OLYMPIA Capital

# 2020

# Annual Report

& CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29TH FEBRUARY 2020

**OLYMPIA CAPITAL HOLDINGS LIMITED PLC**

# Contents


| | |
|---|---|
| Company Information | 2 |
| Statement of Corporate Governance | 3 - 4 |
| Report of the Directors | 5 |
| Statement of Directors' Responsibilities | 6 |
| Report of the Independent Auditors | 7 - 11 |
| Financial Statements: - | |
| Consolidated and Company Statements of Comprehensive Income | 12 - 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 |

# General Information

| | |
|---|---|
| **Directors** | Karen Enterprises Limited - Chairman<br>(Alt Dr. Christopher Obura)<br>Mr. Michael M. Matu - Chief Executive Officer (to March 2020)<br>Mrs. Gladys Kamau - Non Executive Director (Acting Chief Executive Officer from March 2020)<br>Mr. Alex Kimani - Executive Director<br>Mr Kibuga Kinyua Kariithi - Non Executive Director |
| **Registered Office** | Olympia Capital Holdings Limited<br>Addis Ababa Road, Off Enterprise Road Industrial Area<br>P.O. Box 30102 - 00100 Nairobi, Kenya |
| **Principal Place of Business** | Olympia Capital Holdings Limited<br>Addis Ababa Road off Enterprise Road Industrial Area<br>P.O. Box 30102 - 00100 Nairobi, Kenya |
| **Principal Bankers** | NIC Bank Limited<br>NIC House Branch<br>P.O. Box 44599 - 00100 Nairobi, Kenya<br><br>Guaranty Trust Bank (Kenya) Limited<br>Industrial Area Branch<br>P.O. Box 18647 - 00100 Nairobi, Kenya |
| **Company Secretary** | James Mwando<br>Equatorial Secretaries and Registrars<br>Kalamu House, Grevillea Grove<br>P.O. Box 14077 - 00800 Nairobi, Kenya |
| **Company Registrar** | C&R Group<br>6th Floor, North Wing, Bruce House Standard Street<br>P.O. Box 8484 - 00100 Nairobi, Kenya |
| **Independent Auditor** | Parker Randall Eastern Africa<br>Certified Public Accountants<br>Block 2(A), Galleria Business Park<br>P.O. Box 25426 - 00100 Nairobi, Kenya. |
| **Subsidiaries** | Avon Rubber Company (Kenya) Limited<br>3th Floor, Avon House Enterprise Road, Industrial Area<br>P.O. Box 18270 - 00100 Nairobi, Kenya.<br><br>Mather and Platt (Kenya) Limited<br>Addis Ababa Road Industrial Area<br>P.O. Box 30145 - 00100 Nairobi, Kenya.<br><br>Olympia Capital Corporation Limited<br>Plot 51, 52 & 53 Mogoditshane<br>P.O. Box 2166 Gaborone, Botswana. |

# Statement of Corporate Governance

for the year ended 29 February 2020

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, Chief Executive Officer, Mr. Michael M. Matu (to March 2020), Executive Director, Mr. Alex Kimani and Non Executive Directors, Mrs. Gladys Kamau (Acting Chief Executive Officer from March 2020) and Mr Kibuga Kariithi. 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 6.

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.

# Statement of Corporate Governance

for the year ended 29 February 2020 **(continued)**

**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.

## Major Shareholders

| Name | Shares | Percentage (%) Shareholding |
|---|---|---|
| Dunlop Properties Limited | 10,481,802 | 26.20% |
| Paul Wanderi Ndungu | 4,796,600 | 11.99% |
| Karen Enterprises Limited | 3,636,152 | 9.09% |
| First Ten Limited | 2,359,936 | 5.90% |
| Asteria Company Limited | 1,048,500 | 2.62% |
| Joel Kamau Kibe | 949,500 | 2.37% |
| Scottlink Limited | 885,269 | 2.21% |
| Michael Maina Matu | 786,277 | 1.97% |
| Eliud Matu Wamae | 619,088 | 1.55% |
| Mobicom Kenya Limited | 449,600 | 1.12% |
| Croxley Properties Ltd A/c 693448 | 400,000 | 1.00% |
| Others | 13,587,276 | 33.98% |
| **Total** | **40,000,000** | **100%** |

## Directors' Shareholdings

| Name | Shares | Percentage (%) Shareholding |
|---|---|---|
| Karen Enterprises Limited | 3,636,152 | 9.09% |
| Michael Maina Matu | 786,277 | 1.97% |
| **Total directors' shareholding** | **4,422,429** | **11.06%** |

## Distribution of Shareholders

| Volume | No. of shares held | Percentage (%) | Shareholders |
|---|---|---|---|
| 1 - 500 | 328,702 | 0.82% | 1,456 |
| 501 - 5,000 | 2,484,975 | 6.21% | 1,334 |
| 5,001 - 10,000 | 1,452,747 | 3.63% | 187 |
| 10,001 - 100,000 | 5,633,281 | 14.08% | 209 |
| 100,001 - 1,000,000 | 7,777,305 | 19.44% | 25 |
| 1,000,001 + | 22,322,990 | 55.81% | 5 |
| **Total** | **40,000,000** | **100.00%** | **3,216** |

# Report of the Directors

for the year ended 29 February 2020

The directors submit their report and the audited consolidated financial statements for the year ended 29 February 2020 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 Exchange. 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 12 - 13.

**3. Dividend**

The directors do not recommend payment of a dividend in respect of the year ended 29 February 2020 (2019: None).

**4. Directors**

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

**5. Statement as to Disclosure to the Company's Auditor**

With respect to each director at the time this report was approved:

- There is, so far as the director is aware, no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**6. Terms of Appointment of the Auditor**

Parker Randall Eastern Africa have expressed willingness to continue in office in accordance with the company's Articles of Association and Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor.

The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

**By Order of the Board**

JAMES MWANDO
C.P.S
R. NO. 1990

Company Secretary
Nairobi.

