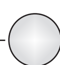
Olympia Capital Holdings Limited
Financial Statements
for the year ended February 28, 2013



Financial Statements for the year ended February 28, 2013

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General Information

Directors	Karen Enterprises Limited Alt: Dr. Christopher Obura (Chairman) Mr. Michael M. Matu: (Deputy Chairman) Mr. Kenneth Kareithi: C.E.O (Appointed 24th Sept. 2012) Dr. John N Simba Mr. Vincent H L Opanga Mr. David Kabeberi Mr. Suresh Lakhani
Registered office	L.R.No 209/5532 Off Nanyuki Road, Industrial Area P.O. Box 30102-00100 Nairobi
Bankers	NIC Bank Limited NIC House Branch P.O. Box 44599 Nairobi
Auditors	Crowe Horwath EA Certified Public Accountants (Kenya) Geomaps Center P.O. Box 74066-00200 Nairobi
Secretary	J.L.G. Maonga Maonga Ndonye Associates Jadala Place, 3rd Floor P.O. Box 73248-00200 Nairobi
Registrar	C&R Group 6th Flr, North Wing, Bruce House, Plot No. LR. 209/6676 Standard Street P.O. Box 8484-00100 Nairobi

Notice of the Annual General Meeting

NOTICE is hereby given that the 43rd Annual General Meeting of Olympia Capital Holdings Limited will be held at the Nairobi Club, Upper Hill, Nairobi on Thursday, 21 November 2013 at 2.30 p.m. to conduct the following business.

ORDINARY BUSINESS

1. To table the proxies and note the presence of quorum.

2. To read the notice convening the meeting.

3. To confirm the minutes of the 42nd Annual General Meeting held on Monday, 24 September 2012.

4. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 28 February 2013 together with the Chairman's, Directors' and Auditors' Reports thereon.

5. To note that the Directors do not recommend payment of a dividend in respect of the Financial Year ended 28 February 2013.

6. To re-elect directors:-

    - In accordance with article 99 of the Company's Articles of Association, Mr Michael Matu and Dr John Simba retire at this meeting by rotation and, being eligible, offer themselves for re- election.

7. To approve the Directors' remuneration as shown in the Financial Statements for the year ended 28 February 2013.

8. To note that Messrs Crowe Horwath E.A., Certified Public Accountants continue in office as the auditors of the Company by virtue of Section 159 (2) of the Companies Act (Cap 486) and to authorise the Directors to fix their remuneration for the ensuing financial year.

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass the following resolutions as Special Resolutions:-

    a) Alteration of the Articles of Association of the Company

        i) "That the following new Articles numbered 12(a) to 12(g) be added immediately after Article 12:-
        IMMOBILIZATION OF SHARES

12. (a) Pursuant to and subject to the Central Depositories Act 2000, title to immobilised and dematerialised shares will be evidenced otherwise than by a certificate and title to such shares shall be transferred by means of a book-entry transfer in accordance with the provisions of the Central Depositories Act 2000.

(b) No provision of these Articles shall apply or have effect in relation to any shares which have been immobilised or dematerialised under the Central Depositories Act 2000 to the extent that it is inconsistent in any respect with:

(i) the holding of such shares in uncertificated form;
(ii) the transfer of title to such shares by means of a book-entry transfer; and
(iii) any provision of the Central Depositories Act 2000

(c) Transfers of Securities which have been immobilised or dematerialised under the Central Depositories Act 2000 shall be effected in the manner prescribed thereunder.

(d) Where the Company refuses to register transfers of Securities required to be registered under Section 14 and 15 of the Central Depositories Act 2000, it shall serve the transferor and transferee with written notice of the reasons for such refusal in accordance with Section 14(5) of the Central Depositories Act 2000.

(e) An instrument of transfer lodged with the Company pursuant to Section 14(1) of the Central Depositories Act 2000 shall be capable of registration in the name of a central depository or its nominee company if such instrument has been certified by a central depository agent instead of being executed by the central depository or its nominee Company.

Notice of the Annual General Meeting (Continued)

(f) With effect from the Dematerialization Date, any reference to a transfer of shares or debentures shall be a reference to a book entry transfer performed by the central depository in accordance with Section 27(1) (b) of the Central Depositories Act 2000.

(g) Any provisions in the Articles inconsistent with the requirements of the Central Depositories Act 2000 or as prescribed by the Authority under Regulations in respect of registration, transfer, immobilization or dematerialization of securities shall be deemed to be modified to the extent of such inconsistency in their application to securities which are in part or in whole immobilized or dematerialized or are required by the Central Depository Act 2000 or Regulations and Rules issued thereon to be immobilized or dematerialized in part or whole as the case may be."

ii) "That the following new article numbered 108 (a) be added immediately after article 108:-

108. (a) Notwithstanding the foregoing, the Directors, and any Committee of the Directors, shall be deemed to meet together if, being in separate locations, they are nonetheless linked by telephone conference or other communication equipment which allows those participating to hear and speak to each other and a quorum for such meetings shall nonetheless be in accordance with Article 109. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such a group, where the Chairman of the meeting then is."

iii) "That Article 129 be deleted in its entirety and replaced with the following new Article:-

129. (a) Any dividend or other money payable in cash on or in respect of shares may be paid by:-

i) direct debit, bank transfer or other automated system of bank transfer, electronic or mobile money transfer system transmitted to such bank or electronic or mobile telephone address as shown in the share register of the Company or

ii) by cheque or warrant payable at such place of business as the Company shall specify in writing, sent by post to the address of the member or person entitled to it as shown in the share register of the Company or if two or more persons are registered as joint holders of the shares, to the registered address of the joint holder who is first named in the share register of the Company or in the case of two or more persons being entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons at such address as the persons being entitled to receive payment may in writing direct.

(b) Every such cheque or warrant or funds transfer shall be made payable to or to the order of the person to whom it is sent or to such person who may be entitled to the same. Payment of the cheque or warrant, if purporting to be endorsed or enfaced, by the addressee or as the case may be, confirmation of payment having been made by the transmitting entity to the addressee of a direct debit, bank transfer or other automated system of bank transfer or via a mobile money transfer system, shall in each case be a good discharge to the Company. Every such payment whether by cheque or warrant or electronic funds transfer or mobile money payments system shall be sent at the risk of the person entitled to the money represented by it.

(c) If several persons are registered as joint holders of any share, any one of them may give effectual receipts for any dividend, bonuses or other moneys payable on or in respect of the share."

iv) 'That Article 136 be deleted in its entirety and replaced with the following new Article:-

136. The Accounts may be sent or otherwise made available by electronic means or by post. This Article shall not require a copy of the Accounts to be sent or otherwise made available by electronic means to any person whose electronic or postal address the Company is not aware of, nor to more than the first named of any joint holders of any shares. The Company may also send the accounts to all persons entitled thereto by publishing the Accounts on the Company's official website provided that the Company shall send to every Member or publish a summary of the Financial Statements and Auditors Report in two daily newspapers with national circulation for two consecutive days drawing attention to the website on which the Accounts in full may be read, and the address to which a request for a printed copy of the Accounts may be submitted to the Company Secretary and upon any such publication the Accounts shall be deemed to have been sent to every Member or other person entitled to receive a copy of the Accounts.'

v) "That Article 142 be deleted in its entirety and replaced with the following new Article:-

Notice of the Annual General Meeting (Continued)

142. Every notice or other document given by the Company shall be in writing. To the extent permissible by law, the Company may serve any notice to be given to its Members by:-

a. Publishing such notice in two daily newspapers with nationwide circulation; or
b. Sending such notice through the post addressed to such Member at his registered postal address; or
c. By facsimile transmission to such Member at his registered facsimile address; or
d. By electronic mail to such Member at his registered electronic mail address.

