

INFORMATIENOTA (AANBIEDING AAN HET PUBLIEK)

INFORMATIENOTA OVER DE AANBIEDING VAN SOLLATEK OBLIGATIES DOOR SOLLATEK ELECTRONICS KENYA LTD.

Dit document is opgesteld door Hands-on BV (Lendahand).

DIT DOCUMENT IS GEEN PROSPECTUS EN WERD NIET GECONTROLEERD NOCH GOEDGEKEURD DOOR DE AUTORITEIT VOOR FINANCIËLE DIENSTEN EN MARKTEN

20 april 2021

WAARSCHUWING: DE BELEGGER LOOPT HET RISICO ZIJN BELEGGING VOLLEDIG OF GEDEELTELIJK TE VERLIEZEN EN/OF HET VERWACHTE RENDEMENT NIET TE BEHALEN

DE BELEGGINGSINSTRUMENTEN ZIJN NIET GENOTEERD: DE BELEGGER LOOPT HET RISICO GROTE PROBLEMEN TE ONDERVINDEN OM ZIJN POSITIE AAN EEN DERDE TE VERKOPEN INDIEN HIJ DAT ZOU WENSEN.

Deel I - Belangrijkste risico's die inherent zijn aan de uitgevende instelling en de aangeboden beleggingsinstrumenten, en die specifiek zijn voor de betrokken aanbieding

Over het algemeen geldt hoe hoger het aangeboden of verwachte rendement, hoe hoger het risico. Het aangeboden of verwachte rendement op de obligaties is afhankelijk van de winst die de uitgevende instantie maakt. De kans bestaat dat de winst lager is dan verwacht of dat er zelfs sprake is van verlies, waardoor u mogelijk minder rendement krijgt uitgekeerd of zelfs uw inleg of een deel daarvan verliest. De belangrijkste redenen waardoor de uitgevende instelling mogelijk niet in staat is het aangeboden of verwachte rendement of zelfs uw inleg uit te keren, zijn:

Macro-economische, sociale en politieke landenrisico's: er is sprake van het risico dat macro-economische, sociale en politieke factoren leiden tot een lastig zakelijk klimaat voor de uitgevende instelling. Deze risico's zijn aan elkaar gerelateerd en lastig te beheersen. Economische, financiële en sociale instabiliteit, een complex en snel veranderende juridisch systeem, natuurrampen, etc hebben een grote impact op het zakelijk klimaat via o.a. devaluaties van lokale valuta, hoge inflatie en beperkte capaciteit tot terugbetaling door klanten.

Wisselkoersrisico: er is sprake van het risico op verliezen door wisselkoersschommelingen omdat de uitgevende instelling inkomsten genereert die anders zijn dan de valuta waarin de obligaties zijn uitgegeven. Dit betekent dat de liquiditeit en solvabiliteit van de uitgevende instelling in gevaar kan komen bij heftige wisselkoersschommelingen.

Financieringsrisico: er is sprake van een financieringsrisico omdat de uitgevende instelling continue financiering nodig heeft voor haar activiteiten. Dit betekent dat het kan gebeuren dat de uitgevende instelling haar leenportefeuille moet verkleinen als ze niet meer voldoende financiering kan aantrekken wat een neerwaartse druk geeft op de winstgevendheid.

De obligaties zijn niet verhandelbaar op een beurs of platform en daardoor beperkt verhandelbaar. Dat betekent dat er mogelijk geen koper is voor uw obligaties als u tussentijds van uw belegging af wilt. U loopt dan dus het risico dat u niet op het door u gewenste moment uw geld terug kan krijgen en uw belegging langer aan moet houden of uw obligaties voor een lagere prijs moet verkopen.

Fraude en corruptierisico's: er is sprake van het risico op fraude en/of corruptie omdat er over het algemeen een grote afstand is tussen de uitgevende instelling en de investeerders in de obligaties. Tevens is het fraude- en corruptieniveau in het land van de uitgevende instelling over het algemeen hoger dan in het land van verblijf van de investeerders in de obligaties. Dit betekent dat de (financiële) situatie bij de uitgevende instelling er beter voor kan lijken te staan dan dat het daadwerkelijk is.

