EVEREADY EAST AFRICA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2020

CONTENTS

Directors	Mrs L Waithaka - Chairperson Ms Margaret Odhiambo - Managing Director (Resigned on 15th March 2021) Mr Thomas Masaki - Acting Managing Director (Appointed on 19th March 2021) Mr A H Butt ICDC - Represented by Ms M Mbithi Ms F B Shah Mr Joseph Sitati
Company secretary	Image Registrars Limited 5th Floor, Barclays Plaza, Loita Street P.O. Box 9287 - 00100 Nairobi, Kenya.
Registered office	Sameer Industrial Park Mombasa Road P.O. Box 30429 - 00100 Nairobi, Kenya.
Registrar	Image Registrars Limited 5th Floor, Barclays Plaza, Loita Street P.O. Box 9287 - 00100 Nairobi, Kenya.
Independent auditor	RSM Eastern Africa LLP Certified Public Accountants 1st Floor, Pacis Centre Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya.
Principal bankers	NCBA Bank Kenya PLC Grenadier Tower, Woodvale Grove P.O. Box 30437 - 00100 Nairobi, Kenya.
	Prime Bank Limited Riverside Drive, Westlands P.O. Box 42825 - 00100 Nairobi, Kenya.

Legal advisers

Kaplan & Stratton Advocates
P.O. Box 40111 - 00100
Nairobi,
Kenya.

Mukite Musangi & Company Advocates
P.O. Box 149 - 20100
Nakuru,
Kenya.

O & M Advocates
P.O. Box 49393 - 00100
Nairobi,
Kenya.

The directors submit their report together with the audited financial statements of the group for the year ended 30th September 2020.

Incorporation

The company is domiciled in Kenya where it is incorporated as a public company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 1.

Directorate

The directors who held office during the year and to the date of this report are set out on page 1.

Principal activities

The principal activities of the group are those of selling imported dry cell and car batteries and trading in an assortment of flashlights, range of bulbs, washing detergents, sanitary towels and tyres.

Recommended dividend

The directors do not recommend the declaration of dividend for the year (2019: Nil).

Business review

Our business

Eveready East Africa PLC (the "Company" or "Eveready") is a consumer goods company focused on providing branded portable power solutions packaged to consumers in Kenya. The company is headquartered in Nairobi, Kenya. The company which is one of the largest portable power solutions in Kenya was founded in 1967 and is listed in the Nairobi Securities Exchange.

The company operates in three segments automotive, lighting and household. The company sells its products in Kenya primarily through automotive dealers, wholesalers, electronic stores, retail stores, petrol stations and high-frequency stores.

Automotive Segment

The company offers maintenance free car batteries, vented car batteries, battery water and battery acid in its automotive segment under the brands TURBO® and TURBO*Plus* +®

Household Segment

The company offers dry cell batteries in sizes 'D' 'AA' 'AAA' '9V', 'C' and miniature in carbon zinc, alkaline batteries, lithium and rechargeable constructions. The products under this segment are traded under the brands TURBO® and TURBO*Plus* +®. This segment also includes the company's fabric care segment under the brand EVERCLEAN®, sanitary towels under tye brand name NIA® and motor vehicle tyres under the brand name FALKEN TYRES®.

Lighting Segment

The company offers flashlights, lanterns and bulbs under the brands TURBO® and TURBOPlus+®.

Performance

Gross turnover reduced by 30% during the financial year to KSh 133 million down from KSh 191 million achieved in 2018/2019.

Risks

Our business is subject to various risks and uncertainties. Highlighted below are some of the key risks to our business. These are risk that we consider to be material to Eveready's business at this moment in time. We recognize that there could be emerging risks in future.

i) **Supply chain**

Our business depends on the timely distribution of products to our consumers. Potential hazards to the supply chain include long lead times and disruption or loss of key suppliers. The underlying materials from which our products are subject to cost fluctuations which affects our margins as the component cost fluctuations cannot always be passed on to the consumers.

Business review (continued)

Risks (continued)

ii) **Quality products**

Product defects arising out of equipment failure or human error cannot be ignored.

iii) **Economic, political risks and natural disasters**

Consumer demand is weakened by adverse economic conditions. We are exposed to economic social and political volatility.

iv) **Systems and information**

Increasing our digital interaction with our consumers and the supply chain partners (trade) require secure and reliable IT systems and infrastructure. It is also crucial that we manage the information that we possess correctly and carefully. Unauthorized access failure of our IT systems and lack of effective use of information could disrupt our business, result in loss of assets and result in missed opportunities.

v) **Portfolio management**

Our growth is determined by our range of products (portfolio categories) that evolve over time. If we do not make optimal decision on these our margins and revenues will be affected.

vi) **Ethical**

The way we operate contributes to our society. Despite our commitment to ethical business and the steps that we take to adhere to this commitment there is always the risk that we fall short of our standards which may result to damage of our corporate brand and results.

vii) **Brand preference**

Consumers preferences are continuously changing. Our ability to respond to these changes and our ability to differentiate our products remains key. We have to continously innovate to meet the needs of our consumers and if we are unable to do this successfully it will impact our revenues and margins.

viii) **Legal and regulatory**

Eveready is subject to local and regional laws and regulations in various areas to include taxes, listing and disclosures obligations, competition, licensing, trademarks, employee health and safety, corporate governance and employment. Failure to abide by these laws and regulation exposes Eveready to civil and/ criminal actions which may lead to fines and sanctions with associated blight to our corporate reputation.

ix) **Business transformation**

Our transformation projects are ongoing and they drive our continuous improvement agenda. Excellence in execution as well as speed of execution remain key. Unsuccessful execution deny us the intended benefits of a project and may disrupt our business.

Statement as to disclosure to the company's auditor

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

(a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and

(b) the person has taken all the steps that the person 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.

Terms of appointment of the auditor

The directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KSh 1,250,000 has been charged to profit or loss in the year.

By order of the board

....

Director

Nairobi ...29......MARCH...... **2021**

Section 1- Not subject to audit

a) Decisions on directors' remuneration

During the year the company was facing financial challenges and the directors decided that they take half of quarter 3 pay and forfeit quarter 4.

b) Company policy on directors' remuneration

The company's policy is to remunerate directors and executives fairly and responsibly. The remuneration policy is aligned with the company's strategy and linked to annual performance. The board nomination and remuneration committee is responsible for setting and administering the remuneration policy.