Provided that where the Company elects to send such notice to such Member at his registered facsimile or electronic mail address the Company shall ensure that such notice is also published in two daily newspapers with nationwide circulation.

Any notice which has been published in a daily newspaper in accordance shall be deemed to have been served at 9.00 a.m. on the next business day following the date when it was published.

Any notice sent by facsimile or electronic mail shall be deemed to have been served at 9.00 a.m. on the business day following the date when transmitted or sent.

Any notice if sent by post shall be deemed to have been served at the expiration of One Hundred and Twenty Hours after posting it. Notices sent outside Kenya shall be sent by express airmail service.

In proving the giving of a notice, it shall be sufficient to prove that the notice was published in a daily paper of nationwide circulation, or that the envelope containing the notice was properly addressed, stamped and posted, or that the applicable means of telecommunication or electronic communication was properly addressed and transmitted, dispatched or sent.

The failure of any person or entity to receive any notice served shall not in any way invalidate any proceedings or actions taken by the Company for which the notice was given."

vi) That the following new article numbered 146 be added immediately after article 145:-

UNCLAIMED FINANCIAL ASSETS

146. The Company may, if required by law, deliver or pay to any prescribed regulatory authority any unclaimed financial assets including but not limited to shares in the Company presumed to be abandoned or unclaimed in law and any dividends thereon remaining unclaimed beyond the prescribed statutory periods. Upon such delivery or payment, the unclaimed financial assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the owner or holder or his or her estate, for the relevant unclaimed financial assets."

10. **ANY OTHER BUSINESS**
To transact any other Business of which due notice has been received.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY
15 October 2013

NOTE:-

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead and such a proxy need not be a member of the Company.
2. To be valid, a Form of Proxy must be duly completed by the member and must either be lodged with the Company Secretary, C/o Maonga Ndonye Associates, 3rd Floor, Jadala Place, Ngong Lane, Ngong Road, P O Box 73248 – 00200 Nairobi or the Shares Registrars, Custody & Registrars Services Limited, 6th Floor, Bruce House, Standard Street, P O Box 8484, 00100 Nairobi not later than 48 hours before the time of the meeting or any adjournment thereof. In the case of a corporate body, the proxy form must be executed under its common seal.

CHAIRMAN'S STATEMENT – DR. C. W OBURA

Dear Shareholder,

I am pleased to present to you the Annual Report and Financial Statements of Olympia Capital Holdings Ltd for the financial year ended 28th February 2013.

Key highlights of the financial year 2012 - 2013

During the year we registered a robust growth of 6.5% on topline revenues from Kshs.774mn in 2011-2012 to close at Kshs.824mn in the 2012 – 2013 financial year.

The profitability for the year was affected primarily by high cost of sales across the manufacturing subsidiaries (+12.8%). This is mainly attributable to high cost of power especially in Kenya and cost of imported raw materials which are necessary in the production of PVC tiles.

Currently, about 65% of our business is outside Kenya but we are looking at how to reduce that to a ratio of 50:50 within the next two years by boosting our Kenya subsidiaries to grow their revenues and profit contribution to the Group revenues. Our finance costs grew by Kshs3.9mn due to the high interest rates in Kenya where our subsidiaries in the country operate on overdrafts for working capital requirements.

Unlike last year, we did not have the benefit of gains from property revaluation in this financial year hence the drop in comprehensive income which is a one off in terms of impact on this line item. Going forward, we expect to reflect some gains in property revaluation in line with our policy to revalue properties after every one year from the last valuation.

In line with our strategic plans, we have initiated a restructuring exercise across the Group whose main objectives are to identify and leverage group synergies, operational cost reductions especially for our manufacturing plants and build scalability which will be key to handling our expected future growth as we are targeting to enter into two new markets in the medium term.

We shall also be carrying out a review and valuation of current assets and investments to ensure unanimity of values by all Directors which will then guide their expectations of each subsidiary's contribution to the Group in terms of future growth and profitability.

Conclusion
In conclusion, I would like to acknowledge and appreciate all our shareholders, be they big or small for their continued support to the company. I wish to also take this opportunity to recognize the role and invaluable contribution of the Board, the new Olympia CEO and his management team as well as those of the subsidiary companies that we have invested in, all of whom have contributed to our overall Group performance in the said financial year 2012 -2013.

Asanteni,

Dr. C. W. Obura
Chairman

Date: 26th June 2013

Corporate Governance Statement

Corporate governance deals with the way companies are led and managed, the role of the Board of Directors and a framework of internal controls. The Board of Olympia Capital Holdings Limited is committed to upholding high standards of Corporate Governance.

BOARD OF DIRECTORS

Composition of the Board is set out on page 1.

The main Board consists of the Chairman, Dr C W Obura, the Managing Director, Mr Kenneth Kareithi and five non – executive Directors. All non – executive directors are independent of Management. All directors are subject to periodic re-appointment in accordance with the Company's Articles of Association. All of the directors have access to the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. The directors' responsibilities are set out in the Statement of Directors Responsibilities on page 6.

The full Board meets regularly, at least four times a year, and has a formal schedule of matters reserved for it. The directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance issues.

The Board has continued to adopt the best governance practices outlined in the Capital Markets Act – Corporate Governance Guidelines as part of its obligation. The Board members have a wide range of skills and experience and each brings an independent judgment and considerable knowledge to the Board discussions. The Board is responsible for the long-term growth and profitability of the Olympia Group. The responsibilities of the Board members are outlined in the Board Charter. The Board is also assisted in the discharge of it responsibilities by the various Sub Committees – Board Audit Committee, Board Investment Committee and Board Staff Nominations and Remuneration Committee.

The following table shows the number of Board meetings held during the year and the attendance of individual directors.

Director	21st May 2012	21st Aug 2012	19 Sep 2012	16th Oct 2012	13th Dec 2012
Dr C W Obura (Chairman)	P	P	P	P	P
Mr Michael W Matu (Deputy Chairman)	P	P	P	P	P
Mr Kenneth Kareithi (Chief Executive Officer)	NM	NM	NM	P	P
Mr S A Lakhani	P	P	P	P	P
Dr John N Simba	P	P	P	P	AP
Mr Vincent H L Opanga	P	AP	AP	AP	AP
Mr David Kabeberi	P	P	P	P	P

Key

P – Present AP – Apology

A – Absent NM – Not a Member

The Board is of the opinion that there is a balance between independent executive and non-executive directors as required by clause 2.1.4 of the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya.

DELEGATION OF AUTHORITY

Board Sub Committees

The Board has three Sub Committees with specific delegated authorities. These are Board Audit Committee, Board Investment Committee and Board Nominations and Remuneration Committee.

The Board Committees assist the Board in discharging its responsibilities. The Committees have clear defined roles and terms of reference and charters that have been approved by the Board. The Committees are chaired by non-executive directors.

Corporate Governance Statement (Continued)

Details of these Committees and membership are shown below.

