

**NAIROBI BUSINESS VENTURES LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE THREE YEARS**  
**ENDED 31 MARCH 2015**

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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.

## **REPORT OF THE DIRECTORS**

The directors submit their report together with the audited financial statements of the company for the period ended 31st March 2015 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**

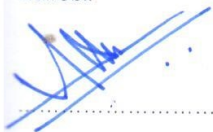
The directors who held office during the period and to the date of this report are shown on Page

## **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.





**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 31st March 2015 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



**SWALY & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS (KENYA)

P.O. Box 42213 - 00100 NAIROBI • KENYA  
TEL: 6003118 • FAX: 6002287  
Email: jitu@swaly.com

## Auditors Report

### INTRODUCTION

We are pleased to present the audited consolidated financial statements for Nairobi Business Ventures Limited set out on pages 4 to 22 for the three years ended 31st March 2015 in accordance with the requirements of section 6 and Part A of the Third Schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.

The directors of the Company are responsible for the preparation of the Listing Statement and all the information contained therein and for the financial statements and financial information to which our Auditors' Report relates. Our responsibility is to review and compile the financial information set out in our report from the financial statements. Other than as stated in our Auditors' Report, we have not audited any other information relating to the company.

The financial information set out in this report is compiled by reference to the audited financial statements of the group for the three years ended 31st March 2015 in accordance with the International Standard on Related Services (ISRS) 4410 on Engagements to Compile Financial Statements.

### REVIEW PROCEDURES

We have carried out a review of the audited financial statements of the company for the three years ended 31st March 2015. Our review was carried out in accordance with the International Standard on Review Engagement (ISRE) 2400 on Engagements to Review Financial Statements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to enquiries of the management, previous auditors and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have made enquiries of the management about the operations of the company and its accounting practices and principles.

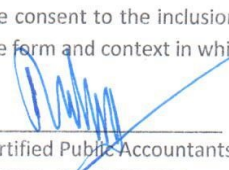
We have audited the financial statements for the years ended 31st March 2015. Our audit was conducted in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Where necessary we have adjusted the financial statement to conform with changes in accounting policies applied in the latest year.

### OPINION

Based on our review, nothing has come to our attention that causes us to believe, except for the note 6 on accounts that the audited consolidated financial statements of Nairobi Business Ventures Limited for the three years to 31st March 2015 do not give a true and fair view in accordance with International Financial Reporting Standards.

### CONSENT

We consent to the inclusion of this report in the Listing Statements to be issued on or about 31st March 2015 in the form and context in which it appears.

  
Certified Public Accountants  
PIN NO. A000119360M  
NAIROBI

**SWALY & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS  
P.O. BOX 42213 - 00100  
NAIROBI - KENYA

26.6.2015

**Mr. Jitendra T. Swaly**

B.Com, DBM, ACA, M.B.A, CPA, CPS, AKIM IOD

PHONE: +254 737 350969 / +254 736 012865

Nairobi Business Ventures Limited  
Financial Statements  
For the three years ended 31 March 2015

**STATEMENT OF PROFIT OR LOSS**

		12 months to 31 March		
	Notes	2,015 Shs	2014 Shs	2013 Shs
Revenue	2	74,139,620	71,972,163	45,255,091
Cost of sales		<u>(31,285,301)</u>	<u>(32,376,038)</u>	<u>(20,433,040)</u>
<b>Gross profit</b>		42,854,320	39,596,125	24,822,051
Administrative expenses		(8,107,662)	(9,783,780)	(8,292,731)
Other operating expenses		<u>(19,542,366)</u>	<u>(17,194,113)</u>	<u>(14,443,972)</u>
<b>Operating profit</b>	3	15,204,292	12,618,232	2,085,348
Finance costs	5	<u>(11,285,736)</u>	<u>(1,516,404)</u>	<u>(508,391)</u>
<b>Profit before tax</b>		3,918,556	11,101,828	1,576,957
Tax (charge)	6	<u>(1,175,567)</u>	<u>(3,330,548)</u>	<u>(473,087)</u>
<b>Profit for the period/year</b>		<u><u>2,742,989</u></u>	<u><u>7,771,280</u></u>	<u><u>1,103,870</u></u>