Directors are entitled to a basic quarterly fee and sitting allowance for each Board meeting and/or official company function attended. Directors are entitled to company transport when attending board meetings or company functions outside their regular areas of residence. A director who for any reason uses his/her own private vehicle is entitled to a mileage claim.

These are payable at the following rates:

Title	Director's Fees Quarterly (KSh)	Allowance per Sitting (KSh)	Mileage Claim per KM (KSh)
Board Chairman	300,000	25,000	39.4
Committee Chairman	135,000	25,000	39.4
Director	135,000	20,000	39.4

c) General terms of service

Directors shall generally be elected at the annual meeting of shareholders for three-year terms, to serve until the annual general meeting of shareholders occurring at the end of that term. From time to time, directors may be nominated by the Board to serve less than three-year terms if the board believes there is valid purpose for such shortened terms, for example, in order to equalise the number of directors in each class elected.

If a director is elected between annual meetings of shareholders, the initial term of any such director shall expire at the next annual meeting of shareholders.

Section 2 - Information subject to audit

Directors remuneration paid during the year

Director's name	Fees and allowances for the year ended 30th September 2020 KSh	Fees and allowances for the year ended 30th September 2019 KSh
Mrs L Waithaka - Chairperson	850,000	1,325,000
Ms Margaret Odhiambo - Managing Director (Resigned on 15th March 2021)	9,141,123	5,960,080
Mr J K Mutua	-	7,487,206
Mr A H Butt	437,500	680,000
Mr Joseph Sitati	337,500	405,000
Ms F B Shah	442,500	710,000
ICDC - Represented by Ms M Mbithi	375,000	690,000
	11,583,623	17,257,286

By order of the board

LWaithaka
....
Director

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 of the company as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards 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 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 group's ability to continue as a going

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 ....29.......MARCH.......... 2021 and signed on its behalf by:

....
Director **Director**

RSM

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Certified Public Accountants

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF EVEREADY EAST AFRICA PLC

Opinion

We have audited the accompanying financial statements of Eveready East Africa PLC ("the company") and its subsidiary (together, "the Group"), set out on pages 10 to 37, which comprise, for both the Group and the company, the balance sheet as at 30th September 2020, the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and of the company as at 30th September 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 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 Company 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 27 in the financial statements, which indicates that the company incurred a net loss of KSh 69,010,000 (2019: KSh 303,544,000) during the year ended 30th September 2020. As stated in Note 27, these events or conditions, along with other matters set forth in Note 27, indicate that a material uncertainty exists that may cast significant doubt on the Group and the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed
Existence and valuation of inventory	The group had inventory with a total value of KSh 38 million at year end representing 23% of the total current assets. The procedures we performed included: · Attended at the inventory count to confirm controls in place. We also performed a physical count to obtain evidence supporting existence of stock. · Ensured correct application of the group's accounting policy - weighted average. · Confirmed that slow moving or obsolete stock items are identified and adequate provisions for inventory write-down is in place. · Ensured that inventory is stated at the lower of cost and net realisable value and corroborated any estimates made by management.

RSM

Key Audit Matters (continued)

Recoverability of trade receivables	The group had trade receivables amounting to KSh 201 million, out of which KSh 187 million are deemed to be irrecoverable and therefore provided. The debtors' days have also improved from 188 days in 2019 to 43 days in 2020 as the company put in place stringent credit policies. Our procedures performed included the following: · Analysed the ageing of accounts receivable. · Circularized key accounts to confirm balances outstanding at year end. · Examined the historical recovery records and current credit status of customers. · Performed alternative procedures where confirmations not received by checking subsequent receipts from customers after the year end. · Ensured there was adequate provision for expected credit losses for all financial assets in accordance with IFRS 9.

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, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

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 a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility 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 International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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.

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF EVEREADY EAST AFRICA PLC (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 significant doubt on the Group'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 in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group 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.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015 (the Act)

In our opinion,

i) the information given in the report of the directors on pages 3 and 4 is consistent with the financial statements; and
ii) the auditable part of the directors' remuneration report has been properly prepared in accordance with the Act.

RSM Eastern Africa LLP
Certified Public Accountants
Nairobi

29 March **2021**

043/2021

The signing partner responsible for the independent audit was **CPA Elvis Ogeto**, Practising Certificate No. 2303.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH SEPTEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	KSh'000	KSh'000	KSh'000	KSh'000
Sales	5	133,590	190,667	133,590	190,667
Cost of sales		(105,655)	(154,013)	(105,655)	(154,013)
Gross profit		27,935	36,654	27,935	36,654
Other income	6	9,066	20,856	9,066	20,856
Selling and distribution expenses		(11,705)	(20,239)	(11,705)	(20,239)
Administrative expenses		(66,303)	(92,021)	(66,303)	(92,021)
Establishment expenses		(6,370)	(9,082)	(6,370)	(9,082)
Impairment of assets	7	366	(42,174)	366	(42,174)
Finance costs	8	(2,926)	(889)	(2,926)	(889)
Loss before tax	9	(49,937)	(106,895)	(49,937)	(106,895)
Tax expense	10	(19,073)	(196,649)	(19,073)	(196,649)
Loss for the year attributable to the owners of the company		(69,010)	(303,544)	(69,010)	(303,544)
Earnings per share		KSh	KSh	KSh	KSh
Loss per share - basic and diluted	11	(0.33)	(1.45)	(0.33)	(1.45)

