



SHAH BHASIN & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the shareholders of GELX INDUSTRIES LIMITED

We have audited the Financial Statements of Gelx Industries Limited set out on pages 6 to 21, which comprise the Statement of Financial Position as at For the period ended 31st December 2023, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended, and notes to the Financial Statements, including a summary of significant accounting policies.

1. Basis for opinion

In our opinion the accompanying Financial Statements give a true and fair view, in all material respects, the financial position of Gelx Industries Limited as at For the period ended 31st December 2023, and its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act.

We conducted our audit in accordance with International Standards on Auditing. 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 (Parts A and B) (IESBA Code)* and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

2. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial statements of the current period. These matters were addressed in the context of our audit of the Financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

3. Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Kenyan Companies Act, which we obtained prior to the date of this report. Other information 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 an audit opinion or 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.

4. Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act, 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

5. 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 International Standards on Auditing 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 International Standards on Auditing, 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 the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

6. 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 and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is

CPA Tejal Mayur Malde

Shah Bhasin & Associates Practicing Certificate No. PF/814

Shah Bhasin & Associates

Certified Public Accountants (K)

Nairobi.

Date: 26/03/2025

SHAH BHASIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS (K)
P. O. BOX 32589 - 00600
NAIROBI

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GELX INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

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GELX INDUSTRIES LIMITED
COMPANY INFORMATION

REGISTERED OFFICE

Plot L. R no. 1870/1X/187
Jasmine Centre, Waiyaki Way
P.O Box 40878 -00100
Nairobi.

DIRECTORS

Arjan Jhamatmal Kimatrai
Ranjeev Arjan Kimatrai
Sachen Chandaria
Deepesh Shah
Sanjiv Prem Gidoomal
Narayan Kumar Dujari (Appointed on 04/01/2024)
Rohit Deepak Jalan (Appointed on 04/01/2024)

COMPANY SECRETARY

ESR Kenya LLP
P.O. Box 49925
Nairobi.

AUDITORS

Shah Bhasin & Associates
Certified Public Accountants (K)
Nairobi.

BANKERS

I & M Bank Limited
Nairobi

GELX INDUSTRIES LIMITED

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of the Company for the period ended 31st December, 2023.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of manufacturing and selling pens.

CHANGE OF COMPANY NAME

The Company changed its name from Flair Kenya Limited to Gelx Industries Limited on the 17th of August 2022.

RESULTS FOR THE PERIOD

The results for the period to 31st December, 2023 are as shown on page 6.

The net profit for the period of Kshs. 5,275,866/=, (2022 loss: Kshs. 1,253,073/- has been added to accumulated losses.

DIVIDENDS

The directors of the company do not recommend the payment of dividends.

DIRECTORS

The directors who served office for the period ended 31st December, 2023 were:-

Arjan Jhamatmal Kimatrai

Ranjeev Arjan Kimatrai

Sachen Chandaria

Deepesh Shah

Sanjiv Prem Gidoomal

Narayan Kumar Dujari (Appointed on 04/01/2024)

Rohit Deepak Jalan (Appointed on 04/01/2024)

AUDITORS

Shah Bhasin & Associates, the Company's auditors, have indicated willingness to continue in office in accordance with section 719(2) of the Kenyan Companies Act 2015.

By order of the board



Director

Director

Date: _____

GELX INDUSTRIES LIMITED
STATEMENT OF DIRECTORS RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the company's operating results for that year. It also requires the directors to ensure the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, selecting and applying appropriate accounting policies and making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31st December 2023 and of its profit and cash flows for the period then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act.

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.

