

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2014

| CONTENTS | PAGE |
|---|---------|
| Company Information | 2 – 3 |
| Notice of the Annual General Meeting | 4 |
| Chairman's Statement | 5 |
| Statement of Corporate Governance | 6 – 8 |
| Report of the Directors | 9 |
| Statement of Directors' Responsibilities | 10 |
| Report of the Independent Auditors | 11 – 12 |
| Financial Statements:- | |
| Consolidated and Company Statements of Comprehensive Income | 13 |
| Consolidated and Company Statements of Financial Position | 14 – 15 |
| Consolidated Statement of Changes in Equity | 16 |
| Company Statement of Changes in Equity | 17 |
| Consolidated and Company Statements of Cash Flows | 18 |
| Notes to the Financial Statements | 19 – 45 |

COMPANY INFORMATION
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | |
|-----------------------------|---|
| Directors | <p>Karen Enterprises Limited</p> <p>Alt Dr. Christopher Obura – Chairman</p> <p>Mr. Michael M. Matu – Deputy Chairman</p> <p>Mrs. Gladys Kamau – Executive Director (Appointed: 28 August 2014)</p> <p>Dr. John Simba</p> <p>Mr. Suresh Lakhani</p> <p>Mr. Alex Kimani (Appointed on 28 August 2014)</p> <p>Mr. Kenneth Kareithi (Resigned on 26 February 2014)</p> <p>Mr. David Kabeberi (Resigned on 27 March 2014)</p> <p>Mr. Vincent H. L. Opanga (Resigned on 21 May 2014)</p> |
| Registered office | <p>Olympia Capital Holdings Limited</p> <p>L.R. No. 209/5532</p> <p>Off Nanyuki Road</p> <p>Industrial Area</p> <p>P.O. Box 30102 – 00100</p> <p>Nairobi, Kenya.</p> |
| Principal place of business | <p>Olympia Capital Holdings Limited</p> <p>Addis Ababa Road off Enterprise Road</p> <p>Industrial Area</p> <p>P.O. Box 30102 – 00100</p> <p>Nairobi, Kenya.</p> |
| Principal Bankers | <p>NIC Bank Limited</p> <p>NIC House Branch</p> <p>P.O. Box 44599 – 00100</p> <p>Nairobi, Kenya.</p> <p>Guaranty Trust Bank (Kenya) Limited</p> <p>Industrial Area Branch</p> <p>P.O. Box 18647 – 00100</p> <p>Nairobi, Kenya.</p> |
| Company Secretary | <p>J. L. G Maonga</p> <p>Maonga Ndonye Associates</p> <p>3rd Floor, Jadala Place</p> <p>P.O. Box 73248 – 00200</p> <p>Nairobi, Kenya.</p> |
| Company Registrar | <p>C&R Group</p> <p>6th Floor, North Wing, Bruce House</p> <p>Standard Street</p> <p>P.O. Box 8484 – 00100</p> <p>Nairobi, Kenya.</p> |

COMPANY INFORMATION (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | |
|----------------------|--|
| Independent Auditors | Crowe Horwath EA Certified Public Accountants 5 th Floor, Geomaps Centre Matumbato Road, Upper Hill P.O. Box 74066 – 00200 Nairobi, Kenya. |
| Subsidiaries | <p>Dunlop Industries Limited Dunlop Center Off Nanyuki Road, Industrial Area LR No. 209/5532/1 P.O. Box 78265 – 00507 Nairobi, Kenya.</p> <p>Avon Rubber Company (Kenya) Limited 3th Floor, Avon House Enterprise Road, Industrial Area P.O. Box 18270 – 00100 Nairobi, Kenya.</p> <p>Mather and Platt (Kenya) Limited Addis Ababa Road Industrial Area P.O. Box 30145 – 00100 Nairobi, Kenya.</p> <p>Olympia Capital Corporation Limited Plot 51, 52 & 53 Mogoditshane P.O. Box 2166 Gaborone, Botswana.</p> |

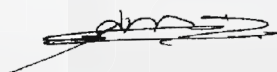
NOTICE OF THE ANNUAL GENERAL MEETING
FOR THE YEAR ENDED 28 FEBRUARY 2014

NOTICE is hereby given that the 44th Annual General Meeting of Olympia Capital Holdings Limited will be held at the Nairobi Club, Upper Hill, Nairobi on **Friday, 17 October 2014 at 11.00 a.m.** to transact the following business:-

AGENDA

1. To read the notice convening the meeting, table the proxies received and confirm the presence of a quorum;
2. To confirm the minutes of the 43rd Annual General Meeting of the Company held on 21 November 2013;
3. To receive, consider and adopt the Annual Report and Financial Statements of the Company for the year ended 28 February 2014 together with the Chairman's, Directors' and Auditors' Reports thereon;
4. To declare a first and final dividend of KShs 0.25 per share in respect of the Financial Year ended 28 February 2014 payable to the shareholders registered in the books of the Company as at the close of business on 17 October 2014;
5. To re-elect Karen Enterprises Limited, a Director retiring in accordance with Article 99 of the Company's Articles of Association, and, being eligible, offers itself for re-election;
6. To approve the Directors' remuneration as shown in the Financial Statements for the year ended 28 February 2014;
7. Following the dissolution of Messrs Crowe Horwath EA, Certified Public Accountants, on 20 August 2014, to consider and, if thought fit, to appoint in its place Messrs Parker Randall Eastern Africa as Auditors of the Company and to authorize the Directors to fix the auditors' remuneration for the ensuing Financial Year; and
8. To transact any other business of which due notice has been received.

BY ORDER OF THE BOARD



J L G MAONGA
Company Secretary
Nairobi

15th September 2014

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 the Share 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 FOR THE YEAR ENDED 28 FEBRUARY 2014



Dr. C.W. Obura



On behalf of the Board and management team, I am pleased to present to shareholders our detailed financial year 2014 report. The 2014 financial result delivered by the Group is a solid one and I believe that Olympia Capital Holdings Limited is well placed to continue to reward both its shareholders and its local and foreign customers into the future.

FINANCIAL RESULTS

The Group net profit after tax was KShs 45 million, up from KShs 7.9 million reported in 2013. The result reflects the underlying strength and resilience of our businesses and an ability to deliver solid results against a backdrop of broader economic and market uncertainty that prevailed throughout the year.

The overall growth of our subsidiaries were curtailed by delayed execution of several major construction projects, a reduction in sales to government and major corporate companies as well as the negative effects of stiff competition. Good progress has however been made on initiatives for the Group to deliver sustainable, profitable growth into the future.

DIVIDENDS

The Board has recommended the payment of a first and final dividend of KShs 0.25 per share for the 2014 financial year, up from KShs 0.10 per share settled for the financial year ended 29 February 2012.

MANAGEMENT

Olympia Capital Holdings Limited remains a well-managed company that is committed to growth and improvement. Importantly, there has been good progress towards identifying areas of growth and expansion.