BALANCE SHEET AT 30TH SEPTEMBER 2020

		Group		Company	
		2020	2019	2020	2019
		KSh'000	KSh'000	KSh'000	KSh'000
	Note				
Equity					
Share capital	12	210,000	210,000	210,000	210,000
Translation reserve		18,159	18,159	-	-
Retained earnings		(187,168)	(118,158)	(169,009)	(99,999)
Total equity		40,991	110,001	40,991	110,001
Non-current liabilities					
Lease liabilities	13	3,744	-	3,744	-
Provisions for liabilities	14	4,424	8,847	4,424	8,847
		8,168	8,847	8,168	8,847
		49,159	**118,848**	**49,159**	**118,848**
REPRESENTED BY					
Non-current assets					
Right-of-use assets	15	7,759	-	7,759	-
Equipment	16	3,505	4,485	3,505	4,485
Investment in subsidiaries	17	-	-	-	-
Deferred income tax	18	31,872	49,284	31,872	49,284
		43,136	53,769	43,136	53,769
Current assets					
Inventories	19	38,055	36,014	38,055	36,014
Trade and other receivables	20	42,044	80,554	42,044	80,554
Cash at bank and in hand	21	77,850	78,189	77,850	78,189
		157,949	194,757	157,949	194,757
Current liabilities					
Trade and other payables	22	129,681	111,728	129,681	111,728
Current tax		4,547	5,258	4,547	5,258
Lease liabilities	13	4,267	-	4,267	-
Borrowings	23	13,431	12,692	13,431	12,692
		151,926	129,678	151,926	129,678
Net current assets		6,023	65,079	6,023	65,079
		49,159	**118,848**	**49,159**	**118,848**

The financial statements on pages 10 to 37 were approved for issue by the board of directors on ......29 MARCH.......... 2021 and were signed on its behalf by:

....
Director

....
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH SEPTEMBER 2020

Group	Share capital KSh'000	Translation reserve KSh'000	Retained earnings KSh'000	Total KSh'000
As at 1st October 2018	210,000	18,159	185,386	413,545
Changes in equity in 2019				
Loss for the year	-	-	(303,544)	(303,544)
At 30th September 2019	210,000	18,159	(118,158)	110,001
At 1st October 2019	210,000	18,159	(118,158)	110,001
Changes in equity in 2020				
Loss for the year	-	-	(69,010)	(69,010)
At 30th September 2020	210,000	18,159	(187,168)	40,991
Company				
As at 1st October 2018	210,000	-	203,545	413,545
Changes in equity in 2019				
Loss for the year	-	-	(303,544)	(303,544)
At 30th September 2019	210,000	-	(99,999)	110,001
At 1st October 2019	210,000	-	(99,999)	110,001
Changes in equity in 2020				
Loss for the year	-	-	(69,010)	(69,010)
At 30th September 2020	210,000	-	(169,009)	40,991

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH SEPTEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	KSh'000	KSh'000	KSh'000	KSh'000
Cash flows from operating activities					
Loss before tax		(69,010)	(303,544)	(69,010)	(303,544)
Adjustments for:					
Income tax	10	19,073	196,649	19,073	196,649
Depreciation of equipment	16	972	3,109	972	3,109
Depreciation of right-of-use assets	15	3,880	-	3,880	-
Gain on disposal of assets	6	(1,144)	(5,983)	(1,144)	(5,983)
Interest expense	8	2,030	889	2,030	889
Interest paid on lease liabilities	13	896	-	896	-
Assets write off		-	1,386	-	1,386
Operating loss before working capital changes		(43,303)	(107,494)	(43,303)	(107,494)
(Increase)/decrease in inventories		(2,041)	52,837	(2,041)	52,837
Decrease in trade and other receivables		38,510	50,485	38,510	50,485
Increase in trade and other payables		17,953	2,772	17,953	2,772
Decrease in provision for liabilities	14	(4,423)	-	(4,423)	-
Cash generated from/(used in) operations		6,696	(1,400)	6,696	(1,400)
Interest paid		(2,030)	(889)	(2,030)	(889)
Interest paid on lease liabilities		(896)	-	(896)	-
Tax paid		(2,372)	(2,180)	(2,372)	(2,180)
Net cash generated/(used in) operating activities		1,398	(4,469)	1,398	(4,469)
Cash flows from investing activities					
Purchase of equipment	16	(80)	(1,663)	(80)	(1,663)
Proceeds from disposal of equipment		1,232	6,257	1,232	6,257
Net cash generated from investing activities		1,152	4,594	1,152	4,594
Cash flows from financing activities					
Payment of principal portion of the lease liability	13	(3,628)	-	(3,628)	-
(Repayment of)/proceeds from of borrowings		(9,490)	9,498	(9,490)	9,498
Net cash (used in)/generated from financing activities		(13,118)	9,498	(13,118)	9,498
Net (decrease)/increase in cash and cash equivalents		(10,568)	9,623	(10,568)	9,623
Cash and cash equivalents at start of the year		78,189	68,566	78,189	68,566
Cash and cash equivalents at end of the year	21	67,621	78,189	67,621	78,189

NOTES

1. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, which is also the functional currency of the company (see (c) below), rounded to the nearest thousand (KSh'000).

The directors have reached the decision to wind up Flamingo Properties Uganda Limited (the "subsidiary") due to the unprofitability of its operations. The financial statements for the subsidiary have been prepared on a basis other than that of a going concern.

The financial statements comprise a statement of profit or loss and other comprehensive income, balance sheet (statement of financial position), statement of changes in equity, and statement of cash flows. Income and expenses, excluding the components of other comprehensive income, are recognised in profit or loss. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:
- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

NOTES (CONTINUED)

1. **Summary of significant accounting policies (continued)**

b) New and revised standards

i) Adoption of new and revised standards

One new Standard, one new Interpretation and a number of Amendments to standards became effective for the first time in the financial year beginning 1st October 2019 and have been adopted by the company. Neither the Amendments nor the Interpretation has had an effect on the company's financial statements, but the new Standard has had an impact, as follows:

IFRS 16 Leases
From 1st October 2019, to comply with IFRS 16, *Leases*, which replaced IAS 17, *Leases*, the company now recognises lease liabilities relating to leases under which the company is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1st October 2019 and leases of low value items). Such liabilities have been measured at 1st October 2019 at the present value of the remaining lease payments discounted using the company's incremental borrowing rate as at 1st October 2019. Corresponding right-of-use assets have been recognised, measured as if the company's new accounting policy (see Note 1(p)) had been applied since the commencement of each lease but discounted using the company's incremental borrowing rate as at 1st October 2019. The difference between the lease liabilities and right-of-use assets at 1 October 2019 has been recognised as an adjustment to retained earnings at that date (see Note 24). As permitted by the transition provisions in the new Standard, comparative amounts have not been restated.

ii) New and revised standards and interpretations which have been issued but are not yet effective

The Group has not applied any new or revised standards and interpretations that have been published but are not yet effective for the year beginning 1st October 2019, and the Directors do not plan to apply any of them until they become effective. Note 28 lists all such new or revised standards and interpretations, with their effective dates, and provides reasonably estimable information relevant to assessing the possible impact that application of them will have on the Group's and the Company's financial statements in the period of initial application.

c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which each entity operates).

