

**NAIROBI BUSINESS VENTURES LTD**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST MARCH 2014**

***NAIROBI BUSINESS VENTURES LTD***  
***Annual report and financial statements***  
***FOR THE PERIOD ENDED 31ST MARCH 2014***

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

Other operating expenditure	Appendix I
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**NAIROBI BUSINESS VENTURES LTD**  
**Annual report and financial statements**  
**FOR THE PERIOD ENDED 31ST MARCH 2014**

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**COMPANY INFORMATION**

**BOARD OF DIRECTORS**

: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

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**REPORT OF THE DIRECTORS**

The directors submit their report together with the audited financial statements of the company for the period ended 31st March 2014 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**

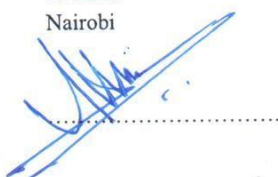
The directors who held office during the period and to the date of this report are shown on page 1.

**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 2014 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 ..... and signed on its behalf by:

  
.....  
**Director**

  
.....  
**Director**

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

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**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 2014 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 2014 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:

- i) 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
- iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

Swaly & Co  
Certified Public Accountants  
Nairobi

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

Dated .....

**NAIROBI BUSINESS VENTURES LTD**  
**Annual report and financial statements**  
**FOR THE PERIOD ENDED 31ST MARCH 2014**

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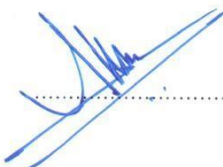
**INCOME STATEMENT**

	<b>Notes</b>	<b>2014 shs</b>	<b>2013 shs</b>
Revenue	3	71,972,163	45,255,091
Cost of sales		<u>(32,376,038)</u>	<u>(20,433,040)</u>
<b>Gross profit</b>		39,596,124	24,822,051
Administrative expenses		(9,783,780)	(8,292,731)
Establishment expenses		(17,194,113)	(14,443,971)
Finance cost		<u>(1,516,404)</u>	<u>(508,391)</u>
<b>Profit before tax</b>	4	<u>11,101,827</u>	<u>1,576,957</u>
Income tax expense	5	<u>(3,330,548)</u>	<u>(473,087)</u>
<b>Profit after tax</b>		<u><u>7,771,279</u></u>	<u><u>1,103,870</u></u>

**NAIROBI BUSINESS VENTURES LTD**  
**Annual report and financial statements**  
**FOR THE PERIOD ENDED 31ST MARCH 2014**  
**BALANCE SHEET**

<b>CAPITAL EMPLOYED</b>	<b>Note</b>	<b>2014 shs</b>	<b>2013 shs</b>
Share Capital	6	100,000 ✓	100,000
Share application		9,900,000 ✓	9,900,000
Retained earnings		<u>8,875,149 ✓</u>	<u>1,103,870</u>
		<u>18,875,149</u>	<u>11,103,870</u>
 Non current liabilities			
Borrowings	7	<u>3,810,385</u>	<u>14,274,794</u>
		<u>22,685,534</u>	<u>25,378,664</u>
 <b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Intangible Assets			
Goodwill		<u>11,530,000 ✓</u>	<u>11,530,000</u>
Tangible assets			
Property, Plant and Equipments	8	<u>3,736,867 ✓</u>	<u>4,364,338</u>
		<u>15,266,867</u>	<u>15,894,338</u>
 <b>Current assets</b>			
Trade and other receivables	9	3,611,591 ✓	4,414,793
Cash and cash equivalents	12	(4,729,359)	483,493
Inventories	10	<u>35,258,557 ✓</u>	<u>24,295,893</u>
		<u>34,140,789</u>	<u>29,194,180</u>
 <b>Current liabilities</b>			
Trade and other payables	11	22,918,487 ✓	19,236,766
Tax payable		<u>3,803,635 ✓</u>	<u>473,087</u>
 <b>Net current assets</b>		<u>7,418,667</u>	<u>9,484,326</u>
		<u>22,685,534</u>	<u>25,378,664</u>

The financials statements on pages 5 to 13 were approved for issue by the board of directors on ..... and were signed on its behalf by:

 .....Director

 .....Director



**NAIROBI BUSINESS VENTURES LTD**  
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**STATEMENT OF CHANGES IN EQUITY**