29th June / 2020

# Statement of Directors' Responsibilities

for the year ended 29 February 2020

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of their profit or loss for that year. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards for Small and Medium Size Enterprise (IFRs for SME) and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
(ii) selecting suitable accounting policies and applying them consistently; and
(iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the board of directors on ……29th June……….. 2020 and signed on its behalf by:

……………………………………… ………………………………………
Director Director

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Karen Road, Karen
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# Independent Auditor Report

## To the Members of Olympia Capital Holdings PLC

for the year ended 29 February 2020

**Opinion**

We have audited the accompanying financial statements of Olympia Capital Holdings Limited (the company) and the consolidated financial statements of the company and its subsidiaries (together referred to as the group), set out on pages 12 to 45, which each comprise a statement of financial position as at 29 February 2020, the statement of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the group and of the company as at 29 February 2020 and of their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard and the requirements of the Kenyan Companies Act, 2015.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the firm in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

In arriving at our audit opinion above on the Financial Statements the risks of material misstatement that had the greatest effect on our audit (key audit matters) were as set out below.

These are the matters that, in our professional judgment, had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. We have communicated these matters to the management. Our audit procedures relating to these matters were designed in the context and solely for the purposes of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not express discrete opinions on these matters.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on them.

| Key Audit Matter | How the Matter was addressed |
|---|---|
| Revenue recognition - The Group recognized revenue of Kshs 496 million from the business of manufacturing Vinyl floor tiles, aluminium, PVC windows and cleaning chemicals, provision of mechanical engineering services, selling and servicing of fire equipment and water pumps and revenue from property development and letting.<br><br>Significant effort was spent auditing the revenue recognized by the Group due to the risk of incorrect timing of revenue recognition and related estimates. According to the financial statement accounting principle revenue is recognized at an amount that reflect the consideration to which the company expects to be entitled in exchange for transferring goods or services to customer. The revenue recognition occurs at a point in time when the control of goods is transferred to the customer according to the delivery terms. This is considered an area with risk of material error due to variation of terms and revenue being a key performance measure. | We assessed the company's compliance with revenue recognition accounting policies against applicable accounting standards.<br><br>We also assessed revenue recognition processes and practices. We tested the effectiveness of the key controls around revenue by testing the accuracy of cut-off.<br><br>We assessed the adequacy of the company's disclosures relating to revenue. |
| **Related party balances**<br>The Group has significant transactions and balances with related companies including its subsidiaries. As stipulated in International Standards on Auditing 550 (ISA 550)"Related Parties", the auditor is required to perform certain procedures in relation to recognition, measurement, presentation and disclosure of related party transactions.<br><br>Based on definitions in IAS 24 "Related party disclosures" the company has significant transactions with various related companies with amounts receivable of Kshs 295 million and payable of Kshs 56 million. The company also has investments in subsidiaries of Kshs 246 million. | We reviewed the nature of transactions that the Group has with its related parties.<br><br>We also enquired on the nature of relationships and the transactions the Group has entered into.<br><br>We reviewed IT system controls on the over the recording of related party transactions and their disclosure in the financial statements.<br><br>We sought third party confirmations on balances receivable or due to third parties.<br><br>We reviewed impairment of related party receivables. |
| **Significant Component – Olympia Capital Corporation Limited (OCCL)**<br>A component is identified as that individual subsidiary in the group which is of significance financial contribution to the group and is likely to include significant risks of material misstatement of the group financial accounts (IAS 600).<br><br>A concentration risk exists as consolidated 100% of Group performance is from OCCL and one component audited subsidiaries. There is a risk that the component auditor may not detect misstatements in the financial information. | We reviewed the account balances, classes of transactions and disclosures affected by the likely significant risks and requested the subsidiary's component auditor to perform, an audit of only those account balances, classes of transactions and disclosures that are likely to have a significant risk of material misstatement of the group financial statements.<br><br>Among other balances we identified balance sheet items that can have a significant risk of inventory obsolescence.<br><br>To check on potentially obsolete inventory, we requested the component auditor to perform specified audit procedures on the valuation of inventory at OCCL that holds a large volume. |

| Key Audit Matter | How the Matter was addressed |
|---|---|
| **Investment properties**<br>We identified valuation of the Group's investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of changes in fair value of investment properties to the Group's profit before taxation and because the valuation of investment properties can be inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias, particularly given the number and the diverse nature and location of the investment properties and investment properties under development held by the Group. | Our audit procedures to address the valuation of investment properties and investment properties under development included the following:<br>• Obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties and investment properties under development was based;<br><br>• Assessing the external property valuers qualifications, experience and expertise in the properties being valued and considering their objectivity and independence. |
| **Goodwill recognition policy**<br>The Group had goodwill amounting to Kshs. 94 million. Goodwill arose when the Group assumed control of subsidiary companies.<br><br>Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment.<br><br>In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the Group's businesses and to determine the key assumptions, including the growth rate used in the cash flow projections, the EBITDA multiples used in determining the terminal values, and the discount rates applied to bring the future cash flows back to their present values.<br><br>Based on the results of these impairment assessments conducted by the Group, it is believed that there is sufficient headroom and therefore there is no impairment of goodwill.<br><br>This conclusion is based on the recoverable amounts exceeding the book amount of the cash generating units. The recoverable amount was determined based on the value in use, using the discounted cash flow. | We carried the following procedures to evaluate the Group's assessments:<br>• Assessing the appropriateness of the valuation methodologies used;<br>• Assessing the reasonableness of key assumptions based on our knowledge of the business;<br>• Testing whether the support for the goodwill recovery was approved by those charged with governance, were consistent with confirmed plans, and consistent with our understanding of the economic developments in the industry.<br>• We found the assumptions adopted in relation to these impairment assessments to be supportable, reasonable based on available evidence and in line with our expectations. |

**Other information**

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

**Directors' responsibilities for the financial statements**

The directors' are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standard and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the firm's ability to continue as a going concern, disclosing as applicable, matters related to the going concern and using the going concern basis of accounting unless the proprietor intend to liquidate the firm or to cease operations or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Parker Randall | Eastern Africa
Member firm of Parker Randall International

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the firm's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures or in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence up to the date of the auditor's report. However, future events or conditions may cause the firm to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on other legal requirements**

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

In our opinion the information given in the report of the directors on pages 5 is consistent with the financial statements.