Nairobi Business Ventures Limited  
Financial Statements  
For the three years ended 31 March 2015

**STATEMENT OF FINANCIAL POSITION**

		As at 31 March		
	Notes	2015 Shs	2014 Shs	2013 Shs
<b>CAPITAL EMPLOYED</b>				
Share capital	7	18,000,000	100,000	100,000
Capital pending allotment			9,900,000	9,900,000
Retained earnings		11,618,139	8,875,150	1,103,870
<b>Reserves &amp; Surplus</b>				
Revaluation of Assets		15,802,334	-	-
<b>Shareholders' funds</b>		45,420,473	18,875,150	11,103,870
<b>Non-current liabilities</b>				
Borrowings	8	24,829,285	28,125,000	14,274,794
		70,249,758	47,000,150	25,378,664
<b>REPRESENTED BY</b>				
<b>Non-current assets</b>				
Property and equipment	9	18,406,337	3,096,867	3,564,338
Intangible assets	10	11,004,060	12,170,000	12,330,000
		29,410,397	15,266,867	15,894,338
<b>Current assets</b>				
Inventories	11	74,323,336	35,258,557	24,295,893
Trade and other receivables	12	7,427,236	27,926,206	4,414,793
Cash and cash equivalents	13	599,070	1,041,939	483,493
		82,349,642	64,226,702	29,194,179
<b>Current liabilities</b>				
Trade and other payables	14	3,259,154	22,918,487	19,236,766
Borrowings	8	33,271,925	5,771,298	-
Tax payable		4,979,202	3,803,634	473,087
		41,510,281	32,493,419	19,709,853
<b>Net current assets</b>		40,839,361	31,733,283	9,484,326
		70,249,758	47,000,150	25,378,664

*Nairobi Business Ventures Limited*  
*Financial Statements*  
*For the three years ended 31 March 2015*

**STATEMENT OF CHANGES IN EQUITY**

	Ordinary Share capital Shs	Capital pending allotment Shs	Retained earnings Shs	Total Shs
<b>Year ended 31 March 2013</b>				
<b>Transactions with owners:</b>				
- Issue of ordinary share capital	100,000		-	100,000
- Capital pending allotment	-	9,900,000	-	9,900,000
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>Year ended 31 March 2014</b>				
At start of year	100,000	9,900,000	1,103,870	11,103,870
Profit for the year	-	-	7,771,280	7,771,280
At end of year	<u>100,000</u>	<u>9,900,000</u>	<u>8,875,150</u>	<u>18,875,150</u>
<b>Year ended 31 March 2015</b>				
At start of period	18,000,000	-	8,875,150	26,875,150
Profit for the period	-	-	2,742,989	2,742,989
At end of period	<u>18,000,000</u>	<u>0</u>	<u>11,618,138</u>	<u>29,618,138</u>

Nairobi Business Ventures Limited  
Financial Statements  
For the three years ended 31 March 2015

**STATEMENT OF CASH FLOWS**

	Notes	12 months to 31 March		
		2015 Shs	2014 Shs	2013 Shs
<b>Operating activities</b>				
Cash (used in)/from operations	15	(21,937,698)	6,767,963	(6,643,579)
Interest paid		(10,132,736)	(1,516,404)	(508,391)
Tax		-	-	-
Net cash (used in)/from operating activities		(32,070,434)	5,251,559	(7,151,970)
<b>Investing activities</b>				
Cash paid for purchase of property and equipment	9	(467,086)	-	(4,109,331)
Cash paid for purchase of software	10	(110,260)	-	(1,000,000)
Cash paid for purchase of intangible assets	10	-	-	(11,530,000)
Net cash (used in) investing activities		(577,346)	-	(16,639,331)
<b>Financing activities</b>				
Proceeds from borrowings:				
- Bank loans		(3,295,715)	28,125,000	-
- shareholders loan		-	-	14,274,794
Repayment of borrowings:				
- shareholders loan		-	(38,589,411)	-
Share capital		-	-	100,000
Cash from share capital introduced		8,000,000	-	9,900,000
Net cash from/(used in) financing activities		4,704,285	(10,464,411)	24,274,794
Decrease/(increase) in cash and cash equivalents		(27,943,496)	(5,212,852)	483,493
<b>Movements in cash and cash equivalents</b>				
At start of period/year		(4,729,359)	483,493	-
(Decrease)/increase		(27,943,496)	(5,212,852)	483,493
At end of period/year	13	(32,672,855)	(4,729,359)	483,493