Approved by the board of directors on 26/03/2025 and signed on its behalf by:

Director  _____

Director _____

GELX INDUSTRIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31ST DECEMBER 2023

| | <i>Notes</i> | FOR THE PERIOD 3RD OCT 2023 TO 31ST DEC, 2023 Kshs. | FOR THE PERIOD 1ST JAN 2023 TO 02ND OCT, 2023 Kshs. |
|---|--------------|--|--|
| Revenue | 3 | 72,672,956 | 146,434,315 |
| Cost of sales | 4 | (54,021,217) | (114,908,537) |
| <i>Gross profit</i> | | 18,651,739 | 31,525,778 |
| Other operating income | 5 | 840,382 | (3,172,611) |
| Administrative expenses | 6 | (6,068,665) | (13,962,102) |
| Other operating expenses | 7 | (2,681,815) | (4,333,921) |
| Profit from operations | | 10,741,641 | 10,057,144 |
| Finance costs | 8 | (4,681,333) | (11,207,930) |
| Profit / (Loss) before tax | | 6,060,308 | (1,150,786) |
| Income tax expenses | 17 | (784,442) | (102,287) |
| Profit / (Loss) for the period attributable to the owners of the Company | | 5,275,866 | (1,253,073) |

Note:

The notes on page 10 to 21 form part of these financial statements.

GELX INDUSTRIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023

| | <i>Notes</i> | AS AT 31ST DECEMBER, 2023 Kshs. | AS AT 02ND OCTOBER, 2023 Kshs. |
|---|--------------|--|---|
| ASSETS | | | |
| Current Assets | | | |
| Inventories | 11 | 55,732,064 | 63,697,301 |
| Trade and other receivables | 12 | 57,913,794 | 47,250,858 |
| Related Party | 21 | 10,398,783 | 6,824,094 |
| Cash in Hand and at bank | 13 | 28,264,133 | 65,984 |
| | | <u>152,308,774</u> | <u>117,838,237</u> |
| Non Current Assets | | | |
| Property, Plant and Equipment | 14 | 51,581,827 | 52,631,475 |
| Intangible assets | 15 | 16,200 | 16,650 |
| Deferred Tax | 20 | 53,736,764 | 54,521,206 |
| | | <u>105,334,791</u> | <u>107,169,331</u> |
| TOTAL ASSETS | | <u>257,643,565</u> | <u>225,007,568</u> |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Trade and other payables | 16 | 11,319,289 | 25,588,250 |
| Amounts due to related party | 21 | 5,136,998 | 18,231,450 |
| Current portion of long-term borrowings | 19 | 20,173,777 | 13,724,282 |
| Bank Overdraft | 13 | 52,482,238 | 60,051,529 |
| | | <u>89,112,302</u> | <u>117,595,511</u> |
| Non Current Liabilities | | | |
| Directors Account | 18 | 103,251,335 | 47,091,149 |
| Long term borrowings | 19 | 3,430,766 | 3,747,612 |
| | | <u>106,682,101</u> | <u>50,838,761</u> |
| Equity | | | |
| Issued Capital | 22 | 214,120,000 | 214,120,000 |
| Accumulated losses | | (162,535,220) | (167,811,086) |
| Revaluation reserve | | 10,264,382 | 10,264,382 |
| | | <u>61,849,162</u> | <u>56,573,296</u> |
| TOTAL EQUITY & LIABILITIES | | <u>257,643,565</u> | <u>225,007,568</u> |

The financial statements on pages 6 to 21 were approved for issue by the board of directors on 26/03/2025 and were signed on their behalf by:

Director

Director

GELX INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31ST DECEMBER 2023

| | Share Capital | Deposit for Shares | Revaluation reserve | Accumulated losses | Total |
|---|------------------|-----------------------|------------------------|-----------------------|-------------|
| | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. |
| At 1 January 2023 | 214,120,000 | 229,600 | - | (166,558,013) | 47,791,587 |
| Movement in revaluation of plant & machinery | | | 10,264,382 | | 10,264,382 |
| Issue of share capital | - | (229,600) | | | (229,600) |
| Net loss for the period | | | | (1,253,073) | (1,253,073) |
| At 02 October 2023 | 214,120,000 | - | 10,264,382 | (167,811,086) | 56,573,296 |
| At 3 October 2023 | 214,120,000 | - | 10,264,382 | (167,811,086) | 56,573,296 |
| Net profit for the period | | | | 5,275,866 | 5,275,866 |
| At 31 December 2023 | 214,120,000 | - | 10,264,382 | (162,535,220) | 61,849,162 |