Parker Randall Eastern Africa

Certified Public Accountants
Nairobi.

……29th June……………….. / 2020

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

# Consolidated and Company Statements of Comprehensive Income

for the year ended 29 February 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Notes** | **2020** | **2019** | **2020** | **2019** |
| | | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| Revenue | 5 | 496,948 | 512,746 | - | - |
| Cost of sales | 6 | (319,822) | (341,832) | - | - |
| Gross profit | | 177,126 | 170,914 | - | - |
| Other operating income | 7 | 99,387 | 57,000 | 23,539 | 13,564 |
| Operating expenses | 8 | (232,026) | (198,671) | (38,624) | (6,560) |
| Operating profit | | 44,487 | 29,243 | (15,084) | 7,004 |
| Finance costs | 10 | (18,764) | (14,353) | (2,585) | (1,426) |
| Profit before taxation | | 25,723 | 14,890 | (17,669) | 5,578 |
| Taxation | 11(a) | (15,311) | (9,148) | - | (1,673) |
| Profit/(loss) for the year | | 10,412 | 5,743 | (17,669) | 3,905 |
| **Earnings per share attributable to** | | | | | |
| Owners of the parent | | (3,821) | 4,289 | (17,669) | 3,905 |
| Non-controlling interest | | 14,233 | 1,454 | - | - |
| | | 10,412 | 5,743 | (17,669) | 3,905 |
| **Earnings per share attributable to** | | | | | |
| Owners of the parent company | 12 | (0.10) | 0.11 | (0.44) | 0.10 |
| Number of issued shares | | 40,000 | 40,000 | 40,000 | 40,000 |

# Consolidated and Company Statements of Comprehensive Income

for the year ended 29 February 2020 **(continued)**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Notes** | **2020** | **2019** | **2020** | **2019** |
| | | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **Profit/(loss) for the year** | | 10,412 | 5,743 | (17,669) | 3,905 |
| **Other comprehensive income:-** Exchange differences on translating foreign operations | | (804) | (2,915) | - | - |
| Gains on property revaluation | | - | 8,516 | - | - |
| Fair value adjustment of financial assets | | - | (28,190) | - | - |
| Income tax relating to items that will not be reclassified | | - | (587) | - | - |
| Total comprehensive income | | 9,608 | (17,433) | (17,669) | 3,905 |
| Attributable to: | | | | | |
| Owners of the parent | | (4,858) | (10,735) | (17,669) | 3,905 |
| Non-controlling interest | | 14,466 | (6,698) | - | - |
| **Total comprehensive income/(loss) for the year** | | **9,608** | **(17,433)** | **(17,669)** | **3,905** |

The notes on pages 12 to 45 are integral to the financial statements.

# Consolidated and Company Statements of Financial Position

as at 29 February 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2020 | 2019 | 2020 | 2019 |
| | | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| **Assets** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 13 | 610,848 | 626,002 | 15 | 38 |
| Investment property | 14 | 127,102 | 43,707 | - | - |
| Prepaid operating lease rentals | 15 | 21,940 | 22,932 | - | - |
| Intangible assets | 16 | - | - | - | - |
| Goodwill | 17 | 93,594 | 93,594 | - | - |
| Investment in subsidiaries | 18 | - | - | 246,206 | 246,206 |
| Non-current assets held for sale | 19 | 4,735 | 4,735 | - | - |
| Available-for-sale financial assets | 20 | 49,700 | 49,700 | 49,700 | 49,700 |
| Deferred tax asset | 21 (a) | 140,410 | 137,619 | 2,983 | 2,983 |
| Amounts due from related parties | 22 (a) | 281,719 | 295,040 | 348,314 | 356,495 |
| Amounts due from directors | 22 (c) | 36,765 | 23,687 | 23,689 | 23,682 |
| | | 1,366,813 | 1,297,016 | 670,907 | 679,104 |
| **Current assets** | | | | | |
| Amounts due from related parties | 22 (a) | 13,613 | 7,018 | - | - |
| Inventories | 23 | 110,742 | 121,335 | - | - |
| Trade and other receivables | 24 | 124,434 | 123,220 | 3,752 | 3,418 |
| Cash and cash equivalents | 25 | 90,270 | 78,010 | 71 | 15 |
| | | 339,059 | 329,583 | 3,823 | 3,433 |
| **Total assets** | | **1,705,872** | **1,626,599** | **674,730** | **682,537** |
| **Equity and Liabilities** | | | | | |
| **Equity** | | | | | |
| Attributable to parent owners: | | | | | |
| Share capital | 26 | 200,000 | 200,000 | 200,000 | 200,000 |
| Share premium | 26 | 255,985 | 255,985 | 255,985 | 255,985 |
| Translation reserve | | (14,397) | (13,991) | - | - |
| Revaluation reserve | | 196,135 | 196,135 | 67,405 | 67,405 |
| Retained earnings | | 287,234 | 269,182 | 15,577 | 33,246 |
| | | 924,956 | 907,311 | 538,967 | 556,636 |
| Non-controlling interest | | 390,112 | 376,277 | - | - |
| | | 1,315,068 | 1,283,588 | 538,967 | 556,636 |

