

OLYMPIA CAPITAL HOLDINGS LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 28 FEBRUARY 2021

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>3 Revenue</b>				
Sale of goods	<u>474,870</u>	<u>496,948</u>	<u>-</u>	<u>-</u>
<b>4 Cost of sales</b>				
Cost of goods sold	<u>321,738</u>	<u>319,822</u>	<u>-</u>	<u>-</u>
<b>5 Other operating income</b>				
Rental income	54,484	50,792	-	-
Interest income	1,535	17,410	1,535	17,410
Fair value gain	3,604	11,342	-	-
Sundry income	21,923	18,853	12,948	5,139
Dividend income	-	990	-	990
	<u>81,546</u>	<u>99,387</u>	<u>14,483</u>	<u>23,539</u>

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>6 Operating expenses</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
Employment costs (below)	75,436	69,107	15,482	2,383
General office expenses	53,189	69,228	42	35
Bad debts written off	31,738	35,500	7,942	29,852
Depreciation and amortisation	20,307	21,054	5	23
Professional and legal fees	9,908	10,419	-	1,276
Audit fees	4,026	3,722	1,104	1,064
Security	3,717	2,898	-	-
Electricity and water	2,666	3,042	-	-
Management fees	7,837	2,654	-	-
Repairs and maintenance	2,564	2,205	44	8
Cleaning and garbage collection	1,558	1,388	-	-
General insurance	1,218	1,151	-	-
Directors emoluments	1,185	1,187	286	426
Rent and rates	1,194	1,041	90	90
Registry maintenance fees	867	953	867	953
Motor vehicle expenses	696	681	-	4
Travelling and entertainment	587	625	25	41
Workshop expenses	545	1,383	-	614
Printing and stationery	377	610	27	185
Taxation and secretarial fees	317	1,092	276	436
Bank charges	290	289	20	11
Telephone, fax and postage	275	299	69	59
Facilitation fees/tender costs	221	199	50	50
Annual listing fees	200	290	200	200
Royalties, trade licenses and subscriptions	82	82	-	-
Advertising and publicity	67	845	56	831
Computer expenses	35	82	35	82
	<u>221,102</u>	<u>232,026</u>	<u>26,620</u>	<u>38,623</u>
<i>Employment costs</i>				
Staff salaries and wages	75,181	67,047	15,421	2,298
Training and recruitment	194	712	-	-
Medical expenses	31	1,348	31	85
Staff welfare	30	-	30	-
	<u>75,436</u>	<u>69,107</u>	<u>15,482</u>	<u>2,383</u>

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>7 Operating profit</b>				
Depreciation and amortization	20,307	21,054	5	23
Audit fees	4,026	3,722	1,104	1,064
Employee costs	75,436	69,107	15,482	2,383
Directors remuneration	1,185	1,187	286	426
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>8 Finance costs</b>				
Finance expenses	3,474	18,764	-	2,585
Losses on foreign exchange	3,652	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>7,126</u>	<u>18,764</u>	<u>-</u>	<u>2,585</u>
<b>9 Taxation</b>				
<b>a) Tax charge</b>				
Current year charge	11,364	11,292	-	-
Deferred tax charge/credit	(3,801)	4,019	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>7,563</u>	<u>15,311</u>	<u>-</u>	<u>-</u>
<b>Reconciliation of tax charge to accounting profit</b>				
<b>b) Accounting profit</b>	<u>6,450</u>	<u>25,723</u>	<u>(12,137)</u>	<u>(17,669)</u>
Tax at applicable rate	1,935	7,717	-	-
Non allowable expenses	20,746	15,558	-	-
Tax losses carried forward	(7,713)	(641)	-	-
Non taxable income	(3,604)	(11,342)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>11,364</u>	<u>11,292</u>	<u>-</u>	<u>-</u>

## 9 Taxation (Continued)

The applicable tax rate for the Kenyan Companies was 25% (2020: 30%) while that applicable to the subsidiaries in Botswana; Kalahari Floor Tiles (Pty) Limited at 15% (2020: 15%) and Gaborone Enterprises (Pty) Limited at 22% (2020: 22%).

	Group		Company	
	2021	2020	2021	2020
c) Tax movement	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Tax payable b/fwd.	18,193	20,620	14,149	14,149
Prior period adjustment	(10)	(1,871)	(10)	-
Restated balance as at 1 March	18,183	18,749	14,139	14,149
Current year charge	11,364	11,292	-	-
Payments made during the year	(23,790)	(11,848)	-	-
Tax payable c/fwd.	5,757	18,193	14,139	14,149

## 10 Earnings per share

The calculation of basic earnings per share for the group as at 28 February 2021 was based on loss attributable to ordinary shareholders of Kshs 1.113 million (2020: Kshs profit 10.4 million) and weighted average number of shares outstanding during the year then ended of 40 million (2020: 40 million). There are no dilutive shares.