'Key man risk': er is grote afhankelijkheid van een aantal belangrijke personen. Dit betekent dat de continuïteit in gevaar kan komen als een of meerdere van deze personen het bedrijf verlaten.

Vervroegde aflossing: er is sprake van het risico op vervroegde aflossing omdat de uitgevende instelling de obligaties op lagere kosten kan herfinancieren. Dit betekent voor u als belegger dat u eerder de beschikking heeft over uw geld dan verwacht, hetgeen gedeerde (rente)inkomsten als gevolg kan hebben.

Rangorde uitbetaling: uitkering van het rendement gebeurt nadat operationele uitstaande kosten voldaan zijn zoals lonen en facturen van leveranciers. Het risico bestaat dat de uitgevende instelling onvoldoende liquide middelen overhoudt om het rendement uit te keren. Dit betekent voor u als belegger dat het rendement lager kan zijn dan verwacht en eventueel dat u niet uw volledige inleg terugkrijgt.

In geval van faillissement hebben de volgende uitkeringen voorrang op de uitbetaling van het rendement op de obligaties: operationele uitstaande kosten, belastingen, deposito's, vreemd vermogen met onderpand. Let op dat deze lijst niet per se uitputtend is. Dit betekent voor u dat het rendement lager kan zijn dan verwacht en eventueel dat u niet uw volledige inleg terugkrijgt.

Beperkt eigen vermogen: het eigen vermogen van de uitgevende instelling is beperkt ten opzichte van het vreemd vermogen. Dit betekent dat de buffer aan eigen vermogen klein is waardoor bij tegenvallende resultaten de uitgevende instelling relatief snel niet meer aan haar verplichtingen op de obligaties zal kunnen voldoen. Het risicoprofiel van de obligaties lijkt daardoor op het risicoprofiel van aandelen.

Portefeuille risico: er is sprake van het risico op teveel slechte leningen in de portefeuille van de uitgevende instelling, bijvoorbeeld omdat de kredietbeoordeling en/of klantafhandeling niet op orde is, of omdat klanten het product niet meer willen afbetalen. Dit betekent dat leningen afgeboekt moeten worden wat een weerslag kan hebben op de kapitalisatie en winstgevendheid van de uitgevende instelling.

Operationeel risico: er is sprake van het risico op operationele tekortkomingen omdat de kosten langdurig te hoog kunnen zijn versus de opbrengsten. Ook kan de omzet tegenvallen, bijvoorbeeld omdat de producten niet aan de verwachtingen voldoen of verouderd worden geacht. Verder kan een intrekking van licentie of verplichting van additionele licenties gevolgen hebben op de operaties. Dit betekent dat de uitgevende instelling niet meer aan haar financiële verplichtingen kan voldoen.

Platform risico: er is sprake van het risico op discontinuatie van het platform omdat de aanbieder de exploitatie niet rendabel kan maken. Dit betekent dat het lastiger zal zijn om terugbetalingen te faciliteren voor investeerders in de obligaties.

Deel II - Informatie over de uitgevende instelling en de aanbieder van de beleggingsinstrumenten

A. Identiteit van de uitgevende instelling

1. De uitgevende instelling is een besloten vennootschap, opgericht op 16/10/1971 en gevestigd in Kenya. Het adres van de uitgevende instelling is P.O. Box 34246 – 80100, Mombasa, Kenya. De website van de uitgevende instelling is www.sollatek.com
2. Dit zijn de belangrijkste activiteiten van de uitgevende instelling: het leveren van producten en diensten op het gebied van duurzame energie, energie efficiëntie en netwerkbescherming in Sub Sahara Afrika.
3. Voor zover die informatie bekend is bij de uitgevende instelling of de aanbieder, identiteit van de personen die meer dan 5% van het kapitaal van de uitgevende instelling in bezit hebben, en omvang (uitgedrukt als percentage van het kapitaal) van de deelnemingen in hun bezit: Chris Soper (55%), Saleem Abdulla (50%)
4. Het bedrag aan uitstaande leningen is EUR 2.536.241. Dit betreft 2 leningen die de uitgevende instelling op diverse data afgelost moet hebben, met uitzondering van de aandeelhouderslening van EUR 339.217 die geen vervaldatum heeft.
5. De uitgevende instelling wordt bestuurd door Sollatek Electronics Kenya Ltd, middels de volgende natuurlijke personen: Saleem Abdulla, Christopher Soper, Shemina Khodabaksh, Sam Odhaimbo and Natalie Balck.
6. Bezoldiging bestuurder: onbekend bij aanbieder