## 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 March 2015, the company generated a profit of Shs. 3.2 million, used cash of Shs. 26 million in operations and had a net current asset position of Shs. 26 million. The company has a strong pipeline of ongoing project development with the primary requirement being availability of cash for continued development which the directors expect to raise successfully in the current proposed fixed income security issue to which this information memorandum relates.

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 2014

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 2014 or 1 April 2015 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 2014, 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 December 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.



**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:

	<b>Rate %</b>
Furniture and fittings	12.50
Computer equipment	30.00

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.

**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.

**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.

**NOTES TO THE AUDITOR'S REPORT**

	12 months to 31 March		
	2015 Shs	2014 Shs	2013 Shs
<b>2. Revenue</b>			
Revenue from sale of goods	74,139,620	71,972,163	45,255,091
<b>3. Operating profit</b>			
Depreciation on property, plant and equipment (Note 8)	959,951	627,471	744,993
Auditors' remuneration	60,000	60,000	60,000
Operating lease rentals	15,042,851	13,322,796	10,921,759
<b>4. Staff costs</b>			
Salaries and wages	5,683,415	6,549,563	5,280,621
Other staff costs	283,351	54,006	37,440
	5,966,766	6,603,569	5,318,061
<b>5. Finance costs</b>			
Loan interest	5,049,112	1,164,580	-
Bank overdraft interest	5,083,624	351,824	508,391
Amortisation of Goodwill	1,153,000		
	11,285,736	1,516,404	508,391
Amortisation is considered for 10 years of 10% of the goodwill paid.			
<b>6. Tax</b>			
Current tax	1,175,567	3,330,548	473,087
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	3,918,556	11,101,828	1,576,957
Tax calculated at a tax rate of 30%	1,175,567	3,330,548	473,087
Tax effect of:			
- expenses not deductible for tax purposes	0	0	-
	1,175,567	3,330,548	473,087
Self assessment taxes have remained unpaid.			
<b>7. Share capital</b>			
<b>Authorised, issued and fully paid:</b>			
18,000,000 ordinary shares of Shs. 1 each	18,000,000	100,000	100,000

**NOTES TO THE AUDITOR'S REPORT (CONTINUED)**

**8. Borrowings**

	<b>12 months to 31 March</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
The borrowings are made up as follows:			
<b>Non-current</b>			
Bank loans	24,829,285	28,125,000	-
Shareholders' loans (Note 16)	-	-	14,274,794
	<u>24,829,285</u>	<u>28,125,000</u>	<u>14,274,794</u>
<b>Current</b>			
Bank loans			
Bank overdraft	33,271,925	5,771,298	-
	<u>58,101,210</u>	<u>33,896,298</u>	<u>14,274,794</u>

**Total borrowings**

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:

Bank overdraft 16.5%

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:

	<b>12 months to 31 March</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
Kenya Shillings	58,073,841	33,896,298	14,274,794
United States Dollar	27,369	-	-
	<u>58,101,210</u>	<u>33,896,298</u>	<u>14,274,794</u>

