

**DUE DILIGENCE REPORT**

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| **Client name** | **VENTURE NAME** | **Investment round** |
| Britam Holdings PLC | Oye Platform Solutions Incorporated. | Pre-Money |
| **Date:**  27th August 2024. | **Consultant:**  Eddy G. Thiongo | **Overall Opinion**  Meets expectations. |

**Background.**

Knight Castle & King is a corporate venture studio that specializes in Venture building, corporate strategy, and Tax. We bridge the gap between the startup ecosystem and corporate innovation, where we facilitate the development of agile business models for corporates. As part of our broad-based services, we undertake in depth pre-investment due diligence on behalf of our corporate investors. This report is therefore prepared for the benefit of the client. This report is our professional opinion and is based on the review of documents and interviews with the founders of the venture. Our opinion is in the form of industry expectations based on the investment round. The scoring criteria is as set out below.

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| Above expectation | This means that the venture has outperformed the standards of the industry based on the stage funding round. | This score allows the investment to proceed without any significant adjustments to the venture. |
| Meets expectations | This means that the venture’s performance is within the range of standards of the industry based on the stage of the funding round | This score indicates that the venture is in the right direction and investment can proceed. However, the investment must take the form of a convertible debt to allow the venture to address the nonconformities as a condition precedent to equity conversion. |
| Below expectations | This means that the venture has performed below the standards of the industry based on the stage of the funding round. | This score indicates that investment cannot commence unless key adjustments are made. |

**Venture profile.**

Oye platform solutions Limited is a company incorporated in Kenya registered per the Companies Act under certificate number PVT-6LUKZYRX. The company has a shareholding of Kes.100,000 divided into 1000 shares of Kes. 100 each. Oye platform solutions Inc which is a company duly incorporates in Delaware with a share capital of $ 100 divided into 10000000 shares of $0.00001each, owns 2 shares in the company while Kelvin Mutuku Mutiso and Arthur Kung’u Ndumu are listed as director and secretary, respectively. Nine Hundred and ninety-eight shares are unallocated as per the CR12 issued on the 7th of December 2023.

**Summary of Findings.**

This summary of findings is based on the interaction with the founders of the venture as well as the desk review of documents presented by the venture. Whereas we could verify the information presented in the documents, we relied on the founder’s perspective as well as the market dynamics. The venture runs a marketplace business model where it extends personal accident insurance cover to bodaboda operators for every 10 liters of fuel consumed. It has therefore partnered with various petrol stations who provide access to Kes. 2-3.5 for every liter of fuel consumed by its clients. Through this collaborative approach, the venture has successfully unlocked value and proved its concept recording revenue inflows in 2023 with a progressive month on month growth. We however noted that the venture has not conclusively addressed how insurance premiums are recorded in its books while appreciating the contractual obligations owed to the riders. On the other hand, we also observed that the organizational structure did not provide a clear relationship between the Delaware entity and the Local entity despite that the SFAE notes held by the Delaware entity are duly recognized by the local entity in its balance sheet.

There is also non-conformity especially related to the business model, organizational structure, and financial reporting. Whereas some of the nonconformities are fundamental and require urgent addressing, most of the others are strategic and are adjustable progressively against a rigorous draw-down plan. We have highlighted the nonconformities in summary based on the respective DD pillars.

**DD pillar summary**

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| **DD Category** | **Opinion** | **Score** |
| Team management | The venture has a robust team. The team organogram based on individual competences. The team members are engaged as consultants but most of them are full time. We noted that while most of them hold SAFE notes, the safe notes did not provide a clear vesting plan to retain key talent within the venture. | **Meets expectations.** |
| Venture structure | The venture is recording these angel investments as capital reserves which is erroneous since they only relate to the 2 shares held by the Delaware entity. This position if not addressed is affecting the total valuation of the company by attaching a figure of USD 667,944 to. The 2 shares thereby creating a pre money valuation of USD 33,397200. This valuation is not supported by company performance as per the financial statement. | **Below Expectations.** |
| Market, model & Product | The venture has a good market and partners who are willing to pay a commission for market access. We noted that the venture will struggle with market saturation especially when most petrol station partners agree to work with it. The increase in partners will reduce the Commisions payable due to the reduced competitive advantage the venture provides the partners.  We also noted the potential business models that may integrate into the venture due to the data collected. | **Meets Expectations** |
| Technology, assets, and Intellectual property | On this front, the company has met most of the standards expected of the company at this stage of funding. The founders have demonstrated their ability to develop and manage the infrastructure supporting the product. The venture has invaluable talent and collaboration with a venture studio which has provided technology support for the venture. We also noted that the technology is robust and capable of integration at different levels as the venture scales. | **Meets Expectations** |
| Finance, legal & Tax | The financial statement provided by the venture for the period ending 2023 are audited. We noted that the reporting standards of the venture are below expectations based on the model of the venture. We for instance noted that the cost of sales is erroneous since the venture included some of its OPEX items. We also noted that the venture has recorded the inflows from the Delaware entity as equity investment, yet the shareholding has not been equally adjusted. We further observed a significant reliance on financing activities in the cashflow statement. | **Below Expectations.** |