OLYMPIA CAPITAL HOLDINGS LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 28 FEBRUARY 2021

**11 Property, plant and equipment - GROUP**  
**Year ended 28 February 2021**

	<b>Buildings</b> <b>Kshs '000</b>	<b>Work in</b> <b>progress</b> <b>Kshs '000</b>	<b>Plant and</b> <b>machinery</b> <b>Kshs '000</b>	<b>Furniture</b> <b>&amp; fixtures</b> <b>Kshs '000</b>	<b>Motor</b> <b>vehicles</b> <b>Kshs '000</b>	<b>Office</b> <b>equipment</b> <b>&amp; computers</b> <b>Kshs '000</b>	<b>Loose</b> <b>tools</b> <b>Kshs '000</b>	<b>Total</b> <b>Kshs '000</b>
<b>Cost</b>								
Balance as previously reported	730,024	12,131	91,587	13,731	29,479	13,683	5,631	896,266
Additions	-	-	1,341	1,416	180	884	-	3,821
Revaluations	6,862	(12,131)	-	-	-	-	-	(5,269)
As at 28 February 2021	736,886	-	92,928	15,147	29,659	14,567	5,631	894,818
<b>Accumulated depreciation</b>								
Balance as previously reported	163,165	-	79,181	8,091	22,771	9,871	2,340	285,419
On revaluation	(135,567)	-	-	-	-	-	-	(135,567)
Charge for the year	14,934	-	2,110	649	1,205	485	191	19,574
As at 28 February 2021	42,532	-	81,291	8,740	23,976	10,356	2,531	169,426
<b>Net carrying amount</b>								
As at 28 February 2021	694,354	-	11,637	6,407	5,683	4,211	3,100	725,392

OLYMPIA CAPITAL HOLDINGS LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 28 FEBRUARY 2021

**11 Property, plant and equipment - GROUP**  
**Year ended 29 February 2020**

<b>Cost</b>	<b>Buildings Kshs '000</b>	<b>Work in progress Kshs '000</b>	<b>Plant and machinery Kshs '000</b>	<b>Furniture &amp; fixtures Kshs '000</b>	<b>Motor vehicles Kshs '000</b>	<b>Office equipment &amp; computers Kshs '000</b>	<b>Loose tools Kshs '000</b>	<b>Total Kshs '000</b>
Balance as previously reported	730,024	12,131	89,104	12,714	28,961	12,794	5,631	891,359
Additions	-	-	2,483	1,017	518	889	-	4,907
As at 29 February 2020	730,024	12,131	91,587	13,731	29,479	13,683	5,631	896,266
<b>Accumulated depreciation</b>								
Balance as previously reported	148,256	-	77,095	7,801	20,674	9,324	2,207	265,357
Charge for the year	14,909	-	2,086	290	2,097	547	133	20,062
As at 29 February 2020	163,165	-	79,181	8,091	22,771	9,871	2,340	285,419
<b>Net carrying amount</b>								
As at 29 February 2020	566,859	12,131	12,406	5,640	6,708	3,812	3,291	610,848

**11 Property, plant and equipment (Continued)**

<b>Company</b>	<b>Office equipment Kshs '000</b>	<b>Furniture and fittings Kshs '000</b>	<b>Total Kshs '000</b>
<b><u>Year ended 28 February 2021</u></b>			
<b>Cost</b>			
As at 1 March	718	285	1,003
As at 28 February 2021	<u>718</u>	<u>285</u>	<u>1,003</u>
<b>Accumulated depreciation</b>			
As at 1 March	703	285	988
Charge for the year	5	-	5
As at 28 February 2021	<u>708</u>	<u>285</u>	<u>993</u>
<b>Net carrying amount</b>			
As at 28 February 2021	<u>10</u>	<u>-</u>	<u>10</u>
<b><u>Year ended 29 February 2020</u></b>			
<b>Cost</b>			
As at 1 March	718	285	1,003
As at 29 February 2020	<u>718</u>	<u>285</u>	<u>1,003</u>
<b>Accumulated depreciation</b>			
As at 1 March	680	285	965
Charge for the year	23	-	23
As at 29 February 2020	<u>703</u>	<u>285</u>	<u>988</u>
<b>Net carrying amount</b>			
As at 29 February 2020	<u>15</u>	<u>-</u>	<u>15</u>
As at 28 February 2019	<u>38</u>	<u>-</u>	<u>38</u>

