PKF

SIMGAS KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS **PAGE**

COMPANY INFORMATION

BOARD OF DIRECTORS	: Mirik Castro
	: Samuel Castro
REGISTERED OFFICE	: Migwani Road 4
	: Off Enterprise Road, Industrial Area
	: P.O. Box 104600, 00101
	: NAIROBI
INDEPENDENT AUDITOR	: PKF Kenya
	: Certified Public Accountants
	: P.O. Box 14077, 00800
	: NAIROBI
COMPANY SECRETARY	: Equatorial Secretaries and Registrars
	: Certified Public Secretaries
	: P.O. Box 47323, 00100
	: NAIROBI
PRINCIPAL BANKER	: Equity Bank Limited
	: Donholm Branch
	: P. O. Box 5328, 00100
	: NAIROBI

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITY

The principal activity of the company is developing biogas systems for household use.

BUSINESS REVIEW

During the year 2017 the total turnover of the company increased from Shs. 5,173,186 to Shs. 26,405,457. This was mainly attributed to a change in revenue recognition model to commissioning date and also increase in projects put up in the year. The loss before tax increased from Shs. 52,224,033 to a loss of Shs. 142,797,388 reflecting the effects of increase in direct cost, administrative and finance costs.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Credit risk

The company’s principal financial assets are cash and bank balances and trade and other receivables. The company’s credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

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

DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2016: Nil).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

(a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and

(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya continues in office in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD

Mirik Castro
DIRECTOR
NAIROBI

July 9, 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the company that comply with the International Financial Reporting Standard for Small and Medium Sized Entities and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

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

Approved by the board of directors on July 9, 2018 signed on its behalf by:

DIRECTOR DIRECTOR

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SIMGAS KENYA LIMITED**

Opinion

We have audited the financial statements of Simgas Kenya Limited set out on pages 8 to 20, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect on the financial statements of the matter referred to on page 5 the, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3 in the financial statements which indicates that the company incurred a net loss of Shs. 142,797,388 during the year ended 31 December 2017, and as of that date, the company had a shareholders deficit of Shs. 265,073,072. As indicated on Note 3, these events or conditions, along with other matters as set forth indicate that a material uncertainty exists that may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Tel:+254 20 4270000 Mobile + 254 732 144000 Email pkfnbi@ke.pkfea.com www.pkfea.com
PKF KENYA Kalamu House Grevillea Grove Westlands P O Box 14077 - 00800 Nairobi Kenya

PKF

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE MEMBERS OF SIMGAS KENYA LIMITED

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS for SME and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

PKF

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SIMGAS KENYA LIMITED (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

Report on other legal and other matters prescibed by the Kenyan Companies Act, 2015

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Jalpesh Shah - P/No. 1219.

PKF Kenya

Certified Public Accountants

NAIROBI

17th July 2018

1007/18

STATEMENT OF PROFIT OR LOSS

	Notes	2017 Shs	2016 Shs
Revenue	4	26,405,457	5,173,186
Cost of sales		(33,466,977)	(20,176,320)
Gross (loss)		(7,061,520)	(15,003,134)
Other operating income	5	8,633,830	10,983,457
Administrative expenses		(92,144,984)	(36,447,841)
Other operating expenses		(3,844,709)	(3,290,904)
Operating (loss)		(94,417,383)	(43,758,422)
Finance cost	8	(48,380,005)	(8,465,611)
(Loss) before tax		(142,797,388)	(52,224,033)
Tax charge	9	-	-
(Loss) for the year		(142,797,388)	(52,224,033)

The notes on pages 12 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF FINANCIAL POSITION