**Section 1- Team management.**

This section evaluates the overall structure of the human capital within the venture. Team includes full time and part time employees, consultants, mentors, full time, and part time directors working for the benefit of the venture.

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| **Expectations** | **Below** | **Meets** | **Above** |
| 1. Are the corporate governance structures clear and adhered to? Is there in place a formal board with a documented mandate. |  |  | X |
| 1. Do the founders possess the key technical competencies required? What level of risk will be assumed in scaling the business? |  |  | X |
| 1. Has the company put in place clear incentive plans for the key men in the organization such as ESOPS and clear bonus schemes? | X |  |  |
| 1. Have the founders executed a binding shareholders agreement with clear mandate and responsibilities? Are all fully time directors under contract with documented remuneration and termination terms. | X |  |  |
| 1. Is there a clear organizational structure with clear work streams and structured reporting lines that correspond to its value proposition? |  | X |  |
| 1. Are all the team members holding contracts of employment or independent contractor agreements? Do these agreements provide sufficient control for the business? | X |  |  |
| 1. Does the company have in place clear workplace policies such as the Human Resources manual, performance management, conflict of interest, diversity and inclusion and sexual harassment policies? |  | X |  |
| 1. Does the company have a clear career progression plan for the team members and a corresponding learning and development plan? | X |  |  |
| 1. Are there clear job ranks with a corresponding remuneration structure? Is the remuneration structure equitable with safeguards against abuse? | X |  |  |
| 1. Is there a formal culture that drives the cohesion of the team and are such culture principles well documented? | X |  |  |
| **Summary and general opinion.** | **Summary Score**  **& deliverables.** | | |
| The venture has a HR manual in place. However, the HR manual is ineffective since all its employees are employed as independent contractors. This position enables the venture significantly manage exposure to payroll taxes but on the other hand, it denies the venture opportunities to improve retention of key- men. While the venture has equally extended SAFE notes to the contractors, the unbinding nature of SAFEs together with the high taxation involved might not do much to help the venture keep talent. The shareholders have also not executed a shareholder’s agreement.  We identified the following specific areas of action to address the nonconformities:   1. Drafting of Key human capital policies such as the benefits and compensation policies. 2. Adopting incentive plans such as variable compensation, bonus plan, and commission structures for the key team members. 3. Execution of shareholder agreements detailing the responsibilities and rights of the founders and other shareholders. 4. Adopting corporate structures such as board polices and mandate to guide on risk and governance. 5. Establishing an employee share ownership plan (ESOP) for the key team members. 6. Adopting a documented job grading and ranking framework to guide on recruitment and compensation.   In this regard, we recommend that this be addressed prior to investment draw down. | **Meets expectations**   1. Employment Contracts 2. Shareholder agreements 3. ESOP policies. 4. Variable compensation Plans 5. HR polices 6. Job ranks and grades. 7. Payroll tax compliance. | | |

**Section 2- The Business & Venture Structure**

The business structure is significant for the overall growth of any venture. In this section, we evaluated the organizational design specifically the governance and shareholding structure. The capitalization table and the shareholding agreements and restrictions are important for this section as they inform the overall investment structure.