**NOTES TO THE AUDITOR'S REPORT (CONTINUED)**

**9. Property and equipment**

**Year ended 31 March 2015**

	<b>Furniture and fittings Shs</b>	<b>Computer equipment Shs</b>	<b>Total Shs</b>
<b>Cost</b>			
At start of period	3,930,322	179,009	4,109,331
Additions	44,086	423,000	467,086
Additions(Revaluation of Assets)	15,533,793	268,541	15,802,334
At end of period	19,508,202	870,550	20,378,752
<b>Depreciation</b>			
At start of period	921,169	91,295	1,012,464
Charge for the period	856,389	103,562	959,951
At end of period	1,777,558	194,857	1,972,415
<b>Net book value</b>	17,730,644	675,693	18,406,337

**Year ended 31 March 2014**

	<b>Furniture and fittings Shs</b>	<b>Computer equipment Shs</b>	<b>Total Shs</b>
<b>Cost</b>			
At start and end of year	3,930,322	179,009	4,109,331
<b>Depreciation</b>			
At start of year	491,290	53,703	544,993
Charge for the year	429,879	37,592	467,471
At end of year	921,169	91,295	1,012,464
<b>Net book value</b>	3,009,153	87,714	3,096,867

**Year ended 31 March 2013**

	<b>Furniture and fittings Shs</b>	<b>Computer equipment Shs</b>	<b>Total Shs</b>
<b>Cost</b>			
At start of year	-	-	-
Additions	3,930,322	179,009	4,109,331
At end of year	3,930,322	179,009	4,109,331
<b>Depreciation</b>			
At start of year	491,290	53,703	544,993
Charge for the year	491,290	53,703	544,993
At end of year	491,290	53,703	544,993
<b>Net book value</b>	3,439,032	125,306	3,564,338

**NOTES TO THE AUDITOR'S REPORT (CONTINUED)**

**10. Intangible assets - software**

	<b>As at 31 March</b>		
	<b>2015 Shs</b>	<b>2014 Shs</b>	<b>2013 Shs</b>
<b>Cost</b>			
At start of period/year	1,000,000	1,000,000	-
Additions	110,260	-	1,000,000
At end of period/year	1,110,260	1,000,000	1,000,000
<b>Accumulated amortisation</b>			
At start of period/year	360,000	200,000	-
Amortisation for the period/year	123,200	160,000	200,000
At end of period/year	483,200	360,000	200,000
<b>Carrying amount</b>	627,060	640,000	800,000
<b>Goodwill</b>			
Goodwill	11,530,000	11,530,000	11,530,000
Amortisation for the period/year	1,153,000		
	10,377,000	11,530,000	11,530,000
	11,004,060	12,170,000	12,330,000

**11. Inventories**

Inventories	74,323,336	35,258,557	24,295,893
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**12. Trade and other receivables**

	<b>As at 31 March</b>		
	<b>2015 Shs</b>	<b>2014 Shs</b>	<b>2013 Shs</b>
<b>Current</b>			
Trade debtors and deposits	7,427,236	1,462,491	4,414,793
Receivable from related parties (Note 16)	-	26,463,715	-
	7,427,236	27,926,206	4,414,793

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**

	<b>As at 31 March</b>		
	<b>2014 Shs</b>	<b>2014 Shs</b>	<b>2013 Shs</b>
Cash at bank and in hand	599,070	1,041,939	483,493

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

Cash at bank and in hand	599,070	1,041,939	483,493
Bank overdraft (Note 8)	(33,271,925)	(5,771,298)	-
	(32,672,855)	(4,729,359)	483,493

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

**NOTES TO THE AUDITOR'S REPORT (CONTINUED)**

**14. Trade and other payables**

	2015 Shs	As at 31 March 2014 Shs	2013 Shs
<b>Current</b>			
Trade payables	2,731,884	20,933,989	18,140,596
Accrued expenses and other payables	527,270	1,984,498	1,096,170
	<u>3,259,154</u>	<u>22,918,487</u>	<u>19,236,766</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 2015**

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	1,294,150	888,725	549,010	2,731,884
Accruals	527,270	-	-	527,270
	<u>1,821,420</u>	<u>888,725</u>	<u>549,010</u>	<u>3,259,154</u>

