

NAIROBI BUSINESS VENTURES LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Nairobi Business Ventures Limited
Audited Financial statements
For the year ended 31 March 2020

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Nairobi Business Ventures Limited
Audited Financial statements
For the year ended 31 March 2020

COMPANY INFORMATION

BOARD OF DIRECTORS

: Mr.Abotula Venkata Satyanarayana Vasu
: Mr.Raja Sekhar Srungarapu
: Mr.Saili Malonza
: Mr.Kumar Harshad Seth
: Mrs. Alice Mutitu

REGISTERED OFFICE

: Sunu Apartments
: Flat No:A-3
: 1st Parklands
: P.O. Box 18638 - 00500
: Nairobi, Kenya.

INDEPENDENT AUDITOR

Jessie & Associates,
Certified Public Accountants,
: Adabu House,
: General Mathenge Drive,
: P.O. Box 43682 - 00100,
: Nairobi,
Kenya.

COMPANY SECRETARY

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

LEGAL ADVISORS

: Maina & Maina Company 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.

Nairobi Business Ventures Limited
Report of the directors
For the year ended 31 March 2020

The directors submit their report together with the audited financial statements for the year ended 31st March 2020, which disclose the state of affairs of the company.

Directorate

The directors who held office during the year and to the date of this report are set out on page 1.

Principal activities

The principal activity of the company is that of dealing in footwear.

Results and dividends

The net loss for the year of Shs.39,448,260 (2019: Shs.34,726,907) has been added to accumulated losses. The directors do not recommend the declaration of a dividend for the year. (2019: Nil)

Statement as to disclosure to the company's auditor

With respect to each director at the time of this report was approved:

- (a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware;
- (b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Terms of appointment of the auditor

Jessie & Associates continues in office in accordance with the company's Article of Association and Section 719 of the Companies Act, 2015. The director monitors the effectiveness, objectivity and independence of the auditor. The director also approves the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the board

.....
Director

Nairobi 23rd September 2020

Nairobi Business Ventures Limited
Statement of directors' responsibilities
For the year ended 31 March 2020

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the director to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors have made an assessment of the Company's ability to continue as a going concern and have prepared the Company financial statements on the basis of accounting policies applicable to a going concern. Directors have plans to revive the Company and have negotiated with the investors. In the following year, the Company will start the operations.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 23rd September 2020 and signed on its behalf by:


.....
Director


.....
Director

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Nairobi Business Ventures Limited, set out on pages 7 to 23, which comprise the balance sheet as at 31st March 2020, the profit and loss account, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, Except for the matter specified under basis for our opinion the accompanying financial statements give a true and fair view of the financial position of Nairobi Ventures Limited as at 31st March 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Institute of Certified Public Accountants Kenya Code of Ethics (ICPAK Code of Ethics) which is consistent with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements. The IESBA Code is consistent with the International Ethics Standard Board for Accountant's Board of Ethics for Professional Accountants (part A and B).

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

The continuation of the company's activities is dependent on the support of the investors, continued availability of its banking facilities and the advances from the shareholders of the company. The financial statements have been prepared on the going concern basis which assumes that this support will continue to be obtained. This basis may not be appropriate because, as at 31st March 2020 the company had a shareholders' deficit of Kshs. 91,517,729 (2019: KShs. 36,267,135/-) as a result of loss in the current year and previous financial year. Should the company be unable to continue trading, adjustments would be required to restate the assets to their realizable values to provide for any further losses which may occur and to reclassify non current assets to current assets and non current liabilities to current liabilities.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Loss of assets and gain on revaluation reserves

As described in note 3, the company reported other operating loss of Kshs. 18,008,729 (2019: Kshs. 21,506,476) which was as result of the landlords confiscating stock of goods and fixed assets for its remaining one branch (2019: two branches) of the company for non payment of rent arrears. There were no other suitable audit procedures that we could adopt to verify the accuracy of values of stocks and fixed assets confiscated by the landlords in the absence of third party documentary evidence. We relied on the information and detailed report provided by the directors as our basis for valuation of losses on stocks and fixed assets confiscated. We obtained assurance from the directors that no further liability will arise from the landlords as the value of assets attached were more than the rent arrears.

