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OLYMPIA CAPITAL HOLDINGS LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2006

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2006**

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2007/1069

DIRECTORS	:	Dr. C. W. Obura (Chairman) Mr. M. W. Matu (Managing Director) M. M. Kunyiha Mr. S. A. Lakhani Mr. E. M. Wamae
REGISTERED OFFICE	:	LR No. 209/5532 Off Nanyuki Road Industrial Area P. O. Box 30102 GPO 00100 Nairobi
COMPANY SECRETARY	:	Lina Kantaria Certified Public Secretary P. O. Box 49925 GPO 00100 Nairobi
AUDITORS	:	DCDM Associates Certified Public Accountants P. O. Box 10032 GPO 00100 Nairobi
BANKERS	:	Standard Chartered Bank Kenya Limited Barclays Bank of Kenya Limited Southern Credit Banking Corporation Limited First National Bank of Botswana Limited Standard Chartered Bank of Botswana Limited Stanbic Bank of Botswana Limited
REGISTRARS	:	Custody & Registrars Services Limited P. O. Box 8484, GPO 00100 Nairobi

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty-Seventh Annual General Meeting of the Company will be held at the Nairobi Club on Friday, 15th June 2007 at 12.00 noon for the following purposes:

ORDINARY BUSINESS

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the Meeting.
3. To approve the minutes of the Thirty-Sixth Annual General Meeting held on 28th July 2006.
4. To receive, consider and adopt the Financial Statements for the financial year ended 31st December 2006 and the Directors' and Auditors' reports thereon.
5. To note that the Directors do not recommend payment of a dividend for the financial year ended 31st December 2006.
6. To re-elect a Director:
 - (i) In accordance with Article 99 of the Companies Articles of Association, Dr Christopher Walter Obura retires by rotation and being eligible, offers himself for re-election.
7. To note that DCDM Associates, Certified Public Accountants will continue in office as Auditors under Section 159 (2) of the Companies Act (Cap 486) and to authorize the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:-

8. "THAT pursuant to Article 46 of the Company's Articles of Association and subject to any required authorization including but not limited to the approval of the Capital Markets Authority, up to 30,000,000 Ordinary shares of Kshs 5.00 each be issued at such price as the Directors shall determine and be offered in the first instance (by way of renounceable provisional allotment) to the members of the Company in proportion to their existing shareholding and that the Directors be empowered to dispose of the shares not taken up in such manner as they think beneficial to the Company".

"PROVIDED that fractional entitlements shall be ignored and holders of ordinary shares shall not be entitled to fractional certificates or to payments in lieu of them".
9. "THAT the accounting reference date of the Company to be changed from 31st December to the last day of February in each year with effect from year 2007 due to similar changes done by our Botswana Subsidiary to accommodate logistical year end issues in the newly acquired company, Plush (Pty) Limited".
10. "That the Directors' fees shall be Kshs 600,000.00 for the financial year ended 31st December 2006".

BY ORDER OF THE BOARD

L. A. KANTARIA
COMPANY SECRETARY
OLYMPIA CAPITAL HOLDINGS LIMITED

Date: 18th April 2007

Note:

1. In accordance with Section 136 (2) of the Companies Act, every member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a Member of the Company.
2. A form of proxy is enclosed. In the case of a member being a corporation this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. Duly filled proxies should be returned to P. O. Box 49925, Nairobi- 00100 and must be in the hands of the Secretary not later than 48 hours before the meeting.

CORPORATE GOVERNANCE STATEMENT

The board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles identified in the Capital Markets Act Corporate Governance Guidelines, are applied by the Group.

DIRECTORS

The main Board consists of Chairman, Dr. C. W. Obura, the Managing Director, Mr. Michael Matu and three non executive Directors.

The Group has five subsidiary Boards, each of which comprises the Managing Director and at least one non executive main Board member and two non executive members.