GELX INDUSTRIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

| | AS AT 31ST DECEMBER, 2023 Kshs. | AS AT 02ND OCTOBER, 2023 Kshs. |
|--|---------------------------------------|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit / (loss) for the period | 5,275,866 | (1,253,073) |
| <i>Adjustments for non-cash income and expenses:-</i> | | |
| Depreciation | 2,679,332 | 4,318,481 |
| Income tax expense | 784,442 | 102,287 |
| Amortisation of intangibles | 450 | 1,350 |
| Interest expense | (3,128,388) | (9,932,613) |
| Operating loss before working capital changes | 5,611,702 | (6,763,568) |
| <i>Changes in operating assets and liabilities:</i> | | |
| (Increase) in inventories | 7,965,237 | (17,592,836) |
| (Increase) in trade and other receivables | (10,662,936) | (23,462,205) |
| Increase in trade and other payables | (14,268,961) | (6,076,697) |
| (Decrease)/Increase in Directors account | 56,160,186 | 8,784,067 |
| (Decrease)/ Increase in Related Party | (16,669,141) | 37,140,270 |
| <i>Cash used in operations</i> | <i>28,136,087</i> | <i>(7,970,969)</i> |
| Interest paid | 3,128,388 | 9,932,613 |
| <i>Net cash used in operating activities</i> | <i>31,264,475</i> | <i>1,961,644</i> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Property, Plant and Equipment | (1,629,684) | (6,508,505) |
| Deposit for shares | - | (229,600) |
| <i>Net cash used in investing activities</i> | <i>(1,629,684)</i> | <i>(6,738,105)</i> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net movement in bank borrowings | 6,132,649 | 2,733,945 |
| <i>Net cash generated from financing activities</i> | <i>6,132,649</i> | <i>2,733,945</i> |
| Net Increase in cash and cash equivalents | 35,767,440 | (2,042,516) |
| Cash and cash equivalent at beginning of period (Note 13) | (59,985,544) | (57,943,028) |
| Cash and cash equivalent at end of period (Note 13) | (24,218,104) | (59,985,544) |

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

GENERAL INFORMATION

Gelx Industries Limited (previously known as Flair Kenya Limited) is incorporated and domiciled in Kenya under the Kenyan Companies Act as a private company limited by shares. The address of its registered office and principal place of business is Nairobi. The principal activity of the company is that of manufacturing and selling pens.

1 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a Revenue recognition

Revenue from sales of goods is recognised when the goods are delivered and title has passed. Revenue from sale of services is recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and VAT.

b Inventories

- i) Inventories (other than Scrap) are valued at lower of cost and net realisable value, after providing for obsolescence, if any. Cost of inventory comprises of purchase price, cost of conversion and other cost incurred in bringing the Inventories to their respective present location and condition. Additionally, in case of Finished goods and work in progress a proportion of manufacturing overheads based on the normal operating capacity is also added. The cost of Inventories is computed on weighted average basis except for Raw Materials and Components which is computed on Moving Weighted average basis.

- ii) Scrap are valued at Net Realisable Value

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

c Property, plant & equipment

All categories of property, plant and equipment, including investment property, are measured at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance is charged to the profit and loss account in the period to which it relates.

The Company's depreciation policy changed from reducing balance in the previous years to straight-line method at the rates determined based on the useful lives of the respective assets and residual value over its estimated useful life given below:

| <u>Class of Asset</u> | <u>Useful life (in years)</u> |
|-----------------------|-------------------------------|
| Plant & machinery | 15 |
| Motor Vehicles | 8-10 |
| Furniture & fittings | 10 |
| Computers | 3 |

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

1 ACCOUNTING POLICIES (Continued)

c Property, plant & equipment (Continued)

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

d Intangible assets

Intangible assets are purchased computer software that is stated at cost less accumulated depreciation and any accumulated impairment losses. It is amortised over its estimated life of three years using the straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

e Leases

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

Rights to assets held under finance leases are recognised as assets of the company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Leasehold land is amortised over the period of the lease.

