250)	(61,700)	(78,929)
Exchange difference	(4,300)	(25,802)	(4,199)	(7,022)
Changes in assets and liabilities:				
(Increase)/decrease in inventories	(5,600)	13,823	(5,723)	10,047
(Increase) in trade and other receivables	(410,585)	(461,849)	(396,917)	(361,645)
Decrease/ (increase) in prepayments	13,730	(92,855)	24,323	(61,626)
Increase in trade and other payables	159,065	301,697	141,105	272,827
Increase in employee benefits	29,297	19,035	29,297	19,035
	-----	-----	-----	-----
Net cashflow provided by operating Activities	611,335	498,345	233,327	217,405
	=====	=====	=====	=====

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 MARCH 2018

27. Distributions made and proposed

	2018	2017
	#'000	#'000
Final dividend	235,801	206,324
Withholding tax	(23,580)	(20,632)
	-----	-----
Dividend Payable	212,221	185,692
Dividend paid during the year	(212,221)	(185,692)
	-----	-----
	-	-
	=====	=====

28. Compensation of key management personnel of Red Star Express Plc

Directors	The Group		The Company	
	2018	2017	2018	2017
	#'000	#'000	#'000	#'000
Remuneration paid to the Directors was:				
Short-term employee benefit				
Fees and sitting allowances	14,220	11,145	10,507	8,235
Executive compensation	8,362	8,362	8,206	8,206
Other Directors expenses and benefits	21,371	22,213	21,371	22,213
	-----	-----	-----	-----
Short term employee benefit	43,953	41,720	40,084	38,654
Post-employment benefit	-	1,158	-	1,033
	-----	-----	-----	-----
Total compensation	43,953	42,878	40,084	39,687
	=====	=====	=====	=====

RED STAR EXPRESS PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 MARCH 2018

Fees and other emoluments disclosed above include amounts paid to:

	2018 ₦'000	2017 ₦'000
The Chairman	2,155	2,155
The highest paid Director	15,540	13,581

The number of Directors who received fees and other emoluments in the following ranges were:

	Number	Number	Number	Number
Below N1,000,000				
N 1,000,000 - N 2,000,000	5	5	5	5
N 2,000,001 - N 3,000,000	1	1	1	1
N 3,000,001 and above	3	3	3	3
	==	==	==	==

29. Staff number and higher paid employees

The average number of persons employed by the Group during the year, including Directors, is as follows;

	The Group		The Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Managerial	7	7	4	4
Senior	39	39	30	31
Supervisors	163	157	59	60
Junior	1,721	1,624	177	163
	-----	-----	-----	-----
	1,930	1,827	270	258
	=====	=====	===	===

The number of employees in receipt of emoluments within the following ranges was;

	The Group		The Company	
	2018 Number	2017 Number	2018 Number	2017 Number
₦140,001 - N210,000	1,529	1,445	163	160
₦210,001 - N360,000	344	329	67	58
₦360,001 - N900,000	44	44	33	34
₦900,001 - ₦1,700,000	10	6	4	3
₦1,700,001 - ₦2,011,000	3	3	3	3
	-----	-----	-----	-----
	1,930	1,827	270	258
	=====	=====	===	===

**RED STAR EXPRESS PLC**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**31 MARCH 2018**

**30(a) Segment information**

For disclosure purpose in compliance with IFRS 8, no single external customer transaction amount to 10 per cent or more of the entity's revenues.

The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

However, for management purposes, the Group is organised into Strategic Business Units (SBU) based on their revenue streams and has four reportable segments as follows:

- The Courier Service segment, is involved in express delivery of documents and parcels.
- Freight services is involved in clearing and forwarding of goods (importation and export services).
- Logistics relates to services involving warehousing and chain distribution services.
- Support services relates to mail room management and other delivery services.

