

BIASHARA NA FEDHA (VSK) LIMITED
AUDITED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER, 2019

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BIASHARA NA FEDHA (VSK) LIMITED
AUDITED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER, 2019

Independent Auditor

Crowe Erastus & Co.
Certified Public Accountants
P. O. Box 55268
00200 – City Square
NAIROBI, KENYA
Tel: +254 20 386 0513 / 386 0521 / 386 0524
Cell Phone: +254 722 39 56 11 / 733 48 78 96
Email: croweerastus@crowe.co.ke
Website: www.croweerastus.com/ke

BIASHARA NA FEDHA (VSK) LIMITED – YEAR ENDED 31 DECEMBER, 2019

COMPANY INFORMATION

Directors	:	George Morris Petty Cristian Canis Rose Wanjohi
Key Management	:	Juddie Mmosi, Country Operations Director
Registered Office	:	Western Heights 3rd Floor, Karuna Road, Westlands P.O. Box 45390 – 00100 Nairobi, KENYA
Accountants	:	Mbaya & Associates Certified Public Accountants P.O. Box 45390 – 00100 Nairobi, KENYA
Bankers	:	Kenya Commercial Bank Sarit Centre Branch P.O. Box 14959 – 00800 Nairobi, KENYA Diamond Trust Bank Garden City Branch P.O. Box 61711 – 00200 Nairobi, KENYA Stanbic Bank Kenya Ltd. The Hub Karen Branch P.O BOX 30238 Nairobi, KENYA
Independent Auditor	:	Crowe Erastus & Co., Certified Public Accountants 2 nd Floor, Morningside Office Park Ngong Road P.O. Box 55268 – 00200 Nairobi, KENYA
Company Secretary	:	Savanna Associates Certified Public Secretaries P.O Box 45390 – 00100 Nairobi, KENYA

BIASHARA NA FEDHA (VSK) LIMITED – YEAR ENDED 31 DECEMBER, 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December, 2019 which disclose the state of affairs of the company as at that date.

Principal Activity

Biashara Na Fedha (VSK) Limited principal activity is to advance loans to Partner Agents to enable financing of micro and small scale enterprises in Kenya.

Results and Dividends

The net profit for the year of KES 3,013,106/= [2018: KES 544,307/=] has been carried forward in retained earnings. The Directors do not recommend the declaration of a dividend for the year.

Directorate

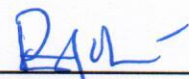
The Directors who were in office during the year and to the date of this report are listed on page 1.

Independent Auditor

Crowe Erastus & Co., Certified Public Accountants have expressed their willingness to continue in office in accordance with Section 719 (2) of the Kenyan Companies Act, No. 17 of 2015 (Laws of Kenya).

BY ORDER OF THE BOARD

(For and on its behalf)



Rose Wanjohi
(Director)

Nairobi 7th July, 2020

BIASHARA NA FEDHA (VSK) LIMITED – YEAR ENDED 31 DECEMBER, 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of Biashara Na Fedha (VSK) Limited are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of each financial year and of its operating results for that year. The Directors are required to ensure that proper accounting records that are sufficient to show and explain the transactions of the Company and disclose, with reasonable accuracy, the financial position of the Company are maintained. The Directors are also responsible for safeguarding the assets of the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgments that are reasonable in the circumstances.

Having made an assessment of the Company's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

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

Approved by the Directors on 7th July, 2020 and signed by:



Rose Wanjohi
(Director)