OTHER BOARD INFORMATION

The key functions of the Chairman are to conduct board meetings and meetings of shareholders and to ensure that all Directors are properly briefed in order to take a full and constructive part in board discussions. The Chairman is required to develop and lead business strategies and processes to enable the Group's business to meet the requirements of its shareholders.

BOARD APPOINTMENTS

Appointments to the Board of Directors are considered by the main board.

RE-ELECTION OF DIRECTORS

Any Director appointed during the year is required, under the provisions of the company's Articles of Association, to retire and seek re-election by shareholders at the next Annual General Meeting. The articles also require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting. The Directors required to retire will be those in the office longest since their previous re-election and this will usually mean that each Director retires at least every three years, although there is no absolute requirement to this effect. In order to comply with the Corporate Governance Guidelines, but avoid the expense of amending the Company's articles to deal with this single point, the Board has resolved that each Director will retire at least once every three years, even if this is not strictly required by application of the provisions of the Articles.

CORPORATE GOVERNANCE STATEMENT (Cont.)

BOARD COMMITTEES

It has been decided that owing to the investment holding nature of the Company, where operational details are handled by the subsidiary Boards of the company, the functions of the Audit Committee, Remuneration Committee and Nomination Committee be handled by the main board. The Accounting function of the Companies in Kenya has been out-sourced to AAM Resources Limited.

MAJOR SHAREHOLDERS

Name of Shareholder	Number of Shares Held	Percentage (%) Shareholding
Dunlop Properties Limited	3,799,900	37.99
Croxley Properties Limited	816,844	8.16
Karen Enterprises Limited	692,830	6.92
CRCFS Nominees A/C. K 14	425,600	4.25
Nairobi Nominees Ltd. A/c Rakesh Gadani	424,257	4.24
Eluid Matu Wamae	179,672	1.79
Subodh K. Gadani	178,638	1.78
Scottlink Limited	173,900	1.73
Jagden Kristians	165,700	1.65
Prakash Kantilal Gadani	150,000	1.50

DISTRIBUTION OF SHAREHOLDERS

	Number of Shares Held	Number of Shareholders	Percentage (%) Shares Held
Less than 500	126,036	491	1.26
501-5,000	1,069,424	585	10.69
5,001-10,000	408,376	54	4.08
10,001-100,000	1,371,385	59	13.71
100,001-1,000,000	3,224,879	10	32.25
above 1,000,000	3,799,900	1	38.00
	<u>10,000,000</u>	<u>1,200</u>	<u>100.00</u>

CHAIRMAN'S STATEMENT

Your company achieved a 36% increase in turnover to Ksh 396 million and a 26% increase in net profit attributable to shareholders to Ksh 14.8 million. These results take into account all the costs of acquisition of the South African manufacturing company, Plush Products (Pty) Ltd, but only one month's results of the newly acquired business. They also take into account the weakening of both Southern African currencies that we trade in, to the Kenya shilling.

We do not recommend payment of a dividend and the board is confident that its five year strategic plan will be complete this year. This will allow for the resumption of dividend payments and completion of a major transformation of the company.

In order to ensure control of our Botswana listed subsidiary, it will be essential for the company to have a rights issue in the course of 2007. Our Botswana subsidiary had a very successful rights issue in the first quarter of 2007, which resulted in a complex warehousing arrangement being made which will allow your company to regain control of the Botswana company. To this end, we seek shareholder approval to raise funding by way of a rights issue.

On a consolidated level, the board expects consolidated turnover to exceed Ksh 1 Billion in 2007 with the acquisition of Plush Products (Pty) Limited by our Botswana listed subsidiary. We will however need to change our year end to February to coincide with the year end of Plush and now also Olympia Capital-Botswana.

Kenya

Our Kenyan manufacturing operations achieved a 20% increase in top line and a shift from a loss to a marginal profit situation. Despite not having purchased the much needed replacement plant, we expect similar improvement in the financial results of the operations in 2007.

The ownership of 27.5% of Avon, which is a property company will also make an improvement to the profit contribution of the Kenyan operations and significantly improve our leverage capabilities.