Inventory Valuation

Included in the financial statements are inventories valued at Kshs. 6,346,399 (2019: Kshs. 28,909,384) of which we did not observe the physical stock take as the Company lost control of its remaining one branch (2019: two branches) to landlords. There were no other suitable audit procedures that we could adopt to verify the quantities and values of the stock as presented by the directors. In addition the closing stocks are the directors' best estimates of the stocks at the point of loss of control and as at the year end. Due to the lack of information, we were unable to determine whether the financial performance and cash flows for the year are materially misstated.

Report on the Financial Statements(Continued)

Going Concern

The financial statements of the company have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the company's financial statements is appropriate. Management has not identified a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the company. Based on our audit of the financial statements of the company, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the company's ability to continue as a going concern.

Other Information

The directors are responsible for the other information, which comprises the Report of the directors as required by the Companies Act. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of directors for the Financial Statements

The directors are responsible for the preparation of financial statement that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act. This responsibility includes designing, implementing and maintaining such internal controls as the directors determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing , as applicable, matters related to going concern and using the going concern basis of accounting unless the director's either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The directors are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on the Financial Statements(Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA

Jitendra C. Patel - P/No 043.

Jessie & Associates
Jessie & Associates
Certified Public Accountants
P.O. Box 43682 - 00100
Nairobi
Pin No: A000151882 G
29th September
..... 2020

Nairobi Business Ventures Limited
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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2020

	Notes	2020 Shs	2019 Shs
Revenue	2	-	13,270,065
Cost of sales		<u>-</u>	<u>(6,317,517)</u>
Gross profit		-	6,952,548
Other operating loss	3	(18,008,729)	(21,506,476)
Administrative expenses		(21,175,323)	(5,571,861)
Other operating expenses		<u>(9,555)</u>	<u>(11,593,987)</u>
Operating loss	4	(39,193,607)	(31,719,776)
Finance costs	6	<u>(254,653)</u>	<u>(3,007,131)</u>
Loss before tax		(39,448,260)	(34,726,907)
Tax charge	7	<u>-</u>	<u>-</u>
Loss for the year		<u><u>(39,448,260)</u></u>	<u><u>(34,726,907)</u></u>

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BALANCE SHEET AT 31ST MARCH 2020

	Notes	2020 Shs	2019 Shs
CAPITAL EMPLOYED			
Share capital	8	38,600,000	38,600,000
Share premium	8	37,400,000	37,400,000
Accumulated losses		<u>(167,517,729)</u>	<u>(128,069,469)</u>
		(91,517,729)	(52,069,469)
Reserves & Surplus			
Revaluation of assets		<u>-</u>	<u>15,802,334</u>
Shareholders' funds		(91,517,729)	(36,267,135)
Non-current liabilities			
Borrowings	9	<u>64,465,690</u>	<u>64,298,065</u>
		<u>(27,052,039)</u>	<u>28,030,930</u>
REPRESENTED BY			
Non-current assets			
Property and equipment	10	22,295	4,214,736
Intangible assets	11	<u>-</u>	<u>7,065,193</u>
		22,295	11,279,929
Current assets			
Inventories	12	6,346,399	28,909,384
Trade and other receivables	13	551,081	20,767,209
Cash and cash equivalents	14	<u>20,241</u>	<u>20,765</u>
		6,917,721	49,697,358
Current liabilities			
Trade and other payables	15	13,603,033	12,811,988
Borrowings	9	18,493,396	18,238,743
Tax Payable		<u>1,895,626</u>	<u>1,895,626</u>
		33,992,055	32,946,357
Net current (liabilities)/assets		<u>(27,074,334)</u>	<u>16,751,001</u>
		<u>(27,052,039)</u>	<u>28,030,930</u>

The financial statements on pages 7 to 23 were approved for issue by the board of directors on
 2020 and were signed on their behalf by:


 Director


 Director

Nairobi Business Ventures Limited
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Note	Ordinary Share capital Shs	Share premium Shs	Accumulated losses Shs	Total Shs
Year ended 31 March 2019					
At start of year	8	23,600,000	22,400,000	(93,342,562)	(47,342,562)
Issue of shares	8	15,000,000	15,000,000	-	30,000,000
Loss for the year		-	-	(34,726,907)	(34,726,907)
At end of year		<u>38,600,000</u>	<u>37,400,000</u>	<u>(128,069,469)</u>	<u>(52,069,469)</u>
Year ended 31 March 2020					
At start of year	8	38,600,000	37,400,000	(128,069,469)	(52,069,469)
Loss for the year		-	-	(39,448,260)	(39,448,260)
At end of year		<u>38,600,000</u>	<u>37,400,000</u>	<u>(167,517,729)</u>	<u>(91,517,729)</u>

STATEMENT OF CASH FLOWS

	Notes	2020 Shs	2019 Shs
Operating activities			
Cash used in operations	16	15,634,185	(20,867,398)
Gain on write off on revaluation reserve		(15,802,334)	-
Interest paid		(254,653)	(2,250,648)
Net cash used in operating activities		(422,802)	(23,118,046)
Investing activities			
Cash paid for purchase of property and equipment	10	-	-
Net cash used in investing activities		-	-
Financing activities			
Proceeds from borrowings:			
- Bank loans		167,625	(10,584,129)
Cash from share capital introduced		-	15,000,000
Cash from share premium		-	15,000,000
Net cash from financing activities		167,625	19,415,871
(Decrease) in cash and cash equivalents		(255,177)	(3,702,175)
Movements in cash and cash equivalents			
At start of year		(18,217,978)	(14,515,802)
(Decrease) in cash and cash equivalent		(255,177)	(3,702,175)
At end of year	14	(18,473,155)	(18,217,978)

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 17 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 2020, the company generated a loss of Shs. 39.4 million, used cash of Shs. 0.4 million in operations and had a net liability position of Shs. 27 million.

The directors have made an assessment of the Company's ability to continue as a going concern and have prepared the Company financial statements on the bases of accounting principles applicable to a going concern. Directors have plans to revive the Company and have negotiated with the investors. In the following year, the Company will start the operations.

New and amended standards adopted by the company during the year ended 31 March 2020

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.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. These amendments do not have a material impact on the financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments. The interpretation addresses the determination of taxable profit(tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12.

NOTES

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued and not adopted in advance of the effective date.

IFRS 3: Business Combinations; IFRS 3 outlines the accounting when an acquirer obtains control of a business. Effective date 1st January 2020.

IFRS 4: Insurance Contracts; applies with limited exceptions to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. Effective date 1st January 2022.

IFRS 17: IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Effective date 1st January 2021.

IAS 1: Presentation of Financial Statements, IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 has been revised to refer to this new definition in IAS 1: Effective date 1st January 2020.

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. Effective date 1st January 2020.

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 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 year.

Nairobi Business Ventures Limited
Audited Financial statements
For the year ended 31 March 2020

NOTES (CONTINUED)

	2020 Shs	2019 Shs
2. Revenue		
Revenue from sale of goods	-	13,270,065
3. Other operating loss/(gain)		
Gain on disposal of reserves and surplus	(15,802,334)	-
Loss on stocks	22,562,985	18,524,304
Loss on assets	11,248,078	2,982,172
	18,008,729	21,506,476
4. Operating profit		
Depreciation on property, plant and equipment (Note 10)	9,555	667,807
Auditors' remuneration	150,000	150,000
Operating lease rentals	-	9,907,573
5. Staff costs		
Salaries and wages	-	2,086,554
Other staff costs	-	78,734
	-	2,165,288
6. Finance costs		
Loan interest	-	130,009
Bank overdraft interest	254,653	2,120,639
Amortisation of Goodwill	-	756,483
	254,653	3,007,131
Amortisation is considered for 10 years of 10% of the goodwill paid.		
7. Tax		
Current tax	-	-
Deferred tax	-	-
	-	-

Income tax is calculated at 30 per cent (2019: 30 per cent) of the assessable profit for the year.

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

Tax calculated at a tax rate of 30%

Tax effect of:

- expenses not deductible for tax purposes

Deferred tax

The company has not recognised deferred tax assets for the year because, on the basis of past years and future expectations, management considers it is not probable that taxable profits will be available against which the future income tax deductions can be utilised.