Board Audit Committee

The members of this Committee are Mr David Kabeberi (Chairman), Mr Vincent Opanga and Mr Michael Matu. The Committee acts as the liaison between the External Auditors, the Board and Management and. The Committee strengthens the objectivity and independence of the auditor and acts on behalf of the Board in carrying out its responsibilities to the members and shareholders.

Board Investment Committee

The members of this Committee are Mr Suresh Lakhani (Chairman), Mr Kenneth Kareithi and Mr Michael Matu. The main responsibilities of this Committee are to set limits for Management in capital expenditure, review the budgets, review the budgets, review the Companies' procurement and disposal policies and make recommendations on all new investments proposals.

Board Nominations and Remuneration Committee

The members of this Committee are Dr John Simba (Chairman), Mr Kenneth Kareithi and Mr Michael Matu. The main responsibilities of this Committee are to recommend to the Board on the recruitment, termination, promotion and other significant issues related to executive directors and general managers, review the adequacy of human resources policies and to monitor disputes and appeal procedures in the Company.

GOING CONCERN

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the Company continues to adopt the going concern basis when preparing the financial statements.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to equitable treatment of its shareholders including the non-controlling and foreign shareholders and ensures that all shareholders receive full and timely information about its performance through the distribution of the annual report and financial statements and half yearly interim financial report and through compliance with the relevant continuing obligations under the Capital Markets Authority Act. The Company's results are advertised in the press and released to the Nairobi Securities Exchange within the prescribed period at each half-year and year end.

Corporate Governance Statement (Continued)

Major Shareholders

Name	Shares	Percentage (%) S/holding
Dunlop Properties Limited	7,445,402	18.61%
Paul Wanderi Ndungu	4,538,000	11.35%
Karen Enterprises Limited	3,932,832	9.83%
First Ten Limited	2,349,936	5.87%
CFC Stanbic Nominees (K) Limited Acc: R48703	1,901,700	4.75%
CFC Stanbic Nominees (K) Limited Acc: 848704	1,389,000	3.47%
Michael Matu	1,143,997	2.86%
Joel Kamau Kibe	949,500	2.37%
Scottlink Limited	885,269	2.21%
Eliud Matu Wamae	619,088	1.55%
CFC Stanbic Nominees (K) Limited Acc: R48702	420,000	1.05%
CFC Stanbic Nominees (K) Limited Acc: R48701	400,000	1.00%
Croxley Properties Ltd A/c 693448	400,000	1.00%
Others	13,611,276	34.08%
	39,986,000	**100%**

Directors' Shareholding

Name	Shares	Percentage (%) Shareholding
Karen Enterprises Limited	3,932,832	9.83%
Michael Matu	1,143,997	2.86%
John N. Simba	14,000	0.00%
Total directors' shareholding	**5,090,829**	**12.69%**

Distribution of shareholders

Volume	No. of shares held	Percentage (%)	shareholders
1 - 500	272,779	0.68%	1,100
501 - 5,000	2,475,172	6.19%	1,290
5,001 - 10,000	1,593,277	3.98%	206
10,001 - 100,000	5,744,229	14.37%	221
100,001 - 1,000,000	7,213,676	18.03%	22
1,000,001 +	22,700,867	56.75%	7
Total	**40,000,000**	**100.00%**	**2,846**

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 28 February 2013.

In accordance with the Company's Articles of Association, Dr. J.P.N. Simba and Mr. M.M. Matu are required to retire by rotation and, being eligible, offer themselves for re-election.

1. **Principal activities**

   Olympia Capital Holdings Limited is an investment holding company. Its main investments are in companies dealing in the manufacture and sale of products used in construction industry such as floor tiles, adhesives, u-PVC windows and door frames, cleaning chemicals as well as fire prevention equipment, water pumps and real estate.

2. **Results**

	2013	**2012**
	Kshs '000	**Kshs '000**
Profit before taxation	10,850	41,734
Taxation charge	(2,966)	(17,487)
Profit after taxation	**7,884**	**24,247**

3. **Dividend**

   The directors do not recommend the payment of a dividend for the year ended 28 February 2013. (2012: Kshs 0.10 per share)

4. **Directors**

   The current Board of Directors is shown on page 1.

   In accordance with the company's Articles of Association, Dr. J.P.N Simba and Mr. M.M Matu are required to retire by rotation and being eligible, offer themselves for re-election.

5. **Auditors**

   Crowe Horwath EA (Certified Public Accountants) have expressed their willingness to continue as auditors in accordance with Section 159(2) of the Kenyan Companies Act.

By Order of the Board

J.L.G. Maonga
SECRETARY

26th June, 2013

Statement of Directors' Responsibilities

The directors are required in terms of the Kenyan Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

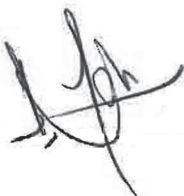
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

The financial statements were approved by the board of directors on 26th June, 2013 and signed on its behalf by:

Signed on behalf of the Board of Directors By:



Mr. Michael Matu
Director

Mr. Kenneth Kareithi
Director

Report of the Independent Auditors
To the members of Olympia Capital Holdings Limited
For the year ended 28 February 2013

Report on the financial statements

We have audited the accompanying financial statements of Olympia Capital Holdings Limited as set out on pages 9 to 35, which comprise the statement of financial position as at 28 February 2013 and statements of comprehensive income, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of affairs of Olympia Capital Holdings Limited and its subsidiaries as at 28 February 2013 and its results and cash flows for the year ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act (CAP 486).

Other Matters

Without qualifying our opinion, we draw attention to the following matters:

NOTE 8 to the financial statements which points out the status of Olympia Capital Corporation (Pty), a subsidiary of Olympia Capital Holdings Limited, a listed company in Botswana Stock Exchange. Botswana Stock Exchange requires listed companies to file audited financial statements. The financial statements of Olympia Capital Corporation (Pty) Limited have not been audited and filed with Botswana Stock Exchange for two years, 2012 and 2013,

NOTE 9 to the financial statements which describe the recoverability of an amount of Kshs. 68 million due from a related party.

Report of the Independent Auditors (Continued)

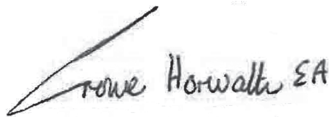
Report on other Legal Requirements

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

i. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

iii. The company's statement of financial position and statement of income are in agreement with the books of account.