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives.

f Translation of foreign currencies

Transactions in foreign currencies during the period are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which 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 the profit and loss account in the period in which they arise.

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

1 ACCOUNTING POLICIES (Continued)

g Borrowing costs

All borrowing costs are recognised in net profit or loss for the period in which they are incurred.

h Cash and Cash equivalents

These comprise cash on hand and at bank, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

i Share capital, share premium and dividends

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of the par value are classified as 'share premium' in equity. Dividends are recognised as a liability in the period in which they are declared.

j Financial assets

Investments in quoted shares are initially recognised at the transaction price and subsequently measured at fair value, with changes in fair value being recognised in profit or loss. Fair value is determined using the quoted bid price at the reporting date.

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

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the period end. Bad debts are written off in the period in which they are identified.

k Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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

l Provision

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of obligation.

m Comparatives

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

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

1 ACCOUNTING POLICIES (Continued)

n Employee benefits - post-employment benefits

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

The company's obligations, both vested and unvested, to pay terminal gratuities to employees are recognised based on employees' service up to the balance sheet date and their salaries at that date.

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

o Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profits differ from net profit as reported in the income statement as it is adjusted in accordance with the Kenyan Income Tax Act. The company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

The tax currently payable is based on taxable profit for the period. Taxable profits differ from net profit as reported in the income statement as it is adjusted in accordance with tax legislation. The company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profits in the future and only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The Company has not recognised the net deferred tax asset on the losses as it may not be able to utilise its taxable losses in the foreseeable future.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

- a** The preparation of financial statements in conformity with International Financial Reporting Standard for Small and Medium-sized Entities requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying company's accounting policies. The critical areas of accounting estimates and judgements in relation to the preparation of these financial statements are as set out below:

b Inventories

Critical estimates are made by the directors in determining other costs to be included in the cost of inventories to the extent that they are incurred in bringing the inventories to their present location and condition.

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

| | For the period 3rd Oct 2023 to 31st Dec, 2023 | For the period 1st Jan 2023 to 2nd Oct, 2023 |
|----------------------------------|---|--|
| | Kshs. | Kshs. |
| 3 REVENUE | | |
| Sales | 72,672,956 | 146,434,315 |
| | 72,672,956 | 146,434,315 |
| | | |
| | For the period 3rd Oct 2023 to 31st Dec, 2023 | For the period 1st Jan 2023 to 2nd Oct, 2023 |
| | Kshs. | Kshs. |
| 4 COST OF SALES | | |
| Opening inventories | 63,697,301 | 46,104,465 |
| Purchases | 33,064,861 | 96,236,384 |
| Salaries and wages | 9,028,772 | 19,748,955 |
| Standard levy | 140,199 | 298,960 |
| Factory rent and rates | 1,597,200 | 7,986,000 |
| Electricity and water | 2,001,671 | 7,815,189 |
| Fuel and gas | 24,067 | 62,206 |
| Repairs and maintenance | 199,210 | 353,679 |
| | 109,753,281 | 178,605,838 |
| Closing inventories | (55,732,064) | (63,697,301) |
| | 54,021,217 | 114,908,537 |
| | | |
| | For the period 3rd Oct 2023 to 31st Dec, 2023 | For the period 1st Jan 2023 to 2nd Oct, 2023 |
| | Kshs. | Kshs. |
| 5 OTHER INCOME | | |
| Unrealised exchange Gain/(loss) | 3,447,985 | (2,517,231) |
| Realised exchange (loss) | (2,607,603) | (2,111,888) |
| Consultancy income | - | 1,031,575 |
| Insurance claim received | - | 424,933 |
| | 840,382 | (3,172,611) |
| | | |
| | For the period 3rd Oct 2023 to 31st Dec, 2023 | For the period 1st Jan 2023 to 2nd Oct, 2023 |
| | Kshs. | Kshs. |
| 6 ADMINISTRATIVE EXPENSES | | |
| <u>Employment:</u> | | |
| Salaries and wages | 2,616,471 | 5,814,049 |
| Staff medical and welfare | 734,430 | 1,493,046 |
| NSSF expense | 279,223 | 563,240 |
| Work permits | 98,351 | 116,666 |
| Total employment costs | 3,728,475 | 7,987,001 |