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in profit or loss in the year in which they arise.

Translation of financial statements of foreign entities

The assets and liabilities of foreign operations are translated into Kenya Shillings using exchange rates at the reporting date. The components of shareholders' equity are stated at historical amounts.

Average exchange rates for the period are used to translate income and expense items of foreign operations. However, if exchange rates fluctuate significantly, the exchange rates at the dates of the transactions are used.

All resulting exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve, a separate component of equity.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

d) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the group's activities. It is recognised when it is probable that future economic benefits will flow to the company and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts.

Sale of goods are recognised upon the delivery of the product and customer acceptance.

Interest income is recognised on a time proportion basis using the effective interest method.

All other income earned by the group is recognised in the period in which it is earned.

e) Income tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

f) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

g) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

h) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared.

i) Equipment

All categories of equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the Company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life.

Each part of an item of equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

j) Investment in subsidiaries

Subsidiaries are entities controlled by the company. The company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has an ability to affect these returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Subsidiaries are fully consolidated from the date at which the company starts controlling them and are de-consolidated from the date control ceases. Inter-company transactions, balances and unrealised gains or transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the company.

The directors reached the decision to wind up Flamingo Properties Uganda Limited (the "subsidiary") due to unprofitability of its operations. The subsidiary is dormant and balances fully impaired at the balance sheet date.

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

k) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

l) Financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

Classification

The Group classifies its financial instruments into the following categories:

i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured **at amortised cost**;

ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured **at fair value through other comprehensive income.**

iii) All other financial assets are classified and measured **at fair value through profit or loss.**

iv) Notwithstanding the above, the Group may:
a) on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it **at fair value through other comprehensive income.**
b) on initial recognition of a debt instrument, irrevocably designate it as classified and measured **at fair value through profit or loss** if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

v) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured **at fair value through profit or loss**. The Group may also, on initial recognition, irrevocably designate a financial liability as **at fair value through profit or loss** if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

vi) All other financial liabilities are classified and measured at amortised cost.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

l) Financial instruments (continued)

Classification (continued)

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, trade and other receivables were classified as at amortised cost:
- Borrowings and trade and other liabilities were classified as at amortised cost.

Initial measurement

On initial recognition:
i) Trade receivables are measured at their transaction price.
ii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

Fair value is determined as set out in Note 1(a), Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

l) Financial instruments (continued)

Presentation:

All financial assets are classified as non-current except financial assets at fair value through profit or loss, those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the group's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition/write off

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

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes all costs incurred in bringing the goods to their present location and condition but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

n) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

o) Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

p) Leases

Leases under which the company is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the company's incremental borrowing rate is used.

For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

The above accounting policy has been applied from 1st October 2019. Note 24 sets out the equivalent policy applied in the previous year and the impact of the change in accounting policy.

Leases under which the company is the lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit and loss account on a straight-line basis over the lease term. The company has not entered into any finance leases.

q) Short term employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

NOTES (CONTINUED)

2. Significant judgements and key sources of estimation uncertainty (continued)

r) Post-employment benefit obligations

The Group operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by an insurance company. A defined contribution plan is a plan under which the company pays fixed contributions into a separate fund, and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The Group's contributions are charged to the profit and loss account in the year to which they relate.

The company and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate.

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

a) Significant judgements made in applying the Group's accounting policies

The judgements made by the directors in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

i) Whether it is probable that future taxable profits will be available against which temporary differences can be utilised (see Note 18); and

ii) Classification of financial assets: whether the business model in which financial assets are held has as its objective the holding of such assets to collect contractual cash flows or to both collect contractual cash flows and sell the assets; and whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest; and

iii) Whether the company will continue to operate twelve months after the balance sheet date (see Note 27).

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) *Income taxes*

Estimates made in determining the income tax expense for transactions for which the ultimate determination of the income tax expense is uncertain in the ordinary course of business.

ii) *Impairment losses*

Estimates made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. The movement on the impairment provision is set out in Note 20.

iii) *Net realizable value of inventory*

Estimates made in determining the net realizable value of inventory. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses and includes estimated selling price on products bundled as part of a sales promotion.

NOTES (CONTINUED)

3. Risk management objectives and policies

a) Financial risk management

The Group's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Group's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the group's performance by setting acceptable levels of risk. The Group does not hedge against any risks.

i) Credit risk and expected credit losses

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a group - wide basis.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The Group carries out its own assessment of credit risk before investing in corporate bonds, and updates such assessments at each reporting date.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

In assessing whether the credit risk on a financial asset has increased significantly, the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the Group does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Company groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial

NOTES (CONTINUED)

3. Risk management objectives and policies

a) Financial risk management (continued)

i) Credit risk and expected credit losses (continued)

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Basis for measurement of loss allowance

		Lifetime expected credit losses (see note below)			
Group/Company	**12- months expected credit losses**	**(a)**	**(b)**	**(c)**	**Totals**
At 30th September 2020	**KSh**	**KSh**	**KSh**	**KSh**	**KSh**
Trade receivables	-	-	183,197	17,903	201,100
Other receivables	20,257	-	15,038	-	35,295
Cash at bank	77,850	-	-	-	77,850
Gross carrying amount	98,107	-	198,235	17,903	314,245
Loss allowance	-	-	(198,235)	(3,929)	(202,164)
Exposure to credit risk	98,107	-	-	13,974	112,081
At 30th September 2019					
Trade receivables	-	-	161,272	99,167	260,439
Other receivables	24,152	-	2,673	-	26,825
Cash at bank	78,189	-	-	-	78,189
Gross carrying amount	102,341	-	163,945	99,167	365,453
Loss allowance	-	-	(163,945)	(54,641)	(218,586)
Exposure to credit risk	102,341	-	-	44,526	146,867

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;

b) financial assets that are credit impaired at the balance sheet date; and

c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The loss allowances at the end of each year relate to the trade receivables.

The Group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables.