REPORT OF THE INDEPENDENT AUDITOR

BIASHARA NA FEDHA (VSK) LIMITED – YEAR ENDED 31 DECEMBER, 2019

Independent Opinion

We have audited the accompanying financial statements of Biashara Na Fedha (VSK) Limited set out on pages 6 to 15, which comprise the statement of comprehensive income, statement of financial position as at 31 December, 2019, the statement of changes in equity and statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Biashara na Fedha (VSK) Limited as at 31 December, 2019 and of its financial performance and its cash flows for the year ended in accordance with international financial reporting standards for small and medium-sized entities and the requirements of the Kenyan Companies Act No.17, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Biashara Na Fedha (VSK) Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's financial statements of the current year. These matters were addressed in the context of the audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed
<p>VSK principle activity is advancing loans to partners at an interest. Some loan advances are tracked manually off the accounting system.</p> <p>Due to the inherent risk of errors associated with manual tracking of partner loan balances and the significance of the loan advances to the financial statements as a whole accuracy and completeness of the Loan Receivable balances was considered a key audit matter.</p>	<p>Our audit procedures in relation to the audit matter included, among others;</p> <ul style="list-style-type: none">• Held discussions with management and reviewed adequacy of the existing control procedures in place.• Reviewed compliance with loan agreements terms that govern loan issuance and repayments.• Obtained and verified the accuracy of the sampled loan schedules and repayment transactions.

Responsibility for the Financial Statements

As stated in page 3, the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the international financial reporting standards for small and medium-sized entities and the requirements of the Kenyan Companies Act No. 17 of 2015. That responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Directors either intend to liquidate the Organization or to cease operations or have no realistic alternative but to do so.

Responsibility of the Independent Auditor

Our objectives and responsibility 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 independent auditor's report that includes our opinion.

REPORT OF THE INDEPENDENT AUDITOR (CONT...)

BIASHARA NA FEDHA (VSK) LIMITED

YEAR ENDED 31 DECEMBER, 2019

Responsibility of the Independent Auditor (Cont...)

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 skepticism throughout 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 controls.
- Obtain an understanding of internal controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of Director'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 Entity'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 Biashara Na Fedha (VSK) Limited 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the company to express an opinion on the financial statements. We are responsible for direction, supervision and performance of the audit. We remain solely responsible for our audit opinion

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 controls that we identify during our audit.

Report on Other Legal Requirements

As required by the Kenyan Companies Act, No.17 of 2015 we report to you, based on our audit, that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- c) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

CPA Francis Ugango practices in CROWE ERASTUS & Co. as a firm with other partners. The engagement partner responsible for the audit resulting in the independent auditor's report is CPA Francis Ugango – Practicing Certificate No. P/2227.

BIASHARA NA FEDHA (VSK) LIMITED**STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED 31 DECEMBER, 2019**

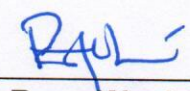
		2019	2018
	Note	KES	Restated KES
REVENUE			
Interest Income		13,075,025	9,554,535
Direct Costs	6 (a)	(4,651,627)	(2,368,076)
Gross Profit		<u>8,423,398</u>	<u>7,186,459</u>
Other Income		478,538	4,295,977
Net Income		<u>8,901,936</u>	<u>11,482,436</u>
 EXPENDITURE			
Administrative Expenses	6 (b)	5,740,849	10,705,820
Exchange Loss		147,981	232,309
Total Expenditure		<u>5,888,830</u>	<u>10,938,129</u>
Profit Before Tax		<u>3,013,106</u>	<u>544,307</u>
Income Tax Expense (Appendix I)		0	0
Profit for the year (Page 8)		<u><u>3,013,106</u></u>	<u><u>544,307</u></u>