	Notes	2017 Shs	2016 Shs
		As at 31 December	
CAPITAL EMPLOYED			
Share capital	10	100,000	100,000
Retained earnings		(265,173,072)	(122,375,684)
Shareholders' deficit		(265,073,072)	(122,275,684)
Non-current liabilities			
Borrowings	11	343,478,055	153,565,572
		343,478,055	153,565,572
		78,404,983	31,289,888
REPRESENTED BY			
Non-current assets			
Plant and equipment	12	1,946,030	2,763,251
Intangible assets	13	-	45,150
		1,946,030	2,808,401
Current assets			
Inventories	14	8,997,771	2,923,884
Trade and other receivables	15	82,003,987	62,089,483
Cash and cash equivalents	16	2,427,200	181,254
		93,428,958	65,194,621
Current liabilities			
Trade and other payables	17	15,848,377	35,444,686
Borrowings	11	1,121,628	1,268,448
		16,970,005	36,713,134
Net current assets		76,458,953	28,481,487
		78,404,983	31,289,888

The financial statements on pages 8 to 20 were approved and authorised for issue by the Board of Directors on 9th of July 2018 and were signed on its behalf by:

____________________DIRECTOR   ____________________DIRECTOR

The notes on pages 12 to 20 form an integral part of these financial statements.
Report of the independent auditor - pages 5 to 7.

STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Retained earnings Shs	Total Shs
Year ended 31 December 2016			
At start of year	100,000	(70,151,651)	(70,051,651)
(Loss) for the year	-	(52,224,033)	(52,224,033)
At end of year	100,000	(122,375,684)	(122,275,684)
Year ended 31 December 2017			
At start of year	100,000	(122,375,684)	(122,275,684)
(Loss) for the year	-	(142,797,388)	(142,797,388)
At end of year	100,000	(265,173,072)	(265,073,072)

The notes on pages 12 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF CASH FLOWS

Operating activities	**Notes**	**2017 Shs**	**2016 Shs**
(Loss) before tax		(142,797,388)	(52,224,033)
Adjustment for:			
Depreciation on plant and equipment	12	936,601	1,211,074
Amortisation on intangible assets	13	45,150	36,120
Interest expense		19,268,791	5,794,894
Foreign exchange loss		29,111,214	2,670,717
Changes in working capital:			
- inventories		(6,073,887)	2,582,957
- trade and other receivables		(19,914,504)	(38,494,645)
- trade and other payables		(19,596,309)	16,710,465
Cash (used in) operations		(139,020,332)	(61,712,451)
Interest paid		(19,268,791)	(5,794,894)
Net cash (used in) operating activities		(158,289,123)	(67,507,345)
Investing activities			
Cash paid for purchase of plant and equipment	12	(119,380)	-
Net cash (used in) investing activities		(119,380)	-
Financing activities			
Net movement in borrowings		189,912,483	70,311,062
Net cash from financing activities		189,912,483	70,311,062
Increase in cash and cash equivalents		31,503,980	2,803,717
Movement in cash and cash equivalents			
At start of year		34,434	(98,566)
Increase		31,503,980	2,803,717
Effect of exchange rate changes		(29,111,214)	(2,670,717)
At end of year	16	2,427,200	34,434

The notes on pages 12 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

NOTES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. **General Information**

Simgas Kenya Limited is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private company limited by shares, and is domiciled in Kenya. The principal activity of the company is production of biogas. The address of its registered office and principal place of business is Migwani Road 4, Off Enterprise Road, Industrial Area.

2 a) **Basis of preparation**

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (Shs). The measurement basis used is the historical cost basis.

The preparation of financial statements in conformity with IFRS for SMEs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

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

b) **Key sources of estimation uncertainty**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

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

c) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and performance of services in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the company's activities as described below. The amount of revenue is not reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement, as described below.

(i) Sales of services are recognised upon performance of services rendered by reference to the stage of completion of the service contract;
(ii) Grant income is accounted for on a receipt basis.