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| Expectations | Below | Meets | Above |
| 1. Is there an updated shareholding structure supported by a shareholders’ agreement? Have all the shareholders paid up all the issued share capital? | X |  |  |
| 1. Are there any outstanding warrants, options or any other covenants entitling the holders to a discounted purchase option or committing the company to a valuation cap. | X |  |  |
| 1. Do the founders have a documented exit strategy with a corresponding exit value. Is there evidence of implementation of the exit plan as documented? | X |  |  |
| 1. Has the venture calculated its market capitalization value and developed a fully diluted capitalization table? | X |  |  |
| 1. Has the venture issued preferred shares? Of the shares issued, have the shareholders paid up for these shares? Do this class of shared provide restrictive covenants such as most favored nation clauses? |  | X |  |
| 1. Has the venture developed a financial model with workable assumptions detailing growth and possible discounting factors? Are the future cashflows positive and reflective of a growing market? |  | X |  |
| 1. Has the venture updated its annual returns with the registrar of companies? | X |  |  |
| 1. Does the venture have a dividend policy? Has the venture issued any dividend since inception? | X |  |  |
| 1. Does the venture have a safe debt to equity ratio? Is the ratio reflective of the needs of the venture? |  | X |  |
| 1. Are the assets of the venture safely leveraged? Does the venture show ability to meet its debt obligations in the medium term? |  | X |  |
| **Summary and general opinion.** | **Summary Score**  **& Deliverables.** | | |
| The venture has raised capital from a few angel investors. This capital has been recorded as direct cashflow injection into the business or in kind support that has been quantified as sweat capital. All the investors are currently holding SAFE notes with a valuation cap and discount. From the detailed analysis, the SFAE note is held under the Oye platform solutions Incorporated -Delaware. The investors are therefore entitled to the shares that the Delaware entitle holds in the local company. In this case, this is 2 shares issued to Oye (Delaware). The venture is recording these angel investments as capital reserves which is erroneous since they only relate to the 2 shares held by the Delaware entity. This position if not addressed is affecting the total valuation of the company by attaching a figure of USD 667,944 to. The 2 shares thereby creating a pre money valuation of USD 33,397200. This valuation is not supported by company performance as per the financial statement.  The following action points need to be taken to address the areas of non conformity:   1. Execution of a shareholder’s agreement between the existing shareholders. The agreement should include any restrictions on fundraising and pledging of shared by the shareholders. 2. Revalue the share structure attached to Oye platform solutions incorporated (Delaware)aligned with the valuation of the venture. 3. Convert any excess shareholder contribution into debt to create a healthy balance between debt and equity. 4. Develop a fully diluted Capitalization table indicating the positions of the shareholders at the different stages of options and liquidity. 5. File an updated return with the registrar of companies detailing the class of shares and the arching rights for each class. 6. Develop a five-year financial model with key assumptions related to people processes and profits. 7. Develop and implement a dividend policy with clear guidelines on issuance, ploughing back and the management of taxes. 8. Restate the balance sheet to reflect he changes in equity and reallocation of debt instruments. | **Below expectations.**   1. Shareholder’s agreement 2. Restated financial statements. 3. Five years financial model 4. Fully diluted cap table 5. Company returns. 6. Dividend policy. | | |

**Section 3- The Market, Model & Product.**

This section deals with the assessment of the business model and product for market fitness. Under this section, we narrow down on the unique selling point (USP) and measure its alignment with the market demands. We also evaluate the ability of the product to differentiate itself in the market considering all factors related to competition. Lastly, we assess the impact of macro factors on the product offerings.