Segment statement of comprehensive income	Courier		Freight		Logistics		Support services		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Revenue (External customer)	4,406,118	4,049,921	794,971	535,843	1,563,459	1,213,452	1,642,960	1,499,425	8,407,507	7,298,642
Finance income	20,189	16,594	-	-	3,130	498	-	-	23,318	17,684
Cost of sales	(2,932,237)	(2,733,636)	(628,207)	(417,355)	(1,019,812)	(1,003,967)	(1,044,939)	(1,387,753)	(5,625,188)	(5,111,140)
Other Income	123,876	121,975	136	495	2,067	24,958	1,071	1,071	*11,088	*50,464
Admin expenses	(1,131,460)	(1,036,988)	(111,597)	(63,166)	(446,507)	(120,097)	(488,911)	(146,097)	(2,178,476)	(1,581,340)
Finance Cost	-	(9,524)	-	-	(15,090)	(7,141)	(12,570)	(4,782)	(27,660)	(21,110)
<b>Profit before taxation</b>	<b>486,487</b>	<b>408,342</b>	<b>55,303</b>	<b>55,817</b>	<b>87,247</b>	<b>107,703</b>	<b>97,611</b>	<b>(38,135)</b>	<b>610,589</b>	<b>653,200</b>
Taxation	(151,715)	(93,665)	(19,497)	(17,861)	(57,452)	(34,465)	(34,367)	(50,975)	(263,031)	(226,444)
<b>Profit after taxation</b>	<b>334,772</b>	<b>314,677</b>	<b>35,806</b>	<b>37,956</b>	<b>29,795</b>	<b>73,238</b>	<b>63,244</b>	<b>(89,110)</b>	<b>347,558</b>	<b>426,756</b>

\*The total of finance income in the group account is net of dividend received by the Parent company (Courier) from its subsidiaries.

**RED STAR EXPRESS PLC**

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**31 MARCH 2018**

Segment statement of financial position	Courier		Freight		Logistics		Support services		Group	
	18-Mar	17-Mar	18-Mar	17-Mar	18-Mar	17-Mar	18-Mar	17-Mar	18-Mar	17-Mar
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total Non-current assets	1,055,124	900,208	6,147	8,572	485,785	384,770	152,123	183,861	1,325,113	1,191,849
Current assets	2,812,002	2,494,109	381,419	373,795	948,674	677,298	367,492	394,876	3,668,882	3,239,708
<b>Total assets</b>	<b>3,867,126</b>	<b>3,394,317</b>	<b>387,566</b>	<b>382,367</b>	<b>1,434,459</b>	<b>1,062,068</b>	<b>519,615</b>	<b>578,737</b>	<b>4,993,995</b>	<b>4,431,557</b>
Ordinary share capital	294,748	294,748	100,000	10,000	225,000	225,000	49,065	49,065	294,748	294,748
Share premium	296,433	296,433	-	-	-	-	-	-	296,433	296,433
Retained earnings	1,282,609	1,199,858	107,136	93,489	265,289	266,954	281,386	284,190	1,936,404	1,840,867
Non-current liabilities	108,166	82,458	910	1292	174,162	79,470	71,733	79,531	336,618	248,702
Current liabilities	1,885,170	1,520,820	179,520	277,586	770,008	490,644	117,431	165,951	2,129,792	1,750,807
<b>Total equity and liabilities</b>	<b>3,867,126</b>	<b>3,394,317</b>	<b>387,566</b>	<b>382,367</b>	<b>1,434,459</b>	<b>1,062,068</b>	<b>519,615</b>	<b>578,737</b>	<b>4,993,995</b>	<b>4,431,557</b>

**30 (b) Geographical Area** - All revenues are earned locally in Nigeria.

**30 (c) Major Customers** – The Group’s major customers are Corporate bodies and organisations in Nigeria, some of them include Chemonics GTE, Diamond Bank, IBTC Pension Managers, Association for reproductive health, First City Monument Bank.

**31. Financial risk management**

Red Star Express Plc’s principal financial assets comprise trade and other receivables, cash and short-term deposits that arise directly from its operations.

The Group’s principal financial liabilities comprise of trade and other payables. The main purpose of these financial liabilities is to finance the Group’s operations.

Red Star Express Plc is exposed to credit risk, liquidity risk and market risk. The Group’s Board has overall responsibility to oversee the management of these risks. The Group’s board of director’s is supported by a risk management and governance committee that is responsible for developing the Group’s Corporate Governance policies and practices and to consider the nature, extent and category of risks facing the Group.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group competitiveness and flexibility.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

**1. Credit risk**

This is the risk of financial loss to the Group if a customer or counterparty to financial instrument fails to meet its Contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts.

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 MARCH 2018

31. Financial risk management continued

(a) Trade receivables

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored by the credit committee comprising of sales, finance and internal audit.

At 31 March 2018, the Group had 223 customers (2017: 276 customers) that owed the Group more than ₦1,000,000 each and accounted for approximately 59% (2017: 68%) of all receivables.

