

**Transenergy (Kenya) Limited
(In Liquidation)**

Independent Auditors' Report

Independent Auditors' Report to the Members of Transenergy (Kenya) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Transenergy (Kenya) Limited, set out on pages 6 to 17, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' and Liquidator's Responsibility for the Financial Statements

The directors and liquidator are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors and liquidator determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform and audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation of the financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. As audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors and liquidator, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of the company as at 31 December 2014 and of the loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Emphasis of matter

We draw attention to note 1(a) to the financial statements which describes the basis of preparation of the financial statements have been prepared on a basis other than going concern due to reasons explained in the note. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements

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

- i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) the company's statement of financial position (balance sheet) and profit and loss account (presented within the statement of profit or loss and other comprehensive income) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this Independent auditors' report is CPA Fred Okwiri P/No 1699.

Certified Public Accountants (Kenya)
Nairobi

24 March 2015

Statement of Profit or Loss and other Comprehensive Income for the year ended 31st December, 2014

	Notes	2014 KShs	2013 KShs
Revenue	2	-	-
Direct costs		-	-
Gross profit		-	-
Administrative expenses	3	(5,328,316)	(1,841,967)
Other operating expenses	4	(60,129)	(11,638)
Loss before tax	5	(5,388,445)	(1,853,605)
Tax	6	-	-
(Loss)/Profit for the year		(5,388,445)	(1,853,605)
Other comprehensive income, net of taxes		-	-
Total comprehensive income for the year		(5,388,445)	(1,853,605)

Statement of Financial Position for the year ended 31st December, 2014

	Note	2014 KShs.	2013 KShs.
ASSETS			
NON CURRENT ASSETS			
Equipment	7	-	60,129
CURRENT ASSETS			
Trade and other receivables	8	22,767,701	25,066,716
Cash and cash equivalents	11	26,811	58,385
Tax recoverable	6	2,279,441	2,279,441
		<u>25,073,953</u>	<u>27,404,542</u>
TOTAL ASSETS		<u><u>25,073,953</u></u>	<u><u>27,464,671</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	120,000,000	120,000,000
Share premium		58,000,000	58,000,000
Retained earnings		(156,531,814)	(151,143,369)
		<u>21,468,186</u>	<u>26,856,631</u>
CURRENT LIABILITIES			
Trade and other payables	10	3,605,767	608,040
TOTAL EQUITY AND LIABILITIES		<u><u>25,073,953</u></u>	<u><u>27,464,671</u></u>

The financial statements on pages 6 to 17 were authorised for issue by the Board of Directors on _____ 2015 and were signed on its behalf by:

DIRECTOR

DIRECTOR

Statement of Changes in Equity for the year ended 31st December, 2014

	Share Capital KShs	Share premium KShs	Retained earnings KShs	Total KShs
Year ended 31 December 2013				
At start of year	120,000,000	58,000,000	(149,289,764)	28,710,236
Loss for the year	-	-	(1,853,605)	(1,853,605)
At end of year	<u>120,000,000</u>	<u>58,000,000</u>	<u>(151,143,369)</u>	<u>26,856,631</u>
Year ended 31 December 2014				
At start of year	120,000,000	58,000,000	(151,143,369)	26,856,631
Loss for the year	-	-	(5,388,445)	(5,388,445)
At end of year	<u>120,000,000</u>	<u>58,000,000</u>	<u>(156,531,814)</u>	<u>21,468,186</u>

Statement of Cash Flows for the year ended 31st December, 2014

	Notes	2014 KShs	2013 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(5,388,445)	(1,853,605)
Adjustments for:-			
Depreciation on equipment	7	11,638	11,638
Provision for impairment for equipment	7	48,491	0
Loss before working capital changes		<u>(5,328,316)</u>	<u>(1,841,967)</u>
Movement in:			
Trade and other receivables		2,299,015	358,855
Trade and other payables		<u>2,997,727</u>	<u>209,100</u>
Net cash used in operating activities		<u>(31,574)</u>	<u>(1,274,012)</u>
Net decrease in cash and cash equivalents		<u>(31,574)</u>	<u>(1,274,012)</u>
Movement in cash and cash equivalents			
At start of year		58,385	1,332,397
Net decrease in cash and cash equivalents		<u>(31,574)</u>	<u>(1,274,012)</u>
At end of year		<u>26,811</u>	<u>58,385</u>

Notes to the Financial Statements for the year ended 31 December, 2014

1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The company did not trade during the year and the members have decided to voluntarily wind up it up. The financial statements have therefore been prepared on a basis other than a going concern which includes, where appropriate, writing down the company's assets to net realisable value. The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such expenditure was committed as at the reporting date.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act.

For the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by/ is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

The financial statements are presented in Kenya Shillings (KShs), which is also the functional currency.

(b) Adoption of new and revised International Financial Reporting Standards (IFRS)

New and revised IFRSs effective in the current period

Several new and revised IFRSs became effective in the current period and have not affected the amounts reported in these financial statements.

New and revised IFRSs in issue but not yet effective.

At the date of authorisation of these financial statements, several new and revised standards and interpretations were in issue but not yet effective. The directors anticipate that these standards will not have an impact on the company's financial statements when they become effective as the company is being wound up.

Early adoption of standards

The company did not early-adopt any new or amended standards in the year.

(c) Key sources of estimation uncertainty

Management has made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities.

- Useful lives of property, plant and equipment

Management reviews the useful lives and residual values of the items of equipment on a regular basis. During the financial year, the directors determined that equipment had nil residual values and impaired it fully.