# Consolidated and Company Statements of Financial Position

as at 29 February 2020 **(continued)**

| | Notes | Group 2020 Kshs '000 | Group 2019 Kshs '000 | Company 2020 Kshs '000 | Company 2019 Kshs '000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Amounts due to related parties | 22 (b) | 56,153 | 48,840 | 56,153 | 48,840 |
| Deferred tax liabilities | 21 (b) | 26,827 | 22,725 | - | - |
| Borrowings | 27 | 106,823 | 64,922 | 48,382 | 45,797 |
| | | 189,803 | 136,487 | 104,535 | 94,637 |
| **Current liabilities** | | | | | |
| Amounts due to related parties | 22 (b) | - | - | 3,719 | 3,419 |
| Amounts due to directors | 22 (c) | 27,063 | 27,064 | 5,735 | 5,389 |
| Borrowings | 27 | 11,290 | 21,714 | - | 96 |
| Trade and other payables | 28 | 139,229 | 131,902 | 2,402 | 2,987 |
| Dividend payable | 29 | 5,224 | 5,224 | 5,224 | 5,224 |
| Tax payable | 11 (c) | 18,193 | 20,620 | 14,149 | 14,149 |
| | | 201,000 | 206,524 | 31,229 | 31,264 |
| **Total equity and liabilities** | | **1,705,872** | **1,626,599** | **674,730** | **682,537** |

The financial statements and the notes on pages 12 to 45 were approved by the Board of Directors

on 29th June /2020 and signed on its behalf by:

............................................
Director

............................................
Director

# Consolidated Statement of Changes in Equity

for the year ended 29 February 2020

| Group | Share capital Kshs '000 | Share premium Kshs '000 | Translation deficit Kshs '000 | Revaluation reserve Kshs '000 | Retained earnings Kshs '000 | Non-controlling interest Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|---|---|
| **Year ended 29 February 2020** | | | | | | | |
| As at 1 March 2019 | 200,000 | 255,985 | (13,991) | 196,135 | 269,182 | 376,277 | 1,283,588 |
| Prior year adjustments -note 30 | - | - | - | - | 21,873 | - | 21,873 |
| Restated | 200,000 | 255,985 | (13,991) | 196,135 | 291,055 | 376,277 | 1,305,460 |
| Total comprehensive income for the year | - | - | (406) | - | (3,821) | 13,835 | 9,608 |
| As at 29 February 2020 | 200,000 | 255,985 | (14,397) | 196,135 | 287,234 | 390,112 | 1,315,068 |
| **Year ended 28 February 2019** | | | | | | | |
| As at 1 March 2018 | 200,000 | 255,985 | (12,519) | 207,818 | 264,893 | 384,844 | 1,301,021 |
| Total comprehensive income for the year | - | - | (1,472) | (11,683) | 4,289 | (8,567) | (17,433) |
| As at 28 February 2019 | 200,000 | 255,985 | (13,991) | 196,135 | 269,182 | 376,277 | 1,283,588 |

# Company Statement of Changes in Equity

for the year ended 29 February 2020

| Company | Share capital Kshs '000 | Share premium Kshs '000 | Revaluation reserve Kshs '000 | Retained earnings Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|
| **Year ended 29 February 2020** | | | | | |
| As at 1 March 2019 | 200,000 | 255,985 | 67,405 | 33,246 | 556,636 |
| Total comprehensive income for the year | - | - | - | (17,669) | (17,669) |
| As at 29 February 2020 | 200,000 | 255,985 | 67,405 | 15,577 | 538,967 |
| | | | | | |
| **Year ended 28 February 2019** | | | | | |
| As at 1 March 2018 | 200,000 | 255,985 | 67,405 | 29,341 | 552,731 |
| Total comprehensive income for the year | - | - | - | 3,905 | 3,905 |
| As at 28 February 2019 | 200,000 | 255,985 | 67,405 | 33,246 | 556,636 |

# Consolidated and Company Statements of Cash Flows

for the year ended 29 February 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2020 | 2019 | 2020 | 2019 |
| | | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | 25,723 | 14,890 | (17,669) | 5,578 |
| Prior period adjustment | | 21,873 | - | - | - |
| **Adjustment for:-** | | | | | |
| Depreciation and amortization | 13 | 21,054 | 21,424 | 23 | 17 |
| Finance costs | 10 | 18,764 | 22,071 | 2,585 | 1,426 |
| Loss on disposal | 13 | - | (167) | - | - |
| Fair value gain | 14 | (11,342) | (6,421) | - | - |
| | | 76,072 | 51,797 | (15,061) | 7,021 |
| **Changes in working capital:-** | | | | | |
| Inventories | 23 | 10,593 | 2,995 | - | - |
| (Increase)/decrease in trade and other receivables | 24 | (1,214) | 44,602 | (334) | (613) |
| Increase/(decrease) in trade and other payables | 28 | 7,327 | (36,413) | (587) | 443 |
| Cash flows used in operations | | 92,777 | 62,981 | (15,982) | 6,851 |
| Finance costs | 10 | (18,764) | (22,071) | (2,585) | (1,426) |
| Tax paid | 11 | (11,848) | (7,254) | - | - |
| **Net cash flows used in operating activities** | | **62,165** | **33,656** | **(18,567)** | **5,425** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 13 | (4,907) | (4,036) | - | - |
| Investment property development | 14 | (72,053) | (11,199) | - | - |
| Sale of property, plant and equipment | 13 | - | 226 | - | - |
| **Net cash flows used in investing activities** | | **(76,960)** | **(15,009)** | **-** | **-** |
| **Cash flows from financing activities** | | | | | |
| Net movement in borrowings | 27 | 42,840 | (23,772) | 2,585 | 1,426 |
| Related parties | 22 | 960 | (9,102) | 16,133 | (6,958) |
| | | **43,800** | **(32,874)** | **18,718** | **(5,532)** |
| **Cash and cash equivalents:** | | | | | |
| Movement during the year | | 29,005 | (14,226) | 151 | (107) |
| Effect of foreign exchange changes | | (5,381) | (2,915) | - | - |
| As at 1 March | | 61,692 | 78,833 | (81) | 26 |
| **As at 29 February** | **25** | **85,316** | **61,692** | **71** | **(81)** |

The notes on pages 12 to 45 are integral to the financial statements.