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk and expected credit losses (continued)

The age analysis of the trade receivables at the end of each year was as follows:

Group/Company

	Not past KSh'000	30 to 90 KSh'000	90 to 120 KSh'000	Over 120 KSh'000	Total KSh'000
At 30th September 2020	11,475	19,821	5,568	164,236	201,100
At 30th September 2019	12,378	24,961	3,865	219,235	260,439

The changes in the loss allowance during the year were as follows:

		Basis for measurement of loss			
	12-month	Lifetime expected credit losses (see note			
	expected KSh'000	(a) KSh'000	(b) KSh'000	(c) KSh'000	Total KSh'000
Year ended 30th September 2020					
At start of year	-	-	161,272	57,314	218,586
Changes arising from receivables originating during the year	-	-	36,963	(53,385)	(16,422)
At end of year	-	-	198,235	3,929	202,164
Year ended 30th September 2019					
At start of year	-	-	161,272	-	161,272
Changes arising from receivables originating during the year	-	-	-	33,192	33,192
Provisions utilised	-	-	-	24,122	24,122
At end of year	-	-	161,272	57,314	218,586

ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Group's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Group manages liquidity risk by continuously reviewing forecasts and actual cash flows, and may consider banking facilities for future and likely shortfalls in the cash flows.

The table below summarises the maturity analysis for the financial liabilities to their remaining contractual maturities:

Group/company

	Less than one month KSh'000	Between 1-3 months KSh'000	Between 3-12 months KSh'000	Over 1 year KSh'000	Total KSh
At 30th September 2020					
Trade payables	41,999	-	-	-	41,999
Other payables and accrued expenses	50,521	-	-	-	50,521
Dividend payable	37,161	-	-	-	37,161
Borrowings	10,229	3,202	-	-	13,431
	139,910	3,202	-	-	143,112

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

a) Financial risk management (continued)

ii) Liquidity risk (continued)

Group/company

	Less than one month KSh'000	Between 1-3 months KSh'000	Between 3-12 months KSh'000	Over 1 year KSh'000	Total KSh
At 30th September 2019					
Trade payables	40,567	-	-	-	40,567
Other payables and accrued expenses	33,985	-	-	-	33,985
Dividend payable	37,176	-	-	-	37,176
Borrowings	-	12,692	-	-	12,692
	111,728	12,692	-	-	124,420

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Interest rate risk

The company is exposed to cash flow interest rate risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining an interest cover ratio, which is the extent to which the gross margin is available to service borrowing costs. Management consider that a change in interest rates of 1% in the year ending 30th September 2021 is reasonably possible. If the interest rates on the Group's borrowings at the year-end were to increase/decrease by 1%, with all other factors remaining constant, the post-tax profit would be lower/higher by KSh 455,000 (2019: KSh 682,000) respectively.

Currency risk

Currency risk arises on financial instruments that are denominated in foreign currencies. The Group has cash at bank, trade payables and borrowings which are denominated in foreign currencies.

	2020 US$ KSh' 000	2019 US$ KSh' 000
Cash at bank	301	1
Trade payables	(1,553)	(2,571)
Advance payments to suppliers	6,852	10,315
Net exposure	5,600	7,745

Management consider that an appreciation of the United States Dollar against the Kenya Shilling of between 5% and 10% in the year ending 30th September 2021 is reasonably possible. If the foreign currencies were to appreciate/depreciate against the Kenya Shilling by 10% with all other factors remaining constant, the post tax profit would be lower/higher by KSh 420,000 (2019: KSh 50,000).

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

b) Capital management

The Group's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximise the return to its shareholders. The Group is not subject to any external capital requirements.

The board of directors reviews the capital structure on a quarterly basis. As part of this review, the board considers the cost of capital. Based on the review, the board considers, analyses and assesses the gearing ratio to determine the appropriate levels. This ratio is calculated as net debt divided by total shareholders' funds and net debt. Net debt is calculated as total borrowings less cash and cash equivalents. Except for insurance premium financing the Group had no other external debt at the end of the year.

The gearing ratio at the year-end was as follows:	Group		Company	
	2020	2019	2020	2019
	KSh'000	KSh'000	KSh'000	KSh'000
Shareholders' funds	40,991	110,001	40,991	110,001
Total borrowings	13,431	12,692	13,431	12,692
Less: cash and cash equivalents	(77,850)	(78,189)	(77,850)	(78,189)
Net debt	(64,419)	(65,497)	(64,419)	(65,497)
Gearing	N/A	N/A	N/A	N/A

4. Segmental information

The continuing operations of the group comprise a single operating segment. Consequently, no segmental information is included in these financial statements.

	Group		Company	
	2020	2019	2020	2019
5. Sales	KSh'000	KSh'000	KSh'000	KSh'000
Sale of purchased goods	133,590	190,667	133,590	190,667
6. Other income				
Interest income	6,643	6,740	6,643	6,740
Miscellaneous income	1,279	8,133	1,279	8,133
Gain on disposal of assets	1,144	5,983	1,144	5,983
	9,066	20,856	9,066	20,856
7. Impairment of assets				
(Write-back)/impairment of trade receivables	(28,787)	30,519	(28,787)	30,519
Impairment of other receivables	12,365	2,673	12,365	2,673
Bad debts written-off	16,056	-	16,056	-
Impairment of inventories	-	8,982	-	8,982
	(366)	42,174	(366)	42,174
8. Finance costs				
Interest on lease liability	896	-	896	-
Interest expense - loans	2,030	889	2,030	889
	2,926	889	2,926	889

NOTES (CONTINUED)

9. Loss before tax

	Group 2020 KSh'000	Group 2019 KSh'000	Company 2020 KSh'000	Company 2019 KSh'000
(a) Items charged				
The following items have been charged in arriving at loss before tax:				
Inventories expensed	105,655	154,013	105,655	154,013
Employee benefits expense (Note 9(b))	44,349	60,345	44,349	60,345
Operating lease rentals expense	1,077	6,859	1,077	6,859
Depreciation of right-of-use asset	3,880	-	3,880	-
Depreciation of equipment	972	3,109	972	3,109

(b) Employee benefits expense

The following items are included in employee benefits expense:

	Group 2020 KSh'000	Group 2019 KSh'000	Company 2020 KSh'000	Company 2019 KSh'000
Wages and salaries	43,138	57,780	43,138	57,780
Retirement benefit costs:				
- Defined contribution scheme	1,126	2,451	1,126	2,451
- National Social Security Fund (NSSF)	85	114	85	114
	44,349	60,345	44,349	60,345

The average number of persons employed during the year, by category, were:

	2020 Number	2019 Number
Sales and distribution	25	40
Management and administration	12	12
	37	52

10. Tax expense

	Group 2020 KSh'000	Group 2019 KSh'000	Company 2020 KSh'000	Company 2019 KSh'000
Current income tax	1,661	2,022	1,661	2,022
Deferred tax (Note 18)	17,412	194,627	17,412	194,627
Tax expense	19,073	196,649	19,073	196,649

The tax on the group's and company's loss before tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group 2020 KSh'000	Group 2019 KSh'000	Company 2020 KSh'000	Company 2019 KSh'000
Loss before tax	(49,937)	(106,895)	(49,937)	(106,895)
Tax calculated at a tax rate of 25% (2019: 30%)	(12,484)	(32,069)	(12,484)	(32,069)
Tax effect of:				
Under - provision of deferred income tax in prior year	-	(1,330)	-	(1,330)
Change in tax rate	58,670	-	58,670	
Deferred tax asset not recognised	(51,038)	229,109	(51,038)	229,109
Expenses not deductible for tax purposes	796	939	796	939
Write down of a deferred tax asset	23,129	-	23,129	-
Tax expense	19,073	196,649	19,073	196,649

NOTES (CONTINUED)

11. Earnings per share

Loss per share is calculated by dividing the loss for the year attributable to shareholders by the number of ordinary shares in issue during the year.

	Group		Company	
	2020 KSh'000	2019 KSh'000	2020 KSh'000	2019 KSh'000
Loss for the year (KSh' 000)	(69,010)	(303,544)	(69,010)	(303,544)
Number of ordinary shares (thousands) - Note 12	210,000	210,000	210,000	210,000
Loss per share - basic and diluted (KSh)	(0.33)	(1.45)	(0.33)	(1.45)

There were no potentially dilutive shares outstanding at either 30th September 2020 or 30th September 2019.

12. Share capital

	No. of shares '000	Issued and paid up capital KSh'000
Ordinary shares		
At 1st October 2018 and 30th September 2019	210,000	210,000
At 1st October 2019 and 30th September 2020	210,000	210,000

The total number of authorised ordinary shares is 210,000,000 (2019: 210,000,000) with a par value of KSh 1 each.

13. Lease liabilities

	Group		Company	
	2020 KSh'000	2019 KSh'000	2020 KSh'000	2019 KSh'000
Current	4,267	-	4,267	-
Non-current	3,744	-	3,744	-
	8,011	-	8,011	-
The total cash outflow for leases in the year was:				
Payments of principal portion of the lease liability	3,628	-	3,628	-
Interest paid on lease liabilities	896	-	896	-
	4,524	-	4,524	-

For more information on the nature of the leases entered into and the related right-of-use assets, see Note 15.

14. Provisions for liabilities

	Group		Company	
	2020 KSh'000	2019 KSh'000	2020 KSh'000	2019 KSh'000
At start of year	8,847	8,847	8,847	8,847
Reversed during the year	(4,423)	-	(4,423)	-
At end of year	4,424	8,847	4,424	8,847

The above provision is in respect of pending claims from former employees following the restructuring program undertaken in 2014.

NOTES (CONTINUED)

15. Right-of use assets - Group and company

	Buildings KSh'000
At 1st October 2019	
Effect of change of accounting policy (Note 24)	11,639
Depreciation charge	(3,880)
Carrying amount at 30th September 2020	7,759

The right-of-use asset relates to leased warehouses. The current lease for the warehouse is for 4.8 years and expires on 31st October 2022. The lease does not contain any restrictions or covenants other than the protective rights of the lessor and does not carry a residual value guarantee.

For information on the related lease liabilities, see Note 13.

NOTES (CONTINUED)

16. Equipment

Group and company	Furniture and fixtures KSh'000	Computers KSh'000	Motor vehicles KSh'000	Total KSh'000
At 1st October 2018				
Cost	18,674	14,277	40,503	73,454
Accumulated depreciation	(16,081)	(12,464)	(37,318)	(65,863)
Net carrying amount	2,593	1,813	3,185	7,591
Year ended 30th September 2019				
Opening carrying amount	2,593	1,813	3,185	7,591
Additions	1,325	338	-	1,663
Cost elimininated on disposal	-	-	(16,646)	(16,646)
Cost elimininated on write-off	(1,594)	(1,335)	-	(2,929)
Accumulated depreciation eliminated on disposal	-	-	16,372	16,372
Accumulated depreciation eliminated on write-off	425	1,118	-	1,543
Depreciation charge	(510)	(300)	(2,299)	(3,109)
Closing carrying amount	2,239	1,634	612	4,485
At 30th September 2019				
Cost	18,405	13,280	23,857	55,543
Accumulated depreciation and impairment	(16,166)	(11,646)	(23,245)	(51,057)
Net carrying amount	2,239	1,634	612	4,485
Year ended 30th September 2020				
Opening carrying amount	2,239	1,634	612	4,485
Additions	80	-	-	80
Cost elimininated on disposal	-	-	(4,263)	(4,263)
Accumulated depreciation eliminated on disposal	-	-	4,175	4,175
Depreciation charge	(269)	(204)	(499)	(972)
Closing carrying amount	2,050	1,430	25	3,505
At 30th September 2020				
Cost	18,485	13,280	19,594	51,359
Accumulated depreciation and impairment	(16,435)	(11,850)	(19,569)	(47,854)
Net carrying amount	2,050	1,430	25	3,505

Fully depreciated assets still used had a cost of KSh 55,446,455 (2019: KSh 56,908,000).