PEOPLE

Congratulations to the entire Olympia Capital Holdings Limited team for having navigated through an uncertain economic environment. The Board acknowledges the hard work and commitment from all staff members across the business for their part in delivering these results.

DR. Christopher Obura
CHAIRMAN

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. The Board is accountable to the company's shareholders for good governance and the statement set out below illustrates how the principles identified in the Capital Markets Act – Corporate Governance Guidelines, are applied by the group.

BOARD OF DIRECTORS

Composition of the Board is set out on page 2.

The Board consists of the Chairman, Dr. Christopher Obura, the Executive Director (Mrs. Gladys Kamau who took over after resignation of Mr. Kenneth Kareithi), Deputy Chairman, Mr. Michael M. Matu, Mr. Alex Kimani and two non-executive directors, Mr. Suresh Lakhani, Dr. John Simba. All non-executive directors are independent of the management. All directors are subject to periodic retirement and re-appointment in accordance with the company's Articles of Association.

All 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 10.

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 for Public Listed Companies in Kenya.

The 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 wide range of skills and experience and each member brings an independent judgment and considerable knowledge to the board discussions that ensures effective decision making. 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 its responsibilities by the various Sub Committees.

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 Staff Nominations and Remuneration Committee. The Board Sub Committees assist the Board in discharging its responsibilities. These Sub 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.

BOARD AUDIT COMMITTEE

The committee acts as the liaison between the External Auditor, the Board and the Management. 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 main responsibilities of this committee are to set limits for Management in capital expenditure, review the budgets, review the companies' procurement and disposal policies and make recommendations on all new investments proposals.

BOARD STAFF NOMINATIONS AND REMUNERATION COMMITTEE

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 its shareholders receive full and timely information about its performance through distribution of the annual report and financial statements and half year 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.

STATEMENT OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 28 FEBRUARY 2014

MAJOR SHAREHOLDERS

| <u>Name</u> | <u>Shares</u> | <u>Percentage (%) S/holding</u> |
|--|--------------------------|-------------------------------------|
| Dunlop Properties Limited | 7,514,802 | 18.79% |
| Paul Wanderi Ndungu | 4,612,500 | 11.53% |
| Karen Enterprises Limited | 3,932,832 | 9.83% |
| First Ten Limited | 2,359,936 | 5.90% |
| CFC Stanbic Nominees (K) Limited Acc: R48703 | 1,901,700 | 4.75% |
| CFC Stanbic Nominees (K) Limited Acc: R48704 | 1,239,000 | 3.10% |
| Joel Kamau Kibe | 949,500 | 2.37% |
| Scottlink Limited | 885,269 | 2.21% |
| Michael Maina Matu | 683,197 | 1.71% |
| Investments & Mortgages Nominees Limited Acc: 028950 | 626,732 | 1.57% |
| Eliud Matu Wamae | 619,088 | 1.55% |
| Mobicom Kenya Limited | 449,600 | 1.12% |
| 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 | <u>13,005,844</u> | <u>32.51%</u> |
| | <u>40,000,000</u> | <u>100%</u> |

DIRECTORS' SHAREHOLDINGS

| <u>Name</u> | <u>Shares</u> | <u>Percentage (%) Shareholding</u> |
|-------------------------------|------------------|--|
| Karen Enterprises Limited | 3,932,832 | 9.83% |
| Mr. Michael Maina Matu | 683,197 | 1.71% |
| Dr. John N. Simba | <u>14,000</u> | <u>0.04%</u> |
| Total directors' shareholding | <u>4,630,029</u> | <u>11.58%</u> |

DISTRIBUTION OF SHAREHOLDERS

| <u>Volume</u> | <u>No. of shares held</u> | <u>Percentage (%)</u> | <u>Shareholders</u> |
|---------------------|---------------------------|-----------------------|---------------------|
| 1 – 500 | 274,581 | 0.69% | 1,126 |
| 501 – 5,000 | 2,475,052 | 6.19% | 1,293 |
| 5,001 – 10,000 | 1,543,073 | 3.86% | 197 |
| 10,001 – 100,000 | 5,666,061 | 14.17% | 215 |
| 100,001 – 1,000,000 | 8,480,463 | 21.20% | 25 |
| 1,000,001 + | <u>21,560,770</u> | <u>53.90%</u> | <u>6</u> |
| Total | <u>40,000,000</u> | <u>100.00%</u> | <u>2,862</u> |

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 28 FEBRUARY 2014

The directors submit their report and the audited consolidated financial statements for the year ended 28 February 2014 which show the state of the company and group affairs.

1. PRINCIPAL ACTIVITY

Olympia Capital Holdings Limited is an investment holding company listed in the Nairobi Securities Limited. 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

The results for the year are as set out on page 13.

3. DIVIDEND

The directors recommend payment of KShs 10 million dividend which represents KShs 0.25 per share in respect of the year ended 28 February 2014 (2013: Nil).

4. DIRECTORS

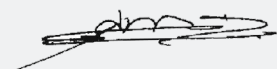
The directors who served during the year and to the date of this report are as shown on page 2.

In accordance with the company's Articles of Association, Karen Enterprises Limited (Alt Dr. Christopher W. Obura) are required to retire by rotation and being eligible offer themselves for re-election.

5. INDEPENDENT AUDITORS

Crowe Horwath EA (Certified Public Accountants) retire from office as the auditors of the company following their voluntary dissolution on 20 August 2014.

BY ORDER OF THE BOARD



J L G MAONGA
Company Secretary
Nairobi

28th August 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Kenya Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the group keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the group. They are also responsible for safeguarding the assets of the group.

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 Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the group and of its operating results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal control.

Nothing has come to the attention of the directors to indicate that the group 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 28th August 2014 and were signed on its behalf by:



Mr. Michael Matu
Director



Mrs. Gladys Kamau
Director

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
OLYMPIA CAPITAL HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Olympia Capital Holdings Limited ("the company") and consolidated its subsidiaries together referred to as ("the group") as set out on pages 13 to 45, which comprise the statement of financial position as at 28 February 2014 and statements of comprehensive income, changes in equity, 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 Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 on whether the financial statements are free from 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 financial affairs of Olympia Capital Holdings Limited as of 28 February 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

OTHER MATTERS

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

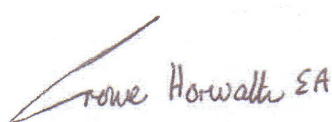
- i) Note 17 to the financial statements which points out the status of Olympia Capital Corporation (Pty) Limited, a subsidiary of Olympia Capital Holdings Limited, a listed company in Botswana Stock Exchange. Botswana Stock Exchange requires listed companies to file audited financial statements. The Olympia Capital Corporation (Pty) Limited financial statements for the year ended 31 December 2013 have not been audited and filed with Botswana Stock Exchange within the stipulated timeline of six months after the year-end.
- ii) Note 19 to the financial statements which describe the recoverability doubt of an amount of KShs 72 Million (2013: KShs 68 million) due from a related party.