# Notes to the Financial Statements

for the year ended 29 February 2020

## 1. General information

Olympia Capital Holdings Limited is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya.

The Company's shares are listed on the Nairobi Securities Exchange.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income in these financial statements.

## 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

### a) Consolidation

**(i) Subsidiaries**

Subsidiaries are all entities (including structured and special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Changes in ownership interests in subsidiaries without change of control Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

## 2. Summary of significant accounting policies (continued)

**Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

### b) Foreign currency translation

**Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenya Shillings (Kshs), which is the Group's presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income and cumulated in 'available-for sale financial assets reserve'.

### c) New standards and interpretations

**(i) New standards, amendments and interpretations effective and adopted during the year**

The Group and Company adopted the following new standards and amendments during the period/year ended 29 February 2020, including consequential amendments to other standards with the date of initial application by the Company being 1 March, 2019. The nature and effects of the changes are explained below and have had no material impact on the financial position or performance of the Company.

IFRS 16 'Leases' - effective for periods beginning on or after 1 January 2019. Provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance.

Amendments to IAS 28 (long-term interests) - effective beginning on or after 1 January 2019. An entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are to be applied retrospectively.

IFRIC 23 Uncertainty over Income Tax Treatments - effective for periods beginning on or after 1 January 2019

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 2. Summary of significant accounting policies (continued)

### c) New standards and interpretations (continued)

**(i) New standards, amendments and interpretations effective and adopted during the year (continued)**
Prepayment Features with Negative Compensation (Amendments to IFRS 9) - effective for periods beginning on or after 1 January 2019

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) - effective for periods beginning on or after 1 January 2019.

Annual Improvements to IFRS Standards 2015-2017 Cycle - various standards - effective for periods beginning on or after 1 January 2019. Amendments to IFRS 3 Business combinations which clarifies when an entity obtains control of a business that is a joint operation; IAS 12 Income Taxes clarifies on income tax consequences of dividends where the transactions or events that generated distributable profits; • IAS 23 Borrowing Costs clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**ii) New and amended standards and interpretations in issue but not yet effective for the year ended 29 February 2020**
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 29 February 2020 and have not been applied in preparing these financial statements. The Group and Company does not plan to adopt these standards early.

These are summarized below;

Amendments to IFRS 3 - 'Definition of a Business - are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Clarifies on when an entity determines whether it has acquired a business or a group of assets.

Amendments to IAS 1 and IAS 8 - 'Definition of Material' The amendments are effective annual reporting periods beginning on or after 1 January 2020. To clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.

### d) 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;
- 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.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 2. Summary of significant accounting policies (continued)

### d) Revenue (continued)

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.

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

### e) 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.

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.

### f) 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.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 2. Summary of significant accounting policies (continued)

### f) property, plants and equipment (continued)

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.

| Item average useful life | |
|---|---|
| Land | Not anticipated |
| Buildings | 45 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.

### g) Investments in subsidiaries

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.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 2. Summary of significant accounting policies (continued)

### h) Intangible assets and goodwill

An intangible asset is recognized when;

i) It is probable that the expected future economic benefits that are attributable to the asset will flow to the group; and

ii) 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.

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.

**Goodwill**

Goodwill represents the excess of the aggregate of the fair value of compensation transferred, the acquisition date fair value of any previously held interest and any non-controlling interest over fair value of assets and liabilities acquired.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investment in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold. Any negative goodwill arising from an acquisition is credited to the statement of comprehensive income.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

### i) 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.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 2. Summary of significant accounting policies (continued)

### i) Financial instruments (continued)

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

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

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.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 2. Summary of significant accounting policies (continued)

### i) Financial instruments (continued)

**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.

### j) Leases

The Group as a lessee classifies all leases as finance leases unless the lease term is 12 months or less or the underlying asset has a low value. As a lessor, the Group classifies leases as operating or finance. A finance lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

### k) 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.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 2. Summary of significant accounting policies (continued)

### k) Tax (continued)

**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.

### l) 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.

### m) 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. 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.

## 2. Summary of significant accounting policies (continued)

### m) Impairment of assets (continued)

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.

### n) 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.

### o) 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.

### p) 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.

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.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 3. 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.

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

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.

**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 deductable 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.

## 4. Non-current assets held for sale and discontinued operations

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute.

Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

### 4. Non-current assets held for sale and discontinued operations (continued)

Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution with be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position. A disposal group qualifies as discontinued operation if it is:
- a component of the Group that is a CGU or a group of CGUs
- classified as held for sale or distribution or already disposed in such a way; or
- a major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **5. Revenue** | | | | |
| Sale of goods | 496,948 | 512,746 | - | - |
| **6. Cost of sales** | | | | |
| Cost of goods sold | 319,822 | 341,832 | - | - |
| **7. Other operating income** | | | | |
| Rental income | 50,792 | 43,140 | - | - |
| Interest income | 17,410 | 8,160 | 17,410 | 7,461 |
| Fair value gain | 11,342 | 6,421 | - | - |
| Sundry income | 18,853 | 5,840 | 5,139 | 5,113 |
| Dividend income | 990 | 990 | 990 | 990 |
| Gain on disposal of assets | - | 167 | - | - |
| (Losses)/gains on foreign exchange | - | (7,718) | - | - |
| | 99,387 | 57,000 | 23,539 | 13,564 |