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate - %
Furniture and fixtures	16.7
Computers	33.3
Motor vehicles	33.3

SCHEDULE OF OPERATING EXPENDITURE - GROUP AND COMPANY

3. ESTABLISHMENT EXPENSES

	2020 KSh'000	2019 KSh'000
Establishment:		
Rent and rates	8	973
Security	1	43
Electricity and water	(79)	414
Insurance	1,557	3,011
Licences	31	202
Equipment written off	-	1,330
Depreciation of right-of-use asset	3,880	-
Depreciation	972	3,109
Total establishment expenses	6,370	9,082

NOTES (CONTINUED)

17. Investments in subsidiaries

Company		2020 KSh'000	2019 KSh'000
Unquoted securities at cost	**Holding**		
Flamingo Properties Uganda Limited	100%	333	333
Impairment loss		(333)	(333)
		-	-

The company also has a subsidiary in Kenya, Flamingo Properties Limited, for which no capital contribution has been made. The subsidiary was dormant during the year.

18. Deferred income tax - group and company

Deferred income tax is calculated using the enacted tax rate of 25% (2019: 30%).

Deferred tax assets/(liabilities), and the deferred tax charge/(credit) in the profit and loss account and in other comprehensive income are attributable to the following items:

Year ended 30th September 2020	At start of year KSh'000	Credited/ (charged) to profit or loss KSh'000	At end of year KSh'000
Deferred tax asset			
Tax losses	302,736	(51,038)	251,698
Provision for staff leave	617	(32)	585
Provision for bad debts	31,746	(9,396)	22,350
Equipment	4,609	(1,368)	3,241
Right-of-use assets	-	(1,940)	(1,940)
Lease liability	-	2,003	2,003
Provision for obsolete inventory	12,312	(6,679)	5,633
	352,020	(68,450)	283,570
Deferred tax asset not recognized on tax losses	(302,736)	51,038	(251,698)
Net deferred tax asset	49,284	(17,412)	31,872

Year ended 30th September 2019	At start of year KSh'000	Credited/ (charged) to profit or loss KSh'000	At end of year KSh'000
Deferred tax asset			
Tax losses	278,483	24,253	302,736
Provision for staff leave	1,274	(657)	617
Provision for bad debts	22,590	9,156	31,746
Provision for obsolete inventory	8,799	3,513	12,312
Equipment	6,392	(1,783)	4,609
	317,538	34,482	352,020
Deferred tax asset not recognized on tax losses	(73,627)	(229,109)	(302,736)
Net deferred tax asset	243,911	(194,627)	49,284

NOTES (CONTINUED)

18. Deferred income tax - group and company (continued)

The deferred tax asset has not been recognised on tax losses carried forward amounting to KSh 1,006,791 (2019: KSh 1,009,121,000) due to lack of certainty of availability of future taxable profits against which such tax losses could be utilised. Under the Kenyan Income Tax Act, tax losses are allowable as a deduction only in the nine years succeeding the year in which they occurred. The tax losses of KSh 1,006,791 carried forward will expire as follows:

Arising in:	**Tax losses KSh'000**	**Expiring:**
2012	55,148	2021
2015	180,226	2024
2016	232,032	2025
2017	219,998	2026
2018	148,355	2027
2019	80,843	2028
2020	90,189	2029
	1,006,791	

	Group		**Company**	
	2020 KSh' 000	**2019 KSh' 000**	**2020 KSh' 000**	**2019 KSh' 000**
19. Inventories				
Finished goods	60,589	77,054	60,589	77,054
Less: provision for impairment	(22,534)	(41,040)	(22,534)	(41,040)
	38,055	36,014	38,055	36,014
20. Trade and other receivables				
Trade receivables (Note 24(iii))	201,100	260,439	201,100	260,439
Less: Provision for impairment losses	(187,126)	(215,913)	(187,126)	(215,913)
	13,974	44,526	13,974	44,526
Other receivables	20,709	9,861	20,709	9,861
Less: Provision for impairment losses	(15,038)	(2,673)	(15,038)	(2,673)
Receivable from related parties	-	-	53,102	53,102
Less: Provision for impairment losses	-	-	(53,102)	(53,102)
Value Added Tax recoverable	14,586	16,964	14,586	16,964
Prepayments	7,813	11,876	7,813	11,876
	42,044	80,554	42,044	80,554

The movement on the provision for impairment losses for trade receivables and receivables from related parties is as follows:

At 1st October	215,913	185,394	215,913	185,394
Net (decrease)/increase charged to profit or loss	(28,787)	30,519	(28,787)	30,519
At 30th September	187,126	215,913	187,126	215,913

NOTES (CONTINUED)

21. Cash at bank and in hand

	Group 2020 KSh'000	Group 2019 KSh'000	Company 2020 KSh'000	Company 2019 KSh'000
Cash at bank and in hand	1,510	1,493	1,510	1,493
Short-term bank deposits	76,340	76,696	76,340	76,696
	77,850	78,189	77,850	78,189

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group 2020 KSh'000	Group 2019 KSh'000	Company 2020 KSh'000	Company 2019 KSh'000
Cash and bank balance	1,510	1,493	1,510	1,493
Short-term bank deposits	76,340	76,696	76,340	76,696
Bank overdraft (Note 23)	(10,229)	-	(10,229)	-
	67,621	78,189	67,621	78,189

22. Trade and other payables

	Group 2020 KSh'000	Group 2019 KSh'000	Company 2020 KSh'000	Company 2019 KSh'000
Trade payables (Note 24(iii))	41,999	40,567	41,999	40,567
Accruals	46,019	30,709	46,019	30,709
Dividend payable	37,161	37,176	37,161	37,176
Payable to directors	4,502	3,276	4,502	3,276
	129,681	111,728	129,681	111,728

23. Borrowings

	Group 2020 KSh'000	Group 2019 KSh'000	Company 2020 KSh'000	Company 2019 KSh'000
Current				
Bank overdraft (Note 21)	10,229	-	10,229	-
Post dated cheques discounting	3,202	11,847	3,202	11,847
Insurance premium financing	-	845	-	845
	13,431	12,692	13,431	12,692

The borrowings are repayable as follows:

	Group 2020 KSh'000	Group 2019 KSh'000	Company 2020 KSh'000	Company 2019 KSh'000
On demand or within 1 year	13,431	12,692	13,431	12,692

24. Effect of change of accounting policy - leases

As explained in Note 2(b)(i), the company changed its accounting policy for leases where the company is lessee. The new policy is described in Note 2(g). As permitted by the transition provisions in the new Standard, comparative amounts have not been restated. The company's accounting policy for leases under which the company was a lessee was, up to 30th September 2019, as follows:

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

NOTES (CONTINUED)

24. Effect of change of accounting policy - leases (continued)

Right-of-use assets and lease liabilities in respect of operating leases (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) in force at 1st October 2019 have been recognised in accordance with the transition requirements of IFRS 16, as described in Note 2(b)(i). The resulting adjustment processed at 1st October 2019 as a result of applying IFRS 16, was as follows:

	KSh'000
Lease liabilities	11,639
Right-of-use assets	(11,639)
Net adjustment to retained earnings at 1st October 2019	-

25. Related party transactions

The company is related to other companies which are related through common shareholding or directorships.