Botswana

It was an eventful year for our Botswana subsidiary, Olympia Capital Corporation Ltd, as it acquired 74% of Plush Products (Pty) Ltd, a South African Company that is involved in the manufacture and distribution of Curtain Tracks and related products. Only one month's turnover from Plush was consolidated. Plush Products (Pty) Ltd intends to enter into the mirrors and shower doors distribution business that will add 20% to the top line in three years.

CHAIRMAN'S REPORT (CONT'D)

Olympia Capital Corporation Ltd has changed its year end from December to February to accommodate logistical year end issues in the newly acquired company.

Kalahari Floor Tiles (Pty) Limited, our Botswana operating business performed very well during the year under review, and we expect similar improvement during the year 2007.

South Africa:

Subject to our regaining control of Olympia Capital-Botswana, we expect most of the changes to come from our newly acquired operations in South Africa. As mentioned above, due to the date we completed the acquisition, we only consolidated one month's turnover.

Plush Products (Pty) Limited is already entering into new lines and looking into possible acquisition opportunities in South Africa.

Board

There have been no changes to the Board in the current year.

May I take this opportunity to thank the Board and Management for their dedication during the year and request the support of the shareholders as we raise funds to complete our five year plan to make your company a well diversified regional building material and property group.

Dr. C. W. Obura

Chairman

Nairobi

18th April 2007

The directors submit herewith their report to the members with the financial statements for the year ended December 31, 2006.

PRINCIPAL ACTIVITY

The principal activities of the group are the manufacture and sale of floor tiles and adhesives, and curtain tracking and related products.

RESULTS FOR THE PERIOD

The results for the year ended December 31, 2006 are shown on page 11.

ORDINARY SHARE DIVIDEND

No dividend payment is being proposed for the year ended December 31, 2006.

DIRECTORS

The present membership of the Board is set out on page 1.

AUDITORS

The Auditors, DCDM Associates, will continue in office in accordance with section 159(2) of the Companies Act (Cap 486).

By order of the Board

**Lina Kantaria
SECRETARY
NAIROBI**

18th April 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Dr. C.W. Obura
Chairman

Mr. M.W. Matu
Director

Date: 18 April 2007

This report is made solely to the members of Olympia Capital Holdings Limited (the "Company"), as a body, accordance with Section 159 of the Companies Act (CAP 486). Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Olympia Capital Holdings Limited set out on pages 11 to 39 which comprise the balance sheet at December 31, 2006, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

1. Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2. Auditors' Responsibility

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

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

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of the Company are in agreement with the books of account.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS Continued**3. *Emphasis Of Matter***

Without qualifying our opinion, we draw attention to Note 5 to the financial statements, which gives disclosures concerning the going concern basis of the financial statements of the group.

4. *Opinion*

In our opinion, the financial statements on pages 11 to 39 give a true and fair view of the financial position of the Company at December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act (CAP 486).

Certified Public Accountants
Nairobi, Kenya

18 April 2007



		2006	2005
	<u>Notes</u>	<u>KShs. '000</u>	<u>Restated</u> KShs. '000
Sales	6	396,760	291,225
Cost of Sales		(253,832)	(198,191)
Gross Profit		142,928	93,034
Other Operating Income		9,981	12,831
Distribution costs		(2,891)	(2,391)
Administrative expenses		(118,459)	(71,840)
Other Operating Expenses		(1,106)	(3,478)
Profit from operations	7	30,453	28,156
Finance Cost	9	(4,444)	(1,102)
Profit before Tax and Minority Interest		26,009	27,054
Tax	10	(3,095)	(4,251)
Net Profit before Minority Interest		22,914	22,803
Minority Interest	11	(9,114)	(11,022)
Net profit attributable to Shareholders		14,800	11,781
Earnings Per Share			
- Basic & Diluted	12	1.41	1.18

The notes on pages 16 to 39 form part of these financial statements.