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| **8. Operating expenses** | | | | |
| General office expenses | 69,228 | 66,161 | 35 | 30 |
| Employment costs (below) | 69,107 | 63,946 | 2,383 | 2,379 |
| Depreciation & amortisation | 21,054 | 21,424 | 23 | 17 |
| Professional and legal fees | 10,419 | 6,401 | 1,276 | - |
| Bad debts written off | 35,500 | 12,955 | 29,852 | - |
| Audit fees | 3,722 | 5,029 | 1,064 | 1,064 |
| Electricity and water | 3,042 | 2,863 | - | - |
| Security | 2,898 | 2,878 | - | - |
| Management fees | 2,654 | 2,359 | - | - |
| Repairs and maintenance | 2,205 | 1,032 | 8 | 3 |
| Cleaning and garbage collection | 1,388 | 1,495 | - | - |
| Workshop expenses | 1,383 | 1,542 | 614 | 180 |
| Directors emoluments | 1,187 | 2,156 | 426 | 414 |
| General insurance | 1,151 | 1,277 | - | - |
| Taxation and secretarial fees | 1,092 | 981 | 436 | 446 |
| Rent and rates | 1,041 | 1,793 | 90 | 90 |
| Registry maintenance fees | 953 | 385 | 953 | 385 |
| Advertising and publicity | 845 | 947 | 831 | 935 |
| Motor vehicle expenses | 681 | 870 | 4 | - |
| Travelling and entertainment | 625 | 304 | 41 | 36 |
| Printing and stationery | 610 | 481 | 185 | 186 |
| Telephone, fax and postage | 299 | 313 | 59 | 46 |
| Annual listing fees | 290 | 388 | 200 | 200 |
| Bank charges | 289 | 263 | 11 | 17 |
| Facilitation fees/tender costs | 199 | 189 | 50 | 50 |
| Royalties, trade licenses and subscriptions | 82 | 156 | - | - |
| Computer expenses | 82 | 83 | 82 | 83 |
| Debt collection costs | - | - | - | - |
| | 232,026 | 198,671 | 38,624 | 6,560 |

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| **8. Operating expenses (continued)** | | | | |
| Employment costs | | | | |
| Staff salaries and wages | 67,047 | 61,874 | 2,298 | 2,212 |
| Staff welfare | - | 10 | - | 10 |
| Medical expenses | 1,348 | 1,876 | 85 | 110 |
| Training and recruitment | 712 | 186 | - | 46 |
| | 69,107 | 63,946 | 2,383 | 2,379 |
| **9. Operating profit** | | | | |
| Depreciation and amortisation | 21,054 | 21,424 | 23 | 17 |
| Audit fees | 3,647 | 5,029 | 1,064 | 1,064 |
| Employee costs | 69,107 | 63,946 | 2,383 | 2,379 |
| Directors remuneration | 1,187 | 2,156 | 426 | 414 |
| **10. Finance costs** | | | | |
| Finance expenses | 18,764 | 14,353 | 2,585 | 1,426 |
| **11. Taxation** | | | | |
| **a) Tax charge** | | | | |
| Current year charge | 11,292 | 11,773 | - | 1,673 |
| Deferred tax charge/credit | 4,019 | (2,626) | - | - |
| | 15,311 | 9,148 | - | 1,673 |
| **b) Reconciliation of tax charge to accounting profit** | | | | |
| Accounting profit | 25,723 | 14,890 | (17,669) | 9,599 |
| Tax at applicable rate | 7,717 | 4,467 | - | 1,673 |
| Non allowable expenses | 15,559 | 13,190 | - | - |
| Tax losses carried forward | (641) | (2,088) | - | - |
| Non taxable income | (11,342) | (6,421) | - | - |
| | 11,292 | 9,148 | - | 1,673 |

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |

## 11. Taxation (Continued)

The applicable tax rate for the Kenyan Companies was 30% (2019: 30%) while that applicable to the subsidiaries in Botswana; Kalahari Floor Tiles (Pty) Limited at 15% (2019: 15%) and Gaborone Enterprises (Pty) Limited at 22% (2019: 22%).

| | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| c) Tax movement | | | | |
| Tax payable brought forward | 20,620 | 18,726 | 14,149 | 12,476 |
| Prior year Adjustment | (1,871) | - | - | - |
| Restated balance as at 1 March | 18,749 | 18,726 | 14,149 | 12,476 |
| Current year charge | 11,292 | 9,148 | - | 1,673 |
| Payments made during the year | (11,848) | (7,254) | - | - |
| Tax payable carried forward | 18,193 | 20,620 | 14,149 | 14,149 |

## 12. Earnings per share

The calculation of basic earnings per share for the group as at 29 February 2020 was based on loss attributable to ordinary shareholders of Kshs 3.8 million (2019: Kshs profit 4.2 million) and weighted average number of shares outstanding during the year then ended of 40 million (2019: 40 million). There are no dilutive shares.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 13 Property, plant and equipment - GROUP

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

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 13 Property, plant and equipment – GROUP (Continued)

| Year ended 28 February 2019 | Buildings Kshs '000 | Work in progress Kshs '000 | Plant and machinery Kshs '000 | Furniture & fixtures Kshs '000 | Motor vehicles Kshs '000 | Office equipment & computers Kshs '000 | Loose tools Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance as previously reported | 721,508 | 11,831 | 88,980 | 11,367 | 29,187 | 12,030 | 4,130 | 879,033 |
| Additions | - | 300 | 124 | 1,347 | - | 764 | 1,501 | 4,036 |
| Disposal | - | - | - | - | (226) | - | - | (226) |
| Revaluations | 8,516 | - | - | - | - | - | - | 8,516 |
| As at 28 February 2019 | 730,024 | 12,131 | 89,104 | 12,714 | 28,961 | 12,794 | 5,631 | 891,359 |
| **Accumulated depreciation** | | | | | | | | |
| Balance as previsously reported | 133,426 | - | 74,997 | 7,332 | 18,340 | 8,822 | 2,007 | 244,924 |
| Charge for the year | 14,830 | - | 2,098 | 469 | 2,334 | 502 | 200 | 20,433 |
| As at 28 February 2019 | 148,256 | - | 77,095 | 7,801 | 20,674 | 9,324 | 2,207 | 265,357 |
| **Net carrying amount** | | | | | | | | |
| As at 28 February 2019 | 581,768 | 12,131 | 12,009 | 4,913 | 8,287 | 3,470 | 3,424 | 626,002 |