7. voor de sub 4^o bedoelde personen, vermelding van elke veroordeling als bedoeld in artikel 20 van de wet van 25 april 2014 op het statuut van en het toezicht op kredietinstellingen en beursvennootschappen, of een passende negatieve verklaring: niet van toepassing
8. beschrijving van de belangenconflicten tussen de uitgevende instelling en de sub 3^o tot 5^o bedoelde personen, of met andere verbonden partijen, of een passende negatieve verklaring: niet van toepassing
9. in voorkomend geval, identiteit van de commissaris: niet van toepassing

B. Financiële informatie over de uitgevende instelling

Verklaring door de uitgevende instelling dat het werkkapitaal naar haar oordeel toereikend is om aan haar behoeften voor de volgende twaalf manden te voldoen: ja

Beschrijving van elke wijziging van betekenis in de financiële of handelspositie die zich heeft voorgedaan na het einde van het laatste boekjaar waarop de sub 1^o hierboven bedoelde jaarrekening betrekking heeft, of een passende negatieve verklaring: niet van toepassing

C. Uitsluitend wanneer de aanbieder en de uitgevende instelling verschillende personen zijn: identiteit van de aanbieder

De aanbieder is niet de uitgevende instelling van de obligaties. Na uitvoerig onderzoek biedt de aanbieder de uitgevende instelling toegang tot haar website waarmee de uitgevende instelling financiering kan aantrekken ten behoeve van verschillende projecten. Hiervoor krijgt de aanbieder een vergoeding van de uitgevende instelling. Er is dus een financiële relatie tussen de aanbieder en de uitgevende instelling. Meer informatie over de uitgevende instelling is te vinden op de website van de aanbieder.

De aanbieder is opgericht op 17 juli 2012 en gevestigd in Rotterdam onder het KvK-nummer 55711766. Het adres van de aanbieder is Eendrachtsplein 3, Unit 2A, 3015 LA Rotterdam, Nederland. De website van de aanbieder is www.lendahand.com

De aanbieder wordt bestuurd door Daniël Sebastiaan van Maanen, Le Theta B.V. en Wiggerd B.V.

Contactpersoon: Koen The, koen.the@lendahand.com, +31 10 7171815.

D. Uitsluitend wanneer de aangeboden beleggingsinstrumenten een onderliggend actief hebben: beschrijving van het onderliggende actief

Niet van toepassing.

Deel III - Informatie over de aanbieder van beleggingsinstrumenten

A. Beschrijving van de aanbieder

De totale opbrengst van de aanbieder bedraagt EUR 2.500.000, verdeeld over diverse projecten gedurende de looptijd van de aanbieder.

Dit bedrag kan ook lager zijn als niet op alle obligaties wordt ingeschreven. De minimale opbrengst is EUR 50.000.

De aanbiederperiode begint op 22-04-2021 en eindigt op 21-04-2022, of zoveel eerder als op de gehele aanbieder is ingeschreven.

Gedurende de aanbiederperiode biedt de uitgevende instelling projecten aan op de Lendahand website op basis waarvan obligaties worden uitgegeven.

De uitgiftedatum van de obligaties is doorlopend gedurende de aanbiederperiode.

De startdatum van een obligatie is de eerste dag van de maand volgend op de dag dat het onderliggende project volledig gefinancierd is.

Van elke euro van uw inleg wordt EUR 0,- gebruikt om kosten af te dekken. EUR 1,- wordt geïnvesteerd in obligaties van de uitgevende instelling. Er is dus geen sprake van kosten voor de belegger.

