# NAIROBI BUSINESS VENTURES LTD FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH 2013

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#### The following page does not form an integral part of these financial statements

Other operating expenditure Appendix I

#### **COMPANY INFORMATION**

BOARD OF DIRECTORS :Mr.Al

:Mr.Abotula Venkata Satyanarayana Vasu

:Mr.Srungarapu Rajasekhar

REGISTERED OFFICE

:Apricot suites :4th Parklands :Nairobi, Kenya

**AUDITORS** 

:Swaly & co

:Certified Public Accountants :P.O. Box 45764 - 00100

:Nairobi

**COMPANY SECRETARY** 

:Strategic Registrars

:Certified Public Secretaries :P.O. Box 3467 - 00506

:Nairobi

PRINCIPAL BANKERS

:Bank of Baroda (Kenya) Ltd

#### REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the period ended 31st March 2013 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 1.

#### **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

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#### 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 judgments 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 31st March 2013 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.

Director

Director

#### REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NAIROBI BUSINESS VENTURES LIMITED

#### Report of the Auditors

We have audited the accompanying financial statements of Nairobi Business Ventures Ltd set out on pages 5 to 14 which comprises the balance sheet as at 31st March 2013 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Directors responsibilities for the financial statements

The company's directors are responsible for the preparation of these financial statements in accordance with International Financial Standards and requirements of the Companies Act (Cap 486). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of the financial affairs of the company as at 31st March 2013 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Cap. 486).

#### Report on other legal requirements

As required by the Companies Act (Cap. 486) we report to you, based on our audit that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) in our opinion proper books of accounts have been kept by the company, so far as appears from the examination of those books; and
- the company's balance sheet and profit and loss account are in agreement with the books of account.

Swaly & Co Certified Public Accountants

Nairobi

S

SWALY & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 42213 - 00100 NAIROBI

Dated .....

Annual report and financial statements

### FOR THE PERIOD ENDED 31ST MARCH 2013

INCOME STATEMENT		
		2013
	Notes	shs
Revenue	3	45,255,091
Cost of sales		(20.100.010)
Cost of sales		(20,433,040)
Gross profit		24,822,051
Administrative expenses		(8,292,731)
		(6,292,731)
Establishment expenses		(14,443,971)
Finance cost		(508,391)
The second secon		
Profit before tax	4	1,576,957
Income tax expense	5	(473,087)
DuoC4 often 4		
Profit after tax		1,103,870

BALANCE SHEET		2013
CAPITAL EMPLOYED	Note	shs
Share Capital	6	100,000
Share application		9,900,000
Retained earnings		1,103,870
		11,103,870
Non current liabilities		
Borrowings	7	14,274,794
		25,378,664
REPRESENTED BY		
Non-current assets		
Intangible Assets		
Goodwill		11,530,000
Tangible assets		
Property, Plant and Equipments	8	4,364,338
		15,894,338
Current assets		
Trade and other receivables	9	4,414,793
Cash and cash equivalents	12	483,493
Inventories	10	24,295,893
		29,194,180
Current liabilities		
Trade and other payables	11	10 226 766
Tax payable	"	19,236,766 473,087
V		
Net current assets		9,484,326
		25,378,664

.....Director

...Directo

#### STATEMENT OF CHANGES IN EQUITY

	*			
	Share capital Shs	Share application Shs	Retained earnings Shs	Total Shs
Period ended 31st March 2013				
At start of year		-		
Addition	100,000	9,900,000		10,000,000
Profit for the year		-	1,103,870	1,103,870
At end of year	100,000	9,900,000	1,103,870	11,103,870

