

NAIROBI BUSINESS VENTURES LIMITED

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2017

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COMPANY INFORMATION

BOARD OF DIRECTORS

: Mr.Abotula Venkata Satyanarayana Vasu
: Mr.Raja Sekhar Srungarapu
: Mr.Alfred Nzomo Kithusi
: Mr.Jayesh Nagrecha
: Mr.Saili Malonza

REGISTERED OFFICE

: Apricot Suites
: 4th Parklands
: P.O. Box 18638 - 00500
: Nairobi, Kenya.

AUDITORS

: Swaly & Co.
: Certified Public Accountants
: P.O. Box 45764 - 00100
: Nairobi, Kenya.

COMPANY SECRETARY

: Lawrence Kibet
: 5th Floor, Barclays Plaza
: P.O. Box 9287 - 00100
: Nairobi, Kenya.

LEGAL ADVISORS

: Maina & Maina Advocates
: 14th Floor, View Park Towers
: P.O. Box 2607 - 00200
: Nairobi, Kenya.

PRINCIPAL BANKERS

: Bank of Baroda (K) Limited
: Industrial Area Branch
: P.O Box 18269 - 00500
: Nairobi, Kenya.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act (Cap. 486) requires the directors to prepare financial statements for each financial year that 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 operating results for that year. It also requires the directors to ensure that the company maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act (Cap. 486). 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 31 March 2017 and of its operating results for the year then ended. The directors further accept responsibility for the maintenance of accounting records which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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..... 25/08/2017 and signed on its behalf by:



Director

Director

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 31 March 2017 which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The Principal activities of the company are that of dealing in footwear.

DIVIDEND

The Directors do not recommend the declaration of a dividend for the period ended.

DIRECTORS

The directors who held office during the period and to the date of this report are shown on Page

AUDITORS

The Company's auditor, Swaly & Co. will continue in office as auditors in accordance with section 159(2) of the Companies Act(Cap. 486).

By order of the Board



Director
NAIROBI.



Nairobi Business Ventures Limited
Report of the independent auditor to the members of Nairobi Business Ventures Limited
For the year ended 31st March 2017

Opinion

We have audited the accompanying financial statements of Nairobi Business Ventures Limited, set out on pages 5 to 22, which comprise the balance sheet as at 31st March 2017, the profit and loss account and statements of changes in equity and cash flows for the year then ended, and notes, 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 31st March 2017 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 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. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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.

Auditor's responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the 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 legal requirements

As required by section 162 of the Kenyan Companies Act, 2015 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 of account; and
- iii). The company's statement of financial position is in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Jitendra T Swaly-P/No P265**.

Jitendra T Swaly & Co.
SWALY & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 42213 - 00100 NAIROBI

Certified Public Accountants (Kenya)
Nairobi, Kenya.

30th August
..... 2017

STATEMENT OF PROFIT OR LOSS

	Notes	2017 Shs	2016 Shs
Revenue	2	46,800,397	85,107,960
Cost of sales		<u>(33,008,799)</u>	<u>(31,440,475)</u>
Gross profit		13,791,597	53,667,485
Administrative expenses		(14,083,602)	(10,538,366)
Other operating expenses		<u>(28,106,940)</u>	<u>(25,613,486)</u>
Operating profit	3	(28,398,945)	17,515,633
Finance costs	5	<u>(4,449,071)</u>	<u>(11,196,876)</u>
(Profit)/Loss before tax		(32,848,016)	6,318,757
Tax (charge)	6	<u>-</u>	<u>(1,895,627)</u>
(Profit)/Loss for the year		<u><u>(32,848,016)</u></u>	<u><u>4,423,130</u></u>

STATEMENT OF FINANCIAL POSITION

	Notes	2017 Shs	2016 Shs
CAPITAL EMPLOYED			
Share capital	7	23,600,000	18,000,000
Share premium	7	22,400,000	-
Capital pending allotment			
Retained earnings		(16,806,747)	16,041,269
Reserves & Surplus			
Revaluation of Assets		15,802,334	15,802,334
Shareholders' funds		44,995,587	49,843,603
Non-current liabilities			
Borrowings	8	64,882,196	66,468,901
		109,877,783	116,312,504
REPRESENTED BY			
Non-current assets			
Property and equipment	9	33,729,970	38,648,265
Intangible assets	10	8,806,688	9,840,948
		42,536,658	48,489,213
Current assets			
Inventories	11	76,659,120	81,524,621
Trade and other receivables	12	30,617,852	24,565,972
Cash and cash equivalents	13	(6,099,990)	834,158
		101,176,982	106,924,751
Current liabilities			
Trade and other payables	14	18,923,284	15,484,941
Borrowings	8	14,912,573	21,720,892
Tax payable		-	1,895,627
		33,835,857	39,101,460
Net current assets		67,341,125	67,823,291
		109,877,783	116,312,504