B. Reden voor de aanbieding

De opbrengst wordt gebruikt voor het financieren van producten op het gebied van duurzame energie, energie efficiëntie en netwerkbescherming in Sub Sahara Afrika. Van de opbrengst wordt 0% gebruikt voor kosten, tenzij er sprake is van een eenmalige vooruitbetaalde platform vergoeding welke over het algemeen niet hoger is dan 6%.

De opbrengst is voldoende voor het financieren van producten op het gebied van duurzame energie, energie efficiëntie en netwerkbescherming in Sub Sahara Afrika, inclusief de eventuele eenmalige vooruitbetaalde platform vergoeding.

Deel IV - Informatie over de aangeboden beleggingsinstrumenten

A. Kenmerken van de aangeboden beleggingsinstrumenten

U belegt in een obligatie.

De nominale waarde van de obligaties is EUR 50,00.

De intrinsieke waarde van de obligaties is EUR 50,00.

De prijs van de obligaties is EUR 50,00.

Deelname is mogelijk vanaf EUR 50,00.

De uitgiftedatum van een obligatie is de eerste dag van de maand volgend op de dag dat het onderliggende project volledig gefinancierd is.

De looptijd van de verschillende obligaties varieert tussen de 6 en 48 maanden. De betreffende looptijd wordt per project aangegeven. Terugbetalingen vinden elke 6 maanden plaats, inclusief rente, op de 15^e van de maand.

De rente op de obligaties is tussen de 5-7% per jaar. Het betreffende percentage wordt per project aangegeven. De obligaties kennen geen bonusrente.

Rang van de beleggingsinstrumenten in de kapitaalstructuur van de uitgevende instelling bij insolventie: obligaties zijn niet preferent noch achtergesteld.

B. Uitsluitend in het geval waarin door een derde een garantie wordt toegekend in verband met de beleggingsinstrumenten: beschrijving van de garant en van de garantie

Niet van toepassing.

C. In voorkomend geval, bijkomende informatie voorgelegd door de markt waar de beleggingsinstrumenten toegelaten zijn.

Niet van toepassing.

Deel V - Alle andere belangrijke informatie die mondeling of schriftelijk aan één of meer beleggers wordt gericht

Onder verwijzing naar de Wet van 18 december 2016 tot regeling van de erkenning en de afbakening van crowdfunding en houdende diverse bepalingen inzake financiën, wordt de volgende informatie gedeeld:

De volledige identiteit en contactgegevens van de gereglementeerde onderneming die de alternatieve-financieringsdiensten verstrekt:

Hands-on B.V. (*een besloten vennootschap met beperkte aansprakelijkheid, opgericht naar Nederlands recht op 17 juli 2012 en gevestigd te Rotterdam*)
Eendrachtsplein 3, Unit 2A
3015 LA Rotterdam, Nederland
www.lendahand.com

Geregistreerd bij de Nederlandse Kamer van Koophandel onder nummer 55711766
De aanbieder wordt bestuurd door Daniel Sebastiaan van Maanen, Le Theta B.V. en Wiggerd B.V.
Contactpersoon: Koen The, koen.the@lendahand.com, +31 10 7171815.

De naam en het adres van de bevoegde autoriteit die de vergunning heeft verleend aan de gereglementeerde onderneming:

Autoriteit Financiële Markten (AFM)
Vijzelgracht 50
1017 HS Amsterdam, Nederland

De kosten van de alternatieve-financieringsdiensten voor de cliënten: geen.
De in het kader van het verstrekken van de alternatieve-financieringsdiensten in ontvangst genomen vergoedingen: een fee van de uitgevende instellingen.

De gereglementeerde onderneming beschikt over een belangenconflictenbeleid, ten einde zich op loyale, billijke en professionele wijze in te kunnen zetten voor de belangen van haar cliënten.

De gereglementeerde onderneming verwijst naar bovengenoemde Wet van 18 december 2016 voor de geldende (gedrags)regels voor het verstrekken van alternatieve-financieringsdiensten.