CASH	<b>FLOW</b>	STATEMENT
	LLOW	DIALEMEN

Operating Activities	Note	2013
Printing Activities	Note	Shs
Profit before tax		
Adjustments for:	4	1 576 057
Depreciation on property, plant and equipment		1,576,957
micrest	8	744,993
Changes in operating assets and liabilities		508,391
- Decrease / (increase) in trade and other reasing		300,391
Decrease / (Increase) in trade and other manual i	9	(4,414,793)
Decrease / (Increase) in inventories	11	19,236,766
Cash (used in)/generated from operations	10	(24,295,893)
- interest paid		(24,293,693)
Net cash (used in)/generated from operating activities		(508,391)
		(7,151,970)
Investing activities		(1,101,570)
Purchase of propery, plant and equipment		
Increase in intangible assets - Goodwill	8	(5.100.00
Net cash generated from (used in) investing activities		(5,109,331)
(used in) investing activities		(11,530,000)
Financing activities		(16,639,331)
Cash from Share capital introduced		
ash from Share application	6	100 000
let movement in borrowings		100,000
	7	9,900,000
		<u>14,274,794</u> <u>24,274,794</u>
crease in cash and cash equivalents		24,274,794
ovement in cash and cash equivalents		483,492
and cash equivalents		
the start of the year		
crease		0
		183 403
the end of the period		483,492
	12	483,493

#### NOTES TO THE FINANCIAL STATEMENTS

#### 1 General Information

Nairobi Business ventures Limited is incorporated in Kenya Companies Act as a private company limited by shares and domiciled in Kenya.

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

#### 2 Basis of preparation and summary of significant accounting policies

These financial statements have been prepared on a going concern basis and in compliance with 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. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements of the previous year were prepared in accordance with full international Financial Reporting Standards. Comparative figures have been restated in accordance with the transition procedures set out in the IFRS for SMEs.

#### Revenue recognition

Revenue from sale of goods is recognized when goods are delivered and title passed. Revenue from sale of services is recognized upon performance of services and customer acceptance based on the proportion of actual service rendered to the total services to be provided. Revenue is measured at fair value of the consideration received or receivable, net f discounts and sales - related taxes collected on behalf of the government of Kenya

Income tax

Income tax expense presents the sum of tax currently payable and deferred tax

The tax currently payable is based on taxable profit of the year, determined in accordance with the Kenyan Income tax Act.

Deferred income tax is recognized n differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is received at each reporting date and is adjusted reflect the current assessment of future taxable profit. Any adjustment are recognized in profit or loss.

Deferred tax is calculated at the rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of reporting period.

Share capital

Ordinary shares are recognized at par value and classified as 'share capital' in equity.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

#### 2 Basis of preparation and summary of significant accounting policies(continued)

#### Financial assets

Trade and other receivables are initially recognized 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 amortized 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 arise any objective evidence that the amounts are not recoverable. If so an impairment loss is recognized immediately in profit or loss

#### Property, plant and equipment

Items of property, plant and equipment, are measured at cost less accumulated depreciation and any accumulated impairment losses

Furniture and fittings	12.5%
Software	20%
Computers, fax and copier	30%
Motor vehicles	25%

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

On disposal, the difference between the disposal proceeds and the carrying amount of the item sold is recognized in profit or loss

#### Impairment of non - financial assets

At the reporting date, property, plant and equipment, is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss recognized immediately in profit or loss.

Similarly at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the assets (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of Inventories), but not in the excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Annual report and financial statements

#### FOR THE PERIOD ENDED 31ST MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

#### 2 Basis of preparation and summary of significant accounting policies(continued)

#### Leases

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease.

#### Inventories

Inventories are stated at the lower of cost and selling price less cost to complete and sell. Cost is calculated using the first in - first out (FIFO) method.