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| Expectations | Below | Meets | Above |
| 1. Has the venture, identified clear customer segments and the unique offering for each segment? Is the offering aligned to the needs of the customers? |  |  | X |
| 1. Has the venture identified its competition and their respective competitive advantages? Has the venture consolidated its competitive advantages and are these advantages differentiating enough? |  | X |  |
| 1. Has the venture identified a sustainable total addressable market (TAM) and serviceable available market (SAM) and serviceable obtainable market (SOM). Has the company executed any contracts with key customers? |  | X |  |
| 1. Is the company able to control most of the significant components of its value proposition to the customers? Is there significant dependance on third parties to deliver this value. | X |  |  |
| 1. Does the venture have a formal process for handle customer complaints and feedback, and what is the overall customer satisfaction level with its products and services? |  | X |  |
| 1. Does the venture have in place a clear pricing strategy? Has the venture implemented the strategy and are there corresponding guidelines for price change? | X |  |  |
| 1. Does the venture have in place a documented go to market strategy with clear business development KPIs? |  | X |  |
| 1. Is the market easily affected by political, economic, social, technological, and legal changes? Has the venture adequately mitigated against this? | X |  |  |
| 1. Are there significant entry to market barriers that the venture will have to overcome at the growth stage. Has the venture put in place adequate measures to prepare overcome these barriers? |  | X |  |
| 1. Does the venture have a product development and research and development process? Are the research and development efforts significant to address the market needs? | X |  |  |
| **Summary and general opinion.** | **Expectations** | | |
| The business model is sound, and it addresses key market challenges. We observed that the venture has unlocked valuable partnerships and clients. We however noted that the model was not scalable since the venture has not addressed challenges relating to premium management and non-payment of claims. We further saw that the model has not fully leveraged technology for revenue collection thereby leading to poor collection of commissions. The venture also has not established a clear model to manage direct labour costs related to marshals. The venture has poorly recorded this cost in its books. The venture has equally struggled wit the collection of commissions from different partners and where such collections have been possible, the same are delayed. This is clear from its accounts receivable ledger. The venture needs to take the following actions to correct these nonconformities:   1. Rethink the contractual relationship with the bodaboda riders to reduce legal liability related to payment of claims. 2. Enhance KYC efforts and incentivize bodaboda riders to register with NTSA to reverse the ration of unpaid claims. 3. Review the accounting model to delay recognition of commissions earmarked for premium processing. 4. Complete contracting with the Delaware company and set up a clear contractual relationship which will determine the share value and treatment of the safe notes. 5. Documentation of shareholding through a fully diluted capitalization table. 6. Contracting with Oye insurance brokers limited to limit exposure to premium non-payment. 7. Identify and develop clear board KPIs in line with the overall objectives of the venture. 8. Review the current organogram and align it with a value chain-based model. The organogram should show clear primary functions and support functions. 9. We did not see a clear strategic priority for the venture. Whereas the venture has identified insurance, finances and access to e-bikes as the industry problems, we could not establish the specific strategic options relating to: 10. The management of nonperforming loans 11. Foreclosure and liquidation of collateral. 12. Inventory management for e-bikes and legal structure of co-ownership and depreciation of collateral. 13. Management of customer life time value associated with nonperforming loans common with the venture’s model. 14. The business model requires the venture to upsell petroleum products for suppliers and recover a commission from such sales. We however did not observe the direct value proposition for the bodaboda riders to fuel at the specific petrol stations if the claims were non payable at a rate of 50%. | **Meets expectations.**   1. Bodaboda contracts. 2. KYC integration with NTSA. 3. Go to market/sales strategy. 4. Premium management structure 5. Board KPIs 6. Value chain-based organogram. 7. Business model transition plan. 8. Claim management mitigation plan. | | |
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**Section 4- Technology, Assets, and Intellectual property.**

This section covers the assessment of the technology on which the product is based on. Here, our evaluation covers important components such as infrastructure security, third party support and technology redundancy. We also assess the assets of the venture and the intellectual property in such assets.

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| **Expectations** | **Below** | **Meets** | **Above** |
| 1. Does the company have key technological assets that can be leveraged to meet its business and market objectives? |  | X |  |
| 1. Does the venture have any legal protections for its technology, literary works, scientific innovations, brand, and trade secrets? | X |  |  |
| 1. Does the venture have in place a reliable IT infrastructure with documented evidence of continuous upgrade and maintenance. |  | X |  |
| 1. Does the venture have internal capacity to write, modify or otherwise manage the code relevant to the product or components of the IT infrastructure? |  |  | X |
| 1. Does the venture significantly rely on third party open source plugins and code? Has the venture put in place adequate protections to mitigate against withdrawal, enhancements and other detrimental changes on usage of such third party assets? |  | X |  |
| 1. Are there components of the IT infrastructure that will in the near future become redundant? Has the venture demonstrated ability to set up alternatives? |  | X |  |
| 1. Does the company have in place clear data protection policies? Is the venture registered as a data processor or data controller? |  | X |  |
| 1. How does the venture manage data collected from its customers and other users of the product? Does the venture have clear agreements with third party hosting providers? Are such providers registered as data controllers? |  | X |  |
| 1. Are there other non technological assets that the venture requires to meet its day to day obligations to its customers. Does the venture own these assets and where they are outsourced, does the venture have in place binding agreements with such providers? | X |  |  |
| 1. Does the venture require a special license to operate the technology in place? Has the venture demonstrated compliance with any such regulation? |  |  | X |
| **Summary and general opinion.** | **Summary Score**  **&Action points** | | |
| The venture is established on a strong foundation of technology. Having been incubated by Akili Vic, the venture has access to valuable talented consultants. The tech that the platform rums on is agile and capable to meet the needs of he business as the venture scales. The CTO is highly experienced and the venture is currently building an internal tech team that will support its scale up efforts. The venture provided us with its tech infrastructure diagram which shows third party partnerships with Firebase, Google cloud platform, and Africa’s talking. The venture is also in the process of registering its trademark.   1. The venture needs to complete legal protection for its literal works, scientific innovations, brand, and trademark. These assets form an important part of the venture’s valuation. 2. The key talent needs to be committed long term to the company through ESOPs and other variable compensation plans. 3. The venture should work on enhancing its API intergration efforts to reduce the costs associated with KYC and ease the roll out of a new business model. 4. The venture needs to diversify its reliance on Africa’s talking as the providers of bulk sms services. Noted, the cost per SMS is higher than market rate due to the contractual structure. 5. Diversify database management to provide data flexibility and safety. | **Meets expectations.**   1. Trademark & copyright registration. 2. ESOP and team contracts. 3. API integration 4. Bulk SMS diversification 5. Database management diversification. | | |