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 13 Property, plant and equipment - Company

| | Office equipment Kshs '000 | Furniture and fittings Kshs '000 | Total Kshs '000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 March | 718 | 285 | 1,003 |
| Additions | - | - | - |
| As at 29 February 2020 | 718 | 285 | 1,003 |
| **Accumulated depreciation** | | | |
| As at 1 March | 680 | 285 | 965 |
| Charge for the year | 23 | - | 23 |
| As at 29 February 2020 | 703 | 285 | 988 |
| Net carrying amount | | | |
| As at 29 February 2020 | 15 | - | 15 |

## Company

| | Office equipment Kshs '000 | Furniture and fittings Kshs '000 | Total Kshs '000 |
|---|---|---|---|
| Cost | | | |
| As at 1 March | 718 | 285 | 1,003 |
| Additions | - | - | - |
| As at 28 February | 718 | 285 | 1,003 |
| **Accumulated depreciation** | | | |
| As at 1 March | 663 | 285 | 948 |
| Charge for the year | 17 | - | 17 |
| As at 28 February | 680 | 285 | 965 |
| Net carrying amount | | | |
| As at 28 February 2019 | 38 | - | 38 |

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |
| **14. Investment properties** | | | | |
| Balance as previously reported | 43,707 | 26,087 | - | - |
| Additions | 72,053 | 11,199 | - | - |
| Fair value gain/(loss) | 11,342 | 6,421 | - | - |
| As at 29 February | 127,102 | 43,707 | - | - |
| **15. Prepaid operating lease rentals** | | | | |
| **Cost** | | | | |
| As at 1 March | 40,750 | 40,750 | - | - |
| As at 29 February | 40,750 | 40,750 | - | - |
| **Accumulated amortization** | | | | |
| As at 1 March | 17,818 | 16,826 | - | - |
| Charge for the year | 992 | 992 | - | - |
| As at 29 February | 18,810 | 17,818 | - | - |
| **Net carrying amount** | | | | |
| As at 29 February | 21,940 | 22,932 | - | - |

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

| | Group 2020 Kshs '000 | Group 2019 Kshs '000 | Company 2020 Kshs '000 | Company 2019 Kshs '000 |
|---|---|---|---|---|
| **16. Intangible assets** | | | | |
| **Cost** | | | | |
| As at 1 March | 2,575 | 2,575 | - | - |
| As at 29 February | 2,575 | 2,575 | - | - |
| **Accumulated amortization** | | | | |
| As at 1 March | 2,575 | 2,575 | - | - |
| As at 29 February | 2,575 | 2,575 | - | - |
| Net **carrying** amount | | | | |
| As at 29 February | - | - | - | - |

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |

## 17. Goodwill

| | | | | |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance as previously reported | 93,594 | 93,594 | - | - |
| | | | | |
| **Accumulated amortization** | | | | |
| Balance as previously reported | - | - | - | - |
| Impairment charge for the year | - | - | - | - |
| Restated balance as at 1 March | - | - | - | - |
| | | | | |
| Net carrying amount | | | | |
| As at 29 February | 93,594 | 93,594 | - | - |

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

## 18. Investment in subsidiaries

| | | | | |
|---|---|---|---|---|
| Dunlop Industries Limited | - | - | 11,500 | 11,500 |
| Avon Rubber Company (Kenya) Limited | - | - | 118,286 | 118,286 |
| Mather + Platt (Kenya) Limited | - | - | 24,494 | 24,494 |
| Olympia Capital Corporation Limited | - | - | 91,926 | 91,926 |
| | - | - | 246,206 | 246,206 |

**The group's interests in subsidiaries are as shown above**
All subsidiaries are incorporated in Kenya except Olympia Capital Corporation (Pty) Limited which is incorporated in Botswana. The subsidiary is listed in Botswana Stock Exchange. The financial statements of this subsidiary were audited for the year ended 31 December 2019 as required by the Botswana Stock Exchange.

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

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **Kshs '000** | **Kshs '000** | **Kshs '000** | **Kshs '000** |

## 18. Investment in subsidiaries (Continued)

**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 2019. There were no significant changes that affect these subsidiaries' financial statements as at 29 February 2020 for consolidation purposes.

## 19. Non-current assets held for sale

| | Group 2020 Kshs '000 | Group 2019 Kshs '000 | Company 2020 Kshs '000 | Company 2019 Kshs '000 |
|---|---|---|---|---|
| As at 1 March | 4,735 | 4,735 | - | - |
| As at 29:28 February | 4,735 | 4,735 | - | - |

## 20. Available-for-sale financial assets

| | Group 2020 Kshs '000 | Group 2019 Kshs '000 | Company 2020 Kshs '000 | Company 2019 Kshs '000 |
|---|---|---|---|---|
| As at 1 March | 49,700 | 49,700 | 49,700 | 49,700 |
| As at 29:28 February | 49,700 | 49,700 | 49,700 | 49,700 |

This relates to investments in Heri Ltd shares.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |

## 21. Deferred tax

| | | | | |
|---|---|---|---|---|
| **a) Deferred tax assets** | | | | |
| As at 1 March | (137,619) | (134,338) | (2,983) | (2,983) |
| Prior year adjustments | (2,708) | - | - | - |
| Restated balance as at 1 March | (140,326) | (134,338) | (2,983) | (2,983) |
| Credit/(charge) for the year | (83) | (3,281) | - | - |
| As at 29 February | (140,410) | (137,619) | (2,983) | (2,983) |
| **b) Deferred tax liabilities** | | | | |
| Balance as previously reported | 22,725 | 21,483 | - | - |
| Charge for the year | 4,102 | 1,242 | - | - |
| As at 29 February | 26,827 | 22,725 | - | - |