#### Financial liabilities

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

#### Employee benefits - post - employment benefits

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

Annual report and financial statements
FOR THE PERIOD ENDED 31ST MARCH 2013
NOTES TO THE FINANCIAL STATEMENTS

		2013
		Shs
3	Revenue	
	Sale of goods	45,255,091
4	Profit before tax	
	The following items have been charged in arriving	
	at profit before tax:	
	Depreciation	744,993
	Auditors Remuneration	60,000
	Operating lease rentals	10,921,759
5	Income tax expense	
	Current tax	473,087
	Income tax is calculated at 30 percent of the estimated assessable profit for the year.	
6	Share capital	
	Authorized, issued and fully paid:	
	1000 ordinary shares of Shs 100 each	100,000
	The total number of authorized ordinary shares is 1,000 with a par value of Shs. 100each.	
7	Borrowings	
	The borrowings are made up as follows	
	Non - current	
	Long term Loans	14,274,794
		14,274,794

## FOR THE PERIOD ENDED 31ST MARCH 2013 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 8 Property, Plant and Equipment

Depreciation is calculated to write of assets over their estimated useful lives. The annual rates on reducing balances are:

	Rate %
Computer, copiers & faxes	30
Software	20
Furniture, fixtures, equipments and generator	12.5
Property - Land	Nil

Year 2013	Furniture, fittings and equipment Shs	Software Shs	Computer Fax and copiers Shs	Total Shs
Cost				
At start of year	0	0	0	0
Additions	3,930,322	1,000,000	179,009	5,109,331
Disposal	0	0	0	0
At end year	3,930,322	1,000,000	179,009	5,109,331
Depreciation				
At start of year	0	0	0	0
Charge for the year	491,290	200,000	53,703	744,993
At end year	491,290	200,000	53,703	744,993
Net book value				
At 31 st March 2013	3,439,031	800,000	125,306	4,364,338

Annual report and financial statements

## FOR THE PERIOD ENDED 31ST MARCH 2013 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

STATEMENTS - CONTINUED	
9 Trade and other receivables	
	2013
Current	Shs
Trade debtors and Deposits	4,414,793
10 Inventories	
Inventories	24,295,893
11 Trade and other payables	
Trade payables	
Accrued expenses and other payables	18,140,596
	1,096,170
12 Cash and cash equivalents	19,236,766
Cash at bank and in hand	5
	483,493

		2013 Shs
1	ADMINISTRATIVE EXPENSES	Sus
	Employment:	
	Salaries and wages	5,280,621
	Staff Expenses	37,440
	Total employment costs	5,318,061
	Other administration expenses:	
	Postages and telephones	71,343
	Advertisement and Promotion	1,619,769
	Entertainment and Traveling	170,565
	Printing and stationery	189,586
	Audit fees	60,000
	Legal fees	333,240
	Professional fess	166,268
	Bank charges and commissions	363,899
	Total other administrative expenses	2,974,670
	Total administrative expenses	8,292,731
2	ESTABLISHMENT EXPENSES	
	Rent, Rates and Licenses	10,921,759
	Electricity and Water	660,627
	Insurance	596,522
	Security	1,050,492
	Depreciation of property, plant and equipment	744,993 <
	Repairs	469,579
	Total establishment expenses	14,443,971
3	FINANCE COSTS	
	Interest	508,391
	Total Finance Costs	508,391

NAIROBI BUSINESS VENTURES LTD TAX COMPUTATION PIN NO. P051381326Q PERIOD ENDED: 31ST MARCH 2013 PERIOD COVERED: 12 MONTHS

1. TAX COMPUTATION	Shs	Shs
Profit before tax as per financial statements		1,576,957
Add: Depreciation on property, plant and equipment	744,993	
		744,993 2,321,950
Wear and tear allowance	744,993	(744,993)
Adjusted taxable Profit		1,576,957
Tax at 30%		473,087
		7/3,00/

#### 2. WEAR AND TEAR SCHEDULE

	Class II 30% Shs	Class III 25% Shs	Class IV 12.50% Shs	Software 20% Shs	Total Shs
W.D.V at 1st April 2012 Disposals Additions	179,009		3,930,322	1,000,000	5,109,331
Wear and tear allowance	179,009 (53,703)	0	3,930,322 (491,290)	1,000,000 (200,000)	5,109,331 (744,993)
W.D.V at 31st March 2013	125,306	0	3,439,031	800,000	4,364,338

#### 3. TAX ACCOUNT

Tax liability for 2013

473,087

Tax a/c

(473,087)