OLYMPIA CAPITAL HOLDINGS LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 28 FEBRUARY 2021

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>12 Investment properties</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
Balance as previously reported	127,102	43,707	-	-
Additions	-	72,053	-	-
Fair value gain/(loss)	3,604	11,342	-	-
As at 28:29 February	<u>130,706</u>	<u>127,102</u>	<u>-</u>	<u>-</u>
<b>13 Prepaid operating lease rentals</b>				
<b>Cost</b>				
As at 1 March	<u>40,750</u>	<u>40,750</u>	<u>-</u>	<u>-</u>
As at 28:29 February	<u>40,750</u>	<u>40,750</u>	<u>-</u>	<u>-</u>
<b>Accumulated amortization</b>				
As at 1 March	18,810	17,818	-	-
Charge for the year	<u>731</u>	<u>992</u>	<u>-</u>	<u>-</u>
As at 28 February	<u>19,541</u>	<u>18,810</u>	<u>-</u>	<u>-</u>
<b>Net carrying amount</b>				
As at 28 February	<u>21,209</u>	<u>21,940</u>	<u>-</u>	<u>-</u>

Prepaid operating lease rentals comprise leasehold land held by Avon Rubber Company (Kenya) Limited and Mather and Platt (Kenya) Limited.

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>14 Intangible assets</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Cost</b>				
As at 1 March	<u>2,575</u>	<u>2,575</u>	<u>-</u>	<u>-</u>
As at 28:29 February	<u>2,575</u>	<u>2,575</u>	<u>-</u>	<u>-</u>
<b>Accumulated amortization</b>				
As at 1 March	<u>2,575</u>	<u>2,575</u>	<u>-</u>	<u>-</u>
As at 28:29 February	<u>2,575</u>	<u>2,575</u>	<u>-</u>	<u>-</u>
<b>Net carrying amount</b>				
As at 28:29 February	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

15	Goodwill Cost	Group		Company	
		2021 Kshs '000	2020 Kshs '000	2021 Kshs '000	2020 Kshs '000
	As at 1 March	93,594	93,594	-	-
	<b>Accumulated amortization</b>				
	As at 1 March	-	-	-	-
	As at 28February	-	-	-	-
	<b>Net carrying amount</b>				
	As at 28February	93,594	93,594	-	-

Goodwill arises on the acquisition of subsidiaries, associates, joint-controlled entities and on the separate purchase of businesses. The Group's and companies accounting policy is that goodwill is annually measured at cost less accumulated impairment losses.

16	Investment in subsidiaries	Holding %	Group		Company	
			2021 Kshs'000	2020 Kshs'000	2021 Kshs'000	2020 Kshs'000
	Dunlop Industries Limited	100	-	-	11,500	11,500
	Avon Rubber Company (Kenya) Limited	48	-	-	118,286	118,286
	Mather & Platt (Kenya) Limited	57	-	-	24,494	24,494
	Olympia Capital Corporation Limited	61	-	-	267,772	91,926
			-	-	422,052	246,206

**Increase in investment in subsidiary**

During the year, the holding company Olympia Capital Holdings Limited increased its equity in subsidiary Olympia Capital Corporation Limited from 51% to 61% through a debt to equity conversion of Kshs 175million previously owed to Olympia Capital Holdings Limited by Olympia Capital Corporation Limited.

## 16 Investment in subsidiaries (Continued)

### The group's interests 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 Stock Exchange. The financial statements of this subsidiary were audited for the year ended 31 December 2020 as required by the Botswana Stock Exchange.

### Indirect interests in other entities

The company through Olympia Capital Corporation (Pty) Limited holds 100% interest in Kalahari Floor Tiles (Pty) Limited which in turn holds 100% of Gaborone Enterprises Limited. All of these companies are registered and domiciled in Botswana.

### Subsidiaries with less than 50% voting powers held

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

### Reporting period

The end of reporting period of Avon Rubber Company (Kenya) Limited, Mather and Platt (Kenya) Limited and Olympia Capital Corporation (Pty) Limited was 31 December 2020. There were no significant changes that affect these subsidiaries' financial statements as at 28 February 2021 for consolidation purposes.

	Group		Company	
	2021 Kshs '000	2020 Kshs '000	2021 Kshs '000	2020 Kshs '000
<b>17 Non-current assets held for sale</b>				
As at 1 March	4,735	4,735	-	-
As at end of year	4,735	4,735	-	-
<b>18 Available-for-sale financial assets</b>				
As at 1 March	49,700	49,700	49,700	49,700
As at end of year	49,700	49,700	49,700	49,700

This relates to investments in Heri Ltd shares.