	No. of ordinary	Issued and fully paid up Shs	Share premium Shs
8. Share capital			
At 1st April 2018 and 31st Mar 2019	38,600,000	38,600,000	37,400,000
Issue of shares	-	-	-
At 31st March 2020	38,600,000	38,600,000	37,400,000

The total number of authorised ordinary shares is 38,600,000 (2019: 38,600,000) with a par value of Shs. 1 each.

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NOTES (CONTINUED)

9. Borrowings

	2020 Shs	2019 Shs
The borrowings are made up as follows:		
Non-current		
Bank loans	64,298,065	64,298,065
Loan from Delta international fze	<u>167,625</u>	<u>-</u>
	<u>64,465,690</u>	<u>64,298,065</u>
Current		
Bank overdraft	<u>18,493,396</u>	<u>18,238,743</u>
Total borrowings	<u><u>82,959,086</u></u>	<u><u>82,536,808</u></u>

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	2020 %
	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:

	2020 Shs	2019 Shs
Kenya Shillings	<u>82,959,086</u>	<u>82,536,808</u>
	<u><u>82,959,086</u></u>	<u><u>82,536,808</u></u>

10. Property and equipment

Year ended 31 March 2020

	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost			
At start of year	6,971,411	839,871	7,811,282
Disposal of assets	(6,971,411)	(774,871)	(7,746,282)
At end of year	-	65,000	65,000
Depreciation			
At start of year	2,986,630	609,916	3,596,546
Write off on assets	(2,986,630)	(576,766)	(3,563,396)
Charge for the year	-	9,555	9,555
At end of year	-	42,705	42,705
Net book value	-	22,295	22,295

Year ended 31 March 2019

	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost			
At start of year	11,596,724	1,101,121	12,697,845
Disposal of assets	(4,625,313)	(261,250)	(4,886,563)
At end of year	6,971,411	839,871	7,811,282
Depreciation			
At start of year	4,133,737	699,393	4,833,130
Write off on assets	(1,716,362)	(188,029)	(1,904,391)
Charge for the year	569,255	98,552	667,807
At end of year	2,986,630	609,916	3,596,546
Net book value	3,984,781	229,955	4,214,736

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NOTES (CONTINUED)

11. Intangible assets - software

	2020	2019
	Shs	Shs
Cost		
At start of year	1,110,260	1,110,260
Disposal of asset	(1,110,260)	-
At end of year	-	1,110,260
Accumulated amortisation		
At start of year	853,417	789,206
Write off on asset	(853,417)	-
Amortisation for the year	-	64,211
At end of year	-	853,417
Carrying amount	-	256,843
Goodwill		
Goodwill	11,530,000	11,530,000
Disposal of asset	(11,530,000)	-
At end of year	-	11,530,000
Accumulated amortisation		
At start of year	4,721,650	3,965,167
Write off on disposal	(4,721,650)	-
Amortisation for the year	-	756,483
	-	4,721,650
Carrying amount	-	6,808,350
Total Intangible assets	-	7,065,193

12. Inventories

Goods for sale	6,346,399	28,909,384
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13. Trade and other receivables

Current	2020	2019
	Shs	Shs
Trade debtors, deposits and other receivables	551,081	20,767,209
	551,081	20,767,209

	Fully performing	Past due but not impaired	Total
	Shs	Shs	Shs
31st March 2020			
Trade receivables	12,911	14,918,621	14,931,532
Other receivables	1,417,940	4,417,737	5,835,677
Bad debts written off	(1,430,851)	(18,785,277)	(20,216,128)
	-	551,081	551,081

In the opinion of the directors, the carrying amounts of trade ,deposits and other receivables which is approximate to their fair value have been written off as bad as these amounts are irrecoverable except for VAT recoverable amount of Kshs 551,081.

All trade and other receivables are denominated in Kenya Shillings.

