NAIROBI BUSINESS VENTURES LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
31 MARCH 2016

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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' RESPONSIBILITEIS

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 resposibility 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 2016 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 DIRECTORS

The directors submit their report togather with the audited financial statements of the company for the period ended 31 March 2016 which disclose the state of affairs of the company.

PRINCIPAL ACTIVITES

The Prinicipal 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 repost 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.

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SWALY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS (KENYA)

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

REPORT OF THE INDEPENDENT AUDITORS
To the members of
NAIROBI BUSINESS VENTURES LIMITED

Report on the Financial Statements

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 2016 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.

Board's Responsibility for the Financial Statements

The board members are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the officials determine is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 officials, 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 organisation as at 31st March 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards

Mr. Jitendra T. Swaly

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the Statement of the Financial Position of the company as at 31st March 2016 and of the results and cash flows of the company for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act (Cap. 486).

Report on Other Legal Requirements

As required by the Kenyan Companies Act, we report to you, based on our audit that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books;

iii) The company's Statement of financial position and statement of financial performance are 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.

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

Swaly & Company
Certified Public Accountants

Nairobi

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STATEMENT OF PROFIT OR LOSS

	Notes	2016 Shs	12 months to 31 March 2015 Shs	2014 Shs	2013 Shs
Revenue	2	85,107,960	74,139,620	71,972,163	45,255,091
Cost of sales		(31,440,474)	(31,285,301)	(32,376,038)	(20,433,040)
Gross profit		53,667,486	42,854,320	39,596,125	24,822,051
Administrative expenses		(10,538,367)	(8,107,662)	(9,783,780)	(8,292,731)
Other operating expenses		(25,613,486)	(19,542,366)	(17,194,113)	(14,443,972)
Operating profit	3	17,515,633	15,204,292	12,618,232	2,085,348
Finance costs	5	(11,196,876)	(11,285,736)	(1,516,404)	(508,391)
Profit before tax		6,318,757	3,918,556	11,101,828	1,576,957
Tax (charge)	6	(1,895,627)	(1,175,567)	(3,330,548)	(473,087)
Profit for the period/year		4,423,130	2,742,989	7,771,280	1,103,870

STATEMENT OF FINANCIAL POSITION

	Notes	2016 Shs	2015 Shs	2014 Shs	2013 Shs
		As at 31 March			
CAPITAL EMPLOYED					
Share capital	7	18,000,000	18,000,000	100,000	100,000
Capital pending allotment				9,900,000	9,900,000
Retained earnings		16,041,269	11,618,139	8,875,150	1,103,870
Reserves & Surplus					
Revaluation of Assets		15,802,334	15,802,334	-	-
Shareholders' funds		49,843,603	45,420,473	18,875,150	11,103,870
Non-current liabilities					
Borrowings	8	66,468,901	24,829,285	28,125,000	14,274,794
		116,312,504	70,249,758	47,000,150	25,378,664
REPRESENTED BY					
Non-current assets					
Property and equipment	9	38,648,265	18,406,337	3,096,867	3,564,338
Intangible assets	10	9,840,948	11,004,060	12,170,000	12,330,000
		48,489,213	29,410,397	15,266,867	15,894,338
Current assets					
Inventories	11	81,524,621	74,323,336	35,258,557	24,295,893
Trade and other receivables	12	24,565,972	7,427,236	27,926,206	4,414,793
Cash and cash equivalents	13	834,158	599,070	1,041,939	483,493
		106,924,751	82,349,642	64,226,702	29,194,179
Current liabilities					
Trade and other payables	14	15,484,941	3,259,154	22,918,487	19,236,766
Borrowings	8	21,720,892	33,271,925	5,771,298	-
Tax payable		1,895,627	4,979,202	3,803,634	473,087
		39,101,460	41,510,281	32,493,419	19,709,853
Net current assets		67,823,291	40,839,361	31,733,283	9,484,326
		116,312,504	70,249,758	47,000,150	25,378,664