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Note	Ordinary Share capital Shs	Share premium Shs	Capital pending allotment Shs	Retained earnings Shs	Proposed dividends Shs	Total Shs
Year ended 31 March 2016							
At start of period	7	18,000,000	-	-	11,618,138	-	29,618,138
Profit for the period		-	-	-	4,423,130	-	4,423,130
At end of period		<u>18,000,000</u>	<u>-</u>	<u>-</u>	<u>16,041,268</u>	<u>-</u>	<u>34,041,268</u>
Year ended 31 March 2017							
At start of period	7	23,600,000	22,400,000	-	16,041,268	-	62,041,268
Profit for the period		-	-	-	(32,848,016)	-	(32,848,016)
At end of period		<u>23,600,000</u>	<u>22,400,000</u>	<u>-</u>	<u>(16,806,748)</u>	<u>-</u>	<u>29,193,252</u>

STATEMENT OF CASH FLOWS

	Notes	2017 Shs	2016 Shs
Operating activities			
Cash (used in)/from operations	15	(21,034,494)	8,665,511
Interest paid		(3,515,141)	(10,159,176)
Tax		<u>(1,895,627)</u>	<u>(4,979,202)</u>
Net cash (used in)/from operating activities		<u>(26,445,262)</u>	<u>(6,472,867)</u>
Investing activities			
Cash paid for purchase of property and equipment	9	<u>(93,862)</u>	<u>(23,380,628)</u>
Net cash (used in) investing activities		<u>(93,862)</u>	<u>(23,380,628)</u>
Financing activities			
Proceeds from borrowings:			
- Bank loans		(1,586,705)	41,639,616
Cash from share capital introduced		5,600,000	-
Cash from share premium		<u>22,400,000</u>	
Net cash from/(used in) financing activities		<u>26,413,295</u>	<u>41,639,616</u>
Decrease/(increase) in cash and cash equivalents		<u>(125,829)</u>	<u>11,786,121</u>
Movements in cash and cash equivalents			
At start of period/year		(20,886,734)	(32,672,855)
Decrease/(increase)		<u>(125,829)</u>	<u>11,786,121</u>
At end of period/year	13	<u>(21,012,563)</u>	<u>(20,886,734)</u>

NOTES

1. Significant accounting policies

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

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

The annual financial statements contained within this document comply with the requirements of the Kenyan Companies Act. The statement of profit or loss represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Going concern

The financial performance of the company is set out in the Director's report and in the statement of profit or loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in note 18 to the financial statements.

In considering the going concern basis used for preparing the financial statements, the directors have considered financial position and performance of the company in the latest period presented as well as its prospects for a period of not less than 12 months from the date of issue of the information memorandum. For the year ended to 31 Mar 2017, the company generated a loss of Shs. 32.8 million, used cash of Shs. 26 million in operations and had a net current asset position of Shs. 68 million.

Based on the financial performance and position of the company detailed above and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

New and amended standards adopted by the company during the year ended 31 March 2017

The company has applied the amendments to IAS 1 on 'Presentation of Items of Other Comprehensive Income'. Under the amendments to IAS 1, the 'statement of comprehensive income' requires separate analysis of items that will not be subsequently reclassified to profit or loss and those that will be subsequently reclassified, including the related income tax effects. The application of the amendments to IAS 1 do not result in any impact on profit or loss.

International Financial Reporting Standard 13 (IFRS 13) on 'Fair Value Measurement' - The standard aims to improve consistency and reduce complexity by providing a more precise definition and a single source of measurement of fair valuation of certain assets and liabilities and the related disclosure requirements. This standard has no effect on the company's financial statements.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. As the company does not have material offsetting arrangements, these amendments do not have a material impact on the financial statements.

NOTES

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2015 or 1 April 2016 and not adopted in advance of the effective date.