Crowe Horwath EA
Certified Public Accountants (Kenya) Nairobi

26th June 2013

Consolidated Statement of Financial Performance

		Group		Company	
		2013	**2012**	**2013**	**2012**
		K Sh	**KSh**	**KSh**	**KSh**
	Note(s)	**KSh '000**	**KSh '000**	**KSh '000**	**KSh '000**
Continuing operations					
Revenue	22	824,934	774,286	–	–
Cost of sales	23	(592,168)	(525,036)	–	–
Gross profit		**232,766**	**249,250**	–	–
Other Income	24	11,482	8,601	21,468	17,245
Operating expenses		(217,409)	(204,045)	(13,056)	(9,648)
Operating profit	25	**26,839**	**53,806**	**8,412**	**7,597**
Finance costs	27	(15,989)	(12,072)	(3,548)	(3,537)
Profit before taxation		**10,850**	**41,734**	**4,864**	**4,060**
Taxation	28	(2,966)	(17,487)	(337)	(24)
Profit for the year		**7,884**	**24,247**	**4,527**	**4,036**
Profit attributable to shareholders		6,043	15,305	–	–
Non-controlling interest		1,841	8,942	–	–
		7,884	**24,247**	**4,527**	**4,036**
Earnings per share attributable to equity holders of the parent company					
Basic & Diluted (Kshs per share)		**0.15**	**0.38**	**0.11**	**0.10**

Consolidated Statement of Comprehensive Income

	Note(s)	2013 K Sh KSh '000	2012 KSh KSh '000	2013 KSh KSh '000	2012 KSh KSh '000
Profit for the year		**7,884**	**24,247**	**4,527**	**4,036**
Other comprehensive income:					
Exchange differences on translating foreign operations		(7,140)	8,930	–	–
Gains on property revaluation		3,742	294,882	–	–
Taxation related to components of other comprehensive income		(449)	(47,057)	–	–
Other comprehensive income for the year net of taxation	**31**	**(3,847)**	**256,755**	–	–
Total comprehensive income		**4,037**	**281,002**	**4,527**	**4,036**
Total comprehensive income (loss) attributable to:					
Owners of the parent		1,076	151,965	4,527	4,036
Non-controlling interest		2,961	129,037	–	–
		4,037	**281,002**	**4,527**	**4,036**

Consolidated Statement of Financial Position

		Group		Company	
	Note(s)	2013 KSh '000	2012 KSh '000	2013 KSh '000	2012 KSh '000
Assets					
Non-Current Assets					
Property plant and equipment	3	579,266	596,685	61	77
Prepaid operating lease rentals	4	51,794	53,185	–	–
Goodwill	5	79,137	79,137	–	–
Intangible assets	6	1,285	1,845	–	–
Investment in subsidiaries	8	–	–	246,205	243,367
Amounts due from related parties	9	323,687	306,817	231,974	221,953
Amounts due from directors	10	20,744	19,644	20,744	19,844
Available for sale financial assets	11	48,365	56,390	48,365	56,390
Deferred tax liabilities/ (assets)	12	8,174	6,529	2,983	2,959
		1,112,452	**1,120,232**	**550,332**	**544,390**
Current Assets					
Inventories	13	141,281	129,501	–	–
Amounts due from related parties	9	120,584	106,597	57,131	48,275
Current tax receivable		4,329	889	–	–
Trade and other receivables	14	379,217	383,450	9,384	3,768
Cash and cash equivalents	15	84,944	72,352	345	329
		730,355	**692,789**	**67,260**	**52,372**
Non-current assets held for sale	16	54,600	54,600	–	–
Total Assets		**1,897,407**	**1,867,621**	**617,592**	**596,762**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	17	455,985	455,985	455,985	455,985
Reserves		290,712	295,679		
Retained income		44,996	35,857	61,718	57,189
		791,693	**787,521**	**517,701**	**513,174**
Non-controlling Interest		282,669	279,708	–	–
		1,074,362	**1,067,229**	**517,701**	**513,174**
Liabilities					
Non-Current Liabilities					
Amounts due to related parties	9	350,763	314,417	57,160	41,468
Loans from Directors	10	18,607	19,536	–	–
Borrowings	21	75,180	62,081	–	–
Deferred tax liabilities/ (assets)	12	117,567	99,012	–	–
		562,117	**495,046**	**57,160**	**41,468**
Current Liabilities					
Amounts due to related parties	9	14,936	14,860	3,419	3,419
Amounts due to directors	10	22,035	20,298	16,681	15,001
Borrowings	21	20,162	23,093	–	–
Current tax payable		12,572	11,920	1,392	1,055
Trade and other payables	22	169,943	219,413	12,110	15,604
Dividend payable		8,819	9,319	8,819	5,319
Bank overdraft	15	12,461	6,443	310	1,722
		260,928	**305,346**	**42,731**	**42,120**
Total Liabilities		**823,045**	**800,392**	**99,891**	**84,608**
Total Equity and Liabilities		**1,897,407**	**1,867,621**	**617,592**	**596,762**

The financial statements and the notes on pages 0 to 34, were approved by the board on the 26 June 2013 and were signed on its behalf by:

Mr. Michael Matu
Director

Mr. Kenneth Kareithi
Director

Financial Statements for the year ended February 28, 2013
Consolidated Statement of Changes in Equity

	Share Capital K Sh '000	Share Premium K Sh '000	Total Share Capital K Sh '000	Foreign Currency translation reserve K Sh '000	Revaluation reserve K Sh '000	Total reserves K Sh '000	Retained income K Sh '000	Total attributable to owners of the group/ company K Sh '000	Non-controlling interest K Sh '000	Total equity K Sh '000
Group										
Balance at March 01, 2011	200,000	255,985	455,985	559	6,982	7,541	30,026	493,552	154,266	647,818
Changes in equity										
Total comprehensive income for the year (Note 30)	–	–	–	8,930	279,767	288,697	15,305	304,002	129,037	433,039
Issue of shares	–	–	–	–	–	–	–	–	(3,595)	(3,595)
Other 2	–	–	–	(559)	–	(559)	(5,474)	(6,033)	–	(6,033)
Dividends	–	–	–	–	–	–	(4,000)	(4,000)	–	(4,000)
Total changes	–	–	–	8,371	279,767	288,138	5,831	293,969	125,442	419,411
	–	–	–	–	–	–	–	–	–	–
Balance at March 01, 2012	200,000	255,985	455,985	8,930	286,749	295,679	35,857	787,521	279,708	1,067,229
Changes in equity										
Total comprehensive income for the year	–	–	–	(7,140)	2,173	(4,967)	6,043	1,076	2,961	4,037
Other 2	–	–	–	–	–	–	6,192	6,192	–	6,192
Dividends	–	–	–	–	–	–	(3,096)	(3,096)	–	(3,096)
Total changes	–	–	–	(7,140)	2,173	(4,967)	9,139	4,172	2,961	7,133
Balance at February 28, 2013	200,000	255,985	455,985	1,790	288,922	290,712	44,996	791,693	282,669	1,074,362
Note(s)	17	17	17	18&31	19&31	31	–	–	–	–
Company										
Balance at March 01, 2011	200,000	255,985	455,985	–	–	–	53,153	509,138	–	509,138
Changes in equity										
Total comprehensive income for the year	-	–	–	–	–	–	4,036	4,036	–	4,036
Total changes	–	–	–	–	–	–	4,036	4,036	–	4,036
Balance at March 01, 2012	200,000	255,985	455,985	–	–	–	57,189	513,174	–	513,174
Changes in equity										
Total comprehensive income for the year	-	–	–	–	–	–	4,527	4,527	–	4,527
Total changes	–	–	–	–	–	–	4,527	4,527	–	4,527
Balance at February 28, 2013	200,000	255,985	455,985	–	–	–	61,716	517,701	–	517,701
Note(s)	17	17	17	18&31	19&31	31	–	–	–	–

* The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.