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

| | For the period 3rd Oct 2023 to 31st Dec, 2023 | For the period 1st Jan 2023 to 2nd Oct, 2023 |
|--|---|--|
| | Kshs. | Kshs. |
| 6 ADMINISTRATIVE EXPENSES (Continued) | | |
| <i>Other administration costs:</i> | | |
| Auditors remuneration | 60,000 | 90,000 |
| Legal & Professional Expenses | 30,000 | 1,031,319 |
| Insurance | 668,264 | 1,578,716 |
| Office expenses | 157,901 | 210,293 |
| Licenses | 22,500 | 100,000 |
| Postage, Telephone & E-mail | 88,284 | 160,988 |
| Printing & Stationery | 67,481 | 180,330 |
| Travel and accomodation | 441,346 | 1,039,117 |
| Advertising and sales promotion | 291,011 | 68,864 |
| Motor vehicle running expenses | 352,662 | 665,815 |
| Subscriptions & periodicals | 53,750 | 292,894 |
| Light & Water | 23,711 | 103,946 |
| Computer expenses | 10,999 | 76,306 |
| Security Expenses | 72,281 | 376,513 |
| <i>Total other administration expenses</i> | <i>2,340,190</i> | <i>5,975,101</i> |
| <i>Total administrative expenses</i> | <i>6,068,665</i> | <i>13,962,102</i> |
| | | |
| | For the period 3rd Oct 2023 to 31st Dec, 2023 | For the period 1st Jan 2023 to 2nd Oct, 2023 |
| | Kshs. | Kshs. |
| 7 OTHER OPERATING EXPENSES | | |
| Depreciation of property, plant & equipment | 2,679,332 | 4,318,481 |
| Amortisation of intangible assets | 450 | 1,350 |
| Penalties and donations | 2,033 | 14,090 |
| | <i>2,681,815</i> | <i>4,333,921</i> |
| | | |
| | For the period 3rd Oct 2023 to 31st Dec, 2023 | For the period 1st Jan 2023 to 2nd Oct, 2023 |
| | Kshs. | Kshs. |
| 8 FINANCE COSTS | | |
| Bank charges | 692,759 | 1,275,317 |
| Bank interest on overdraft | 2,616,279 | 7,619,646 |
| Loan interest | 512,109 | 2,312,967 |
| Other interest expense | 860,186 | - |
| | <i>4,681,333</i> | <i>11,207,930</i> |

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

9 PROFIT BEFORE TAX

The following items have been recognised as expenses in determining profit before tax:

| | For the period 3rd Oct 2023 to 31st Dec, 2023 | For the period 1st Jan 2023 to 2nd Oct, 2023 |
|---|---|--|
| | Kshs. | Kshs. |
| Cost of inventories recognised as expense | 54,021,217 | 114,908,537 |
| Depreciation of property, plant and equipment | 2,679,332 | 4,318,481 |
| Auditor's remuneration | 60,000 | 90,000 |

10 EBITDA

EBITDA stands for earnings before interest, taxes, depreciation, and amortization. It's a margin that gives investors a short-term picture of a business' operational efficiency.

| | For the period 3rd Oct 2023 to 31st Dec, 2023 | For the period 1st Jan 2023 to 2nd Oct, 2023 |
|--|---|--|
| | Kshs. | Kshs. |
| Profit / (Loss) for the period attributable to the owners of the Company | 5,275,866 | (1,253,073) |
| Income tax expenses | 784,442 | 102,287 |
| Interest expenses | 3,128,388 | 9,932,613 |
| Depreciation expenses | 2,679,332 | 4,318,481 |
| EBITDA | 11,868,028 | 13,100,308 |

11 INVENTORIES

| | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
|----------------------------|-------------------------|------------------------|
| | Kshs. | Kshs. |
| Raw Material & Consumables | 18,057,823 | 28,052,938 |
| Work in Progress | 20,782,932 | 24,179,614 |
| Finished Goods | 16,891,309 | 11,464,749 |
| | 55,732,064 | 63,697,301 |

There was no obsolete inventory that needed to be written off at the end of the period.
All inventories held at the end of the period are for less than two years.