Amendments to IAS 36, Disclosure of recoverable amounts of non financial assets, IAS 39, Novation of derivatives and IFRIC 21, Levies are not effective until annual periods beginning on or after 1 April 2016, with retrospective application permissible.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two principal measurement categories: those measured as at fair value and those measured at amortised cost. IFRS 9 also now includes provisions for hedge accounting. The company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 for the financial statements for the year ending 31 March 2018.

b) Key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgments, estimates and assumptions about the recognition of revenue and costs and carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively

The directors have made the following significant accounting estimates and assumptions:

- Impairment of trade receivables - the company reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.
- Useful lives of property and equipment - Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

c) Revenue recognition

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

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

NOTES (CONTINUED)

1. Significant accounting policies (continued)

d) Property and equipment

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

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

Depreciation on assets is calculated on the reducing balance basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Furniture and fittings	12.50
Computer equipment	30.00
Software	20.00
Goodwill	10.00

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

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

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the reducing balance basis method to write down the cost of each asset using an annual rate of 20%.

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

f) Financial instruments

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

NOTES (CONTINUED)

1. Significant accounting policies (continued)

f) Financial instruments (continued)

- Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The company's financial assets fall into the following categories for subsequent measurement:

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

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

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

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

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

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss/other comprehensive income in the year in which they occur.

Cash in hand and balances with financial institutions, trade and other receivables and tax recoverable and are classified as loans and receivables and are carried at amortised cost.

- Financial liabilities

- Financial liabilities measured at amortised cost : These include borrowings, current tax and trade and other payables. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.
- Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.
- All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the direct purchase value and all costs attributable to bringing the inventory to its current location and condition and is stated on a first-in first-out (FIFO) basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expenses.

h) Cash and cash equivalents

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

i) Share capital

Ordinary shares are classified as equity.

j) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss.

Current tax

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

Deferred tax

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

k) Retirement benefit obligations

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

l) Comparatives

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

2. Revenue	2017 Shs	2016 Shs	
Revenue from sale of goods	46,800,397	85,107,960	
3. Operating profit			
Depreciation on property, plant and equipment (Note 8)	5,012,157	3,138,700	
Auditors' remuneration	60,000	60,000	
Operating lease rentals	19,191,636	18,107,427	
4. Staff costs			
Salaries and wages	7,381,003	7,008,989	
Other staff costs	412,113	384,471	
	7,793,116	7,393,460	
5. Finance costs			
Loan interest	2,662,608	3,866,778	
Bank overdraft interest	852,533	6,292,398	
Amortisation of Goodwill	933,930	1,037,700	
	4,449,071	11,196,876	
Amortisation is considered for 10 years of 10% of the goodwill paid.			
6. Tax			
Current tax	-	1,895,627	
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:			
Profit before tax	(32,848,016)	6,318,757	
Tax calculated at a tax rate of 30%	-	1,895,627	
Tax effect of:			
- expenses not deductible for tax purposes	-	-	
	-	1,895,627	
Self assessment tax have remained unpaid			
7. Share capital	No. of ordinary shares issued	Issued and fully paid up capital Shs	Share premium Shs
At 1st April 2015 and 31st Mar 2016	18,000,000	18,000,000	-
Issued for cash in 2016	5,600,000	5,600,000	22,400,000
At 31st March 2017	23,600,000	23,600,000	22,400,000

* The total number of authorised ordinary shares is 18,000,000 (2016 Mar 31st) with a par value of Shs. 1 each.

* On 21st June 2016, the issued and paid up capital was increased from Shs 18,000,000 to Shs. 23,600,000 by an issue for cash of 5,600,000 ordinary shares at a price of Shs. 5 per share.

* The share premium account, which represents the excess of the price paid for shares over the par value, is not distributable

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

8. Borrowings

The borrowings are made up as follows:

Non-current

Bank loans

Shareholders' loans (Note 16)

**2017
Shs**

**2016
Shs**

64,882,196

66,468,901

-

-

64,882,196

66,468,901

Current

Bank loans

Bank overdraft

14,912,573

21,720,892

Total borrowings

79,794,768

88,189,793

The bank overdraft is secured by the following:

- Legal charge over directors apartment No. H1 on LR no. 1870/II/286 on General Mathenge road, Nairobi.
- Corporate guarantee of M/s Swasthika Investors Limited.
- Debenture charge to be created over entire assets of the company.
- Guarantees given by related parties.

Loan from shareholders is unsecured.

Weighted average effective interest rates at the reporting date were as follows:

**2017
%**

Bank overdraft

18.00%

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant. The fair values are based on cashflows discounted using the weighted average rates mentioned above.