Consolidated Statement of Cash Flows

		Group		Company	
	Note(s)	2013 KSh '000	2012 KSh '000	2013 KSh '000	2012 KSh '000
Cash flows from operating activities					
Cash generated from I (used in) operations	32	(9,297)	(146,111)	(698)	2,783
Finance costs		(15,989)	(12,072)	(3,548)	(3,537)
Tax (paid) received		(5,417)	(6,754)	337	–
Net cash from operating activities		**(30,703)**	**(164,937)**	**(3,909)**	**(754)**
Cash flows from investing activities					
Purchase of property plant and equipment	3	(985)	–	–	–
Purchase of other intangible assets	6	–	(51)	–	–
Sale of other intangible assets	6	512			
Loans to group companies repaid		(35,656)	(156,945)	(11,285)	(156,934)
Loans advanced to group companies		(26,564)	(36,248)	–	(33,970)
Proceeds from loans from group companies		67,785	332,355	7,700	191,053
Sale of financial assets		8,025	–	8,025	–
Net cash from investing activities		**13,117**	**139,111**	**4,440**	**149**
Cash flows from financing activities					
Repayment of borrowings		10,168	–	–	–
Repayment of borrowings		–	7,688	–	–
Repayment of directors loan		(292)	19,553	580	17
Dividends paid		(500)	999	3,500	–
Acquisition of additional shares in subsidiary in		–	–	(2,846)	–
terms of a rights issue		–	–	–	–
Net cash from financing activities		**6,280**	**28,240**	**1,234**	**17**
Total cash movement for the year		**(11,306)**	**2,414**	**1,765**	**(588)**
Cash at the beginning of the year		65,909	65,480	(1,393)	(786)
Effect of exchange rate movement and prior year balances on cash balances		17,880	(1,985)	(337)	(19)
Total cash at end of the year	**15**	**72,483**	**65,909**	**35**	**(1,393)**

Significant Accounting Policies

1. Accounting Policies

1.1 Reporting Entity

Olympia Capital Holdings Limited is a public limited liability company incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The company has a number of subsidiaries (together referred to as "the Group"). The adress of the registered office is set out on page 1

1.2 Basis of Preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and The Companies Act of Kenya. The consolidated financial statements are presented in the funtional currency, Kenya Shillings, rounded to the nearest thousand shilling and are prepared under the historical cost basis and as modified by the valuation of certain assets.

The preparation of financial statements in conformity with IFRS requires the use of critical accounting estimates. It also requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts.

1.3 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated financial statements from the effective datae of acquisition to the effective date of disposal.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transaction and are recognised directly in the statement of changes in equity.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that effect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

1.4 Significant judgements and sources of estimation uncertainty (Continued)

Trade receivable, held to maturity investments and loans and receivables

The group assesses its trade receivables, held to maturity investments, and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the 1 makes judgements as to whether there is observation data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for Trade receivables, Held to maturity investments, and Loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Provisions
Provisions were raised and management determined an estimate based on the Information available. Additional disclosure of these estimates of provisions are Included in note - Provisions.

Taxation
Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Significant Accounting Policies (continued)

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.5 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.6 Property plant and equipment

The cost of an item of property plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property plant and equipment, the carrying amount of the replaced part is derecognised.

Property plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

Property plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property plant and equipment have been assessed as follows:

Significant Accounting Policies (Continued)

Item	Percentage rate p.a.
Buildings	2.0 – 2.5
Plant and machinery	7.5 – 25
Furniture and fixtures	20
Motor vehicles	20

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accountered for as a change in accounting estimates.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the dereecognition of an item of property plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Intangible assets

An intangible asset is recognised when:
- It is probable tha the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits
- there are available technical financial and other resources to complete the development and to use or sell the asset,
- the expenditure attributable to the asset during its development can be measured reliably

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Significant Accounting Policies (Continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	3 – 5 years

1.8 Investment in subsidiaries

Company financial statements

In the company's separate financial statements, investment in subsidiaries are carried at cost less any accumulaated impairments.

The cost of an investment in a subsidiary is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company, plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.9 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Available-for-sale financial assets

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are encoutered for at trade date.

Significant Accounting Policies (Continued)

1.9 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred subsidiary all risks and rewards of ownership.

Fair value determination

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets
At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss

Significant Accounting Policies (Continued)

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed to available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Amounts to/(from) group companies

These include loans to and from holding companies, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Amounts to group companies are classified as loans and receivables.

Amounts from group companies are classified as financial liabilities measured at amortised cost.

Amounts to directors

These financial assets are classified as receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposit, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Significant Accounting Policies (Continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowing in accordance with the group's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss-held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

Ar subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or ability in a transaction which at the time of the transaction, effects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit not taxable profit (tax loss).

Significant Accounting Policies (Continued)

A deferred tax asset is recognised for the carry forward of unused tax losses and unused WHT credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused WHT credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised in the same or a different period, to other comprehensive income, or
- a business combination

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the saame or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.11 Leases

A lease classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Finance leases – leases

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the effective interest rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessor

Operating leases income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Significant Accounting Policies (Continued)

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted,

Any contingent rents are expensed in the period they are incurred.

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to market the sale.

The cost of inventories comprise of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventoriesd recognised as an expense in the period in which the reversal occurs.

1.13 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a safe transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1.14 Impairment of assets

The group assesses at each and of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually

Significant Accounting Policies (Continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwilll may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revaluaed asset is treated as a revaluation increase.

1.15 Share capital and equity

An equity instrument is very contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benfits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absence is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Significant Accounting Policies (Continued)

1.17 Provision and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligtation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least;
  - the business or part of business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of;

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

1.18 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains either continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Significant Accounting Policies (Continued)

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the experiences recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.20 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Translation of foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Kenya Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date if the transaction.

At the end if the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Significant Accounting Policies (Continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on intial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arises.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange components of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Kenya Shillings by applying to the foreign currency amount the exchange rate between the Kenya Shillings and the foreign currency at the date of the cash flow.

Investments in subsidiaries
The results and financial position of a foreign operation are transferred into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separaate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

2.2 Standards and interpretations not yet effective
The group has choosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after March 01, 2013 or later periods:

IFRS 9 Financial Instruments
This new standard was issued as part of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the Standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are the main changes from IAS 39:
- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All available for sale financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as a fair value
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.

Notes to the Financial Statements

- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.
- Investsments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after January 01, 2013.

IFRS 10 Consolidated Financial Statements

Standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statement and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

The effective date of the standard is for years beginning on or after January 01, 2013.

It is unlikely that the standard will have a material impact on the company's financial statements.

IAS 27 Separate Financial Statements

Consequential amendment as a result of IFRS 10. The amended Standard now only deals with separate financial statements.

The effective date of the amendment is for years beginning on or after January 01, 2013.

The group expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The standard sets out disclosure requirements for investments in Subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after January 01, 2013.

The group expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

Notes to the Financial Statements (Continued)

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

The effective date of the standard is for years beginning on or after January 01, 2013.

The group expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

IAS 1 Presentation of Financial Statements

The amendment now requires items of other comprehensive income to be presented as:
- Those which will be reclassified to profit or loss
- Those which will not be reclassified to profit or loss

The related tax disclosures are also required to follow the presentation allocation.

2. New Standards and Interpretations (continued)

In addition, the amendment changed the name of the statement of comprehensive income to the statement of profit or loss and other comprehensive income.

The effective date of the amendment is for years beginning on or after July 01, 2012.