BIASHARA NA FEDHA (VSK) LIMITED

STATEMENT OF FINANCIAL POSITION - YEAR ENDED 31 DECEMBER, 2019

		2019	2018
	Note	KES	Restated KES
ASSETS			
Non-Current Assets			
Property & Equipment	7	<u>130,369</u>	<u>165,993</u>
Current Assets			
Cash and Bank Balance	11	6,732,895	303,574
Loans Receivable	8	43,604,401	44,098,704
Interest Receivable	10	2,852,649	901,487
Related Party Receivable	15 (ii)	3,187,782	2,044,409
Shares on Call	9	2,514,347	7,399,197
Trade Receivables	12	600	39,037
Tax Receivable		4,095,330	2,972,248
Total Current Assets		<u>62,988,004</u>	<u>57,758,656</u>
Less: Current Liabilities			
Trade Payables	13	1,565,581	1,646,900
Related Party payable	15 (i)	1,769,775	(1,352,491)
Total Current Liabilities		<u>3,335,356</u>	<u>294,409</u>
Net Current Assets		<u>59,652,648</u>	<u>57,464,247</u>
Net Assets		<u>59,783,017</u>	<u>57,630,240</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	17	30,000,000	30,000,000
Retained Earnings		(3,256,543)	(6,269,649)
Net Shareholders' Equity (Page 8)		<u>26,743,457</u>	<u>23,730,351</u>
Non Current Liabilities			
Borrowings	11	33,039,560	33,899,889
Total Equity and Liabilities		<u>59,783,017</u>	<u>57,630,240</u>

These financial statements were approved by Directors on 7th July, 2020


Rose Wanjohi
 (Director)

BIASHARA NA FEDHA (VSK) LIMITED

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED 31 DECEMBER, 2019

	Ordinary Share Capital	Retained Earnings	Net Equity
	KES	KES	KES
Movement in Equity			
Year 2019			
As at 01 January, 2019	30,000,000	(6,269,649)	23,730,351
Profit for the year (Page 6)	0	3,013,106	3,013,106
As at 31 December, 2019	<u>30,000,000</u>	<u>(3,256,543)</u>	<u>26,743,457</u>
Year 2018			
As at 01 January, 2018	9,730,000	(4,670,187)	5,059,813
Prior year adjustment	0	(2,143,769)	(2,143,769)
As Restated	<u>9,730,000</u>	<u>(6,813,956)</u>	<u>2,916,044</u>
Increase in share capital	20,270,000	0	20,270,000
Profit for the year (Page 6)	0	544,307	544,307
As at 31 December, 2018	<u>30,000,000</u>	<u>(6,269,649)</u>	<u>23,730,351</u>

BIASHARA NA FEDHA (VSK) LIMITED**STATEMENT OF CASH FLOWS - YEAR ENDED 31 DECEMBER, 2019**

	2019	2018
	KES	Restated KES
Cash Flows from Operating Activities		
Profit Before Tax (Page 6)	3,013,106	544,307
Tax Paid	(1,123,082)	(1,524,591)
Adjustments for:		
Prior year adjustment	0	(2,143,769)
Depreciation	35,624	26,571
Net Exchange Loss	147,981	232,309
Working Capital Changes		
Increase in Trade and Other Receivables	(1,104,936)	(3,873,452)
Increase in Interest Receivable	(1,951,162)	(86,633)
(Decrease) / Increase in Trade and Other Payables	(81,319)	577,996
Net Cash Used in Operating Activities	(1,063,788)	(6,247,262)
Cash Flows from Investing Activities		
Acquisition of Property and Equipment	0	(100,000)
Increase / (Decrease) in Loan Advances	494,303	(8,924,430)
Net Cash From / (Used in) Investing Activities	494,303	(9,024,430)
Cash Flows from Financing Activities		
Issue of Additional Share Capital	0	20,270,000
(Decrease) / Increase in Borrowings	(860,329)	2,947,220
Shares on Call	4,884,850	(7,399,197)
(Decrease) / Increase in Intercompany Balances	3,122,266	(3,551,509)
Net Cash From Financing Activities	7,146,787	12,266,514
Net Increase / (Decrease) in Cash and Cash Equivalents	6,577,302	(3,005,179)
Movement in Cash and Cash Equivalents		
Cash and Cash Equivalents - 01 January	303,574	3,541,061
Net Increase / (Decrease) in Cash and Cash Equivalents	6,577,302	(3,005,179)
Effects of Exchange Differences	(147,981)	(232,309)
Cash and Cash Equivalents - 31 December	6,732,895	303,574

BIASHARA NA FEDHA (VSK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER, 2019