There were 18 customers (2017: 14 customers) with balances greater than ₦10 million accounting for over 26% (2017: 24%) of the total amounts receivable.

The entity has adopted a policy of only dealing with credit worthy counter-parties and a credit committee is instituted which comprises of sale, finance and internal audit department to review the outstanding balances on customers’ account. Insurance certificate is required before credit is granted to key distributors. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial conditions of account receivable and where appropriate, credit guarantee insurance cover is purchased.

The Group evaluates the concentration of risk with respect to trade receivables to be low, as the credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

(b) Cash and short-term deposits

Credit risk from balances with banks and financial institutions is managed by the Red Star Express’ treasury department in accordance with the Group’s policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Counterparty credit limits are reviewed by the Group’s Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group’s Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty’s failure.

Red Star Express maximum exposure to credit risk for the components of the statement of financial position at 31 March 2018 and 2017 is the carrying amounts as illustrated below:

	The Group		The Company	
	2018	2017	2018	2017
	₦'000	₦'000	₦'000	₦'000
Trade and other receivables	2,930,854	2,520,269	2,297,336	1,900,419
Cash and cash equivalents	549,868	513,661	391,029	443,464
	-----	-----	-----	-----
	3,480,722	3,033,930	2,688,365	2,343,883
	=====	=====	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS - Continued

31 MARCH 2018

## 31. Financial risk management continued

## 2. Liquidity risk

This is the risk arising from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group policy is to ensure that it will always have sufficient cash to allow it meet its liabilities when they become due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity requirement.

The table below summarises the maturity profile of the Group's financial liabilities:

<b>Year ended 31 March 2018</b>	On	Less than	3 to 12	1 to 5	
	Demand	3 months	months	years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables	540,588	753,505	514,890	-	1,808,983
	=====	=====	=====	=====	=====
Finance lease obligation	-	13,121	65,604	115,987	194,712
		=====	=====	=====	=====

<b>Year ended 31 March 2017</b>	On	Less than	3 to 12	1 to 5	
	Demand	3 months	months	years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables	328,856	756,276	441,154	-	1,526,286
	=====	=====	=====	=====	=====
Finance lease obligation	-	4,459	22,295	69,115	95,869
		=====	=====	=====	=====

The table below summarises the maturity profile of the Company's financial liabilities:

<b>Year ended 31 March 2018</b>	On	Less than	3 to 12	1 to 5	
	Demand	3 months	Months	years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables	521,489	682,228	514,890	-	1,718,607
	=====	=====	=====	=====	=====

<b>Year ended 31 March 2017</b>	On	Less than	3 to 12	1 to 5	
	Demand	3 months	Months	years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Trade and other payables	273,969	856,279	281,154	-	1,411,402
	=====	=====	=====	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS - Continued

31 MARCH 2018

## Financial risk management continued

## 3. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The activities of the entity are exposed primary to the following market risks; interest rate risk, foreign currency risk and commodity price risk.

## (a). Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency). In preparing the financial statement of the entity, transactions in currencies other than the entity's functional currency [foreign currencies] are recognized at the rates of exchanges prevailing at the date of the transactions. The Group is not managing its foreign currency risk by hedging because the entity's dealing in foreign currencies is minimal except for its cash and cash equivalent and will not have material effect on the financial statements of Red Star Express Plc.

The following significant exchange rates were applied during the year:

	Average rate during the year		Reporting date spot rate	
	2018	2017	2018	2017
	₺	₺	₺	₺
Pound (GBP)	429.53	381.88	499.56	385.04
US\$ 1	305.15	284.40	356.03	309.19

## Effect on cash and cash equivalent

## Changes in US Dollars Rate

		Group	Company
		₺'000	₺'000
2018	(+5%)	3,468	3,148
	(-5%)	3,468	(3,148)
2017	(+5%)	466	431
	(-5%)	(466)	(431)
<b>Changes in Pounds</b>			
2018	(+5%)	1.73	1.73
	(-5%)	(1.73)	(1.73)
2017	(+5%)	19	12
	(-5%)	(19)	(12)

**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**31 MARCH 2018**

**Financial risk management continued**

(b). **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates. As at the year end, the Group is not exposed to interest rate risk as the rate of interest charged on borrowings is fixed.