	<b>Share capital Shs</b>	<b>Share application Shs</b>	<b>Retained earnings Shs</b>	<b>Total Shs</b>
<b>Period ended 31st March 2013</b>				
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	<u>100,000</u>	<u>9,900,000</u>	<u>1,103,870</u>	<u>11,103,870</u>
<b>Period ended 31st March 2014</b>				
At start of year	100,000	9,900,000	1,103,870	1,203,870
Profit for the year	-	-	7,771,279	7,771,279
At end of year	<u>100,000</u>	<u>9,900,000</u>	<u>8,875,149</u>	<u>18,875,149</u>

**NAIROBI BUSINESS VENTURES LTD**  
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**CASH FLOW STATEMENT**

	<b>Note</b>	<b>2014 Shs</b>	<b>2013 Shs</b>
<b>Operating Activities</b>			
Profit before tax	4	11,101,827	1,576,957
Adjustments for:			
Depreciation on property, plant and equipment	8	627,471	744,993
Interest		1,516,404	508,391
Changes in operating assets and liabilities			
- Decrease / (increase) in trade and other receivables	9	803,203	(4,414,793)
- Decrease / (Increase) in trade and other payables	11	3,681,721	19,236,766
- Decrease / (increase) in inventories	10	(10,962,664)	(24,295,893)
Cash (used in)/generated from operations			
- interest paid		(1,516,404)	(508,391)
Net cash (used in)/generated from operating activities		<u>5,251,557</u>	<u>(7,151,970)</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment	8	0	(5,109,331)
Increase in intangible assets - Goodwill		0	(11,530,000)
Net cash generated from (used in) investing activities		<u>0</u>	<u>(16,639,331)</u>
<b>Financing activities</b>			
Cash from Share capital introduced	6	0	100,000
Share application		0	9,900,000
Net movement in borrowings	7	(10,464,409)	14,274,794
		<u>(10,464,409)</u>	<u>24,274,794</u>
Increase in cash and cash equivalents		<u>(5,212,854)</u>	<u>483,492</u>
<b>Movement in cash and cash equivalents</b>			
At the start of the year		483,493	0
increase		<u>(5,212,854)</u>	<u>483,492</u>
At the end of the period	12	<u>(4,729,359)</u>	<u>483,493</u>

## **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 of 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 in 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 reviewed at each reporting date and is adjusted to 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.

**NAIROBI BUSINESS VENTURES LTD**  
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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.

**NAIROBI BUSINESS VENTURES LTD**  
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**FOR THE PERIOD ENDED 31ST MARCH 2014**

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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.

**NAIROBI BUSINESS VENTURES LTD**  
**Annual report and financial statements**  
**FOR THE PERIOD ENDED 31ST MARCH 2014**

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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2014</b>	<b>2013</b>
	<b>Shs</b>	<b>Shs</b>
<b>3 Revenue</b>		
Sale of goods	<u>71,972,163</u>	<u>45,255,091</u>
<b>4 Profit before tax</b>		
The following items have been charged in arriving at profit before tax:		
Depreciation	627,471	744,993
Auditors Remuneration	60,000	60,000
Operating lease rentals	<u>13,322,796</u>	<u>10,921,759</u>
<b>5 Income tax expense</b>		
Current tax	<u>3,330,548</u>	<u>473,087</u>
Income tax is calculated at 30 percent of the estimated assessable profit for the year.		
<b>6 Share capital</b>		
<b>Authorized, issued and fully paid:</b>		
1000 ordinary shares of Shs 100 each	<u>100,000</u>	<u>100,000</u>
The total number of authorized ordinary shares is 1,000 with a par value of Shs. 100each.		
<b>7 Borrowings</b>		
The borrowings are made up as follows		
<b>Non Current</b>		
Bank loan	<u>28,125,000</u>	<u>0</u>
<b>Non - current</b>		
Shareholders loan account	<u>(24,314,615)</u>	<u>14,274,794</u>
	<u>3,810,385</u>	<u>14,274,794</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

**8 Property, Plant and Equipment**

Depreciation is calculated to write off 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			

	<b>Furniture, fittings and equipment Shs</b>	<b>Software Shs</b>	<b>Computer Fax and copiers Shs</b>	<b>Total Shs</b>
<b>Year 2014</b>				
<b>Cost</b>				
At start of year	3,930,322	1,000,000	179,009	5,109,331
Additions	0	0	0	0
Disposal	0	0	0	0
At end year	3,930,322	1,000,000	179,009	5,109,331
<b>Depreciation</b>				
At start of year	491,290	200,000	53,703	744,993
Charge for the year	429,879	160,000	37,592	627,471
At end year	921,169	360,000	91,295	1,372,464
<b>Net book value</b>				
At 31 st March 2014	3,009,153	640,000	87,715	3,736,867
At 31 st March 2013	3,439,031	800,000	125,306	4,364,338