The group expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

3. Property plant and equipment

Group		2013			2012	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	14,031	–	14,031	13,391	–	13,391
Buildings	600,898	(62,364)	538,534	614,751	(52,247)	562,504
Plant and machinery	109,909	(98,425)	11,484	103,608	(100,159)	3,449
Furniture and fixtures	15,471	(11,532)	3,939	15,879	(11,974)	3,905
Motor vehicles	26,668	(19,412)	7,256	27,252	(17,836)	9,416
Office equipment	9,535	(7,039)	2,496	8,793	(6,181)	2,612
IT equipment	2,370	(1,068)	1,302	2,370	(1,089)	1,281
Other property, plant and equipment	374	(150)	224	250	(123)	127
Total	**779,256**	**(199,990)**	**579,266**	**786,294**	**(189,609)**	**596,685**

Company		2013			2012	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	285	(276)	9	285	(208)	77
Office equipment	603	(551)	52	529	(529)	–
Total	**888**	**(827)**	**61**	**814**	**(737)**	**77**

Notes to the Financial Statements (Continued)

4. Prepaid operating lease rentals

Cost				
Opening balance	66,879	66,879	–	–
Accumulated amortisation				
Opening balance	(13,694)	(12,429)	–	–
Amortisation	(1,391)	(1,265)	–	–
	(15,085)	**(13,694)**	–	–
Carrying value				
Opening balance	53,185	54,450	–	–
Amortisation	(1,391)	(1,265)	–	–
	51,794	**53,185**	–	–

5. Goodwill

Group		**2013**			**2012**	
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Goodwill	79,137	–	79,137	79,137	–	79,137

6. Intangible assets

Group		**2013**			**2012**	
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Computer software	3,187	(1,902)	1,285	3,053	(1,208)	1,845

Other information on intangible assets

As at 28 February 2013, assets worth 283,000, held by the parent are fully armotised but still in use. The notional armotization charge would have been KSh. 24,000. There were no idle assets as at 28 February 2013.

7. Earnings per share

The calculation of basic earnings per share at 28 February 2013 was based on profit attributable to ordinary shareholders of KSh. 6.043 million (2012 KSh 15,305 million) and weighted average number of ordinary shares outstanding during the year ended 28 February 2013 of 40 million (2012: 40 million). There are no dilutive shares.

8. Investment in subsidiaries

Name of company Held by	**% Voting power 2013**	**% Voting power 2012**	**% holding 2013**	**% holding 2012**	**Carrying amount 2013**	**Carrying amount 2012**
Dunlop Industries Limited	100.00	100.00	100.00	100.00	11,500	11,500
Avon Rubber Company Limited	47.50	47.50	47.50	47.50	118,286	118,287
Mather + Platt (K) Limited	56.70	48.46	56.70	48.46	24,494	21,654
Kalahari Floor Tiles Limited	100.00	100.00	100.00	100.00	91,926	91,926
					246,206	243,367

Notes to the Financial Statements (Continued)

The group's interest in subsidiaries are as shown above.
All subsidiaries are incorporated in Kenya except Olympia Capital Corporation (Pty) Limited which is incorporated in Botswana. The subsidiary is listed in Botswana Sock Exchange. The financial statements of this subsidiary have not been audited for two years. Botswana Stock Exchange requires all listed companies to file annual audited financial statements.

Subsidiaries with less than 50% voting powers held
Although the company holds less than 50% of the voting powers in Avon Rubber Company Limited, the investment is considered a subsidiary by virtue of effective Board control.

Reporting period
The end of the reporting period of Avon Rubber Company Limited and Mather & Platt Limited is Monday, December 31, 2012. There were no significant changes that affect these subsidiaries' financial statements as at February 28, 2013 for consolidation purposes.

	Group		Company	
	2013 KSh '000	**2012 KSh '000**	**2013 KSh '000**	**2012 KSh '000**
9. Amounts due (to) /from related parties				
Subsidiaries				
Dunlop Industries Limited	–	–	76,363	76,310
Avon Rubber Company (K) Limited	–	–	(30,216)	(16,415)
Mather & Platt Limited	–	–	501	(325)
Kalahari Floor Tiles (Pty) Limited	–	–	(25,789)	(23,573)
Olympia Capital Corporation Limited	–	–	153,158	136,462
Net amounts due (to) /from subsidiaries	**–**	**–**	**174,017**	**172,459**
Related parties				
Dunlop Properties Limited	(1,155)	(1,155)	(1,155)	(1,155)
Countryside Investment Limited	(1,945)	(1,945)	(1,945)	(1,945)
Central Kenya Wholesalers Limited	(1,444)	(1,444)	(1,444)	(1,444)
Croxley Properties Limited	(30)	(30)	(30)	(30)
Scotlink Limited	3,919	3,919	3,046	3,046
Mt. Kenya Investment Limited	10,640	7,632	8,696	6,784
Meatons Kenya Limited	–	7,967	–	7,967
Taboo Trading 179 (Pty) Limited	6,231	5,005	1,952	726
Tiespro (171) Trading Pty Limited	68,389	54,982	45,789	38,445
Geoffrey Kimaru	–	488	–	488
Dunlop Properties Limited	198	198	–	–
Natwood	8,520	8,520	–	–
	93,323	**84,137**	**54,909**	**52,882**
Impairment of loans to related parties	(14,751)	–	–	–
Net Amounts due from related parties	**78,572**	**84,137**	**54,909**	**52,882**
Non-current assets	323,687	306,817	231,974	221,953
Current assets	120,854	106,597	57,531	48,275
Non-current liabilities	(350,763)	(314,417)	(57,160)	(41,468)
Current liabilities	(14,936)	(14,860)	(3,419)	(3,419)
	78,572	**84,137**	**228,926**	**225,341**

Impairment of loans from related parties relate to KSh. 6,231,234 and KSh. 8,519,574 due from Taboo Trading and Natwood Limited respectively.

Notes to the Financial Statements (Continued)

	Group		Company	
	2013 KSh '000	**2012 KSh '000**	**2013 KSh '000**	**2012 KSh '000**

An amount of KSh. 68,389,062 has been advanced to Tiespro (pty) Limited for the purpose of taking over the activities of the Old Natwood (pty) Limited. The board is confident given the financial projections provided by management, these funds will be recovered in the medium to longterm in cash or as conversion to equity.

The maximum exposure to credit risk at the reporting date is the fair value of each class of amounts mentioned above. The group does not hold any collateral as security.

10. Amounts to / (from) directors

	Group 2013	Group 2012	Company 2013	Company 2012
Amounts due to directors	(40,642)	(39,834)	(16,681)	(15,001)
Amounts due from directors	20,744	19,644	20,744	19,644
	(19,898)	**(20,190)**	**4,063**	**4,043**
Non-current assets	20,744	19,644	20,744	19,644
Non-Current liabilities	(18,607)	(19,536)	–	–
Current liabilities	(22,035)	(20,298)	(16,681)	(15,001)
	(19,898)	**(20,190)**	**4,063**	**4,643**

The maximum exposure to credit risk at the reporting date is the fair value of each class of loans mentioned above. The group does not hold any collateral as security.