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 explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) In our opinion, proper books of account have been kept by the company, so far as 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Victor Majani - P/No. 1546.



Crowe Horwath EA
Certified Public Accountants
Nairobi

28th August 2014

CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Notes | Group | | Company | |
|--|--------|-------------------|-------------------|-------------------|-------------------|
| | | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| Revenue | 4 | 500,582 | 824,934 | - | - |
| Cost of sales | 5 | (355,099) | (592,168) | - | - |
| Gross profit | | 145,483 | 232,766 | - | - |
| Other operating income | 6 | 88,011 | 11,482 | 17,427 | 21,468 |
| Operating expenses | 7 | (177,651) | (217,409) | (15,429) | (13,056) |
| Operating profit | | 55,843 | 26,839 | 1,998 | 8,412 |
| Finance costs | 9 | (27,483) | (15,989) | (4,950) | (3,548) |
| Profit/(loss) before taxation | | 28,360 | 10,850 | (2,952) | 4,864 |
| Taxation | 10 (a) | 16,683 | (2,966) | 720 | (337) |
| Profit/(loss) for the year | | 45,043 | 7,884 | (2,232) | 4,527 |
| Profit attributable to: | | | | | |
| Owners of the parent company | | 15,323 | 6,043 | (2,232) | 4,527 |
| Non-controlling interest | | 29,720 | 1,841 | - | - |
| | | 45,043 | 7,884 | (2,232) | 4,527 |
| Earnings per share attributable to: | | | | | |
| Owners of the parent company | | | | | |
| Basic (KShs per share) | 11 | 0.38 | 0.15 | (0.06) | 0.11 |
| Profit/(loss) for the year | | 45,043 | 7,884 | (2,232) | 4,527 |
| Other comprehensive income:- | | | | | |
| Exchange differences on translating foreign operations | | (11,099) | (7,140) | - | - |
| Gains on property revaluation | | 72,784 | 3,742 | 67,405 | - |
| Taxation related to components of other comprehensive income | | (1,246) | (449) | - | - |
| Total comprehensive income | | 105,482 | 4,037 | 65,173 | 4,527 |
| Attributable to: | | | | | |
| Owners of the parent | | 79,210 | 1,076 | 65,173 | 4,527 |
| Non-controlling interest | | 26,272 | 2,961 | - | - |
| | | 105,482 | 4,037 | 65,173 | 4,527 |

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2014

| | | Group | | Company | |
|-------------------------------------|--------|-------------------|-------------------|-------------------|-------------------|
| | Notes | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 12 | 68,009 | 153,361 | 31 | 61 |
| Investment property | 13 | 489,341 | 425,905 | - | - |
| Prepaid operating lease rentals | 14 | 187,976 | 51,794 | 90,000 | - |
| Intangible assets | 15 | 539 | 1,285 | - | - |
| Goodwill | 16 | 79,137 | 79,137 | - | - |
| Investment in subsidiaries | 17 | - | - | 246,206 | 246,205 |
| Non-current assets held for sale | 18 | 54,600 | 54,600 | - | - |
| Amounts due from related parties | 19 (a) | 132,262 | 323,687 | 220,587 | 231,974 |
| Amounts due from directors | 19 (b) | 21,815 | 20,744 | 21,815 | 20,744 |
| Available-for-sale financial assets | 20 | 48,365 | 48,365 | 48,365 | 48,365 |
| Deferred tax assets | 21 (a) | 139,486 | 8,174 | 3,703 | 2,983 |
| | | 1,221,530 | 1,167,052 | 630,707 | 550,332 |
| Current assets | | | | | |
| Inventories | 22 | 113,858 | 141,281 | - | - |
| Trade and other receivables | 23 | 168,607 | 379,217 | 7,495 | 9,384 |
| Amounts due from related parties | 19 (a) | 40,197 | 120,584 | 59,792 | 57,531 |
| Tax recoverable | 10 (c) | 6,997 | 4,329 | - | - |
| Cash and cash equivalents | 28 | 25,148 | 84,944 | 25 | 345 |
| | | 354,807 | 730,355 | 67,312 | 67,260 |
| Total assets | | 1,576,337 | 1,897,407 | 698,019 | 617,592 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Attributable to parent owners: | | | | | |
| Share capital | 24 | 200,000 | 200,000 | 200,000 | 200,000 |
| Share premium | 24 | 255,985 | 255,985 | 255,985 | 255,985 |
| Reserves | | 354,599 | 290,712 | 67,405 | - |
| Retained earnings | | 50,319 | 44,996 | 40,414 | 61,716 |
| | | 860,903 | 791,693 | 563,804 | 517,701 |
| Non-controlling interest | | 308,941 | 282,669 | - | - |
| | | 1,169,844 | 1,074,362 | 563,804 | 517,701 |
| Non-current liabilities | | | | | |
| Amounts due to related parties | 19 (a) | 17,356 | 350,763 | 67,915 | 57,160 |
| Loans from directors | 19 (b) | 15,232 | 18,607 | - | - |
| Deferred tax liabilities | 21 (b) | 1,787 | 117,567 | - | - |
| Borrowings | 25 | 68,591 | 75,180 | 10,000 | - |
| | | 102,966 | 562,117 | 77,915 | 57,160 |

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION (Continued)
AS AT 28 FEBRUARY 2014

| | | Group | | Company | |
|-------------------------------------|--------|------------------|------------------|----------------|----------------|
| | | 2014 | 2013 | 2014 | 2013 |
| | Notes | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Current liabilities | | | | | |
| Amounts due to related parties | 19 (a) | 4,584 | 14,936 | 3,419 | 3,419 |
| Amounts due to directors | 19 (b) | 29,453 | 22,035 | 18,379 | 16,681 |
| Borrowings | 25 | 48,022 | 32,623 | - | 310 |
| Trade and other payables | 26 | 188,849 | 169,943 | 15,851 | 12,110 |
| Dividend payable | 27 | 25,462 | 8,819 | 17,259 | 8,819 |
| Tax payable | 10 (d) | 7,157 | 12,572 | 1,392 | 1,392 |
| | | <u>303,527</u> | <u>260,928</u> | <u>56,300</u> | <u>42,731</u> |
| Total equity and liabilities | | <u>1,576,337</u> | <u>1,897,407</u> | <u>698,019</u> | <u>617,592</u> |

The financial statements and the notes on pages 13 to 45 were approved by the Board of Directors on 28th August 2014 and signed on its behalf by:



Mr. Michael Matu
Director



Mrs. Gladys Kamau
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Share capital KShs '000 | Share premium KShs '000 | Translation reserve/ (deficit) KShs '000 | Revaluation reserve KShs '000 | Retained earnings KShs '000 | Non- controlling interest KShs '000 | Total KShs '000 |
|--|-------------------------------|-------------------------------|---|-------------------------------------|-----------------------------------|--|--------------------|
| Year ended 28 February 2013 | | | | | | | |
| As at 1 March 2012 | 200,000 | 255,985 | 8,930 | 286,749 | 35,857 | 279,708 | 1,067,229 |
| Total comprehensive income for the year | - | - | (7,140) | 2,173 | 6,043 | 2,961 | 4,037 |
| Bonus issue | - | - | - | - | 3,096 | - | 3,096 |
| As at 28 February 2013 | 200,000 | 255,985 | 1,790 | 288,922 | 44,996 | 282,669 | 1,074,362 |
| Year ended 28 February 2014 | | | | | | | |
| As at 1 March 2013 | 200,000 | 255,985 | 1,790 | 288,922 | 44,996 | 282,669 | 1,074,362 |
| Total comprehensive income for the year | - | - | (5,605) | 69,492 | 15,323 | 26,272 | 105,482 |
| Proposed dividend - 2014 | - | - | - | - | (10,000) | - | (10,000) |
| As at 28 February 2014 | 200,000 | 255,985 | (3,815) | 358,414 | 50,319 | 308,941 | 1,169,844 |

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Share capital KShs '000 | Share Premium KShs '000 | Revaluation reserve KShs '000 | Retained earnings KShs '000 | Total KShs '000 |
|---|-------------------------------|-------------------------------|-------------------------------------|-----------------------------------|--------------------|
| Year ended 28 February 2013 | | | | | |
| As at 1 March 2012 | 200,000 | 255,985 | - | 57,189 | 513,174 |
| Total comprehensive income for the year | - | - | - | 4,527 | 4,527 |
| As at 28 February 2013 | 200,000 | 255,985 | - | 61,716 | 517,701 |
| Year ended 28 February 2014 | | | | | |
| As at 1 March 2013 | 200,000 | 255,985 | - | 61,716 | 517,701 |
| Prior year adjustment | - | - | - | (9,070) | (9,070) |
| Total comprehensive income for the year | - | - | 67,405 | (2,232) | 65,173 |
| Proposed dividend - 2014 | - | - | - | (10,000) | (10,000) |
| As at 28 February 2014 | 200,000 | 255,985 | 67,405 | 40,414 | 563,804 |

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | | Group | | Company | |
|---|-------|-------------------|-------------------|-------------------|-------------------|
| | Notes | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| OPERATING ACTIVITIES: | | | | | |
| Profit/(loss) before taxation | | 28,360 | 10,850 | (2,952) | 4,864 |
| Adjustment for:- | | | | | |
| Depreciation and amortization | | 9,114 | 20,881 | 553 | - |
| Finance costs | 9 | 27,484 | 15,989 | 4,950 | 3,548 |
| Fair value gain | 13 | (63,436) | - | - | - |
| | | 1,522 | 47,720 | 2,551 | 8,412 |
| Changes in working capital:- | | | | | |
| Inventories | | (8,870) | (11,780) | - | - |
| Trade and other receivables | | (13,615) | 4,233 | 1,889 | (5,616) |
| Trade and other payables | | (2,146) | (49,470) | 3,741 | (3,494) |
| Work-in-progress | | 24,147 | - | - | - |
| Cash flows used in operations | | 1,038 | (9,297) | 8,181 | (698) |
| Finance costs | | (27,484) | (15,989) | (4,950) | (3,548) |
| Tax paid | | (9,893) | (5,417) | - | - |
| Net cash flows used in operating activities | | (36,339) | (30,703) | 3,231 | (4,246) |
| INVESTING ACTIVITIES: | | | | | |
| Purchase of property, plant and equipment | | (4,423) | (985) | - | - |
| Repayment of loans to group companies | | - | (35,656) | - | (11,285) |
| Loans and advances to group companies | | - | (26,564) | - | - |
| Proceeds from loans from group companies | | - | 67,785 | - | 7,700 |
| Sale of financial assets | | - | 8,025 | - | 8,025 |
| Sale of intangible assets | | - | 512 | - | - |
| Reallocation of prepaid operating lease | | - | - | (22,993) | - |
| Net cash flows from investing activities | | (4,423) | 13,117 | (22,993) | 4,440 |
| FINANCING ACTIVITIES: | | | | | |
| Net movement in borrowings | | 2,230 | 10,168 | 10,000 | - |
| Related parties | | (23,368) | - | 10,685 | - |
| Movement in director's loan | | 12,088 | (292) | 627 | 580 |
| Dividends (paid)/received | | (1,560) | (3,596) | (1,560) | 3,500 |
| Acquisition of shares in subsidiary | | - | - | - | (2,846) |
| | | (10,610) | 6,280 | 19,752 | 1,234 |
| Cash and cash equivalents: | | | | | |
| Movement during the year | | (51,372) | (11,306) | (10) | 1,428 |
| Effect of foreign exchange changes | | (26,741) | 17,880 | - | - |
| As at 1 March | | 72,483 | 65,909 | 35 | (1,393) |
| As at 28 February | 28 | (5,630) | 72,483 | 25 | 35 |

1. Significant Accounting Policies

1.1 Reporting Entity

Olympia Capital Holdings Limited is a public 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 registered office is set out on page 2.

1.2 Presentation of Financial Statements

The consolidated financial statements have been prepared in accordance with, and comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB), and the manner required by the Kenyan Companies Act.

The financial statements have been prepared on the historical cost basis, except for properties and other financial instruments at fair value and incorporate the principal accounting policies set out below. They are presented in Kenya Shillings (KShs).

These accounting policies are consistent with the previous period.

1.3 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the group and all entities, including special purpose 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 date 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-company transactions, balances, income and expenses are eliminated in full on consolidation.

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

1. Significant Accounting Policies (continued)

1.3 Consolidation (continued)

Basis of consolidation (continued)

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognized in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognized in profit or loss as part of the gain or loss on disposal of the controlling interest.

We have consolidated audited financial statements of respective subsidiaries as at their reporting date with exception of Olympia Capital Corporation (Pty) Limited, of Botswana which was not audited as at time of consolidation. Three of the four subsidiaries have their reporting date as 31 December.

1.4 Significant judgments and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment 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 judgments include:

Trade receivables, held to maturity investments and loans and other receivables

The group assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the income statement, the group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows of 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 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 financial cash flow.

1. Significant Accounting Policies (continued)

1.4 Significant judgments and sources of estimation uncertainty (continued)

Taxation

Judgment 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 recognizes liabilities for anticipated tax issues based on the estimates of whether additional taxes will be due. Where the final tax and outcome of matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in which such determination are made.

The group recognizes the net future tax benefit related to deferred income tax asset 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 require 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 applications of existing tax laws. To the extent that the future cash flow and taxable income differ significantly from estimates, the ability of the group to realize the net deferred tax assets recorded at the statement of financial position date could be impacted.