(d) Significant judgements made by management in applying the company's accounting policies

Management has made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- Impairment of trade receivables: the company reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the 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, 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 considered to be reliably measured until all contingencies relating to the

Notes to the Financial Statements for the year ended 31 December, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Sales of services are recognised upon performance of the services rendered by reference to the stage of completion of the service contract.

(f) Equipment

All property, 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 the 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:

Equipment	<u>Rate%</u>
	12.5

The assets residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

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

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

(g) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings (the functional currency), at rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

(h) Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets/liabilities at initial recognition.

Financial assets

The company's financial assets which include trade and other receivables, cash and cash equivalents and tax recoverable fall into the following category:

Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in the profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements for the year ended 31 December, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the profit or loss under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due as per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Financial liabilities

The company's financial liabilities which include trade and other payables fall into the following category: Financial liabilities measured at amortised cost: These include borrowings, trade and other payables, other accrued liabilities and current tax. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables and current tax are initially recognised at fair value and are subsequently stated at amortised cost

All financial liabilities 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. Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

(j) Taxation

Tax is recognised in profit or loss, except to the extent that it relates to items recognised in equity, in which case, the tax is also recognised in equity

Current tax

Current tax is provided on the basis of the results for the year adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

(k) Retirement benefit obligations

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under NSSF Act. The company's contributions to the defined contribution scheme are charged to profit and loss in the year to which they relate.

(l) Share capital

Ordinary shares are classified as equity.

(m) Comparatives

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

Notes to the Financial Statements for the year ended 31 December, 2014

	2014 Kshs	2013 Kshs
2. Revenue		
Revenue from services	-	-
3. Administrative expenses		
Employment costs:-		
Salaries and wages	1,558,819	1,224,530
Other administrative expenses:-		
Audit fees	534,130	466,890
Legal and professional fees	3,164,261	123,900
Bank charges and commissions	7,146	14,872
Miscellaneous	63,960	11,775
Total other administrative expenses	3,769,497	617,437
Total administrative expenses	5,328,316	1,841,967
4. Other operating expenses		
Provision for impairment for equipment	48,491	-
Depreciation on property and equipment	11,638	11,638
	60,129	11,638
5. Loss before tax		
Loss before tax is stated after charging:		
Depreciation on equipment (note 7)	11,638	11,638
Provision for impairment for equipment	48,491	-
Auditors' remuneration	534,130	466,890
	2014 KShs	2013 KShs
6. Tax		
(a) Statement of profit or loss and other comprehensive income		
Current tax	-	-

Notes to the Financial Statements for the year ended 31 December, 2014

(b) Reconciliation of tax expenses to tax based on accounting loss		
Accounting Loss before tax	(5,388,445)	(1,853,605)
Tax calculated at the rate of 30% (2012: 30%)	(1,616,534)	(556,082)
Expenses not deductible for tax purposes	18,039	3,491
Tax losses	1,598,495	552,591
Tax charge	<u>-</u>	<u>-</u>
(c) Tax recoverable		
As at 1 January and 31 December	<u>2,279,441</u>	<u>2,279,441</u>
7. Equipment		
Cost		
At start and at end of year	<u>77,586</u>	<u>77,586</u>
Depreciation		
At start of year	17,457	5,819
Charge for the year	11,638	11,638
Provision for impairment	48,491	-
At end of year	<u>77,586</u>	<u>17,457</u>
Net Book value	<u>-</u>	<u>60,129</u>
8. Trade and other receivables		
Receivables from related parties (Note 13)	<u>22,767,701</u>	<u>25,066,716</u>
In the opinion of the directors, the carrying amount of receivables approximate to their fair value.		
The maximum exposure to credit risk at reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.		
No class with in trade and other receivables contain impaired assets.		
9. Share capital	2014	2013
	KShs	KShs
Authorised, issued and fully paid:		
6,000,000 (2013: 6,000,000) ordinary shares of Shs. 20 each	<u>120,000,000</u>	<u>120,000,000</u>
10. Trade and other payables		
Accruals	<u>3,605,767</u>	<u>608,040</u>
In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.		

Notes to the Financial Statements for the year ended 31 December, 2014

11. Cash and cash equivalents	KShs	KShs
Cash at bank and in hand	<u>26,811</u>	<u>58,385</u>

For the purpose of the statement of cash flows, the year-end cash and cash equivalent comprise the above.

The carrying amounts of the company's cash and cash equivalents are denominated in Kenya shillings.

	2014	2013
	KShs	KShs

12. Related party transactions and balances

The following transactions were carried out with related parties:

Outstanding balances arising from sales/purchase of goods and services

Receivable from related party:-

Gapco Kenya Limited	<u>22,767,701</u>	<u>25,066,716</u>
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13. Risk management objectives and policies

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management. Management identifies, evaluates and hedges financial risks in close co-operation with the board.

(a) Market risk

Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollars. The risk arises from future transactions, assets and liabilities in the statement of financial position.

(b) Credit risk

Credit risk arises from cash and cash equivalents and trade and other receivables. Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual limits are set by management based on internal or external information available. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. None of the financial assets that are fully performing has been renegotiated in the last year. Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Notes to the Financial Statements for the year ended 31 December, 2014

14. Capital management

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk;
- to comply with the capital requirements set out by the company's bankers;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business; and
- to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, bonuses paid to directors or issue new shares. Consistently with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt : capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents.

Capital comprises all components of equity. Debt-to-capital ratio during the year 2014 to 2013 are not calculated since company did not have borrowings in the two years.

15. Incorporation

Transenergy (Kenya) Limited (In Liquidation) is incorporated in Kenya under the Companies Act as a private limited liability company and is domiciled in Kenya.

16. Presentation currency

The financial statements are presented in Kenya Shilling (KShs), which is also the functional currency.