It is impracticable to assign fair values to the company's long-term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

The carrying amounts of the company's borrowings are denominated in the following currencies:

	2017 Shs	2016 Shs
Kenya Shillings	79,027,511	87,316,627
United States Dollar	767,257	873,166
	<u>79,794,768</u>	<u>88,189,793</u>

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

9. Property and equipment

Year ended 31 March 2017

	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost			
At start of period	26,962,800	994,245	27,957,045
Additions	22,241	71,621	93,862
Additions(Revaluation of Assets)	15,533,793	268,541	15,802,334
At end of period	42,518,834	1,334,407	43,853,241
Depreciation			
At start of period	4,812,742	298,373	5,111,115
Charge for the period	4,713,030	299,127	5,012,157
At end of period	9,525,771	597,500	10,123,271
Net book value	32,993,063	736,906	33,729,970

Year ended 31 March 2016

	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost			
At start of period	3,974,408	602,009	4,576,417
Additions	22,988,392	392,236	23,380,628
Additions(Revaluation of Assets)	15,533,793	268,541	15,802,334
At end of period	42,496,593	1,262,786	43,759,379
Depreciation			
At start of period	1,777,558	194,857	1,972,415
Charge for the period	3,035,184	103,516	3,138,700
At end of period	4,812,742	298,373	5,111,115
Net book value	37,683,852	964,413	38,648,265

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

10. Intangible assets - software	2017 Shs	2016 Shs
Cost		
At start of period/year	1,110,260	1,110,260
Additions		
At end of period/year	1,110,260	1,110,260
Accumulated amortisation		
At start of period/year	608,612	483,200
Amortisation for the period/year	100,330	125,412
At end of period/year	708,942	608,612
Carrying amount	401,318	501,648
Goodwill		
Goodwill	11,530,000	11,530,000
Additions		
At end of period/year	11,530,000	11,530,000
Accumulated amortisation		
At start of period/year	2,190,700	1,153,000
Amortisation for the period/year	933,930	1,037,700
	3,124,630	2,190,700
Carrying amount	8,405,370	9,339,300
	8,405,370	9,339,300
11. Inventories		
Inventories	76,659,120	81,524,621
12. Trade and other receivables	2017 Shs	2016 Shs
Current		
Trade debtors, prepayments and deposits	30,617,851	24,565,972
Receivable from related parties (Note 16)		-
	30,617,851	24,565,972

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

The directors are of the opinion that the company's exposure is limited because the amounts are recoverable.

All trade and other receivables are denominated in Kenya Shillings.

13. Cash and cash equivalents	2017 Shs	2016 Shs
Cash at bank and in hand	(6,099,990)	834,158

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

13. Cash and cash equivalents (continued)	2017 Shs	2016 Shs
Cash at bank and in hand	(6,099,990)	834,158
Bank overdraft (Note 8)	(14,912,573)	(21,720,892)
	<u>(21,012,563)</u>	<u>(20,886,734)</u>

All cash at bank and in hand balances are denominated in Kenya Shillings.

14. Trade and other payables	2017 Shs	2016 Shs
Current		
Trade payables	15,685,299	14,612,312
Accrued expenses and other payables	3,237,984	872,629
	<u>18,923,284</u>	<u>15,484,941</u>

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amounts of the company's trade and other payables are denominated in Kenya shillings.

The maturity analysis of the company's trade and other payables is as follows:

Year ended 31 March 2017

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	5,145,807	7,813,339	2,726,153	15,685,299
Accruals	1,067,879	274,479	1,895,626	3,237,984
	<u>6,213,687</u>	<u>8,087,818</u>	<u>4,621,779</u>	<u>18,923,284</u>

Year ended 31 March 2016

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	4,994,620	6,475,217	3,142,475	14,612,312
Accruals	872,629	-	-	872,629
	<u>5,867,249</u>	<u>6,475,217</u>	<u>3,142,475</u>	<u>15,484,941</u>

15. Cash from operations	2017 Shs	2016 Shs
Reconciliation of profit before tax to cash from operations:		
Profit before tax	(32,848,016)	6,318,757
Adjustments for:		
Depreciation on property, plant and equipment (Note 9)	5,012,157	3,138,700
Amortisation of intangible assets (Note 10)	100,330	125,412
Interest expense & Amortisation on Goodwill	4,449,071	11,196,876
Changes in working capital		
- inventories	4,865,501	(7,201,285)
- trade and other receivables	(6,051,879)	(17,138,735)
- trade and other payables	3,438,343	12,225,787
Cash from/(used in) operations	<u>(21,034,494)</u>	<u>8,665,511</u>

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

16. Related party transactions

	2017 Shs	2016 Shs
Outstanding balances		
(i) Amount due to shareholders (Note 8)	-	-
(ii) Receivable from related parties (Note 12)	-	-

17. Risk management objectives and policies

Financial risk management

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

Risk management is carried out by the management under policies approved by the board of directors. Management identifies and evaluates financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk.