De te financieren projecten worden op de volgende wijze geselecteerd:

Lendahand voert een boekenonderzoek uit waarbij onder andere gekeken wordt naar de track record, de sociale missie, het business model en enkele financiële datapunten (zoals de unit economics en marges, winstgevendheid, groeicijfers, de balansgrootte, samenstelling van de bezittingen en schulden). Dit boekenonderzoek wordt ter goedkeuring voorgelegd aan een externe credit committee bestaande uit impact investing professionals.

Het is de gereglementeerde onderneming verboden:

- om gelden die haar cliënten toebehoren in ontvangst te nemen en aan te houden
- om beleggingsdiensten te verlenen, met uitzondering van het in ontvangst nemen en doorgeven van orders
- om een mandaat of volmacht te hebben op de rekeningen van haar cliënten

Voornaamste kenmerken van de beleggingsinstrumenten die de gereglementeerde onderneming commercialiseert: vast rentende obligatieleningen met tussentijdse aflossingen.

Bijlage

Voor zover de uitgevende instelling op dat moment al actief was, haar jaarrekening van de laatste twee boekjaren, alsook, in voorkomend geval, overeenkomstig artikel 13, go 1 of 2, 1°, van de wet van 11 juli 2018, het verslag van de commissarissen.

**SOLLATEK ELECTRONICS
(KENYA) LIMITED ANNUAL
REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2019**

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COMPANY INFORMATION

BOARD OF DIRECTORS

Christopher R. L. Soper
Mohamed S. **N.** Abdulla

**REGISTERED OFFICE AND PRINCIPAL
PLACE OF BUSINESS**

Plot **No. 6244/IMN**
Sollatek Building
Main Mombasa - Malindi Road P. O
. Box 34246 - 80118
Mombasa
Telephone: (020) - 3501671/2 Fax:
(020) - 3501673
E-mail: sales@sollatek.co.ke

INDEPENDENT AUDITOR

PKF Kenya LLP
Certified Public Accountants P.
O. Box 90553 - 80100
Mombasa

COMPANY SECRETARY

Equatorial Secretaries and Registrars
Certified Public Secretaries
P. O. Box 90553 - 80100
Mombasa

PRINCIPAL BANKERS

NCBA Bank Kenya PLC
(Formerly known as Commercial Bank of Africa Limited)
Mombasa

Equity Bank Limited
Mombasa

Diamond Trust Bank Kenya Limited
Mombasa

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 31 December 2019, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activities of the company are assembly, sale and service of electrical items.

BUSINESS REVIEW

The total turnover of the company increased from Shs 493,876,948 in 2018 to Shs 545,451,624 in 2019. This was mainly attributed to rise in demand of solar panels and changing of supplier of panels to a local distributor. The profit before tax increased from Shs 98,752,028 to Shs 115,223,768 reflecting effects of above and decreased finance expenses.

As at 31 December 2019, the net asset position of the company was Shs 359,713,913 compared to Shs 308,188,886 as at 31 December 2018.

Key performance indicators	2019	2018
Turnover (Shs)	545,451,623	493,876,947
Gross profit (Shs)	230,397,873	203,946,034
Gross profit margin	42%	41%
Profit for the year (Shs)	80,856,763	68,690,071
Net profit margin	15%	14%
Net assets (Shs)	359,713,913	308,188,886
Return on capital employed	36%	40%

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 and other factors such as the input of the recent coronavirus outbreak. Whilst at this stage it is too early to predict the full potential impact of this outbreak on the company operations, the directors continue to monitor this situation closely with a view to assessing and mitigating its impact on the company.

In addition to the business risk discussed above, the the company's activities expose it to a number of financial risks including credit risk, cash flow and liquidity risk as set-out below:

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 credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

..... continued on page 3

REPORT OF THE DIRECTORS (CONTINUED)

Cash flow and foreign currency risk

The company has transactions in both Kenya Shillings and foreign currency, where the company is exposed to currency risk. The risk is managed through appropriate operational offset of open receivable and payable foreign currency positions.

Liquidity risk

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

DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2018: Shs 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 persons are 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, a partnership, was on 10 March 2020 converted to PKF Kenya LLP, a Limited Liability Partnership under the Limited Liability Partnership Act, 2011.