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

| | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
|---------------------------------------|-------------------------|------------------------|
| | Kshs. | Kshs. |
| 12 TRADE AND OTHER RECEIVABLES | | |
| Trade receivables | 38,723,740 | 27,832,459 |
| Provision for doubtful debts | (742,990) | (742,990) |
| Landed cost | 54,927 | - |
| VAT receivable | 17,323,896 | 16,608,446 |
| Prepayments | 611,723 | 1,688,170 |
| Deposits | 1,942,498 | 1,864,773 |
| | <u>57,913,794</u> | <u>47,250,858</u> |

No additional provision for bad & doubtful debts was required at the end of the period.

There were no trade receivables outstanding for more than 12 months.

13 CASH AND CASH EQUIVALENTS

| | At 02 October 2023 | Cash Flows | At 31 December 2023 |
|----------------|-----------------------|-------------------|------------------------|
| | Kshs. | Kshs. | Kshs. |
| Cash in hand | 65,984 | 84,016 | 150,000 |
| Cash at bank | - | 28,114,133 | 28,114,133 |
| Bank overdraft | (60,051,529) | 7,569,291 | (52,482,238) |
| | <u>(59,985,545)</u> | <u>35,767,440</u> | <u>(24,218,105)</u> |

14 PROPERTY, PLANT AND EQUIPMENTS (refer Page 21)

| | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
|--|-------------------------|------------------------|
| | Kshs. | Kshs. |
| 15 INTANGIBLE ASSETS | | |
| Cost | | |
| At start of period | 18,000 | - |
| Additions | - | 18,000 |
| At end of period | <u>18,000</u> | <u>18,000</u> |
| Accumulated amortisation and impairment | | |
| At start of period | (1,350) | - |
| Annual amortisation | (450) | (1,350) |
| At end of period | <u>(1,800)</u> | <u>(1,350)</u> |
| Carrying amount | | |
| At end of period | <u>16,200</u> | <u>16,650</u> |

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

| | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
|--|-------------------------|------------------------|
| | Kshs. | Kshs. |
| 16 TRADE AND OTHER PAYABLES | | |
| Trade payables | (457,860) | 14,625,035 |
| Other payables | 10,531,377 | 9,436,118 |
| Accrued Expenses | 1,245,772 | 1,527,097 |
| | 11,319,289 | 25,588,250 |
| There were no trade payables outstanding for more than 12 months. | | |
| | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
| | Kshs. | Kshs. |
| 17 TAXATION | | |
| a Statement of Comprehensive Income | | |
| Current tax applicable rate 30% | - | - |
| Deferred tax | 784,442 | 102,287 |
| Tax charge | 784,442 | 102,287 |
| b Statement of Financial Position | | |
| At 3 October 2023 | - | - |
| Corporation tax for the period | - | - |
| At 31 December 2023 | - | - |
| c Reconciliation of tax charge to expected tax based on accounting profit | | |
| Accounting loss before tax | 6,060,308 | (1,150,786) |
| Tax applicable rate of 30% | 1,818,092 | (345,236) |
| Tax effect of expenses not deductible for tax/non | | |
| Adjustments | (1,033,651) | 447,523 |
| Current tax charge | 784,442 | 102,288 |
| | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
| | Kshs. | Kshs. |
| 18 DIRECTORS ACCOUNT | | |
| Arjan Jhamatmal Kimatrai | 5,359,530 | 5,359,530 |
| Ranjeev Arjan Kimatrai | 10,861,339 | 10,749,427 |
| Linc Limited | 55,875,726 | - |
| Fairmead Ltd | 16,746,240 | 16,573,692 |
| Deepesh Shah | 961,500 | 961,500 |
| Sanjiv Prem Gidoomal | 13,447,000 | 13,447,000 |
| | 103,251,335 | 47,091,149 |