1.5 Property, plant and equipment

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

- It is probable that future economic benefits associated with the item will flow to the group; 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 recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is de recognized.

Property, plant and equipment, with the exception of land and buildings is carried at cost less accumulated depreciation and any impairment losses. Land and buildings are stated at fair value less accumulated depreciation and any impairment loss. They are revalued with sufficient regularity so that their carrying amounts do not materially differ from their realizable values.

Revaluation surplus is regarded as non distributable until the property is disposed off. On disposal, the net revaluation surplus is transferred to retained earnings while profit or loss on disposal based on current values are credited or charged to profit or loss.

1. Significant Accounting Policies (continued)

1.5 Property, plant and equipment (continued)

Item average useful life

| | |
|------------------------|-----------------|
| Land | Not anticipated |
| Buildings | 40 years |
| Plant and machinery | 7 years |
| Furniture and fittings | 7 years |
| Motor vehicles | 4 years |
| Office equipment | 7 years |
| IT equipment | 3 years |
| Computer software | 3 years |

The residual value and the useful life of each asset are reviewed at each financial period –end. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized in profit and loss unless it is included in the carrying amount of another asset.

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

1.6 Investments in subsidiaries

Group financial statements

Investments in subsidiaries are carried at cost less any accumulated impairment.

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 group; 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.

1.7 Intangible assets and goodwill

An intangible asset is recognized when;

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the group; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognized at cost. Intangible assets are carried at cost less any accumulated amortization and any impairment losses.

1. Significant Accounting Policies (continued)

1.7 Intangible assets and goodwill (continued)

The amortization period and the amortization method for the intangible assets are reviewed every year end.

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

The amortization is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows.

| | |
|-------------|------------|
| Brand names | Indefinite |
|-------------|------------|

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates, joint-controlled entities and on the separate purchase of businesses.

Goodwill is measured at cost less accumulated impairment losses.

1.8 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortized cost

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 at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognized 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.

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.

1. Significant Accounting Policies (continued)

1.8 Financial instruments (continued)

Subsequent measurement (continued)

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

Dividend income is recognized 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 amortized cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method.

Fair value determination

The fair values 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 establishes 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.

Amounts due to/from group companies

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

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortized cost.

Amounts due from/to shareholders, directors, managers and employees

These financial assets are initially recognized at fair value plus direct transaction costs. These financial assets are classified as loans and receivables.

These financial assets are subsequently measured at amortized cost using effective rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired.

1. Significant Accounting Policies (continued)

1.8 Financial instruments (continued)

Trade and other receivables (continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognized 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 recognized 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 amortized cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits 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.

Bank overdraft and borrowings

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

1.9 Leases

A lease is 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.

1. Significant Accounting Policies (continued)

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognized 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 recognized 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 recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized 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 utilized. A deferred tax asset is not recognized 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 nor taxable profit (tax loss).

A deferred tax asset is recognized 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 utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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 recognized 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 recognized, 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 same 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. Significant Accounting Policies (continued)

1.11 Inventories

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

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

The cost of inventories comprises 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 formula. The same cost formula is used for all inventories having a similar nature and use to the group.

When inventories are sold, the carrying amounts of those inventories are recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized 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 realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

1.12 Impairment of assets

The group assesses at each end 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.

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.

1. Significant Accounting Policies (continued)

1.12 Impairment of assets (continued)

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

A group assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill 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 recognized for the asset in prior periods.

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

1.13 Share capital and equity

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

1.14 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 benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized 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 recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.15 Revenue

Revenue from the sale of goods is recognized 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;

1. Significant Accounting Policies (continued)

1.15 Revenue (continued)

- the group retains neither 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 costs 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 recognized 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.
- When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

Service revenue is recognized by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
 - to the extent that it is probable that they will result in revenue; and
 - they are capable of being reliably measured.

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 recognized, in profit or loss, using the effective interest rate method.

Royalties are recognized on the accrual basis in accordance with the substance of the relevant agreements.

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

1. Significant Accounting Policies (continued)

1.15 Revenue (continued)

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

1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized 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 realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

The related cost of providing services recognized as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized 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 capitalization 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 capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization is suspended during extended periods in which active development is interrupted.

1. Significant Accounting Policies (continued)

1.17 Borrowing costs (continued)

Capitalization ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The group has chosen 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 January 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 categorized as those subsequently measured at fair value or at amortized cost.
- Financial assets at amortized 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 other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at 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.
- 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.
- Investments 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 remain unchanged.

2. New Standards and Interpretations (continued)

2.1 Standards and interpretations not yet effective (continued)

- 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 recognized in profit or loss.

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 group's financial statements.

IFRS 7 Amendments to IFRS 7 Disclosures - Transfers of financial assets

Amended the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

The effective date of the amendment is for years beginning on or after July 01, 2011. The group has adopted the amendment for the first time in the 2013 financial statements.

IFRS 10, Consolidated Financial Statements

Standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements 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, 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. 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 group'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 group's financial statements.

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 statement of financial position vehicles.

2. New Standards and Interpretations (continued)

2.1 Standards and interpretations not yet effective (continued)

IFRS 12 Disclosure of Interests in Other Entities

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 group's financial statements.

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 group's financial statements.

3. Going concern

As at 28 February 2014, the subsidiaries realized loss before taxation as follows:-

- a) Olympia Capital Corporation Limited - KShs 37.1 million;
- b) Mather and Platt Kenya Limited – KShs 8.2 million; and
- c) Dunlop Industries Limited – KShs 6.2 million.

These subsidiaries also had their current liabilities exceed their current assets as at reporting date. The respective company's directors have pledged to provide these companies with the necessary financial support to pay their liabilities as they fall due in the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Group | | Company | |
|---------------------------------------|----------------|----------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| 4. Revenue | | | | |
| Sale of goods | 464,996 | 782,947 | - | - |
| Rent income | 35,586 | 41,987 | - | - |
| | <u>500,582</u> | <u>824,934</u> | <u>-</u> | <u>-</u> |
| 5. Cost of sales | | | | |
| Cost of goods sold | <u>355,099</u> | <u>592,168</u> | <u>-</u> | <u>-</u> |
| 6. Other operating income | | | | |
| Interest income | 17,193 | 19,070 | 17,193 | 18,066 |
| Rental income | 3,458 | 1,254 | - | - |
| Other income | 3,924 | (8,842) | 234 | 3,402 |
| Fair value gain | 63,436 | - | - | - |
| | <u>88,011</u> | <u>11,482</u> | <u>17,427</u> | <u>21,468</u> |
| 7. Operating expenses | | | | |
| Administrative and operating expenses | <u>177,651</u> | <u>217,409</u> | <u>15,429</u> | <u>13,056</u> |
| 8. Operating profit | | | | |