14. Cash and cash equivalents

	2020	2019
	Shs	Shs
Cash at bank and in hand	20,241	20,765
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	20,241	20,765
Bank overdraft (Note 9)	(18,493,396)	(18,238,743)
	(18,473,155)	(18,217,978)

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

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NOTES (CONTINUED)

15. Trade and other payables

	2020	2019
	Shs	Shs
Current		
Trade payables	11,857,892	11,216,847
Accrued expenses and other payables	<u>1,745,141</u>	<u>1,595,141</u>
	<u>13,603,033</u>	<u>12,811,988</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 2020

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	145,200	220,200	11,492,492	11,857,892
Accruals	<u>-</u>	<u>-</u>	<u>1,745,141</u>	<u>1,745,141</u>
	<u>145,200</u>	<u>220,200</u>	<u>13,237,633</u>	<u>13,603,033</u>

Year ended 31 March 2019

Trade payables	521,698	1,442,871	9,252,278	11,216,847
Accruals	<u>156,000</u>	<u>1,015,178</u>	<u>423,963</u>	<u>1,595,141</u>
	<u>677,698</u>	<u>2,458,049</u>	<u>9,676,241</u>	<u>12,811,988</u>

16. Cash from operations

	2020	2019
	Shs	Shs
Reconciliation of profit before tax to cash from operations:		
Loss before tax	(39,448,260)	(34,726,907)
Adjustments for:		
Depreciation on property, plant and equipment (Note 10)	9,555	667,807
Amortisation of intangible assets (Note 11)	-	64,211
Interest expense & Amortisation on Goodwill	254,653	3,007,131
Loss on assets	11,248,078	2,982,172
Changes in working capital		
- inventories	22,562,986	20,671,360
- trade and other receivables	20,216,128	(261,506)
- trade and other payables	<u>791,045</u>	<u>(13,271,666)</u>
Cash used in operations	<u>15,634,185</u>	<u>(20,867,398)</u>

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 2020, 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 (CONTINUED)

17. Risk management objectives and policies (continued)

Financial risk management (continued)

(c) Liquidity risk (continued)

Notes 9 and 15 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

The gearing ratios at 31 March 2020 & 31 March 2019 were as follows:

	2020	2019
	Shs	Shs
Total borrowings (Note 9)	82,959,086	82,536,808
Less cash and cash equivalents (Note 14)	<u>(20,241)</u>	<u>(20,765)</u>
Net debt	82,938,845	82,516,043
Total equity	<u>(91,517,729)</u>	<u>(52,069,469)</u>
	<u>(8,578,884)</u>	<u>30,446,574</u>
Gearing	<u>1:(0.1)</u>	<u>1:4</u>

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NOTES (CONTINUED)

19 Earnings Per Share

Basic Earnings Per Share

The Basic earnings per share is calculated by dividing the net profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2020 Shs	2019 Shs
Loss attributable to ordinary shares		
Net loss for the year	<u>(39,448,260)</u>	<u>(34,726,907)</u>
Net loss attributable to ordinary shareholders	(39,448,260)	(34,726,907)
Weighted average number of ordinary shares outstanding	<u>38,600,000</u>	<u>38,600,000</u>
Basic earnings per share (Shs)	<u>(1.0)</u>	<u>(0.9)</u>

20 Incorporation

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

21 Presentation currency

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

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SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2020 Shs	2019 Shs
Employment:		
Salaries and wages	-	2,086,554
Staff welfare	-	78,734
Total employment costs	-	2,165,288
Other administrative expenses:		
Bad debts written off	20,216,128	-
Postages and telephones	-	111,810
Entertainment and travelling	-	247,159
Printing and stationery	-	85,742
Audit fees	150,000	150,000
Legal and professional fees	808,670	2,367,367
Advertisement and promotion	-	116,535
Bank charges and commissions	525	249,207
Computer expenses	-	78,753
Total other administrative expenses	21,175,323	3,406,573
Total administrative expenses	21,175,323	5,571,861
2. OTHER OPERATING EXPENSES		
Establishment:		
Rent	-	9,907,573
Electricity and water	-	314,881
Insurance	-	108,066
Security	-	360,000
Licences	-	71,250
Repairs and maintenance	-	100,199
Depreciation on property and equipment	9,555	667,807
Amortisation of intangible assets	-	64,211
Total other operating expenses	9,555	11,593,987
3. FINANCE COSTS		
Loan interest	-	130,009
Bank overdraft interest	254,653	2,120,639
Amortisation of Goodwill	-	756,483
Total finance costs	254,653	3,007,131