(a) Market risk

- Interest rate risk

The company's exposure to interest rate risk arises from non-current borrowings/current borrowings. Financial assets and liabilities obtained at different rates expose the company to interest rate risk.

At 31 March 2017, if interest rates at that date had been 100 basis points higher with all other variables held constant, arising mainly as a result of higher interest expense on variable borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting year, and management does not expect any losses from non-performance by these counterparties.

None of the financial assets that are fully performing have been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

(c) Liquidity risk

Cash flow forecasting is performed by the finance department of the company by monitoring the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants on any of its borrowing facilities.

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

NOTES TO THE REPORTING AUDITOR'S REPORT (CONTINUED)

17. Risk management objectives and policies (continued)

Financial risk management (continued)

(c) Liquidity risk (continued)

Notes 8 and 14 disclose the maturity analysis of borrowings and trade and other payables respectively.

The following table details the company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay.

18. Capital management

Internally imposed capital requirements

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

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders.

The gearing ratios at 31 March 2017 & 31 March 2016 were as follows:

	2017 Shs	2016 Shs
Total borrowings (Note 8)	79,794,768	88,189,793
Less cash and cash equivalents (Note 13)	<u>6,099,990</u>	<u>(834,158)</u>
Net debt	85,894,758	87,355,635
Total equity	<u>29,193,252</u>	<u>34,041,268</u>
Gearing ratio	<u>1:2.94</u>	<u>1:2.57</u>

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

19. Incorporation

Nairobi Business Ventures Limited is incorporated in Kenya under the Companies Act as a private limited liability company and is domiciled in Kenya.

20. Presentation currency

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

SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2017 Shs	2016 Shs
Employment:		
Salaries and wages	7,381,003	7,008,989
Staff welfare	412,113	384,471
Total employment costs	7,793,116	7,393,460
ADMINISTRATIVE EXPENSES		
Other administrative expenses:		
Postages and telephones	401,121	274,600
Entertainment and travelling	744,552	522,521
Printing and stationery	412,926	458,044
Audit fees	60,000	60,000
Legal and professional fees	2,442,650	384,179
Advertisement and promotion	1,296,922	988,234
Bank charges and commissions	787,267	333,854
Computer expenses	145,048	123,474
Total other administrative expenses	6,290,486	3,144,906
Total administrative expenses	14,083,602	10,538,366
2. OTHER OPERATING EXPENSES		
Establishment:		
Rent	19,191,636	18,107,427
Electricity and water	1,104,151	919,218
Insurance	354,256	566,931
Security	1,393,222	1,389,864
Licences	198,552	361,950
Repairs and maintenance	752,635	1,003,984
Depreciation on property and equipment	5,012,157	3,138,700
Amortisation of intangible assets	100,330	125,412
Total other operating expenses	28,106,940	25,613,486
3. FINANCE COSTS		
Loan interest	2,662,608	3,866,778
Bank overdraft interest	852,533	6,292,398
Amortisation of Goodwill	933,930	1,037,700
Total finance costs	4,449,071	11,196,876

TAX COMPUTATION

	KShs.	KShs.
Profit as per financial statements		(32,848,016)
Add: Depreciation on property, plant and equipment	5,012,157	
Amortisation	1,034,260	6,046,417
		(26,801,599)
Less: Wear and tear allowance	(6,046,416)	(6,046,416)
ADJUSTED PROFIT FOR THE YEAR		<u>(32,848,016)</u>
Tax at 30%		<u>-</u>

WEAR AND TEAR SCHEDULE

	Class (ii) 30% KShs.	Class (iv) 12.5% KShs.	Class (iv) 20% KShs.	Class (v) 10% KShs.	Total KShs.
Written down values brought forward	964,413	37,683,852	501,648	9,339,300	48,489,213
Additions	71,621	22,241	-	-	93,862
Disposal	-	-	-	-	-
	1,036,034	37,706,093	501,648	9,339,300	48,583,075
Wear and tear allowance	(299,127)	(4,713,030)	(100,330)	(933,930)	(6,046,416)
Written down values carried forward	<u>736,906</u>	<u>32,993,064</u>	<u>401,318</u>	<u>8,405,370</u>	<u>42,536,659</u>