STATEMENT OF CHANGES IN EQUITY

	Ordinary Share capital Shs	Capital pending allotment Shs	Retained earnings Shs	Total Shs
Year ended 31 March 2013				
Transactions with owners:				
- 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	100,000	9,900,000	1,103,870	11,103,870
Year ended 31 March 2014				
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	100,000	9,900,000	8,875,150	18,875,150
Year ended 31 March 2015				
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	18,000,000	0	11,618,138	29,618,138
Year ended 31 March 2016				
At start of period	18,000,000	-	11,618,138	29,618,138
Profit for the period	-	-	4,423,130	4,423,130
At end of period	18,000,000	0	16,041,268	34,041,268

STATEMENT OF CASH FLOWS

	Notes	2016 Shs	12 months to 31 March 2015 Shs	2014 Shs	2013 Shs
Operating activities					
Cash (used in)/from operations	15	8,665,511	(21,937,698)	6,767,963	(6,643,579)
Interest paid		(10,159,176)	(10,132,736)	(1,516,404)	(508,391)
Tax		(4,979,202)	-	-	-
Net cash (used in)/from operating activities		(6,472,867)	(32,070,434)	5,251,559	(7,151,970)
Investing activities					
Cash paid for purchase of property and equipment	9	(23,380,628)	(467,086)	-	(4,109,331)
Cash paid for purchase of software	10	0	(110,260)	-	(1,000,000)
Cash paid for purchase of intangible assets	10	0	-	-	(11,530,000)
Net cash (used in) investing activities		(23,380,628)	(577,346)	-	(16,639,331)
Financing activities					
Proceeds from borrowings:					
- Bank loans		41,639,616	(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		41,639,616	4,704,285	(10,464,411)	24,274,794
(Decrease)/increase in cash and cash equivalents		11,786,121	(27,943,496)	(5,212,852)	483,493
Movements in cash and cash equivalents					
At start of period/year		(32,672,855)	(4,729,359)	483,493	-
(Decrease)/increase		11,786,121	(27,943,496)	(5,212,852)	483,493
At end of period/year	13	(20,886,734)	(32,672,855)	(4,729,359)	483,493

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 period ended to 31 Mar 2016, the company generated a profit of Shs. 4.4 million, used cash of Shs. 11 million in operations and had a net current asset position of Shs. 11 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 2016

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.

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 beggining 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 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:

	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.

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			
2. **Revenue**	**2016 Shs**	**2015 Shs**	**2014 Shs**	**2013 Shs**
Revenue from sale of goods	85,107,960	74,139,620	71,972,163	45,255,091
3. **Operating profit**				
Depreciation on property, plant and equipment (Note 8)	3,138,700	959,951	627,471	744,993
Auditors' remuneration	60,000	60,000	60,000	60,000
Operating lease rentals	18,107,427	15,042,851	13,322,796	10,921,759
4. **Staff costs**				
Salaries and wages	7,008,989	5,683,415	6,549,563	5,280,621
Other staff costs	384,471	283,351	54,006	37,440
	7,393,460	5,966,766	6,603,569	5,318,061
5. **Finance costs**				
Loan interest	3,866,778	5,049,112	1,164,580	-
Bank overdraft interest	6,292,398	5,083,624	351,824	508,391
Amortisation of Goodwill	1,037,700	1,153,000		
	11,196,876	11,285,736	1,516,404	508,391

Amortisation is considered for 10 years of 10% of the goodwill paid.