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

| | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
|-----------------------------------|-------------------------|------------------------|
| | Kshs. | Kshs. |
| 19 BORROWINGS | | |
| <u>Current</u> | | |
| Bank loans- payable within 1 year | 20,173,777 | 13,724,282 |
| Other Loans | - | - |
| | 20,173,777 | 13,724,282 |
| <u>Non- Current</u> | | |
| Bank loans- Long Term | 3,430,766 | 3,747,612 |
| | 3,430,766 | 3,747,612 |
| Total borrowings | 23,604,543 | 17,471,894 |

20 DEFERRED TAX

Deferred Tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30%.

The company has recognised deferred tax asset on taxable losses because, on the basis of future expectations, management considers it is probable that taxable profits will be available against which the future income tax deductions can be utilised.

The movement on the deferred tax account is as follows:

| | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
|-----------------------------|-------------------------|------------------------|
| | Kshs. | Kshs. |
| At beginning of the period | (54,521,206) | (54,623,493) |
| Income statements (Credits) | 784,442 | 102,287 |
| At 31 December 2023 | (53,736,764) | (54,521,206) |

Deferred Tax assets and Deferred Tax credits in the profit and loss account are attributable to the following items:

| | (Credited) to P & L | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
|---|------------------------|-------------------------|------------------------|
| | | Kshs. | Kshs. |
| <i>Deferred Tax Liabilities</i> | | | |
| Accelerated Tax Depreciation | (516,862) | 8,168,968 | 8,685,830 |
| Foreign exchange gain | - | - | - |
| | (516,862) | 8,168,968 | 8,685,830 |
| <i>Deferred Tax Assets</i> | | | |
| Movement in fair valuation of plant & machinery | | 3,079,315 | 3,079,315 |
| Taxable losses | (1,301,304) | 58,826,418 | 60,127,722 |
| | (1,301,304) | 61,905,733 | 63,207,037 |
| Net Deferred tax liability | 784,442 | (53,736,765) | (54,521,207) |

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

21 RELATED PARTIES

The company is related to other companies which are related through common shareholding or common directorships. The following transactions were carried out with related parties:

| | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
|---|---------------------------------|--------------------------------|
| | Kshs. | Kshs. |
| i) Amounts due from related party | | |
| Due from related parties | 10,398,783 | 6,824,094 |
| | 10,398,783 | 6,824,094 |
| ii) Amounts due to related party | | |
| Due to related parties | 5,136,998 | 18,231,450 |
| | 5,136,998 | 18,231,450 |
| 22 SHARE CAPITAL | As at 31st Dec, 2023 | As at 2nd Oct, 2023 |
| AUTHORISED | Kshs. | Kshs. |
| 42,824,000 Ordinary shares of Kshs 5/= each | 214,120,000 | 214,120,000 |
| ISSUED & FULLY PAID UP | | |
| 42,824,000 Ordinary shares of Kshs 5/= each | 214,120,000 | 214,120,000 |

- i) The current shareholders reflecting on the Company's CR12 are as below:
Arjan Kimatrai - 4,282,400 ordinary shares
Deepesh Pravinchandra Shah - 10,706,000 ordinary shares
Sanjiv Prem Gidoomal - 10,706,000 ordinary shares
Fairmead Limited - 10,706,000 ordinary shares
Ranjeev Kimatrai - 6,423,600 ordinary shares
- ii) The below share transfers took place on the 14th of March 2024 but is yet to be reflected in the records of the Registrar of Companies:
10,706,000 ordinary shares were transferred from Deepesh Pravinchandra Shah to Linc Limited.