PKF Kenya LLP continues in office in accordance with the company's Articles of Association and Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The auditor's remuneration of Shs 697,210 has been charged to profit or loss in the year.

BY ORDER OF THE BOARD

DIRE MOMBASA

U. C. O't 2020

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; and that disclose, with reasonable accuracy, the financial position of the company and that enables them to prepare financial statements of the company that comply with the International Financial Reporting Standard for Small and Medium-sized Entities 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.

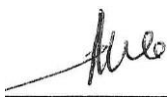
The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the 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 JfA


DIRECTOR

2020 signed on its behalf by:
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DIRECTOR

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SOLLATEK ELECTRONICS (KENYA) LIMITED**

Opinion

We have audited the financial statements of Sollatek Electronics (Kenya) Limited, set out on pages 7 to 19 which comprise the statement of financial position as at 31 December 2019, 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, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report 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 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.

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 the International Financial Reporting Standard for Small and Medium-sized Entities, 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 for accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

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**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SOLLATEK ELECTRONICS (KENYA) (CONTINUED)**

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 judgement 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 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 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 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 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.

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

Report on Other matters prescribed by the Kenyan Companies Act, 2015

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

[Faint signature of the auditor]

Certified Public Accountant Mombasa
CPA Piyush Ramesh Devchand Shah, Practising certificate No. 1521. Signing partner responsible for the independent audit

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STATEMENT OF PROFIT OR LOSS

	Notes	2019 Shs	2018 Shs
Revenue	3	545,451,623	493,876,947
Cost of sales		(315,053,750)	(289,930,913)
Gross profit		230,397,873	203,946,034
Administrative expenses		(87,909,052)	(72,216,696)
Other operating expenses		(12,172,420)	(9,657,014)
Operating profit	4	130,316,401	122,072,324
Finance costs	6	(15,092,633)	(23,320,296)
Profit before tax		115,223,768	98,752,028
Tax charge	7	(34,367,005)	(30,061,957)
Profit for the year		80,856,763	68,690,071

The notes on pages 11 to 19 form an integral part of these financial statements. Report of

the independent auditor - pages 5 - 6.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2019 Shs	2018 Shs
EQUITY			
Share capital	8	50,000,000	50,000,000
Retained earnings		266,140,874	214,615,847
Equity attributable to owners of the company		316,140,874	264,615,847
Non-current liability			
Borrowings	9	43,573,039	43,573,039
		359,713,913	308,188,886
REPRESENTED BY			
Non-current assets			
Plant and equipment	12	68,964,848	47,644,223
Deferred tax	10	<u>878,786</u>	456,004
		<u>69,843,634</u>	<u>48,100,227</u>
Current assets			
Inventories	13	461,263,628	424,853,544
Trade and other receivables	14	163,468,160	105,557,027
Cash and cash equivalents	15	1,438,175	723,267
Tax recoverable		<u>3,194,478</u>	<u>1,905,587</u>
		<u>629,364,441</u>	<u>533,039,425</u>
Current liabilities			
Trade and other payables	16	3,176,995	4,422,659
Borrowings	9	335,399,440	267,130,786
Other accrued liabilities	11	<u>917,727</u>	<u>1,397,321</u>
		<u>339,494,162</u>	<u>272,950,766</u>
Net current assets		<u>289,870,279</u>	<u>260,088,659</u>
		<u>359,713,913</u>	<u>308,188,886</u>

The financial statements on pages 7 to 19 were approved and authorised for issue by the Board of Directors on

14th July 2020

2020 and were signed on its behalf by:

DIRECTOR

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DIRECTOR

The notes on pages 11 to 19 form an integral part of these financial statements. Report of

the independent auditor - pages 5 - 6.

STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Retained earnings Shs	Total Shs
Year ended 31 December 2019			
At start of year	50,000,000	185,284,111	235,284,111
Profit for the year		80,856,763	80,856,763
At end of year	50,000,000	266,140,874	<u>316,140,874</u>
Year ended 31 December 2018			
At start of year	50,000,000	116,594,040	166,594,040
Profit for the year		68,690,071	68,690,071
At end of year	50,000,000	<u>185,284,111</u>	<u>235,284,111</u>

Report of the independent auditor - pages 5 - 6.