6. **Tax**				
Current tax	1,895,627	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	6,318,757	3,918,556	11,101,828	1,576,957
Tax calculated at a tax rate of 30%	1,895,627	1,175,567	3,330,548	473,087
Tax effect of:				
- expenses not deductible for tax purposes	(0)	0	0	-
	1,895,627	1,175,567	3,330,548	473,087

7. **Share capital**				
Authorised, issued and fully paid:				
18,000,000 ordinary shares of Shs. 1 each	18,000,000	18,000,000	100,000	100,000

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

8. Borrowings

	12 months to 31 March			
The borrowings are made up as follows:	**2016 Shs**	**2015 Shs**	**2014 Shs**	**2013 Shs**
Non-current				
Bank loans	66,468,901	24,829,285	28,125,000	-
Shareholders' loans (Note 16)	-	-	-	14,274,794
	66,468,901	24,829,285	28,125,000	14,274,794
Current				
Bank loans				
Bank overdraft	21,720,892	33,271,925	5,771,298	-
	88,189,792	58,101,210	33,896,298	14,274,794
Total borrowings				

The bank overdraft is secured by the following:

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

Loan from shareholders is unsecured.

	2016
Weighted average effective interest rates at the reporting date were as follows:	%
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:

	12 months to 31 March			
	2016 Shs	**2015 Shs**	**2014 Shs**	**2013 Shs**
Kenya Shillings	87,316,626	57,573,017	33,896,298	14,274,794
United States Dollar	873,166	528,193	-	-
	88,189,792	58,101,210	33,896,298	14,274,794

9. **Property and equipment**

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	4,812,741	298,373	5,111,115
Net book value	37,683,852	964,413	38,648,265

Year ended 31 March 2015

	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost			
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
Depreciation			
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
Net book value	17,730,644	675,693	18,406,337

Year ended 31 March 2014

	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost			
At start and end of year	3,930,322	179,009	4,109,331
Depreciation			
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
Net book value	3,009,153	87,714	3,096,867

Year ended 31 March 2013

	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost			
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
Depreciation			
At start of year			
Charge for the year	491,290	53,703	544,993
At end of year	491,290	53,703	544,993
Net book value	3,439,032	125,306	3,564,338

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

10. **Intangible assets - software**

	2016 Shs	2015 Shs	2014 Shs	2013 Shs
		As at 31 March		
Cost				
At start of period/year	1,110,260	1,000,000	1,000,000	-
Additions		110,260	-	1,000,000
At end of period/year	1,110,260	1,110,260	1,000,000	1,000,000
Accumulated amortisation				
At start of period/year	483,200	360,000	200,000	-
Amortisation for the period/year	125,412	123,200	160,000	200,000
At end of period/year	608,612	483,200	360,000	200,000
Carrying amount	501,648	627,060	640,000	800,000
Goodwill				
Goodwill	11,530,000	11,530,000	11,530,000	11,530,000
Additions				
At end of period/year	11,530,000	11,530,000	11,530,000	11,530,000
Accumulated amortisation				
At start of period/year	1,153,000			
Amortisation for the period/year	1,037,700	1,153,000		
	2,190,700	1,153,000	0	0
Carrying amount	9,339,300	10,377,000	11,530,000	11,530,000
	9,339,300	10,377,000	12,170,000	12,330,000

11. **Inventories**

Inventories	81,524,621	74,323,336	35,258,557	24,295,893

12. **Trade and other receivables**

	2016 Shs	2015 Shs	2014 Shs	2013 Shs
		As at 31 March		
Current				
Trade debtors, prepayments and deposits	24,565,972	7,427,236	1,462,491	4,414,793
Receivable from related parties (Note 16)		-	26,463,715	-
	24,565,972	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**

	2016 Shs	2015 Shs	2014 Shs	2013 Shs
		As at 31 March		
Cash at bank and in hand	834,158	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	834,158	599,070	1,041,939	483,493
Bank overdraft (Note 8)	(21,720,892)	(33,271,925)	(5,771,298)	-
	(20,886,734)	(32,672,855)	(4,729,359)	483,493