**NAIROBI BUSINESS VENTURES LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**9 Trade and other receivables**

	<b>2014</b>	<b>2013</b>
	<b>Shs</b>	<b>Shs</b>
<b>Current</b>		
Trade debtors and Deposits	<u>3,611,591</u>	<u>4,414,793</u>

**10 Inventories**

Inventories	<u>35,258,557</u>	<u>24,295,893</u>
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**11 Trade and other payables**

Trade payables	20,933,989	18,140,596
Accrued expenses and other payables	<u>1,984,498</u>	<u>1,096,170</u>
	<u>22,918,487</u>	<u>19,236,766</u>

**12 Cash and cash equivalents**

Cash at bank and in hand	<u>(4,729,359)</u>	<u>483,493</u>
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**NAIROBI BUSINESS VENTURES LTD**  
**Annual report and financial statements**  
**FOR THE PERIOD ENDED 31ST MARCH 2014**

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**SCHEDULE OF OPERATING EXPENDITURE**

	<b>2014 Shs</b>	<b>2013 Shs</b>
<b>1 ADMINISTRATIVE EXPENSES</b>		
<b>Employment:</b>		
Salaries and wages	6,549,563	5,280,621
Staff Expenses	54,006	37,440
	<hr/>	<hr/>
<b>Total employment costs</b>	<b>6,603,569</b>	<b>5,318,061</b>
	<hr/>	<hr/>
<b>Other administration expenses:</b>		
Postages and telephones	55,632	71,343
Advertisement and Promotion	1,731,432	1,619,769
Entertainment and Traveling	95,685	170,565
Printing and stationery	51,600	189,586
Audit fees	60,000	60,000
Legal fees	708,420	333,240
Professional fees	376,900	166,268
Bank charges and commissions	100,542	363,899
	<hr/>	<hr/>
<b>Total other administrative expenses</b>	<b>3,180,211</b>	<b>2,974,670</b>
	<hr/>	<hr/>
<b>Total administrative expenses</b>	<b>9,783,780</b>	<b>8,292,731</b>
	<hr/>	<hr/>
<b>2 ESTABLISHMENT EXPENSES</b>		
Rent , Rates and Licenses	13,322,796	10,921,759
Electricity and Water	628,166	660,627
Insurance	712,168	596,522
Security	1,141,580	1,050,492
Depreciation of property, plant and equipment	627,471	744,993
Repairs	761,932	469,579
	<hr/>	<hr/>
<b>Total establishment expenses</b>	<b>17,194,113</b>	<b>14,443,971</b>
	<hr/>	<hr/>
<b>3 FINANCE COSTS</b>		
Interest	1,516,404	508,391
	<hr/>	<hr/>
<b>Total Finance Costs</b>	<b>1,516,404</b>	<b>508,391</b>
	<hr/>	<hr/>

**NAIROBI BUSINESS VENTURES LTD**  
**TAX COMPUTATION**  
**PIN NO. P051381326Q**  
**PERIOD ENDED: 31ST MARCH 2014**  
**PERIOD COVERED: 12 MONTHS**

**1. TAX COMPUTATION**

	<b>Shs</b>	<b>Shs</b>
Profit before tax as per financial statements		11,101,827
Add: Depreciation on property, plant and equipment	627,471	
	<u>627,471</u>	627,471
		<u>11,729,298</u>
Wear and tear allowance	<u>627,471</u>	<u>(627,471)</u>
<b>Adjusted taxable Profit</b>		<u>11,101,827</u>
<b>Tax at 30%</b>		<u>3,330,548</u>

**2. WEAR AND TEAR SCHEDULE**

	<b>Class II 30% Shs</b>	<b>Class III 25% Shs</b>	<b>Class IV 12.50% Shs</b>	<b>Software 20% Shs</b>	<b>Total Shs</b>
W.D.V at 1st April 2013	125,306	-	3,439,031	800,000	4,364,338
Disposals	-	-	-	-	-
Additions	-	-	-	-	-
	<u>125,306</u>	<u>-</u>	<u>3,439,031</u>	<u>800,000</u>	<u>4,364,338</u>
Wear and tear allowance	<u>(37,592)</u>	<u>0</u>	<u>(429,879)</u>	<u>(160,000)</u>	<u>(627,471)</u>
W.D.V at 31st March 2014	<u>87,715</u>	<u>0</u>	<u>3,009,153</u>	<u>640,000</u>	<u>3,736,867</u>

**3. TAX ACCOUNT**

Tax liability for 2014	3,330,548
<b>Tax a/c</b>	<u>(3,330,548)</u>