For the year ended 31 December 2019

STATEMENT OF CASH FLOWS

	Notes	2019 Shs	2018 Shs
Cash flows from operating activities			
Profit before tax		115,223,768	98,752,029
Adjustments for			
Depreciation on property, plant and equipment	12	2,584,491	1,077,123
Loss on disposal of property, plant and equipment			11,873
Interest expense	6	16,137,505	19,320,401
Changes in working capital:			
- inventories		(36,410,084)	(118,442,399)
- trade and other receivables		(57,911,133)	5,105,481
- trade and other payables		(1,245,664)	2,533,186
- other accrued liabilities		(479,594)	(565,055)
Interest paid		(16,137,505)	(19,320,401)
Tax paid		<u>(34,367,005)</u>	<u>(126,733)</u>
Net cash from operating activities		<u>(12,605,221)</u>	<u>(11,654,495)</u>
Cash flows from investing activities			
Cash paid for purchase of property, plant and equipment	12	(18,494,857)	(32,919,268)
Proceeds from disposal of property, plant and equipment			461,340
Net cash (used in)/from investing activities		<u>(18,494,857)</u>	<u>(32,457,928)</u>
Cash flows from financing activities			
Proceeds from borrowings		68,268,654	182,899,800
Repayments of borrowings			<u>(66,977,064)</u>
Net cash used in financing activities		68,268,654	115,922,736
Increase in cash and cash equivalents		<u>13,8576</u>	71,810,313
Movement in cash and cash equivalents			
At start of year		(43,967,247)	(115,777,560)
Increase		37,168,576	71,810,313
At end of year	15	<u>(6,798,671)</u>	<u>(43,967,247)</u>

The notes on pages 11 to 19 form an integral part of
these financial statements. Report of the independent
auditor - pages 5 - 6.

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SOLLATEK ELECTONICS (KENYA)
LIMITED ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2018

INFORMATION

BOARD OF DIRECTORS

Christopher R. L. Soper
Mohamed S. N. Abdulla

**REGISTERED OFFICE AND PRINCIPAL
PLACE OF BUSINESS**

Plot No. 6244/IMN
Sollatek Building
Main Mombasa - Malindi Road
P. O. Box 83313 - 80118
Mombasa
Telephone: (020) - 3501671/2
Fax: (020) - 3501673
E-mail: sales@sollatek.co.ke

INDEPENDENT AUDITOR

PKF Kenya
Certified Public Accountants
P. O. Box 90553 - 80100
Mombasa

COMPANY SECRETARY

Equatorial Secretaries and Registrars
Certified Public Secretaries
P. O. Box 90553 - 80100
Mombasa

PRINCIPAL BANKERS

Commercial Bank of Africa Limited
Mombasa

Equity Bank Limited
Mombasa

Diamond Trust Bank Kenya Limited
Mombasa

DIRECTORS

The directors submit their report together with the financial statements for the year ended 31 December which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activities of the company are assembly, sale and service of electrical items.

BUSINESS REVIEW

During the year 2018 the total turnover of the company increased from Shs 414,816,426 to Shs 493,876,947. This was mainly attributed to continuous supply of products during the year. The profit before tax increased from Shs 48,152,561 to Shs 98,752,028 reflecting effects of above.

As at 31 December 2018, the net asset position of the company was Shs 308,188,886 compared to Shs 263,733,873 as at 31 December 2017.

Key performance indicators	2018	2017
Turnover (Shs)	493,876,947	414,816,426
Gross profit (Shs)	203,946,034	138,318,274
Gross profit margin	41%	33%
Profit for the year (Shs)	68,690,071	32,907,128
Net profit margin	3%	1%
Net assets (Shs)	308,188,886	263,733,873
Return on capital employed	7%	2%

PRINCIPAL RISKS AND UNCERTAINTIES

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

In addition to the business risk discussed above, the the company's activities expose it to a number of risks including credit risk, cash flow and liquidity risk as set-out below:

Credit risk

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

.....continued on page 3

REPORT OF THE DIRECTORS (CONTINUED)

Cash flow and foreign currency risk

The company has transactions in both Kenya Shillings and foreign currency, where the company is to currency risk. The risk is managed through appropriate operational offset of open receivable and foreign currency positions.