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

14. **Trade and other payables**

	As at 31 March			
	2016 Shs	2015 Shs	2014 Shs	2013 Shs
Current				
Trade payables	14,612,312	2,731,884	20,933,989	18,140,596
Accrued expenses and other payables	872,629	527,270	1,984,498	1,096,170
	15,484,941	3,259,154	22,918,487	19,236,766

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 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	3,142,476	14,612,312
Accruals	872,629	-	-	872,629
	5,867,249	6,475,217	3,142,476	15,484,941
Year ended 31 March 2015				
Trade payables	1,294,150	888,725	549,010	2,731,884
Accruals	527,270	-	-	527,270
	1,821,420	888,725	549,010	3,259,154
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
	13,440,228	2,782,204	6,696,055	22,918,487
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
	6,910,618	9,672,964	2,653,184	19,236,766

15. **Cash from operations**

Reconciliation of profit before tax to cash from operations:

	As at 31 March			
	2016 Shs	2015 Shs	2014 Shs	2013 Shs
Profit before tax	6,318,757	3,918,556	11,101,828	1,576,957
Adjustments for:				
Depreciation on property, plant and equipment (Note 9)	3,138,700	959,951	467,471	544,993
Amortisation of intangible assets (Note 10)	125,412	123,200	160,000	200,000
Interest expense & Amortaisation on Goodwill	11,196,876	11,285,736	1,516,404	508,391
Changes in working capital				
- inventories	(7,201,285)	(39,064,779)	(10,962,664)	(24,295,893)
- trade and other receivables	(17,138,735)	20,498,971	803,203	(4,414,793)
- trade and other payables	12,225,787	(19,659,333)	3,681,721	19,236,766
Cash from/(used in) operations	8,665,511	(21,937,698)	6,767,963	(6,643,579)

16. **Related party transactions**

			As at 31 March	
Outstanding balances	**2016 Shs**	**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 2016, 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 2016, 31 March 2015, 31 March 2014 and 2013 were as follows:

	As at 31 March			
	2016	**2015**	**2014**	**2013**
	Shs	**Shs**	**Shs**	**Shs**
Total borrowings (Note 8)	88,189,792	58,101,210	33,896,298	14,274,794
Less cash and cash equivalents (Note 13)	(834,158)	(599,070)	-	(483,493)
Net debt	87,355,634	57,502,140	33,896,298	13,791,301
Total equity	34,041,268	29,618,138	18,875,150	11,103,870
Gearing ratio	1:2.57	1:1.94	1:1.80	1:1.24

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

	12 months to 31 March			
Employment:	**2016 Shs**	**2015 Shs**	**2014 Shs**	**2013 Shs**
Salaries and wages	7,008,989	5,683,415	6,549,563	5,280,621
Staff welfare	384,471	283,351	54,006	37,440
Total employment costs	7,393,460	5,966,766	6,603,569	5,318,061
ADMINISTRATIVE EXPENSES				
Other administrative expenses:				
Postages and telephones	274,600	192,634	55,632	71,343
Entertainment and travelling	522,521	428,990	95,685	170,565
Printing and stationery	458,044	391,613	51,600	189,586
Audit fees	60,000	60,000	60,000	60,000
Legal and professional fees	384,179	107,250	1,085,320	499,508
Advertisement and promotion	988,234	181,491	1,731,432	1,619,769
Bank charges and commissions	333,854	641,514	100,542	363,899
Computer expenses	123,474	137,404	-	-
Total other administrative expenses	3,144,907	2,140,896	3,180,211	2,974,670
Total administrative expenses	10,538,367	8,107,662	9,783,780	8,292,731

2. OTHER OPERATING EXPENSES

Establishment:				
Rent	18,107,427	15,042,851	13,322,796	10,921,759
Electricity and water	919,218	864,068	628,166	660,627
Insurance	566,931	552,447	712,168	596,522
Security	1,389,864	1,347,709	1,141,580	1,050,492
Licences	361,950	416,971	-	-
Repairs and maintanance	1,003,984	235,169	761,932	469,579
Depreciation on property and equipment	3,138,700	959,951	467,471	544,993
Amortisation of intangible assetes	125,412	123,200	160,000	200,000
Total other operating expenses	25,613,486	19,542,366	17,194,113	14,443,972