	2019	2018	
	KES	Restated KES	
6. EXPENDITURE			
(a) Direct Costs			
Interest Expense	1,919,428	1,990,889	
Loan Loss Provision	1,600,000	240,887	
Loan Administration Fees	1,132,199	136,300	
Total Direct Costs	4,651,627	2,368,076	
(b) Administrative Expenses			
Consultancy Fee	3,783,344	8,006,821	
Accounting Fees	1,142,136	643,104	
Bank Service Charges	183,063	137,032	
Audit Fee	162,618	173,250	
Rent and Rates	140,000	420,000	
Travel and Accomodation	106,264	581,038	
Secretarial Fee	63,080	325,000	
Software Expense	46,992	67,950	
Depreciation Expense	35,624	26,570	
Marketing and Training	35,008	0	
Office Expenses	16,000	183,038	
Telephone	12,000	11,000	
Postage & Delivery	8,430	5,340	
Printing & Stationery	6,290	10,976	
Internet Expense	0	71,693	
Electricity Expense	0	43,008	
Total Administrative Expenses	5,740,849	10,705,820	
	Furniture & Office Equipment	Computer & Accessories	Total
7. Property and Equipment			
Cost	KES	KES	KES
At start of year	120,900	100,000	220,900
As at 31 December, 2019	120,900	100,000	220,900
Depreciation			
At start of year	39,907	15,000	54,907
Charge for the year	10,124	25,500	35,624
As at 31 December, 2019	50,031	40,500	90,531
Net Book Value			
As at 31 December, 2019	70,869	59,500	130,369
As at 31 December, 2018	80,993	85,000	165,993

BIASHARA NA FEDHA (VSK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER, 2019

	2019	2018
	KES	Restated KES
8. Loans Receivable		
Loan Receivable	45,445,288	44,339,591
	<u>45,445,288</u>	<u>44,339,591</u>
Less: Loan Loss Provision	(1,840,887)	(240,887)
Net Loans Receivable	<u>43,604,401</u>	<u>44,098,704</u>

Loans receivable are advances made to partner companies for disbursement to various clusters (groups) in Kenya and Uganda as financing to micro and small enterprises.

9. Shares on Call		
Shares on call: Venture South International	3,295,257	2,270,000
Shares on call: SDG	(300,000)	5,129,197
Shares on call: VSI	(480,910)	0
Total Shares on call	<u>2,514,347</u>	<u>7,399,197</u>

10. Loan Interest receivable	<u>2,852,649</u>	<u>901,487</u>
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The loan interest receivable is interest payable at an agreed rate. The interest together with any outstanding balance and the principal amount is payable monthly at any time from the first disbursement date to the maturity date, or such earlier date on which the principal amount will be repaid. Interest is calculated on the basis of 30 (thirty) days in a month and 365 (three hundred and sixty five) days in a year. The loan portfolio may be purchased at a discount.

11. Cash and Bank Balance

Cash in Hand	6,980	19,154
Diamond Trust Bank - KES	35,260	1,260
Kenya Commercial Bank- KES	252,872	51,105
Kenya Commercial Bank- KES	15,712	38,669
Stanbic KES 6410892	916,071	0
Diamond Trust Bank - Euro	13,927	13,927
Kenya Commercial Bank - Euro	47,069	(431)
Stanbic Bank Euro 6410884	3,849	0
Kenya Commercial Bank (TSH)	3,835	158
Kenya Commercial Bank - USD	5,431,857	179,732
Stanbic Bank USD 6410868	4,064	0
Stanbic Bank UGX 6410892	1,399	0
Total Cash and Bank	<u>6,732,895</u>	<u>303,574</u>

BIASHARA NA FEDHA (VSK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER, 2019**