NOTES (CONTINUED)

d) **Plant and equipment**

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

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

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

	Rate %
Furniture and fittings	12.5
Office equipment	12.5
Computer equipment	30
Motor vehicle	25

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

The normal policy is to provide for depreciation for the full year on additions during the year and depreciation is not provided when the assets are disposed.

e) **Intangible assets**

Software costs

Computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their useful lives which are estimated to be 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the acquisition of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

f) **Financial assets**

Trade receivables are initially recognised at the transaction price. Most revenue transactions are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the profit and loss.

g) **Cash and cash equivalents**

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

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

NOTES (CONTINUED)

h) **Financial liabilities**

Trade payables are obligations on the basis of normal credit terms and do not bear interest.

i) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in-first-out (FIFO) method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

j) **Borrowing costs**

Borrowings are initially recognised at transaction price, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the income statement under finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

k) **Current and Deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income and equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on temporary differences (other than temporary differences) associated with unremitted earnings from foreign subsidiaries and associates to the extent that the investment is essentially permanent in duration, or temporary differences associated with the initial recognition of goodwill) arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

l) **Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

NOTES (CONTINUED)

m) **Leases**

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

n) **Retirement benefit obligations**

The company and its employees contribute to the National Social Security Fund, a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme is charged to profit or loss in the year in which they relate. The company has no further obligation once the contribution has been paid.

o) **Share capital**

Ordinary shares are classified as equity.

p) **Comparatives**

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

NOTES (CONTINUED)

3. **Going concern**

The company incurred a net loss of Shs. 142,797,388 for the year (2016: Shs. 52,224,033).

As at 31 December 2017, there was a deficiency in shareholders funds of Shs. 265,073,072 (2016: Shs. 122,275,684) . The financial statements have however been prepared on the normal going concern basis, the applicability of which is dependent upon continued support from the financiers and shareholders.

	2017 Shs	2016 Shs
4. **Revenue**		
Sale of goods	26,405,457	5,173,186
5. **Other operating income**		
Grants received	8,045,031	10,973,112
Discounts received	-	10,345
Biogas Subsidy	588,800	-
	8,633,830	10,983,457
6. **Operating (loss)**		
The following items have been charged in arriving at operating (loss):		
Auditor's remuneration		
- current year	315,000	300,000
Salaries and wages	38,488,541	24,903,946
Depreciation on plant and equipment (Note 12)	936,601	1,211,074
Amortisation on intangible assets (Note 13)	45,150	36,120
7. **Staff costs**		
Salaries and wages	35,914,767	24,389,084
Other staff costs	2,573,774	514,862
	38,488,541	24,903,946
The average number of persons employed during the year were:	80	44
8. **Finance cost**		
Net foreign exchange loss	29,111,214	2,670,717
Interest expense	19,268,791	5,794,894
	48,380,005	8,465,611

NOTES (CONTINUED)

9. Tax

	2017 Shs	2016 Shs
Current tax	-	-
Deferred tax (Note 18)	-	-
	-	-

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

	2017 Shs	2016 Shs
(Loss) before tax	(142,797,388)	(52,224,033)
Tax calculated at a tax rate of 30% (2016: 30%)	(42,839,216)	(15,667,210)
Tax effect of:		
- expenses not deductible for tax purposes	12,795,296	1,878,064
- brought forward tax losses on which no deferred tax has been recognised	62,028,070	31,984,150
- carried forward tax losses on which no deferred tax has been recognised	(31,984,150)	(18,195,004)
	-	-

10. Share capital

	2017 Shs	2016 Shs
Authorised, issued and fully paid		
1,000 (2016:1,000) ordinary shares of Shs 100 each	100,000	100,000

11. Borrowings

The borrowings are made up as follows:

	2017 Shs	2016 Shs
Non current		
Loan from related parties (Note 19(i))	238,023,578	152,312,408
Other borrowings	105,072,204	-
Asset finance	382,273	1,253,164
	343,478,055	153,565,572
Current		
Bank overdraft (Note 16)	-	146,820
Asset finance	1,121,628	1,121,628
	1,121,628	1,268,448
Total borrowings	344,599,683	154,834,020

Bank borrowings are secured by:

(i) Directors personal guarantees;
(ii) Joint registration and hire purchase agreement over the proposed vehicle.
(iii) The loans from related parties are unsecured.