**Section 5: Financial & Tax**

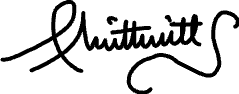
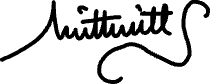
Financial management and tax compliance are cornerstones for any investment. We assessed the business model and the representation of financial information. Our evaluation was based on the expected industry standards but also laying special emphasis to any regulatory requirements that may impact the nature of reporting.

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| **Expectations** | **Below** | **Meets** | **Above** |
| 1. Has the venture proven consistent positive turnover in the past two years? Are there measurable strategies in place to guarantee continuous growth? |  | X |  |
| 1. Does the venture show control over its direct costs? Is the contribution margin on its respective products and services match the expected industry benchmark? | X |  |  |
| 1. How has the venture managed its cash flows? Does he venture demonstrate significant dependence on financing activities? | X |  |  |
| 1. What are the company’s current debt and outstanding liabilities, including loan agreements, supply agreements, bonds, and other bank financing arrangements? Does the venture demonstrate a healthy balance of debt against equity? |  | X |  |
| 1. How does the venture handle its accounts receivable, and what are the key metrics for assessing the effectiveness of its collections process? Does the venture demonstrate ability to collect outstanding payments? | X |  |  |
| 1. Does the venture’s cashflow statement show a consistent increase of income from operating activities? Do the venture’s cashflows show a healthy balance between financing activities and operating activities income? | X |  |  |
| 1. Does the venture have a healthy balance sheet? Do the assets, liabilities and shareholder’s equity demonstrate a favorable leverage? |  | X |  |
| 1. Are there any contingent liabilities or potential legal risks that could impact the company’s financial position? | X |  |  |
| 1. Is the venture complaint with all statutory taxes such as PAYE, withholding tax, Income tax, advance tax and value added tax? Are there policies in place to ensure consistent compliance? |  |  | X |
| 1. Is the venture good at separating shareholder’s and director’s expenses from its finances? Has the venture put in place an updated director's loan account and corresponding policies for compliance? | X |  |  |
| **Summary and general opinion.** | **Summary Score**  **&Action points** | | |
| The venture provided us with audited financial accounts prepared by M/s Titus Muthui & Associates. The auditor’s opinion is unqualified and the company has adopted IFRS for SMEs as its reporting standard. The evaluation of the report revealed a high level of diligent financial bookkeeping as well as a clear business model. However, the following areas of non-conformity were identified:   1. The venture does not show ability to collect accounts receivables. As per note 8 on the financial accounts Kes. 1,481,152 is outstanding with an aging report of 6-12 months. This is significant considering a total revenue of Kes. 2, 509,548. 2. The venture reported a loss position due to an incommensurate cost of sales. Failure to address its gross profit margin may lead to scaling difficulty. 3. The Company further exported a very steep administrative cost. We however noted that the statement of comprehensive incomes did not contain notes on this item and as such we could not ascertain the distribution of these costs. 4. The venture recorded a significant figure in Shares receivable (Kes. 22,062,190) showing a significant leverage on the shareholders equity as at the end of the said financial period. 5. The venture has a significant reliance on its financing activities as demonstrated in its cashflow statement. Notably, Kes. 17,843,880 from its financing activities (equity based) financed its cash flows demonstrating low ability to generate revenue from its operating activities. | **Below expectations.**   1. Debt aging policy for A/R 2. Restatement of income statement to reflect correct cost of sales. 3. Restatement of the statement of financial position to reflect the changes in equity. 4. Restatement of the income statement create reserves for premiums payable. 5. Restatement of the directors' loan account to accommodate any surpluses otherwise not convertible to equity. | | |

**Conclusion**

The venture being an early-stage business has an overall opinion that it meets expectations. In this regard, investment into the venture must be based on the understanding that the venture can address the areas of non-conformity during the subsistence of the convertible note but before any equity. Conversion. We further suggest that the areas of non-conformity by tracked as draw down milestones to investment structuring risks.

Yours faithfully



**E.G Thiong’o**

Managing Partner

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