	2019	2018
	KES	Restated KES
12. Trade Receivables		
Accounts Receivable	600	39,037
Total Trade Receivables	600	39,037
13. Trade Payables		
Mbaya & Associates	120,281	122,582
Accrued Interest	48,042	1,290,500
Audit Fee	162,617	154,875
Suntransfer Kenya	1,133,198	0
Stewards Concepts International	22,500	0
Accrued WHT	78,943	78,943
Total Trade Payables	1,565,581	1,646,900
14. Borrowings		
LendaHand	32,362,356	33,899,888
SDG-Bridge Loan	677,204	0
Total Borrowings	33,039,560	33,899,888

The loan balance of KES 32,362,356/= was received from LendaHand to finance household and micro small medium enterprises in Kenya. Interest and principal are payable to creditors at agreed times.

15. Related Party - Venture South International

During the year ended 31 December, 2019, Biashara na Fedha (VSK) Ltd had transactions in the ordinary course of operations with related parties. Venture South International and Venture South Uganda share common directorship with Biashara na Fedha (VSK) Ltd. Transactions and trading balances as at 31 December, 2019 are as follows :-

i)	Due to / (From) Venture South International	1,769,775	(1,352,491)
ii)	Due from Venture South Uganda	3,187,782	2,044,409

Terms and conditions with related parties:-

- Outstanding balances due to related parties are interest free, unsecured and repayable within the credit period allowed.
- There were no guarantees provided for related parties balances.
- There were no emoluments paid to the Directors during the year.

BIASHARA NA FEDHA (VSK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER, 2019

16. Restatement (KES 1,692,403/=)

Year 2018 retained earnings have been restated to correct an understatement of consultancy fee of KES 4,802,572/=, consultancy income of KES 2,495,977/=, interest expense of KES 1,185,809/= and grant income of KES 1,800,000/=.

The effect is as shown below:

	KES
Decrease in Loan Balance	2,306,594
Increase in Accrued Interest	1,185,809
Decrease in Related Party Balance	(1,800,000)
Net Effect - Decrease in Equity	<u>1,692,403</u>

17. Share Capital

Authorized and Issued:

30,000 ordinary shares of Kshs 1,000/=	<u>30,000,000</u>	<u>30,000,000</u>
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Issued and Fully Paid:

27,486 Ordinary Shares of Kshs 1,000/=	27,485,653	22,600,803
2,514 Ordinary Shares Alloted & Receivable	2,514,347	7,399,197
	<u>30,000,000</u>	<u>30,000,000</u>

18. Employees

The company had no employees as at 31 December, 2019. It relied on outsourced services.

19. Capital Commitments

The Directors have committed to pay the outstanding shares receivable of KES 2,514,347/= in the next financial year.

20. Presentation Currency

The financial statements are presented in Kenya Shillings (KES) as the base currency.

21. Abbreviations

DTB	-	Diamond Trust Bank
KCB	-	Kenya Commercial Bank
KES	-	Kenya Shillings
VSI	-	Venture South International
VSK	-	Venture South Kenya Limited
VSU	-	Venture South Uganda Limited
WHT	-	WithHolding Tax

BIASHARA NA FEDHA (VSK) LIMITED

PIN: P051569515L

TAX COMPUTATION - YEAR ENDED 31 DECEMBER, 2019

	2019	2018
	KES	KES
Profit Before Tax	3,013,106	544,307
Add back disallowable expenses:		
Depreciation	35,624	26,571
Unrealized Exchange Gain	147,981	232,309
Wear and tear allowance	(39,683)	(18,660)
Adjusted Profit	3,157,028	784,527
Corporate Tax at 30%	(947,108)	0
Tax loss b/f	(5,344,140)	(6,128,667)
Adjusted Tax loss c/f	(3,134,220)	(5,344,140)

WEAR & TEAR ALLOWANCE	Class IV 12.5%	Class III 30%	Total
	KES	KES	KES
W.D.V at 01/01/2019	113,462	85,000	113,462
	113,462	85,000	198,462
Wear and Tear Allowance	14,183	25,500	39,683
W.D.V at 31/12/2019	99,279	59,500	158,779