3. FINANCE COSTS

Loan interest	3,866,778	5,049,112	1,164,580	-
Bank overdraft interest	6,292,398	5,083,624	351,824	508,391
Amortisation of Goodwill	1,037,700	1,153,000		
Total finance costs	11,196,876	11,285,736	1,516,404	508,391

TAX COMPUTATION

	As at 31 March 2013 KShs.	As at 31 March 2013 KShs.	As at 31 March 2014 KShs.	As at 31 March 2014 KShs.	As at 31 March 2015 KShs.	As at 31 March 2015 KShs.	As at 31 March 2016 KShs.	As at 31 March 2016 KShs.
Profit as per financial statements		1,576,957		11,101,828		3,918,556		6,318,757
Add: Depreciation on property, plant and equipment	544,993		467,471		959,951		3,138,700	
Amortisation	200,000	744,993	160,000	627,471	1,276,200	2,236,151	1,163,112	4,301,812
		2,321,950		11,729,299		6,154,707		10,620,569
Less: Wear and tear allowance	744,993	(744,993)	(627,471)	(627,471)	(2,236,151)	(2,236,151)	(4,301,812)	(4,301,812)
ADJUSTED PROFIT FOR THE YEAR		1,576,957		11,101,828		3,918,556		6,318,758
Tax at 30%		473,087		3,330,548		1,175,567		1,895,627

WEAR AND TEAR SCHEDULE

	Class (ii) 30% KShs.	Class (iv) 12.5% KShs.	Class (iv) 20% KShs.	Total KShs.
Written down values brought forward	-	-	-	-
Additions	179,009	3,930,322	1,000,000	5,109,331
Disposal	-	-	-	-
	179,009	3,930,322	1,000,000	5,109,331
Wear and tear allowance	(53,703)	(491,290)	(200,000)	(744,993)
Written down values carried forward	125,306	3,439,032	800,000	4,364,338

	Class (ii) 30% KShs.	Class (iv) 12.5% KShs.	Class (iv) 20% KShs.	Total KShs.
Written down values brought forward	125,306	3,439,032	800,000	4,364,338
Additions			-	0
Disposal	-	-	-	-
	125,306	3,439,032	800,000	4,364,338
Wear and tear allowance	(37,592)	(429,879)	(160,000)	(627,471)
Written down values carried forward	87,714	3,009,153	640,000	3,736,867

	Class (ii) 30% KShs.	Class (iv) 12.5% KShs.	Class (iv) 20% KShs.	Class (v) 10% KShs.	Total KShs.
Written down values brought forward	87,714	3,009,153	640,000	-	3,736,867
Additions	691,541	15,577,880	110,260	11,530,000	27,909,681
Disposal	-	-	-	-	-
	779,255	18,587,032	750,260	11,530,000	31,646,548
Wear and tear allowance	(103,562)	(856,389)	(123,200)	(1,153,000)	(2,236,151)
Written down values carried forward	675,694	17,730,643	627,060	10,377,000	29,410,397

	Class (ii) 30% KShs.	Class (iv) 12.5% KShs.	Class (iv) 20% KShs.	Class (v) 10% KShs.	Total KShs.
Written down values brought forward	675,694	17,730,643	627,060	10,377,000	29,410,397
Additions	392,236	22,988,392	0	-	23,380,628
Disposal	-	-	-	-	-
	1,067,930	40,719,036	627,060	10,377,000	52,791,025
Wear and tear allowance	(103,516)	(3,035,184)	(125,412)	(1,037,700)	(4,301,812)
Written down values carried forward	964,414	37,683,852	501,648	9,339,300	48,489,214