The following cost have been included in arriving at operating profit:

| | Group | | Company | |
|---|----------------|-----------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Depreciation on property, plant and equipment | 6,972 | 20,310 | 31 | 90 |
| Amortization of prepaid lease rentals | 1,432 | 1,390 | 523 | - |
| Amortization of intangible assets | 480 | 694 | - | - |
| Audit fees | 4,030 | 3,373 | 990 | 900 |
| Employee costs | 92,356 | 114,312 | 8,727 | 6,531 |
| Directors' remuneration | 4,140 | 5,194 | 24 | - |
| 9. Finance costs | | | | |
| Finance expenses | 27,751 | 15,506 | 4,258 | 3,471 |
| Loss on foreign currency borrowings | 2,190 | (61) | - | - |
| Bank charges | 717 | 19,806 | 692 | 77 |
| Finance income | <u>(3,175)</u> | <u>(19,262)</u> | <u>-</u> | <u>-</u> |
| | <u>27,483</u> | <u>15,989</u> | <u>4,950</u> | <u>3,548</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Group | | Company | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| 10. Taxation | | | | |
| a) Tax (credit)/charge | | | | |
| Current year charge | 6,309 | 2,966 | - | 337 |
| Deferred tax credit | (22,992) | - | (720) | - |
| | <u>(16,683)</u> | <u>2,966</u> | <u>(720)</u> | <u>337</u> |

b) Reconciliation of tax (credit)/charge to accounting profit/(loss):

| | Group | | Company | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| Accounting profit/(loss) | <u>28,360</u> | <u>10,850</u> | <u>(2,952)</u> | <u>4,864</u> |
| Tax calculated at applicable rate | 13,720 | 3,255 | (886) | 1,459 |
| Non allowable expenses | 5,662 | 6,351 | 166 | 206 |
| Tax losses carried forward | (15,065) | (3,285) | - | (1,178) |
| Non taxable income | <u>(21,000)</u> | <u>(3,355)</u> | <u>-</u> | <u>(150)</u> |
| | <u>(16,683)</u> | <u>2,966</u> | <u>(720)</u> | <u>337</u> |

The applicable tax rate for the Kenyan Companies was 30% (2013: 30%) while that applicable to the subsidiaries in Botswana were Kalahari Floor Tiles (Pty) at 15% (2013: 15%) and Gaborone Enterprises Limited at 22% (2013: 22%).

| | Group | | Company | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| c) Tax recoverable | | | | |
| As at 1 March | 4,329 | 889 | - | - |
| Adjustment during the year | (466) | - | - | - |
| Paid during the year | <u>3,134</u> | <u>3,440</u> | <u>-</u> | <u>-</u> |
| As at 28 February | <u>6,997</u> | <u>4,329</u> | <u>-</u> | <u>-</u> |
| d) Tax payable | | | | |
| As at 1 March | 12,572 | 11,920 | 1,392 | 1,055 |
| Current year charge | 6,309 | 9,509 | - | 337 |
| Adjustment during the year | (4,965) | - | - | - |
| Paid during the year | <u>(6,759)</u> | <u>(1,977)</u> | <u>-</u> | <u>-</u> |
| As at 28 February | <u>7,157</u> | <u>12,572</u> | <u>1,392</u> | <u>1,392</u> |

11. Earnings per share

The calculation of basic earnings per share at 28 February 2014 was based on profit attributable to ordinary shareholders of KShs 15 million (2013: KShs 6 million) and weighted average number of share outstanding during the year then ended of 40 million (2013: 40 million). There are no dilutive shares.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

12. Property, plant and equipment

| Group | Buildings KShs '000 | Plant and machinery KShs '000 | Furniture and fittings KShs '000 | Motor vehicles KShs '000 | Office equipment KShs '000 | Loose tools KShs '000 | Total KShs '000 |
|---|------------------------|-------------------------------------|---|--------------------------------|----------------------------------|-----------------------------|--------------------|
| Cost | | | | | | | |
| As at 1 March 2013 | 114,529 | 93,151 | 14,174 | 20,109 | 10,249 | 305 | 252,517 |
| Additions | 225 | 1,602 | 271 | 1,406 | 896 | 23 | 4,423 |
| Revaluation | 1,794 | - | - | - | - | - | 1,794 |
| Transfers to prepaid operating lease rentals | (67,155) | - | - | - | - | - | (67,155) |
| Disposals | - | - | - | (1,232) | - | - | (1,232) |
| As at 28 February 2014 | 49,393 | 94,753 | 14,445 | 20,283 | 11,145 | 328 | 190,347 |
| Depreciation | | | | | | | |
| As at 1 March 2013 | 2,550 | 83,557 | 10,726 | 14,041 | 7,046 | 123 | 118,043 |
| Charge for the year | 2,252 | 2,179 | 468 | 1,423 | 634 | 16 | 6,972 |
| Reversal on revaluation | (1,627) | - | - | - | - | - | (1,627) |
| Reversal on disposal | - | - | - | (1,050) | - | - | (1,050) |
| As at 28 February 2014 | 3,175 | 85,736 | 11,194 | 14,414 | 7,680 | 139 | 122,338 |
| Net carrying amount | | | | | | | |
| As at 28 February 2014 | 46,218 | 9,017 | 3,251 | 5,869 | 3,465 | 189 | 68,009 |
| As at 28 February 2013 | 130,866 | 9,594 | 3,448 | 6,068 | 3,203 | 182 | 153,361 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | | Office equipment KShs '000 | Furniture and fittings KShs '000 | Total KShs '000 |
|--|--------------|----------------------------------|---|--------------------|
| 12. Property, plant and equipment (continued) | | | | |
| Company | | | | |
| Cost | | | | |
| As at 1 March 2013 and 28 February 2014 | | 603 | 285 | 888 |
| Depreciation | | | | |
| As at 1 March 2013 | | 550 | 276 | 826 |
| Charge for the year | | 22 | 9 | 31 |
| As at 28 February 2014 | | 572 | 285 | 857 |
| Net carrying amount | | | | |
| As at 28 February 2014 | | 31 | - | 31 |
| As at 28 February 2013 | | 52 | 9 | 61 |
| | Group | | Company | |
| 2014 | 2013 | | 2014 | 2013 |
| KShs '000 | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| 13. Investment property | | | | |
| As at 1 March | 425,905 | 425,905 | - | - |
| Fair value gain | 63,436 | - | - | - |
| As at 28 February | 489,341 | 425,905 | - | - |

Included in investment property are Avon Rubber Company (Kenya) Limited properties held for the purpose of generating rental income. Gaborone Enterprises (Pty) Limited also has investment property generating rental income for the group.