**32. Capital management**

Management considers capital to consist only of equity as disclosed in the statement of financial position. The primary objective of the Red Star Express Plc capital management is to ensure that it maintains a healthy capital ratio that support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

<b>The Group</b>	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>
Long term liabilities	2,466,410	1,999,509	1,993,336	1,603,279
	-----	-----	-----	-----
	-----	-----	-----	-----
Total equity	2,527,585	2,432,048	1,873,790	1,791,039
	-----	-----	-----	-----
Adjusted net debt to equity ratio:	<b>13%</b>	<b>10%</b>	<b>6%</b>	<b>5%</b>

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017. In order to ensure an appropriate return for shareholder’s capital invested in the Group, management thoroughly evaluates all material projects and potential acquisitions before approval. The Group is not subject to any capital restriction requirements.

**33. Events after the reporting period**

There are no material events which could have had a material effect on the state of affairs of the Group after the reporting period.

**34. Commitments and contingencies**

**Finance lease commitments**

The Group has finance leases contracts for motor vehicles. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases contracts together with the present value of the net minimum lease payments are as follows:

## NOTES TO THE FINANCIAL STATEMENTS - Continued

31 MARCH 2018

## Commitments and contingencies continued

	2018		2017	
	Minimum Payment ₦'000	Present value of payments ₦'000	Minimum Payment ₦'000	Present value of payments ₦'000
Within one year	84,440	70,580	26,754	18,077
After one year but not more than five years	109,870	76,832	69,115	48,903
Total minimum lease payments	194,320	147,412	95,870	66,980
Less amounts representing finance charges	(46,908)	-	(28,890)	-
	-----	-----	-----	-----
Present value of minimum lease payments	147,412	147,412	66,980	66,980
	=====	=====	=====	=====

## Operating Lease Commitment

The Group has entered into operating leases on its warehouse facilities. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals receivable under non-cancellable operating leases as at 31 March are as follows:

	The Group	
	2018 ₦'000	2017 ₦'000
Within one year	29,379	28,869
	-----	-----
	29,379	28,869
	=====	=====

The Directors are of the opinion that all known liabilities and commitments which are relevant in assessing the Group's states of affairs have been taken into account in the preparation of these consolidated financial statements under review.

## Legal claim contingency

At 31<sup>st</sup> March 2018, there were no contingent liabilities. The Directors are of the opinion that based on the solicitors' advice no material loss will arise from them. Consequently, no provision has been made in these consolidated financial statements for the amount.

## Guarantees

The Group accepted a performance bond of ₦50 million (2017: ₦50 million) in favour of Nigeria Customs Services.

RED STAR EXPRESS PLC

STATEMENT OF VALUE ADDED

31 MARCH 2018

The Group

	2018		2017	
	₺'000	%	₺'000	%
Revenue	8,407,507		7,298,642	
Cost Of Goods And Other Services – Local	(6,847,252)		(5,910,853)	
	-----		-----	
	<b>1,560,255</b>		<b>1,387,789</b>	
Non-Trading Items	34,406		68,148	
	-----		-----	
Total Value Added	1,594,661		1,455,937	
	=====		=====	
APPLIED AS FOLLOWS:				
<b>EMPLOYEES</b>				
- as salaries and labour related expenses	636,477	40%	538,607	37%
<b>TO PROVIDER OF CAPITAL</b>				
- as finance cost	27,660	2%	21,110	1%
<b>TO GOVERNMENT:</b>				
- as Group taxes	225,389	14%	179,431	12%
<b>RETAINED FOR THE GROUP'S FUTURE</b>				
- for assets replacement (depreciation & amortization)	319,935	20%	243,020	17%
- deferred tax assets/(liabilities)	37,642	2%	47,013	3%
- for expansion (profit retained)	347,558	22%	426,756	30%
	-----	-----	-----	-----
	1,510,363	100%	1,455,937	100%
	=====	=====	=====	=====

RED STAR EXPRESS PLC

STATEMENT OF VALUE ADDED

31 MARCH 2018

The Company

	2018		2017	
	₦'000	%	₦'000	%
Revenue	4,406,118		4,049,921	
Cost Of Goods And Other Services - Local	(3,620,865)		(3,387,146)	
	-----		-----	
	<b>785,253</b>		<b>662,775</b>	
Non-Trading Items	144,065		138,569	
	-----		-----	
Total Value Added	929,318		801,344	
	=====		=====	
APPLIED AS FOLLOWS:				
<b>EMPLOYEES</b>				
- as salaries and labour related expenses	298,812	32%	269,919	34%
<b>TO PROVIDER OF CAPITAL</b>				
- as finance cost	-		9,524	1%
<b>TO GOVERNMENT:</b>				
- as Company taxes	148,353	16%	91,208	12%
<b>RETAINED FOR THE COMPANY'S FUTURE</b>				
- for assets replacement (depreciation& amortization)	144,019	15%	113,559	14%
- deferred tax	3,362	1%	2,457	0%
- for expansion (profit retained)	334,772	36%	314,677	39%
	-----	-----	-----	-----
	929,318	100%	801,344	100%
	=====	===	=====	===