11. Available for sale financial assets

	Group 2013	Group 2012	Company 2013	Company 2012
Available-for-sale				
Funguo Investment Limited		1,425		1,425
Heri Limited	48,365	54,965	48,365	54,965
	48,366	**56,390**	**48,365**	**56,390**
Non-current assets				
Available-for-sale	48,365	56,390	48,365	56,390

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

12. Deferred tax liabilities/ (assets)

	Group 2013	Group 2012	Company 2013	Company 2012
Deferred tax liability				
Avon Rubber Company Limited	111,073	70,520	–	–
Kalahari Floor Tiles (Pty) Limited	6,461	15,065	–	–
Gaborone Enterprises (Pty) Limited	33	13,427	–	–
Total deferred tax liability	**117,567**	**99,012**	–	–
Deferred tax asset				
Olympia Capital Holdings Limited	(2,983)	(2,959)	(2,983)	(2,959)
Dunlop Industries	(3,170)	(2,523)	–	–
Mather & Platt (Kenya) Limited	(2,021)	(1,024)	–	–
Avon Rubber Company Limited	–	(23)	–	–
Total defrerred tax asset	**(8,174)**	**(6,529)**	**(2,983)**	**(2,959)**

13. Inventories

	Group 2013	Group 2012	Company 2013	Company 2012
Raw materials, components		5,701	–	–
Work in progress	28,887	22,106	–	–
Finished goods	93,859	84,870	–	–
Consumables	17,763	16,064	–	–
Other inventories for sale	1,743	1,731	–	–
	142,252	130,472	–	–
Inventories (write-downs)	(971)	(971)	–	–
	141,281	**129,501**	–	–

Notes to the Financial Statements (Continued)

	Group		Company	
	2013 KSh '000	**2012 KSh '000**	**2013 KSh '000**	**2012 KSh '000**
14. Trade and other receivables				
Trade receivables	343,838	330,752	7,705	2,074
Other receivables	35,379	52,698	1,679	1,694
	379,217	**383,450**	**9,384**	**3,768**
15. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	303	376	21	18
Bank balances	84,330	71,665	13	–
Funds held In trust In Botswana	311	311	311	311
Bank overdraft	(12,461)	(6,443)	(310)	(1,722)
	72,483	**65,909**	**35**	**(1,393)**
Current assets	84,944	72,352	345	329
Current liabilities	(12,461)	(6,443)	(310)	(1,722)
	72,483	**65,909**	**35**	**(1,393)**

Kalahari Floor Tiles (Proprietary) Limited and Gaborone Enterprises (Proprietary) Limited are subsidiaries located in Botswana and are subject to forex exchange controls of that country.

16. Non-current assets held for sale

Non current asset held for sale is in relation to a new vinyl tile manufacturing plant acquired by Dunlop Industries in the year 2007/2008. The directors are of the opinion that the conditions under IFRS 5, for the extention of time period for sale has been met and that the asset is stated at cost.

Assets

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
Non-current assets held for sale				
Property plant and equipment	54,600	54,600	–	–

17. Share capital

The authorised ,issued and fully paid share capital of the company as at 28 February 2013 was KSh 200,000,000 made up of 40 million ordinary shares of KSh. 5 each. Total share premium amounted to KSh,255,985,000.

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
Issued				
Ordinary share capital	200,000	200,000	200,000	200,000
Share premium	255,985	255,985	255,985	255,985
	455,985	**455,985**	**455,985**	**455,985**

18. Foreign currency translation reserve

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries of Kahari Floor Tiles and Gaborone Enterprises (Pty), domiciled in Botswana.

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
As at 1 March	8,930	599	–	–
Movement during the year	(7,140)	8,331	–	–
	1,790	**8,930**	–	–

Notes to the Financial Statements (Continued)

19. Revaluation reserve

Revaluation reserve arises as a result of periodic revaluation of land and buildings to reflect current market value. The carrying amounts of these assets are adjusted to the revaluations. There are no restrictions on the distribution of revaluation reserve to equity holders.

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	Group		Company	
	2013 KSh '000	2012 KSh '000	2013 KSh '000	2012 KSh '000
As 1 March	286,749	6,982	–	–
Revaluation gain for the year	2,173	279,767	–	–
	288,922	**286,749**	–	–

20. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consisten with the prior year except for the following change in accounting policy.

Change in accounting policy for Discontinued Operations

During the year, the group changed its accounting policy with respect to the treatment of Olympia Capital Corporation limited a company incorporated and domicited in Botswana. The company had been recognized as a subsidiary with shareholding of 50.50%. In the year ended 29 February 2012, the subsidiary was deconsolidated as a discontinued operation and loss for the year was recognized as loss on discontinued operation. The subsidiary has now been consolidated into the group.

The aggregate effect of the changes in accounting policy on the consolidated financial statements for the year ended February 29, 2012 is as follows:

Statement of Financial Position

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
Property plant and equipment				
Previously stated	–	596,329	–	–
Adjustment	–	356	–	–
Restated amount	**–**	**596,685**	**–**	**–**
Amounts due from related parties				
Previous stated	–	298,442	–	–
Adjustment	–	114,972	–	–
Restated amount	**–**	**413,414**	**–**	**–**
Cas and cash equivalents				
Previously stated	–	71,930	–	–
Adjustment	–	422	–	–
Restated amount	**–**	**72,352**	**–**	**–**
Trade and other payables				
Previously stated	–	194,054	–	–
Adjustment	–	25,359	–	–
Restated amount	**–**	**219,413**	**–**	**–**

Notes to the Financial Statements (Continued)

21. Borrowings

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
Barclays Bank Limited	26,384	27,972	–	–
Jamii Bora Bank Limited	–	9,421	–	–
Equatorial Commercial Bank Limited	–	309	–	–
NIC Bank Hire purchase loan	795	1,431	–	–
Co-operative Bank Loan	15,424	17,385	–	–
Housing Finance Co.Ltd	23,466	–	–	–
NIC Bank General Insurance Premium Financing Loan	783	743	–	–
NIC Bank Medical Insurance Premium Financing Loan	520	549	–	–
Stanbic Bank Botswana	27,854	27,248	–	–
	95,226	**85,058**	–	–

The loan from Barclays Bank of Kenya to Avon Rubber Company Limited is secured by a debenture supported by a first charge over property stamped to cover the sum of KSh. 35 million.

The loan from Jamii Bora Bank Limited was advanced to Avon Rubber Company Limited and is secured by marketable securities of Dunlop Properties Limited.

The Equatorial Commercial Bank loan is a hire purchase facility taken by Dunlop Industries Limited for the purchase of a motor vehicle and is secured.

The Stanbic Botswana Limited bank loan is secured by first continuing covering mortgage loan of KSh. 17,598,318 (Pula. 1,563,100) over property in Gaborone and a first continuing and covering mortgage bond of KSh. 17,480,102 (Pula. 1,552,600) over property in Gaborone and unlimited suretyship by Olympia Capital Corporation Limited and Michael Matu.

Mather & Platt (K) Limited has a hire purchase facility acquired from NIC Bank Limited secured by Mather & Platt (K) limited assets.

The Co-operative Bank Limited loan is secured by a fixed and floating debenture of KSh.32 million each over Mather & Platt (K) Limited assets and by first legal charge over property.

Dunlop Industries Limited has an overdraft facility of KSh. 7 million with Fina Bank Limited. The facility is secured by a first legal charge for KSh. 17 million on propery. The company has a Letter of Credit amounting to KShs. 9 Million secured by corporate guarantee of KShs. 15 Million by Olympia Capital Holdings Limited supported by Board Resolution. The company has a Guarantee Issuance facility of KShs 1 Million secured by Board resolution authorising the total borrowings of KShs. 14 Million and Issuance of securities there-in. A bank Guarantee of KShs. 450,000 has been issued in favour of Dunlop Industries Limited for Kenya Power and Lighting Company.