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>19 Deferred tax</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>a) Deferred tax assets</b>				
As at 1 March	(140,410)	(137,619)	(2,983)	(2,983)
Prior year adjustments	126,564	(2,708)	-	-
Restated balance as at 1 March	(13,846)	(140,326)	(2,983)	(2,983)
(Charge) for the year	(5,049)	(83)	-	-
As at 28:29 February	<u>(18,895)</u>	<u>(140,410)</u>	<u>(2,983)</u>	<u>(2,983)</u>
<b>b) Deferred tax liabilities</b>				
Balance as previously reported	26,827	22,725	-	-
Charge/(credit) for the year	5,839	4,102	-	-
As at 28:29 February	<u>32,666</u>	<u>26,827</u>	<u>-</u>	<u>-</u>
<b>20 Related party transactions</b>				
<b>a) Amounts due from related parties</b>				
Olympia Capital Corporation Limited	-	160,739	309	240,407
Dunlop Industries Limited	46,342	58,044	46,342	46,544
Croxley Properties Limited	276	248	-	-
Dunlop Properties Limited	22,792	21,087	21,253	19,718
Meatons Kenya Limited	6,593	6,593	6,593	6,593
Mt Kenya Investments Limited	5,507	3,104	-	-
Mather & Platt (Kenya) Limited	-	35,256	33,118	32,008
Scottlink Limited	3,873	3,919	3,000	3,046
Karen Enterprises	6,894	6,342	-	-
	<u>92,277</u>	<u>295,332</u>	<u>110,615</u>	<u>348,316</u>
Maturity:				
Non-current	75,727	281,719	107,615	348,316
Current	16,550	13,613	3,000	-
	<u>92,277</u>	<u>295,332</u>	<u>110,615</u>	<u>348,316</u>

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

**20 Related party transactions (Continued)**

**b) Amounts due to related parties**

	Group		Company	
	2021 Kshs '000	2020 Kshs '000	2021 Kshs '000	2020 Kshs '000
Avon Rubber Co	-	56,153	60,246	56,153
Croxley Properties Ltd	30	-	30	30
Mount Kenya Investments	300	-	300	300
Countryside Investments	1,945	-	1,945	1,945
Central Kenya Wholesalers	1,444	-	1,444	1,444
	<u>3,719</u>	<u>56,153</u>	<u>63,965</u>	<u>59,872</u>
Maturity:				
Non-current	330	56,153	60,576	56,153
Current	<u>3,389</u>	<u>-</u>	<u>3,389</u>	<u>3,719</u>
	<u>3,719</u>	<u>56,153</u>	<u>63,965</u>	<u>59,872</u>

**c) Amounts due from/to directors**

Amounts due from directors	49,589	36,765	31,453	23,689
Amounts due to directors	<u>(18,650)</u>	<u>(27,063)</u>	<u>(5,796)</u>	<u>(5,735)</u>
	<u>30,939</u>	<u>9,702</u>	<u>25,657</u>	<u>17,954</u>
Maturity:				
Non-current assets	49,589	36,765	31,453	23,689
Current liabilities	<u>(18,650)</u>	<u>(27,063)</u>	<u>(5,796)</u>	<u>(5,735)</u>
	<u>30,939</u>	<u>9,702</u>	<u>25,657</u>	<u>17,954</u>

**21 Inventories**

Finished goods	109,932	84,412	-	-
Provision of obsolete stocks	<u>(10,351)</u>	<u>(971)</u>	-	-
Net finished goods	99,581	83,441	-	-
Work in progress	8,889	15,271	-	-
Spares and consumables	13,637	10,276	-	-
Loose tools	-	1,754	-	-
	<u>122,107</u>	<u>110,742</u>	-	-

**22 Trade and other receivables**

Trade receivables	64,913	94,893	-	-
Other receivables	<u>20,951</u>	<u>29,541</u>	<u>4,120</u>	<u>3,752</u>
	<u>85,864</u>	<u>124,434</u>	<u>4,120</u>	<u>3,752</u>

	Group		Company	
	2021	2020	2021	2020
<b>23 Cash and cash equivalents</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
Cash and bank balances	74,670	90,270	18	71
Bank overdrafts	(2,032)	(4,954)	(1,662)	-
	<u>72,638</u>	<u>85,316</u>	<u>(1,644)</u>	<u>71</u>
<b>24 Share capital</b>				
Authorized share capital	200,000	200,000	200,000	200,000
Share premium	255,985	255,985	255,985	255,985
	<u>455,985</u>	<u>455,985</u>	<u>455,985</u>	<u>455,985</u>

The authorized, issued and fully paid capital of the company as at 28 February 2021 was Kshs 200 million made up of 40 million ordinary shares of Kshs 5 each.