Change of accounting policy

In accordance with IAS 8, the management has made a voluntary change to account for the leasehold land and buildings to be recognized under IAS 40 as Investment Property. The decision was made following the revaluation of the said assets to reflect the fair value of the property as opposed to the earlier disclosure under IAS 16 as Property, Plant and Equipment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| 14. Prepaid operating lease rentals | | | | |
| Cost | | | | |
| As at 1 March | 66,879 | 66,879 | - | - |
| Transfer from property, plant and equipment | 67,155 | - | - | - |
| Transfer from subsidiary | - | - | 31,920 | - |
| Revaluation | 61,007 | - | 58,080 | - |
| As at 28 February | 195,041 | 66,879 | 90,000 | - |
| Amortization | | | | |
| As at 1 March | 15,085 | 13,694 | - | - |
| Transfer from subsidiary | - | - | 8,928 | - |
| Charge for the year | 1,431 | 1,391 | 523 | - |
| Reversal on revaluation | (9,451) | - | (9,451) | - |
| As at 28 February | 7,065 | 15,085 | - | - |
| Net carrying amount | | | | |
| As at 28 February | 187,976 | 51,794 | 90,000 | - |
| 15. Intangible assets | | | | |
| Cost | | | | |
| As at 1 March | 3,187 | 3,053 | - | - |
| Additions | - | 134 | - | - |
| Disposals | (727) | - | - | - |
| As at 28 February | 2,460 | 3,187 | - | - |
| Amortization | | | | |
| As at 1 March | 1,902 | 1,208 | - | - |
| Charge for the year | 480 | 694 | - | - |
| Reversal on disposal | (461) | - | - | - |
| As at 28 February | 1,921 | 1,902 | - | - |
| Net carrying amount | | | | |
| As at 28 February | 539 | 1,285 | - | - |

As at 28 February 2014, assets worth 283,000 held by the holding company, were fully amortized but still in use. The notional amortization charge would have been KShs 24,000. There were no idle assets as at 28 February 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| 16. Goodwill | | | | |
| Cost | | | | |
| As at 1 March and 28 February | 79,137 | 79,137 | - | - |
| Amortization | | | | |
| As at 1 March and 28 February | - | - | - | - |
| Net carrying amount | | | | |
| As at 28 February | 79,137 | 79,137 | - | - |
| | | | | |
| | | | Company | |
| | | Holding | 2014 | 2013 |
| | | % | KShs '000 | KShs '000 |
| 17. Investment in subsidiaries | | | | |
| Avon Rubber Company (Kenya) Limited | | 47.50 | 118,286 | 118,286 |
| Olympia Capital Corporation (Pty) Limited | | 50.50 | 91,926 | 91,926 |
| Mather and Platt (Kenya) Limited | | 56.70 | 24,494 | 24,494 |
| Dunlop Industries Limited | | 100.00 | 11,500 | 11,500 |
| | | | <u>246,206</u> | <u>246,206</u> |

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 Stock Exchange. The financial statements of this subsidiary were not audited for the year ended 31 December 2013. Botswana Stock Exchange requires all listed companies to file annual audited financial statements.

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 which 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 2013. There were no significant changes that affect these subsidiaries' financial statements as at 28 February 2014 for consolidation purposes.

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| 18. Non-current assets held for sale | | | | |
| Assets held for sale | 54,600 | 54,600 | - | - |

Assets held for sale include a new Vinyl tile manufacturing plant acquired by Dunlop Industries Limited in the year 2007/2008.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

19. Related parties transactions and balances

| a) Amounts due from/(to) related Parties | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| Tiespro (Pty) Limited | 72,811 | 68,390 | 49,963 | 45,789 |
| Mt Kenya Investment Limited | 7,632 | 10,640 | 6,784 | 8,696 |
| Scotlink Limited | 3,919 | 3,919 | 3,046 | 3,046 |
| Olympia Capital Corporation Limited | 105 | - | 138,917 | 127,369 |
| Heri Limited | 1,335 | - | - | - |
| Taboo Trading 179 (Pty) Limited | - | - | - | 1,952 |
| Olympia Capital Holdings Limited | 28,645 | - | - | - |
| Dunlop Industries Limited | 49,979 | - | 46,490 | 76,363 |
| Mather & Platt (Kenya) Limited | 7,736 | - | 1,759 | 501 |
| Avon Rubber Company (Kenya) Ltd | (17,266) | - | (33,340) | (30,216) |
| Countryside Investments | (1,945) | (1,945) | (1,945) | (1,945) |
| Central Kenya Wholesalers Ltd | (1,444) | (1,444) | (1,444) | (1,444) |
| Dunlop Properties Limited | (958) | (958) | (1,155) | (1,155) |
| Croxley Properties Limited | (30) | (30) | (30) | (30) |
| | <u>150,519</u> | <u>78,572</u> | <u>209,045</u> | <u>228,926</u> |
| Maturity is as follows: | | | | |
| Non-current assets | 132,262 | 323,687 | 220,587 | 231,974 |
| Current assets | 40,197 | 120,584 | 59,792 | 57,531 |
| Non-current liabilities | (17,356) | (350,763) | (67,915) | (57,160) |
| Current liabilities | (4,584) | (14,936) | (3,419) | (3,419) |
| | <u>150,519</u> | <u>78,572</u> | <u>209,045</u> | <u>228,926</u> |
| b) Amounts due from directors | | | | |
| Amount due from directors | 21,815 | 20,744 | 21,815 | 20,744 |
| Amount due to directors | (44,685) | (40,642) | (18,379) | (16,681) |
| | <u>(22,870)</u> | <u>(19,898)</u> | <u>3,436</u> | <u>4,063</u> |
| Maturity is as follows: | | | | |
| Non-current assets | 21,815 | 20,744 | 21,815 | 20,744 |
| Non-current liabilities | (15,232) | (18,607) | - | - |
| Current liabilities | (29,453) | (22,035) | (18,379) | (16,681) |
| | <u>(22,870)</u> | <u>(19,898)</u> | <u>3,436</u> | <u>4,063</u> |

The amount of KShs 72,811,110 (2013: KShs 68,389,062) has been advanced to Tiespro (Pty) Limited, a company registered and domiciled in South Africa, for the purpose of taking over the activities of Natwood (Pty) Limited. The Board is confident given the financial projections provided by Management that these funds will be recovered in the medium to long-term in cash or conversion to equity.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| 20. Available-for-sale financial assets | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Investment in unquoted shares - Heri Limited | 48,365 | 48,365 | 48,365 | 48,365 |

The group has not reclassified any financial statements from cost or amortized cost to fair value or from fair value to cost or amortized cost during the current or prior year.

| | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| 21. Deferred tax | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| a) Deferred tax assets | | | | |
| As at 1 March | (8,174) | (6,529) | (2,983) | (2,959) |
| Prior year adjustment | (111,084) | - | - | - |
| Credit to statement of comprehensive income | (20,228) | (1,645) | (720) | (24) |
| As at 28 February | (139,486) | (8,174) | (3,703) | (2,983) |
| b) Deferred tax liabilities | | | | |
| As at 1 March | 117,567 | 99,012 | - | - |
| Prior year adjustment | (114,407) | - | - | - |
| (Credit)/charge to statement of comprehensive income | (1,373) | 18,555 | - | - |
| As at 28 February | 1,787 | 117,567 | - | - |
| 22. Inventories | | | | |
| Finished goods | 91,943 | 93,859 | - | - |
| Provision of obsolete stocks | (971) | (971) | - | - |
| Net finished goods | 90,972 | 92,888 | - | - |
| Spares and consumables | 16,319 | 17,763 | - | - |
| Work in progress | 4,829 | 28,887 | - | - |
| Loose tools | 1,738 | 1,743 | - | - |
| | 113,858 | 141,281 | - | - |
| 23. Trade and other receivables | | | | |
| Trade receivables | 141,901 | 343,838 | 6,167 | 7,705 |
| Other receivables | 26,706 | 35,379 | 1,328 | 1,679 |
| | 168,607 | 379,217 | 7,495 | 9,384 |

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Group | | Company | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| 24. Share capital | | | | |
| Ordinary 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 2014 was KShs 200 million made up of 40 million ordinary shares of KShs 5 each.

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| 25. Borrowings | | | | |
| Barclays Bank (Kenya) Limited loan | 24,993 | 26,384 | - | - |
| Housing Finance Co. Limited loan | 22,522 | 23,466 | - | - |
| Stanbic Bank Botswana loan | 20,398 | 27,854 | - | - |
| Co-operative Bank of Kenya Limited | 6,167 | 15,424 | - | - |
| NIC Bank Ltd – insurance financing | 1,490 | 1,419 | - | - |
| NIC Bank Ltd – Hire-purchase loan | 265 | 795 | - | - |
| Bank overdrafts | 30,778 | 12,461 | - | 310 |
| Guaranty Trust Bank Limited loan | 10,000 | - | 10,000 | - |
| | <u>116,613</u> | <u>107,803</u> | <u>10,000</u> | <u>310</u> |
| Maturity of borrowings is as follows:- | | | | |
| Non-current | | | | |
| Bank loans | <u>68,591</u> | <u>75,180</u> | <u>10,000</u> | <u>-</u> |
| Current | | | | |
| Bank loans | 17,244 | 20,162 | - | - |
| Bank overdrafts | 30,778 | 12,461 | - | 310 |
| | <u>48,022</u> | <u>32,623</u> | <u>-</u> | <u>310</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.

Avon Rubber Company (Kenya) Limited has also acquired a mortgage loan from Housing Finance Company Limited to finance its investment property.

Stanbic Botswana Limited bank loan is secured by first continuing covering mortgage loan of KShs 14,761,823 (Pula 1,563,100) over property in Gaborone and a first continuing and covering mortgage bond of KShs 14,662,661 (Pula 1,552,600) over property in Gaborone and unlimited suretyship by Olympia Capital Corporation (Pty) Limited and Michael Matu.

Dunlop Industries Limited has an overdraft facility of KShs 7 million with Guaranty Trust Bank Limited (formerly Fina Bank Limited) to finance working capital requirements. The facility is secured by a first legal charge for KShs 17 million over a property. 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.

25. Borrowings (continued)

The company has a Guarantee Issuance facility of KShs 1 million secured by Board Resolution of Dunlop Industries Limited authorizing the total borrowings of KShs 14 million and issuance of securities therein. A bank Guarantee of KShs 450,000 has been issued in favour of Dunlop Industries Limited for Kenya Power Limited.

Mather and Platt (Kenya) Limited has a hire purchase facility acquired from NIC Bank Limited secured by Mather and Platt (Kenya) Limited assets.

The Cooperative Bank Limited loan issued to Mather and Platt (Kenya) Limited is secured by way of a fixed and floating debenture of KShs 8 million each over Mather and Platt (Kenya) Limited assets and by first charge over a property. Mather and Platt (Kenya) Limited has an overdraft facility of KShs 15 million with Co-operative Bank Limited to finance working capital requirements secured by first legal charge over a property and a fixed and floating debenture over the Mather and Platt (Kenya) Limited assets.

| | Group | | Company | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| 26. Trade and other payables | | | | |
| Trade payables | 129,116 | 95,980 | 13,823 | 10,200 |
| Other payables | 59,733 | 73,963 | 2,028 | 1,910 |
| | <u>188,849</u> | <u>169,943</u> | <u>15,851</u> | <u>12,110</u> |

Trade payables are non-interest bearing and are normally settled on 30 to 90 days. Other payables are no-interest bearing.

| | Group | | Company | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| 27. Dividend payable | | | | |
| The movement is as follows: | | | | |
| As at 1 March | 8,819 | 5,319 | 8,819 | 5,319 |
| Adjustment during the year | 8,203 | - | - | - |
| Declared during the year | 10,000 | 4,000 | 10,000 | 4,000 |
| Paid during the year | (1,560) | (500) | (1,560) | (500) |
| As at 28 February | <u>25,462</u> | <u>8,819</u> | <u>17,259</u> | <u>8,819</u> |

28. Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of:

| | Group | | Company | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 KShs '000 | 2013 KShs '000 | 2014 KShs '000 | 2013 KShs '000 |
| Cash and bank balance | 25,148 | 89,944 | 25 | 345 |
| Bank overdraft (Note 25) | (30,778) | (12,461) | - | (310) |
| | <u>(5,630)</u> | <u>77,483</u> | <u>25</u> | <u>35</u> |

29. 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.

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.

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.

29. Risk management (continued)

Capital risk management (continued)

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.

The gearing ratio at 2014 and 2013 respectively were as follows:

| | Group | | Company | |
|---------------------------------|------------------|------------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | KShs '000 | KShs '000 | KShs '000 | KShs '000 |
| Total borrowings | | | | |
| Amounts due to related parties | 21,940 | 365,699 | 71,334 | 60,579 |
| Amounts due to directors | 44,685 | 40,642 | 18,379 | 16,681 |
| Borrowings | 116,613 | 107,803 | 10,000 | 310 |
| | 183,238 | 514,144 | 99,713 | 77,570 |
| Less: Cash and cash equivalents | (25,148) | (84,944) | (25) | (345) |
| Net debt | 158,090 | 429,200 | 99,688 | 77,225 |
| Total equity | 1,179,844 | 1,074,362 | 573,804 | 517,701 |
| Total capital | 1,337,934 | 1,503,562 | 673,492 | 594,926 |
| Gearing ratio | 12% | 29% | 15% | 13% |

30. Comparative figures

Where necessary, prior year comparative figures 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.

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 Friday 17 October 2014 at Nairobi Club from 11.00am and at any adjournment thereof.

As witness our / my hand this _____ day of _____ 2014

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 later than 48 hours before the time of holding the meeting.