The following transactions were carried out with related parties.

Group and company

	2020 KSh'000	2019 KSh'000
i) Purchase of goods and services		
- Other related parties	6,411	893
ii) Sale of goods and services		
- Other related parties	500	1,707

Sales and purchases to/from related parties were made at terms and conditions similar to those offered to/by major customers/suppliers.

	2020 KSh'000	2019 KSh'000
iii) Outstanding balances arising from sale and purchase of goods/services		
Payables to related parties (Note 22)	3,818	903
Receivables from related parties (Note 20)	404	284
iv) Key management compensation		
The remuneration for key management during the year was as follows:		
Salaries and other benefits	16,345	27,196
v) Directors' remuneration		
Salaries	9,469	13,447
Fees for services as directors	2,115	3,810
	11,584	17,257

26. Contingencies

	2020 KSh'000	2019 KSh'000
Bank guarantees	8,600	12,600

NOTES (CONTINUED)

27. Going concern

During the year ended 30th September 2020, the company made a loss of KSh 69,010,000 (2019: KSh 303,544,000). The financial statements have been prepared on a going concern basis on the assumption that the anchor shareholder will continue to provide financial support to the company to enable it meet its liabilities as they fall due and that the turnaround strategies adopted by the directors will be effective. The Company has received this undertaking from the anchor shareholder.

The directors ensured that the Company remained as a going concern entity during the financial year 2020 by making adjustments that resulted in expenditure savings and introduced new products to grow the Company's revenues. The directors are optimistic that once the strategies being pursued, are implemented, the Company's losses will reverse and, therefore, remain financially sustainable.

The Company's revenue growth has been hampered by persistent stock-outs of the key products. Solving the inventories range and on-time availability for car batteries, which is the key revenue driver, therefore remains critical. Inconsistent supply impacts in-market activities therefore limiting the company's share of shelf and organic growth which is not aggressive due to persistent stock outs.

The Company is negotiating with two key suppliers to resolve the issue; one local supplier and one Egyptian supplier. The directors are focusing on the local supplier as this will reduce the supply chain risks and significantly reduce the lead times. Currently, the average lead time is 120 days. The directors expect this to have an immediate impact on the Company's revenue and profits. The directors are also in discussions with the foreign supplier for a credit period of 120 days to help relieve the cashflows. Current terms require the company to make advance payments before goods are received.

In view of the foregoing, the directors consider it appropriate to prepare the financial statements on a going concern basis. If the above strategies are not fully implemented and the anchor shareholder does not provide financial support required to implement the strategy, there would be a material uncertainty as to the Company's ability to continue as a going concern and it may, therefore, be unable to realize its assets and discharge its liabilities in the normal course of business.

28. New and revised standards and interpretations which have been issued but are not yet effective

The group has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st October 2019.

Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014). The amendments, applicable from a date yet to be determined.

IFRS 17 Insurance Contracts (issued in May 2017).The new standard, effective for annual periods beginning on or after 1st January 2021.

Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020), The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

NOTES (CONTINUED)

28. New and revised standards and interpretations which have been issued but are not yet effective (continued)

Amendment to IFRS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020), The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

Amendments to IFRS 3 titled Definition of a Business (issued in October 2018). he amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2020.

Amendments to IFRS 3 titled Definition of a Business (issued in October 2018). he amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2020 and to asset acquisitions that occur on or after the beginning of that

Amendments to IAS 1 and IAS 8 titled Definition of Material (issued in October 2018). The amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Amendments to IFRS 9, IAS 39 and IFRS 7 titled Interest Rate Benchmark Reform (issued in September 2019). The amendments, applicable to annual periods beginning on or after 1 January 2020, modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the IBOR reform.

Amendments to IFRS 16 titled Covid-19 Related Rent Concessions (issued in May 2020), the amendments, applicable to annual periods beginning on or after 1 June 2020, permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020), the amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.

Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020), the amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss

Amendment to IFRS 1 titled First time Adoption of International Financial Reporting Standards (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020), The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

SCHEDULE OF OPERATING EXPENDITURE - GROUP AND COMPANY

1. SELLING AND DISTRIBUTION EXPENSES

	2020 KSh'000	2019 KSh'000
Salary and wages	4,031	6,307
Staff other costs	181	592
Rent and rates	1,069	5,886
Vehicle running costs	3,672	3,129
Travel	544	427
Transport	535	2,857
Miscellaneous expenses	565	555
Postage and telephone	(339)	34
Printing and stationery	187	33
Security	535	224
Insurance	725	138
Depreciation	-	57
Total selling and distribution expenses	11,705	20,239

2. ADMINISTRATIVE EXPENSES

	2020 KSh'000	2019 KSh'000
Employment:		
Salaries and wages	39,107	51,473
Staff welfare costs	166	1,315
National Social Security Fund (NSSF)	85	114
Defined contribution scheme	1,126	2,451
Staff medical	866	3,612
Total employment costs	41,350	58,965
Other administration expenses:		
Directors remuneration	2,115	3,810
Postage, telephone and email	3,448	2,539
Printing and stationery	861	821
Travel	1,523	1,774
Audit fees		
- Current year	1,250	1,750
- Under - provision in prior year	58	72
Vehicle running expenses	4,544	5,239
Legal and professional fees	2,733	1,733
Bank charges and commissions	776	800
Subscription	74	440
Office expenses	164	80
Distributors incentives	102	(455)
Advertisement and sales	1,074	1,915
Shareholders' services	4,285	8,683
Foreign exchange loss on trade payables	(168)	97
Fines and penalties	1,358	2,278
Miscellaneous expenses	756	1,480
Total other administration expenses	24,953	33,056
Total administrative expenses	66,303	92,021