**Year ended 31 March 2014**

Trade payables	11,455,730	2,782,204	6,696,055	20,933,989
Accruals	1,984,498	-	-	1,984,498
	<u>13,440,228</u>	<u>2,782,204</u>	<u>6,696,055</u>	<u>22,918,487</u>

**Year ended 31 March 2013**

Trade payables	5,814,448	9,672,964	2,653,184	18,140,596
Accruals	1,096,170	-	-	1,096,170
	<u>6,910,618</u>	<u>9,672,964</u>	<u>2,653,184</u>	<u>19,236,766</u>

**15. Cash from operations**

Reconciliation of profit before tax to cash from operations:

	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Profit before tax	3,918,556	11,101,828	1,576,957
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment (Note 9)	959,951	467,471	544,993
Amortisation of intangible assets (Note 10)	123,200	160,000	200,000
Interest expense	11,285,736	1,516,404	508,391
Changes in working capital			
- inventories	(39,064,779)	(10,962,664)	(24,295,893)
- trade and other receivables	20,498,970	803,203	(4,414,793)
- trade and other payables	(19,659,333)	3,681,721	19,236,766
<b>Cash from/(used in) operations</b>	<u>(21,937,699)</u>	<u>6,767,963</u>	<u>(6,643,579)</u>



**NOTES TO THE AUDITOR'S REPORT (CONTINUED)**

**16. Related party transactions**

Outstanding balances	As at 31 March		
	2015 Shs	2014 Shs	2013 Shs
(i) Amount due to shareholders (Note 8)	-	-	14,274,794
(ii) Receivable from related parties (Note 12)	-	26,463,715	-

**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 2014, if interest rates at that date had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been Shs. 4,416,515 (2013: Shs. 1,668,044) higher, 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 resp

The following table details the company's remaining contractual maturity for its non-derivative fi liabilities with agreed repayment periods. The tables have been drawn up based on undiscount cash flows of financial liabilities based on the earliest date on which the company can be requir 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 2015, 31 March 2014 and 2013 were as follows:

	<b>2015 Shs</b>	<b>As at 31 March 2014 Shs</b>	<b>2013 Shs</b>
Total borrowings (Note 8)	58,101,210	33,896,298	14,274,794
Less cash and cash equivalents (Note 13)	<u>(599,070)</u>	<u>-</u>	<u>(483,493)</u>
Net debt	57,502,140	33,896,298	13,791,301
Total equity	<u>29,618,138</u>	<u>18,875,150</u>	<u>11,103,870</u>
Gearing ratio	<u>1:1.99</u>	<u>1:1.74</u>	<u>1:1.24</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).

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Nairobi Business Ventures Limited  
Financial Statements  
For the three years ended 31 March 2015  
**SCHEDULE OF EXPENDITURE**

1. ADMINISTRATIVE EXPENSES	12 months to 31 March		
	2015 Shs	2014 Shs	2013 Shs
<b>Employment:</b>			
Salaries and wages	5,683,415	6,549,563	5,280,621
Staff welfare	283,351	54,006	37,440
<b>Total employment costs</b>	<b>5,966,766</b>	<b>6,603,569</b>	<b>5,318,061</b>
<b>ADMINISTRATIVE EXPENSES</b>			
<b>Other administrative expenses:</b>			
Postages and telephones	192,634	55,632	71,343
Entertainment and travelling	428,990	95,685	170,565
Printing and stationery	391,613	51,600	189,586
Audit fees	60,000	60,000	60,000
Legal and professional fees	107,250	1,085,320	499,508
Advertisement and promotion	181,491	1,731,432	1,619,769
Bank charges and commissions	641,514	100,542	363,899
Computer expenses	137,404	-	-
<b>Total other administrative expenses</b>	<b>2,140,896</b>	<b>3,180,211</b>	<b>2,974,670</b>
<b>Total administrative expenses</b>	<b>8,107,662</b>	<b>9,783,780</b>	<b>8,292,731</b>
<b>2. OTHER OPERATING EXPENSES</b>			
<b>Establishment:</b>			
Rent	15,042,851	13,322,796	10,921,759
Electricity and water	864,068	628,166	660,627
Insurance	552,447	712,168	596,522
Security	1,347,709	1,141,580	1,050,492
Licences	416,971	-	-
Repairs and maintenance	235,169	761,932	469,579
Depreciation on property and equipment	959,951	467,471	544,993
Amortisation of intangible assets	123,200	160,000	200,000
<b>Total other operating expenses</b>	<b>19,542,366</b>	<b>17,194,113</b>	<b>14,443,972</b>
<b>3. FINANCE COSTS</b>			
Loan interest	5,049,112	1,164,580	-
Bank overdraft interest	5,083,624	351,824	508,391
Amortisation of Goodwill	1,153,000		
<b>Total finance costs</b>	<b>11,285,736</b>	<b>1,516,404</b>	<b>508,391</b>