10,706,000 ordinary shares were transferred from Sanjiv Prem J Gidoomal to Linc Limited.
4,282,400 ordinary shares were transferred from Arjan Kimatrai to Linc Limited.
2,141,200 ordinary shares were transferred from Fairmead Limited to Ranjeev Kimatrai.
- iii) The shareholding structure once the above has been effected would be as follows:
Linc Limited - 25,694,400 ordinary shares
Fairmead Limited - 8,564,800 ordinary shares
Ranjeev Kimatrai - 8,564,800 ordinary shares

GELX INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2023

| 14 | <u>PROPERTY, PLANT AND EQUIPMENT</u> | | | | |
|---------------------------------|--------------------------------------|-------------------|-------------------------|-----------|-------------|
| | Plant & machinery | Motor Vehicles | Furniture & fittings | Computers | Total |
| COST | | | | | |
| At 02 October 2023 | 94,859,488 | 1,383,448 | 4,120,353 | 1,336,500 | 101,699,789 |
| Additions | 511,539 | 1,060,345 | - | 57,800 | 1,629,684 |
| Fair value adjustment | 10,264,382 | | | | 10,264,382 |
| Disposals | - | - | - | - | - |
| At 31 December 2023 | 105,635,409 | 2,443,793 | 4,120,353 | 1,394,300 | 113,593,855 |
| Accumulated Depreciation | | | | | |
| At 02 October 2023 | 55,155,172 | 735,096 | 2,501,057 | 941,371 | 59,332,696 |
| Charge for the Year | 2,479,518 | 30,553 | 117,411 | 51,850 | 2,679,332 |
| Disposal | - | - | - | - | - |
| At 31 December 2023 | 57,634,690 | 765,649 | 2,618,468 | 993,221 | 62,012,028 |
| CARRYING AMOUNT | | | | | |
| At 31 December 2023 | 48,000,719 | 1,678,144 | 1,501,885 | 401,079 | 51,581,827 |

In January 2024, the company had their plant and machinery revalued to fair market value as at 30th September, 2023.

GELX INDUSTRIES LIMITED

TAX COMPUTATION - 2023

PIN NO: P051405113N

| | <u>Kshs.</u> | <u>Kshs.</u> |
|-------------------------------------|--------------|----------------------|
| Profit before tax | | 6,060,308 |
| <i>Add:</i> | | |
| Depreciation | 2,679,332 | |
| Amortisation | 450 | |
| Fines and penalties | 2,033 | |
| | | <u>2,681,815</u> |
| | | 8,742,123 |
| <i>Less:</i> | | |
| Wear and tear deductions | (700,689) | |
| Unrealised exchange loss prior year | - | |
| Unrealised Exchange gain | (3,447,985) | |
| Investment deductions | (255,770) | |
| | | <u>(4,404,444)</u> |
| Adjusted profit for the period | | <u>4,337,679</u> |
| Loss brought forward 02 Oct 2023 | | <u>(200,425,739)</u> |
| Adjusted loss carried forward | | <u>(196,088,060)</u> |

WEAR AND TEAR SCHEDULE

| | Class II 25% Kshs. | Class III 25% Kshs. | Class IV 10.0% Kshs. | Total Kshs. |
|-------------------------------------|-----------------------------------|------------------------------------|-------------------------------------|------------------------|
| Written Down Value as at 03.10.2023 | 498,108 | 537,556 | 19,104,905 | 20,140,569 |
| Additions | 57,800 | 1,060,345 | 3,538,140 | 4,656,285 |
| | <u>555,908</u> | <u>1,597,901</u> | <u>22,643,045</u> | <u>24,796,854</u> |
| Wear and tear allowance | (34,744) | (99,869) | (566,076) | (700,689) |
| Written Down Value as at 31.12.2023 | <u>521,164</u> | <u>1,498,032</u> | <u>22,076,969</u> | <u>24,096,165</u> |

| Plant & Machinery | | | | | |
|---|-------------------------|----------------|--|-------------------------------------|---|
| Additions | Year of purchase | Cost | Net Book Value C/F to W & T next year | Investment Deduction 50% | |
| Additions 2023 - 1/1/23-2/10/23 | 2023 | 5,661,024 | 3,538,140 | 2,122,884 | Now taken to wear & tear Schedule |
| Additions 3/10/23-31/12/23 | 2023 | 511,539 | 255,770 | 255,770 | |
| | | | - | - | |
| Balance for carried forward for wear & tear next year | | <u>511,539</u> | <u>255,770</u> | <u>255,770</u> | |