12. **Plant and equipment**

Year ended 31 December 2017

	Furniture and fittings Shs	Office equipment Shs	Computer equipment Shs	Motor vehicle Shs	Total Shs
Cost	**12.5%**	**12.5%**	**30%**	**25%**	
At start of year	225,875	19,445	1,235,880	3,509,452	4,990,652
Additions	-	41,380	78,000	-	119,380
At end of year	225,875	60,825	1,313,880	3,509,452	5,110,032
Depreciation					
At start of year	105,878	8,280	1,235,880	877,363	2,227,401
Charge for the year	28,234	7,603	23,400	877,363	936,601
At end of year	134,113	15,883	1,259,280	1,754,726	3,164,002
Net book value 2017	91,762	44,942	54,600	1,754,726	1,946,030
Net book value 2016	119,996	11,165	-	2,632,089	2,763,250

In the opinion of the directors, there is no impairment of plant and equipment.

13. **Intangible assets - Software costs**	2017 Shs	2016 Shs
At start and end of year	180,600	180,600
Amortisation		
At start of year	135,450	99,330
Charge for the year	45,150	36,120
At end of year	180,600	135,450
Net book value	-	45,150

14. **Inventories**

Finished goods	3,813,827	2,923,884
Work in progress	1,245,060	-
Goods in transit	3,938,884	-
	8,997,771	2,923,884

15. **Trade and other receivables**

Trade receivables	17,109,872	1,623,514
Other receivables	3,112,380	2,471,149
Deposits and prepayments	765,043	641,895
Amount due from related party (Note 19(ii))	61,016,692	57,352,925
	82,003,987	62,089,483

NOTES (CONTINUED)

16. **Cash and cash equivalents**

Cash at bank and in hand	2,427,200	181,254

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following.

Cash at bank and in hand	2,427,200	181,254
Bank overdraft (Note 11)	-	(146,820)
	2,427,200	34,434

17. **Trade and other payables**

Trade payables	2,885,690	2,682,129
Other payables	2,421,105	1,134,131
Customer deposits	10,541,583	6,436,481
Amount due to related parties (Note 19 (ii))	-	25,191,945
	15,848,377	35,444,686

18. **Deferred tax**

Deferred tax is calculated on temporary differences under the liability method using a principal tax rate of 30% (2016: 30%). The movement in the deferred tax account is as follows:

	2017 Shs	**2016 Shs**
At start of year	-	-
Credit to profit or loss (Note 9)	-	-
At end of year	-	-

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

	At start of year Shs	**(Credit)/charge to profit or loss Shs**	**At end of year Shs**
Deferred tax (asset)			
Plant and equipment	(112,147)	(38,924)	(151,071)
Unrealised exchange differences	(644,962)	(8,093,491)	(8,738,453)
Provision for leave	-	(355,729)	(355,729)
Tax losses carried forward	(31,227,040)	(21,555,776)	(52,782,816)
	(31,984,149)	(30,043,921)	(62,028,070)
Deferred tax asset not recognised	31,984,149	30,043,921	62,028,070
Net deferred tax (asset)	-	-	-

Deferred tax assets on tax losses carried forward are only recognised to the extent of certainity of availability of sufficient future taxable profits to utilise such losses against. Deferred tax assets amounting to Shs 62,804,104 in respect of tax losses carried forward amounting to Shs 190,834,398 that can be carried forward against future taxable profits have not been recognised.

NOTES (CONTINUED)

19. **Related party transactions and balances**	**2017 Shs**	**2016 Shs**
i) **Loan from related parties (Note 11)**	238,023,578	152,312,408
The loans to related parties are unsecured		
ii) **Outstanding balances arising from sale and purchase of goods/services**		
Payable to related parties (Note 17)	-	25,191,945
Receivable from related party (Note 15)	61,016,692	57,352,925

20. **Presentation currency**

The financial statements are presented in Kenya Shillings (Shs).