#### 25 Borrowings

Barclays Bank (Kenya) Limited	6,182	9,086	-	-
Kalahari Floor Tiles (Pty) Limited	-	48,382	-	48,382
Co-operative Bank of Kenya	-	2,696	-	-
Stanbic Bank Botswana Ltd	27,069	52,994	-	-
Bank overdrafts	2,032	4,954	1,662	-
	<u>35,283</u>	<u>118,113</u>	<u>1,662</u>	<u>48,382</u>
Maturity:				
Non-current liability	26,619	106,823	-	48,382
Current liability	8,664	11,290	1,662	-
	<u>35,283</u>	<u>118,113</u>	<u>1,662</u>	<u>48,382</u>

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

Stanbic bank Botswana loan is advanced to Olympia Capital Corporation Limited and to be repaid no later than 30 April 2029 at 3% per annum above bank's prime rate currently 6.5%. The loan was secured to purchase an investment property.

Mather and Platt (Kenya) Limited has a loan with Co-operative Bank Limited secured by first legal charge over a property and a fixed and floating debenture over the Mather and Platt (Kenya) Limited assets.

Bank overdraft facilities for Olympia Capital Corporation limited of Kshs. 4.5 million is with Bank ABC. The facility is pledged against property.

	Group		Company	
	2021	2020	2021	2020
<b>26 Trade and other payables</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
Trade payables	79,260	47,033	3,335	2,403
Other payables	62,460	92,197	-	-
	<u>141,720</u>	<u>139,230</u>	<u>3,335</u>	<u>2,403</u>

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

**27 Dividend payable**

As at 1 March	5,224	5,224	5,224	5,224
Declared during the year	<u>10,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 28 February	<u>15,724</u>	<u>5,224</u>	<u>5,224</u>	<u>5,224</u>

The amount of dividends recorded as outstanding relates to dividends provision made in the prior years. The Board of directors monitors the ability of the Group to pay dividends out of available cash and distributable profits. At the current performance, the group is not able to pay the outstanding dividends.

**28 Risk management**

**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 minimize potential adverse effects on the group's financial performance.

## **28 Risk management (Continued)**

### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The group's risk to liquidity is as result of the funds available to cover the future commitments; the group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilized borrowing facilities are monitored.

### **Interest rate risk**

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from short- term and long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

### **Credit risk**

Credit risk is managed on a group basis. Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based in accordance with limits set by the Board. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

### **Foreign exchange risk**

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

## 28 Risk management (Continued)

### 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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the group consists of debt, which includes the borrowings, cash and cash equivalents, and equity as disclosed in the statement of financial position. 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 are no externally imposed capital requirements.

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.

## 29 Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year. These changes did not have impact on profit/(loss) for the year, or on the net asset position of the group.

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Total borrowings</b>				
Amounts due to related parties	3,719	56,153	63,964	59,872
Amounts due to directors	18,650	27,063	5,796	5,735
Borrowings	33,251	113,158	-	48,382
	55,620	196,374	69,760	113,989
Less: Cash and cash equivalents	(72,638)	(85,316)	1,644	(71)
Net debt	(17,018)	111,058	71,404	113,918
Total equity	1,215,219	1,315,069	526,830	538,967
Total capital	<u>1,198,200</u>	<u>1,426,128</u>	<u>598,234</u>	<u>652,884</u>
Gearing ratio	<u>-1%</u>	<u>8%</u>	<u>12%</u>	<u>17%</u>

**30. New and amended standards and interpretations in issue but not yet effective for the year ended 28 February 2021**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2021 and have not been applied in preparing these financial statements. The Group and Company does not plan to adopt these standards early.

These are summarized below;

'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Effective for annual reporting periods beginning on or after 1 January 2022.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Effective for annual reporting periods beginning on or after 1 January 2022.

'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. Effective for annual reporting periods beginning on or after 1 January 2022.

Amendments to IFRS 17' to address concerns and implementation challenges that were identified after IFRS 17 'Insurance Contracts' was published in 2017. The amendments are effective for annual periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022, however, their effective date has been delayed to 1 January 2023.

Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

IFRS 17 'Insurance Contracts' was issued by the IASB on 18 May 2017 and is effective for periods beginning on or after 1 January 2023.