RED STAR EXPRESS PLC

FIVE – YEAR FINANCIAL SUMMARY

31 MARCH 2018

The Company

	IFRS				
	2018	2017	2016	2015	2014
	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Revenue	4,406,118	4,049,921	3,815,253	3,884,506	3,922,697
Profit before taxation	486,487	408,342	423,195	423,396	432,599
Profit after taxation	334,772	314,677	263,780	300,878	321,977
	=====	=====	=====	=====	=====
Per ₦ 1 share date (kobo):					
Earning – Basic	0.57	0.53	0.45	0.51	0.56
	=====	=====	=====	=====	=====
	2018	2017	2016	2015	2014
	₦ '000	₦ '000	₦ '000	₦ '000	₦ '000
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>Assets and Liabilities</b>					
Property, plant & equipment	615,458	573,030	512,269	567,778	543,635
Intangible assets	32,668	18,168	5,345	10,448	10,351
Long term prepayment	32,456	24,468	16,236	17,653	13,438
Long term investment	374,542	284,542	284,633	284,666	285,258
Net current assets	926,832	973,290	920,421	782,031	715,557
Non-current liabilities	(108,166)	(82,459)	(55,791)	(59,948)	(43,619)
	-----	-----	-----	-----	-----
	<b>1,873,790</b>	<b>1,791,039</b>	<b>1,683,113</b>	<b>1,602,627</b>	<b>1,524,620</b>
	=====	=====	=====	=====	=====
<b>Capital and Reserves</b>					
Share capital	294,748	294,748	294,748	294,748	294,748
Share premium	296,433	296,433	296,433	296,433	296,433
Retained earnings	1,282,609	1,199,858	1,091,932	1,011,446	933,439
	-----	-----	-----	-----	-----
	<b>1,873,790</b>	<b>1,791,039</b>	<b>1,683,113</b>	<b>1,602,627</b>	<b>1,524,620</b>
	=====	=====	=====	=====	=====

**FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING OF RED STAR EXPRESS PLC. ON .....2018 AT ..... LAGOS**

I/WE ..... being a member(s) of RED STAR EXPRESS PLC. hereby appoint:\*\* ..... or failing him ..... as my/our proxy to vote for me/us and on my/our behalf at the Annual General meeting of the Company to be held on .....2018 and at any adjournment thereof.

Dated this ----- day of ..... 2018.

Shareholders' signature..... Name of shareholder.....

Common seal should be affixed if executed by a corporation.

RESOLUTIONS	FOR	AGAINST
To lay before members, the Report of the Directors and the Audited Accounts together with the Auditors Report for the year ended March 31, 2018.		
To declare a dividend		
To elect/reelect Directors		
To authorize Directors to appoint and fix the remuneration of the Auditors.		
To elect/reelect shareholders representatives on the Audit Committee.		
To authorize Directors to fix the Directors fees.		

**NOTE:**

A shareholder who is unable to attend the Annual General Meeting is allowed by law to vote by proxy. The above proxy form has been prepared to enable you exercise your right to vote, in case you cannot personally attend the meeting.

Following the normal practice, the name of the Managing Director of the Company has been entered on the form to ensure that someone will be at the meeting to act as your proxy but if you wish you may insert on the blank space on the form (marked \*\*) the name of any person, whether a member of the Company or not, who will attend the meeting and vote on your behalf instead of one of the named Directors.

The above Proxy Form, when completed, must be deposited at the office of the Registrars, United securities Limited, Plot 09, Amodu Ojikutu Street, Victoria Island, Lagos, not less than 48 hours before the times fixed for the meeting.

It is the requirement of the law under the Stamp Duties Act, Cap. A8, Laws of the Federation of Nigeria, 2004, that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must bear a stamp of ₦50.00 (Fifty Naira only).

If the Proxy Form is executed by a company, it should be sealed under its Common Seal or under the hand and seal of its attorney.

.....

.....

Signature of the person attending

Date