Nairobi Business Ventures Limited  
Financial Statements  
For the three years ended 31 March 2015

**TAX COMPUTATION**

	As at 31 March 2013		As at 31 March 2014		As at 31 March 2015	
	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.
Profit as per financial statements		1,576,957		11,101,828		3,918,556
<b>Add:</b> Depreciation on property, plant and equipment	544,993		467,471		959,951	
Amortisation	<u>200,000</u>	<u>744,993</u>	<u>160,000</u>	<u>627,471</u>	<u>123,200</u>	<u>1,083,151</u>
		2,321,950		11,729,299		5,001,707
<b>Less:</b> Wear and tear allowance	<u>744,993</u>	<u>(744,993)</u>	<u>(627,471)</u>	<u>(627,471)</u>	<u>(1,083,151)</u>	<u>(1,083,151)</u>
<b>ADJUSTED PROFIT FOR THE YEAR</b>		<u>1,576,957</u>		<u>11,101,828</u>		<u>3,918,556</u>
<b>Tax at 30%</b>		<u>473,087</u>		<u>3,330,548</u>		<u>1,175,567</u>

**WEAR AND TEAR SCHEDULE**

	Class (ii) 30% KShs.	Class (iv) 12.5% KShs.	Class (iv) 20% KShs.	Total KShs.	Class (ii) 30% KShs.	Class (iv) 12.5% KShs.	Class (iv) 20% KShs.	Total KShs.	Class (ii) 30% KShs.	Class (iv) 12.5% KShs.	Class (iv) 20% KShs.	Total KShs.
<b>Written down values brought forward</b>	-	-	-	-	125,306	3,439,032	800,000	4,364,338	87,714	3,009,153	640,000	3,736,867
Additions	179,009	3,930,322	1,000,000	5,109,331	-	-	-	0	691,541	15,577,880	110,260	16,379,681
Disposal	-	-	-	-	-	-	-	-	-	-	-	-
	<u>179,009</u>	<u>3,930,322</u>	<u>1,000,000</u>	<u>5,109,331</u>	<u>125,306</u>	<u>3,439,032</u>	<u>800,000</u>	<u>4,364,338</u>	<u>779,255</u>	<u>18,587,032</u>	<u>750,260</u>	<u>20,116,548</u>
Wear and tear allowance	<u>(53,703)</u>	<u>(491,290)</u>	<u>(200,000)</u>	<u>(744,993)</u>	<u>(37,592)</u>	<u>(429,879)</u>	<u>(160,000)</u>	<u>(627,471)</u>	<u>(103,562)</u>	<u>(856,389)</u>	<u>(123,200)</u>	<u>(1,083,151)</u>
<b>Written down values carried forward</b>	<u>125,306</u>	<u>3,439,032</u>	<u>800,000</u>	<u>4,364,338</u>	<u>87,714</u>	<u>3,009,153</u>	<u>640,000</u>	<u>3,736,867</u>	<u>675,694</u>	<u>17,730,643</u>	<u>627,060</u>	<u>19,033,397</u>