Liquidity risk

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

DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2017: Shs 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 206 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the appointment and the related fees. The agreed auditor's remuneration of Shs 656,250 has been charged to profit or loss in the year.

BY ORDER OF THE BOARD



DIRECTOR
MOMBASA

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each 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 its profit or loss for that year. It also requires the directors to ensure that the company keeps proper records that are sufficient to show and explain the transactions of the company; and that disclose, with reasonable accuracy, the financial position of the company and that enables them to prepare financial statements of the company that comply with the International Financial Reporting Standard for Small and Medium-sized Entities 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 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 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 the preparation of financial statements that are free from material misstatement, whether due to 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 2018 and of its financial performance and cash flows for the year then in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the 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 continue as 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

2-1-19 (), 1
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2019 signed on its behalf by:



DIRECTOR



DIRECTOR

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SOLLATEK ELECTRONICS (KENYA) LIMITED**

Opinion

We have audited the financial statements of Sollatek Electronics (Kenya) Limited, set out on pages 7 to 19 which comprise the statement of financial position as at 31 December 2018, 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, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report 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 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.

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 the International Financial Reporting Standard for Small and Medium-sized Entities, 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 for accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

..... ..continued on page 5

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SOLLATEK ELECTRONICS (KENYA) (CONTINUED)**

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 judgement 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 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 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 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 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.

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

Report on Other matters prescribed by the Kenyan Companies Act, 2015

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

PI V

Certified Public Accountants

Mombasa

CPA Piyush Ramesh Devchand Shah, Practising certificate No. 1521. Signing
partner responsible for the independent audit

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STATEMENT OF PROFIT OR LOSS

	Notes	2018 Shs	2017 Shs
Revenue	3	493,876,947	414,816,426
Cost of sales		<u>(289,930,913)</u>	<u>(276,498,152)</u>
Gross profit		203,946,034	138,318,274
Administrative expenses		(72,216,696)	(66,603,523)
Other operating expenses		<u>(9,657,014)</u>	
Operating profit	4	122,072,324	71,714,751
Finance costs	6	(23,320,296)	(23,562,190)
Profit before tax		98,752,028	48,152,561
Tax charge	7	(30,061,957)	(15,245,433)
Profit for the year		<u>68,690,071</u>	<u>907,128</u>

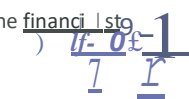
The notes on pages 11 to 19 form an integral part of these financial statements.

Report of the independent auditor - pages 5 - 6.

OF FINANCIAL POSITION

	Notes	As at 31 December	
		2018 Shs	2017 Shs
EQUITY			
Share capital	8	50,000,000	50,000,000
Retained earnings		214,615,847	145,925,776
Equity attributable to owners of the company		264,615,847	195,925,776
Non-current liability			
Borrowings	9	43,573,039	67,808,097
		308,188,886	263,733,873
REPRESENTED BY			
Non-current assets			
Plant and equipment	12	47,644,223	16,275,291
Deferred tax	10	456,004	362,542
		48,100,227	16,637,833
Current assets			
Inventories	13	424,853,544	306,411,145
Trade and other receivables	14	105,557,027	110,662,508
Cash and cash equivalents	15	723,267	137,250
Tax recoverable		1,905,587	0
		533,039,425	417,210,903
Current liabilities			
Trade and other payables	16	4,422,659	1,889,472
Borrowings	9	267,130,786	166,263,015
Other accrued liabilities	11	1,397,321	1,962,376
		272,950,766	170,114,863
Net current assets		260,088,659	247,096,040
		308,188,886	263,733,873

The financial statements on pages 7 to 19 were approved and authorised for issue by the Board of Directors on 11-01-2019 and were signed on its behalf by:



RECTOR



DIRECTOR

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