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
Non-current borrowings				
Bank loans	75,084	61,965	–	–
Current liabilities				
Bank loans	20,162	23,093	–	–
	95,226	**85,058**	–	–

Notes to the Financial Statements (Continued)

	Group		Company	
	2013 KSh '000	**2012 KSh '000**	**2013 KSh '000**	**2012 KSh '000**
22. Trade and other payables				
Trade payables	95,980	100,383	10,200	12,935
Other payables	73,963	119,030	1,910	2,669
	169,943	**219,413**	**12,110**	**15,604**

Trade payables are non-interest bearing and are normally settled on 30 to 90 days. Other payables are non-interest bearing.

	Group 2013	Group 2012	Company 2013	Company 2012
23. Revenue				
Sale of goods	823,810	773,898	–	–
Interest received	1,124	388	–	–
	824,934	**774,286**	**–**	**–**
The amount Included in revenue arising from exchanges of goods or services included in revenue are as follows:				
Sale of goods	782,947	737,474	–	–
Rental Income	41,987	36,812	–	–
	824,934	**774,286**	–	–
24. Other Income				
Rental Income	1,254	1,002	–	–
Other Income	(8,842)	(13,261)	3,402	–
Interest Income	19,070	20,860	18,066	17,245
	11,482	**8,601**	**21,468**	**17,245**
25. Cost of sales				
Sale of goods				
Cost of goods sold	592,168	525,036	–	–
26. Operating Loss				
Operating loss for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
• Contractual amounts	3,897	4,436	–	–
Profit on exchange differences		119	–	–
Amortisation on intangible assets	571	479	–	–
Depreciation on property, plant and equipment	20,310	21,177	–	–
Employee costs	114,312	112,792	7,047	6,638
Other operating expenditure	632	50	632	50
Impairment of amounts to related parties	14,751	–	–	–
Directors remuneration	519,419	519,419	–	–

Notes to the Financial Statements (Continued)

	Group		Company	
	2013 KSh '000	2012 KSh '000	2013 KSh '000	2012 KSh '000
27. Employee costs				
Employee costs				
Basic	112,982	111,785	6,531	6,338
Other short term costs	814	707	–	–
	113,796	**112,492**	**6,531**	**6,338**
Total employee costs				
Employee costs	113,796	112,492	6,531	6,338
28. Finance costs				
Finance income	(19,262)	(16,984)	–	–
Gain on foreign currency borrowings	(61)	(486)	–	–
Finance expenses	15,506	10,542	77	329
Bank charge	19,806	19,044	3,471	3,252
Other interest paid/received	–	(44)	–	(44)
	15,989	**12,072**	**3,548**	**3,537**

29. Taxation

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
Accounting (loss) profit	10,850	41,734	4,864	4,060
Tax at the applicable tax rate	3,255	18,105	1,459	1,218
Tax effect of adjustments on taxable income				
Non taxable income	(3,355)	(4,004)	(150)	(15)
Tax losses carried forward	(3,285)	(5,123)	(1,178)	(1,219)
Non allowable expenses	6,351	8,509	206	40
	2,966	**17,487**	**337**	**24**

The applicable tax rate for the Kenyan Companies was 30% in 2013 (2012: 30%) while that for the subsidiaries in Botswana, Kalahari Floor Tiles (Pty) Limited was 15% in 2013 (2012: 15%).

30. Auditors' remuneration

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
Fees	3,373	3,694	900	784
Adjustment for previous year	–	26	–	–
Tax and secretarial services	357	453	147	143
	3,730	**4,173**	**1,047**	**927**

Notes to the Financial Statements (Continued)

	Group		Company	
	2013	2012	2013	2012
	KSh '000	KSh '000	KSh '000	KSh '000

31. Other comprehensive income

Components of other comprehensive income - Group - 2013

	Gross	Tax	Net before non-controlling interest	Non-controlling interest	Net
Exchange differences on translating foreign operations					
Exchange differences arising during the year	(7,140)	–	(7,140)	–	(7,140)
Movements on revaluation					
Gains (losses) on property revaluation	3,742	(449)	3,293	(1,120)	2,173
Total	**(3,398)**	**(449)**	**(3,847)**	**(1,120)**	**(4,967)**

32. Cash generated from / (used in) operations

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
Profit (loss) before taxation	10,850	41,734	4,864	4,060
Adjustments for:				
Depreciation and amortisation	20,881	21,656	–	–
Finance costs	15,989	12,072	3,548	3,537
Changes in working capital:				
Inventories	(11,780)	–	–	–
Trade and other receivables	4,233	(216,770)	(5,616)	(2,074)
Trade and other payables	(49,470)	(4,803)	(3,494)	(2,740)
	(9,297)	**(146,111)**	**(698)**	**2,783**

33. Dividends paid

	Group 2013 KSh '000	Group 2012 KSh '000	Company 2013 KSh '000	Company 2012 KSh '000
Balance at beginning of the year	(9,319)	(4,320)	(5,319)	(5,319)
Dividends	–	(4,000)	–	–
Balance at end of the year	8,819	9,319	8,819	5,319
	(500)	**999**	**3,500**	**–**

34. Comparative figures

Where neccessary, prior year comparative figures have been adjusted to conform with changes in presentation in the current year. These changes did not have any impact on the profits/ (loss) for the year, or the net asset position.

Notes to the Financial Statements (Continued)

35. Risk management

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2013 and 2012 respectively were as follows:

		Group		Company	
		2013 KSh '000	2012 KSh '000	2013 KSh '000	2012 KSh '000
Total borrowings					
Loans to (from) group companies	9	365,699	329,277	60,579	44,887
Loans to (from) shareholders	10	40,642	39,834	16,681	15,001
Other financial liabilities	21	95,226	85,058	–	–
		501,567	**454,169**	**77,260**	**59,888**
Less: Cash and cash equivalents	15	72,483	65,487	35	(1,393)
Net debt		429,084	388,260	77,225	61,281
Total equity		1,074,362	1,067,229	517,701	513,174
Total capital		**1,503,446**	**1,455,489**	**594,926**	**574,455**
Gearing ratio		29 %	27 %	8%	10%

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (group treasury) under policies approved by the board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial Instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments, The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Notes to the Financial Statements (Continued)

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NOTES

PROXY FORM

I/we ____

of ____

Being a member / member of the above-named Company, hereby appoint:

____

of ____

or failing him____

of ____

as our / my proxy, to vote for us / me and on our / my behalf at the Annual General Meeting of the Company to be held on Thursday, 21 November 2013 at Nairobi Club from 2.30pm and at any adjournment thereof.

As witness our / my hand this_______________________day of______________________2013

Signed ______________________________________

Signed ______________________________________

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

2. In the case of a member being a limited company this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.

3. Proxies must be in the hands of the Secretary not latter than 48 hours before the time of holding the meeting.

IMPORTANT

4. **Dematerialization of Your Share Certificate**
   Please **take note** that in accordance with Section 24 of the CDS Act 2000, CDSC has given notice that it will declare all shares of Olympia Capital Holdings Limited dematerialized on **1 November 2013.** Accordingly, you are required to open a CDS Account with CDSC and immobilized all your Share Certificates by 1 November 2013.

   Kindly take immediate action to avoid a last minute rush.