	2017	2016
1. **COST OF SALES**	**Shs**	**Shs**
Opening stock	2,923,884	5,506,841
Purchases	23,830,398	13,083,738
Producion overheads (1.1)	11,771,582	4,509,625
Less: closing stock	(5,058,887)	(2,923,884)
Total cost of sales	33,466,977	20,176,320

1.1 **Producion overheads**

Loading and off loading	-	25,210
Installation cost	5,681,365	1,526,049
Repairs and maintainance	555,571	342,161
Direct project expenses	208,684	-
Clearing and forwarding charges	991,137	1,185,821
Freight charges	3,371,122	1,107,384
Consultancy expenses	417,482	-
Relocation allowace	546,221	323,000
	11,771,582	4,509,625

SCHEDULE OF EXPENDITURE

	2017 Shs	2016 Shs
1. ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	35,914,767	24,389,084
Staff training and recruitment	470,844	215,471
Staff welfare	2,102,930	299,391
Total employment costs	38,488,541	24,903,946
Other administration expenses:		
Printing and stationery	244,688	98,893
Postage and telephone	537,922	775,039
Marketing costs	-	328,150
Audit fees		
- current year	871,395	300,000
Legal and professional fees	22,483,112	40,000
Research and development	17,918,886	-
Secretarial fees	52,200	64,000
Internet charges	252,405	223,400
Travelling and accomodation	3,725,789	7,596,751
Transportation expenses	1,765,129	379,733
Office expense	905,603	148,389
Commission	245,180	18,566
Bank charges	368,347	366,241
Vehicle running and maintenance	303,904	1,082,206
Fines and penalties	251,007	49,836
Computer expenses	496,563	72,691
Bad debts	3,234,315	-
Total other administration expenses	53,656,443	11,543,895
Total administrative expenses	92,144,984	36,447,841
2. OTHER OPERATING EXPENSES		
Establishment expenses		
Rent	1,539,268	824,500
Licences and subscriptions	244,284	33,500
Security expenses	31,451	29,091
Electricity and water	47,821	58,794
Insurance	1,000,135	1,097,825
Depreciation on plant and equipment	936,601	1,211,074
Amortisation on intangible assets	45,150	36,120
Total other operating expenses	3,844,709	3,290,904

SIMGAS KENYA LIMITED
TAX COMPUTATION
YEAR ENDED: 31 DECEMBER 2017
PERIOD COVERED: 12 MONTHS
PIN NO: P051413196G

		KShs	KShs
(Loss) before tax as per financial statements			(142,797,388)
Add:	Depreciation on plant and equipment	936,601	
	Amotisation of intangible assets	45,150	
	Bad debts written off	3,234,315	
	Increase in provision for leave accruals	1,185,764	
	Staff welfare	164,175	
	Fines and penalties	231,007	
	Research and development	17,918,886	
	Proffessional fees	9,792,292	
	Interest expense	19,268,791	
	Unrealised exchange loss for current year	29,128,178	81,905,159
			(60,892,229)
Less:	Wear and tear allowance	523,831	
	Grant Income received	8,045,031	
	Prior year unrealised exchange loss realised	2,355,375	
	Software allowance	36,120	(10,960,357)
ADJUSTED LOSS			(71,852,586)
LOSS BROUGHT FORWARD			(104,090,134)
ADJUSTED LOSS CARRIED FORWARD			(175,942,720)

WEAR AND TEAR SCHEDULE	**Class (ii) 30% KShs.**	**Class (iii) 25% KShs.**	**Class (iv) 12.5% KShs.**	**Total KShs.**
Written down values brought forward	356,047	1,500,000	148,938	2,004,985
Additions	78,000	-	41,380	119,380
	434,047	1,500,000	190,318	2,124,365
Wear and tear allowance	(130,214)	(375,000)	(18,617)	(523,831)
Written down values carried forward	303,833	1,125,000	171,701	1,600,534

ADDITIONS TO SOFTWARE

	COST Kshs	**Allowance up to 2016 KShs.**	**Allowance for 2017 KShs.**	**Total allowance KShs.**	**Residual value C/F KShs.**
2017	180,600	144,480	36,120	180,600	-