## 22. Related parties transactions and balances

| | | | | |
|---|---|---|---|---|
| **a) Amounts due from related parties** | | | | |
| Olympia Capital Corporation Limited | 160,739 | 150,534 | 240,407 | 223,757 |
| Dunlop Industries Limited | 58,044 | 87,921 | 46,544 | 76,423 |
| Mather & Platt (Kenya) Limited | 35,256 | 30,871 | 32,008 | 28,498 |
| Dunlop Properties Limited | 21,087 | 19,121 | 19,718 | 18,177 |
| Meatons Kenya Limited | 6,593 | 6,593 | 6,593 | 6,593 |
| Karen Enterprises | 6,342 | - | - | - |
| Scotlink Limited | 3,919 | 3,919 | 3,046 | 3,046 |
| Mt Kenya Investments Limited | 3,104 | 2,879 | - | - |
| Croxley Properties Limited | 248 | 220 | - | - |
| | 295,332 | 302,058 | 348,314 | 356,495 |
| Maturity: | | | | |
| Non-current | 281,719 | 295,040 | 348,314 | 356,495 |
| Current | 13,613 | 7,018 | - | - |
| | 295,332 | 302,058 | 348,314 | 356,492 |

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

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| **22. Related parties transactions and balances (continued)** | | | | |
| **b) Amounts due to related parties** | | | | |
| Avon Rubber Co | 56,153 | 48,840 | 56,153 | 48,840 |
| Croxley Properties Ltd | - | - | 30 | 30 |
| Mount Kenya Investments | | | 300 | - |
| Countryside Investments | - | - | 1,945 | 1,945 |
| Central Kenya Wholesalers | - | - | 1,444 | 1,444 |
| | 56,153 | 48,840 | 59,872 | 52,259 |
| Maturity: | | | | |
| Non-current | 56,153 | 48,840 | 56,153 | 48,840 |
| Current | - | - | 3,719 | 3,419 |
| | 56,153 | 48,840 | 59,872 | 52,259 |
| **c) Amounts due from/to directors** | | | | |
| Amounts due from directors | 36,765 | 23,682 | 23,689 | 23,682 |
| Amounts due to directors | (27,063) | (27,064) | (5,735) | (5,389) |
| | 9,702 | (3,383) | 17,954 | 18,293 |
| Maturity: | | | | |
| Non-current assets | 36,765 | 23,687 | 23,689 | 23,682 |
| Current liabilities | (27,063) | (27,064) | (5,735) | (5,389) |
| | 9,702 | (3,377) | 17,954 | 18,293 |
| **23. Inventories** | | | | |
| Finished goods | 84,412 | 90,390 | - | - |
| Provision of obsolete stocks | (971) | (971) | - | - |
| Net finished goods | 83,441 | 89,419 | - | - |
| Work in progress | 15,271 | 17,806 | - | - |
| Spares and consumables | 10,276 | 12,364 | - | - |
| Loose tools | 1,754 | 1,746 | - | - |
| | 110,742 | 121,335 | - | - |

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| **24. Trade and other receivables** | | | | |
| Trade receivables | 94,893 | 77,139 | - | - |
| Other receivables | 29,541 | 46,081 | 3,752 | 3,418 |
| | 124,434 | 123,220 | 3,752 | 3,418 |
| **25. Cash and cash equivalents** | | | | |
| Cash and bank balances | 90,270 | 78,010 | 71 | 15 |
| Bank overdrafts | (4,954) | (16,318) | - | (96) |
| | 85,316 | 61,692 | 71 | (81) |
| **26. Share capital** | | | | |
| Authorised share capital | 200,000 | 200,000 | 200,000 | 200,000 |
| Share premium | 255,985 | 255,985 | 255,985 | 255,985 |
| | 455,985 | 455,985 | 455,985 | 455,985 |
| **27. Borrowings** | | | | |
| Stanbic Bank Botswana Ltd | 52,994 | - | - | - |
| Kalahari Floor Tiles (Pty) Limited | 48,382 | 45,797 | 48,382 | 45,797 |
| Barclays Bank (Kenya) Limited | 9,086 | 19,125 | - | - |
| Co-operative Bank of Kenya | 2,696 | 5,396 | - | - |
| Bank overdrafts | 4,954 | 16,318 | - | 96 |
| | 118,112 | 86,636 | 48,382 | 45,893 |
| Maturity: | | | | |
| Noncurrent liability | 106,823 | 64,922 | 48,382 | 45,797 |
| Current liability | 11,290 | 21,714 | - | 96 |
| | 118,112 | 86,636 | 48,382 | 45,893 |

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |

## 27. Borrowings (continued)

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

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

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

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

## 28. Trade and other payables

| | | | | |
|---|---|---|---|---|
| Trade payables | 47,033 | 44,313 | 2,402 | 2,061 |
| Other payables | 92,196 | 87,589 | - | 926 |
| | 139,229 | 131,902 | 2,402 | 2,987 |

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

## 29. Dividend payable

| | | | | |
|---|---|---|---|---|
| As at 1 March | 5,224 | 5,224 | 5,224 | 5,224 |
| As at 29 February | 5,224 | 5,224 | 5,224 | 5,224 |

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

## 30. Prior period adjustment

The prior period adjustment relates to Mather and Platt's restatement of Day 1 IFRS 9 provision on to trade receivables.

This increased retained earnings by Kshs 21,872,554 with a decrease in the provision for trade receivables.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 31. 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. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

# Notes to the Financial Statements

for the year ended 29 February 2020 **(continued)**

## 31. Risk management (continued)

**Capital risk management (continued)**
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.

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| Total borrowings | | | | |
| Amounts due to related parties | 56,153 | 48,840 | 59,872 | 52,259 |
| Amounts due to directors | 27,063 | 27,064 | 5,735 | 5,389 |
| Borrowings | 113,158 | 70,318 | 48,382 | 45,797 |
| | 196,374 | 146,222 | 113,989 | 103,445 |
| Less: Cash and cash equivalents | (85,316) | (61,692) | (71) | 81 |
| Net debt | 111,058 | 84,530 | 113,918 | 103,526 |
| Total equity | 1,315,068 | 1,283,588 | 538,967 | 556,636 |
| Total capital | 1,426,127 | 1,368,118 | 652,884 | 660,162 |
| Gearing ratio | 8% | 6% | 17% | 16% |

## 32. Comparatives

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