Auditors report on page 9-10





	Notes	2006 KSh. '000	Group 2005 Restated KSh '000	2006 KSh '000	Company 2005 KSh '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	13, 14	129,613	81,296	26,178	26,781
Prepaid Operating Lease Rental	15	-	-	-	-
Intangible Assets	16	122,831	17,094	-	-
Investments	17	62,858	-	84,499	21,641
Deferred Tax	22	2,884	2,364	-	-
Other Non Current Assets	26	6,945	69,803	6,945	69,803
		<u>325,131</u>	<u>170,557</u>	<u>117,622</u>	<u>118,225</u>
Current Assets					
Inventories	18	169,751	32,917	-	-
Trade and other receivables	19	276,834	59,903	6,978	5,937
Cash and cash equivalents	25	25,187	26,437	33	684
		<u>471,762</u>	<u>119,257</u>	<u>7,011</u>	<u>6,621</u>
TOTAL ASSETS		<u>796,893</u>	<u>289,814</u>	<u>124,633</u>	<u>124,846</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued ordinary share capital	20	50,000	50,000	50,000	50,000
Reserves		88,431	75,505	45,819	45,863
Shareholders' equity		<u>138,431</u>	<u>125,505</u>	<u>95,819</u>	<u>95,863</u>
Minority Interest	11	<u>69,835</u>	<u>57,539</u>	<u>-</u>	<u>-</u>
Non-Current Liabilities					
Borrowings	21	98,885	4,802	-	-
Deferred Tax	22	7,884	10,356	7,885	7,635
		<u>106,769</u>	<u>15,158</u>	<u>7,885</u>	<u>7,635</u>
Current Liabilities					
Trade and other payables	23	114,638	67,760	13,332	13,886
Borrowing	21	135,436	7,025	-	-
Dividends payable		18,313	11,371	5,845	5,850
Taxation		3,481	5,456	1,812	1,612
		<u>271,868</u>	<u>91,612</u>	<u>21,009</u>	<u>21,348</u>
Total Liabilities		<u>378,637</u>	<u>106,770</u>	<u>28,894</u>	<u>28,983</u>
TOTAL EQUITY AND LIABILITIES		<u>796,893</u>	<u>289,814</u>	<u>124,633</u>	<u>124,846</u>

The financial statements on pages 11 to 39 were approved by the Board of Directors on 18th April 2007 and signed on its behalf by:

Dr. C.W. Obura.
DIRECTOR

M. M. W. Matu.
DIRECTOR

The notes on pages 16 to 39 form part of these financial statements.
Auditors' report on page 9-10

	Ordinary Share Capital KShs. '000	Reserve KShs. '000	Translation Reserve KShs. '000	Reserve KShs. '000	Revenue Reserve KShs. '000	Reserve KShs. '000
Year ended 31 December 2005 (Restated):						
Balance at 1 January 2005	50,000	5,782	21,494	51,545	129,421	
Restatement for change in accounting Policy/correction of fundamental errors	-	(490)	1,215	4,618	6,343	
	50,000	5,292	22,711	56,163	135,764	
Consolidation adjustment	-	6,606	-	-	-	
Translation adjustment	-	(46,179)	1,339	(204)	(44,044)	
Net profit for the year	-	-	-	22,803	22,803	
Minority share	-	19,135	144	(11,189)	8,100	
Transfer of excess depreciation	-	-	(809)	550	-	
Deferred tax on transfer	-	-	144	(165)	-	
Amortisation of revaluation reserve	-	-	(367)	357	-	
Dividends	-	-	-	(3,328)	(3,328)	
Balance at 31 December 2005	50,000	(15,146)	23,464	64,987	128,905	

Year ended 31 December 2006:

Balance at 1 January 2006	50,000	(15,146)	23,464	64,987	128,905	
Consolidation adjustment	-	-	-	-	-	
Translation adjustment	-	(13,202)	-	-	(13,202)	
Net profit for the year	-	-	-	22,914	22,914	
Minority share	-	6,179	89	(8,113)	(1,845)	
Transfer of excess depreciation	-	-	(550)	550	-	
Deferred tax on transfer	-	-	185	(165)	-	
Amortisation of revaluation reserve	-	-	(191)	102	(89)	
Dividends	-	-	-	(2,832)	(2,832)	
Balance at 31 December 2006	50,000	(22,169)	25,177	77,443	130,451	

Further explanations on the components of shareholders' equity are in Note 20

The notes on pages 16 to 39 form part of these financial statements

Auditors report on page 9-10

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Ordinary Share Capital KShs. '000	Property Revaluation Reserve KShs. '000	Revenue Reserve KShs. '000	TOTAL KShs. '000
<u>Year ended December 31, 2005:</u>				
Balance at 1 January 2005	50,000	14,080	27,034	91,114
Transfer of Excess Depreciation	-	(550)	550	-
Deferred Tax on Transfer	-	165	(165)	-
Net Profit for the Year	-	-	4,749	4,749
Balance at 31 December 2005	<u>50,000</u>	<u>13,695</u>	<u>32,168</u>	<u>95,863</u>
<u>Year ended 31 December 2006:</u>				
Balance at 1 January 2006	50,000	13,695	32,168	95,863
Transfer of Excess Depreciation	-	(550)	550	-
Deferred Tax on Transfer	-	165	(165)	-
Net loss for the Year	-	-	(44)	(44)
Balance at 31 December 2006	<u>50,000</u>	<u>13,310</u>	<u>32,509</u>	<u>95,819</u>

The notes on pages 16 to 39 form part of these financial statements

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	<u>Notes</u>	<u>2006</u> KShs. '000	<u>2005</u> <u>Restated</u> KShs. '000
Operating Activities			
Cash Generated from Operations	24	(26,338)	20,213
Interest received		1,263	1,097
Interest paid		(2,949)	(2,469)
Tax Paid		993	(3,362)
Dividends received		2,712	4,996
Dividends paid to minority shareholders		(5,329)	(9,920)
Net Cash from Operating Activities		(33,145)	10,555
Investing Activities			
Purchase of Property, Plant and Equipment		(61,239)	(8,393)
Proceeds from disposal of property, plant and equipment		526	679
Investment in associate company		(42,874)	-
Increase in investment in subsidiary		-	(11,000)
Net Cash used in Investing Activities		(123,587)	(18,714)
Financing Activities			
Capital raised		-	4,863
Proceeds from long-term borrowings		112,334	703
Net repayment of long-term borrowings		(499)	(8,230)
Net Cash from Financing Activities		111,835	(2,664)
Net Increase/(Decrease) in Cash and Cash Equivalents			
		(30,765)	(10,823)
Cash and cash equivalents at beginning of year		22,945	35,186
Effects of Exchange Rate Changes		(67,631)	(2,318)
Cash and cash equivalents at the End of Year	25	(104,351)	22,045

The notes on pages 16 to 39 form part of these financial statements.

Auditors' reports on page 9-10



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**1 CORPORATE PROFILE**

Olympia Capital Holdings Limited is a public company incorporated in Kenya under the Companies Act (Cap 486) and is domiciled in Kenya. The group has a number of subsidiaries, which are detailed in Note 16. The address of its registered office is LR No: 209/5532, Off Nanyuki Road, Industrial Area, P. O. Box 30102, GPO 00100 Nairobi.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of preparation**

The financial statements are prepared in accordance with and comply with International Financial Reporting standards (IFRS). The Financial statements are prepared under the historical cost convention as adjusted by the revaluation of certain items of property, plant and equipment.

The preparation of accounts in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these events are based on the directors best knowledge of current events and actions, actual results ultimately may differ from those results.

The accounts are presented in thousands of Kenya Shillings (Kshs '000)

(b) Property, plant and equipment

Property, plant and equipment is stated at historical cost or valuation less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement.

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from revaluation reserve to revenue reserves.

Depreciation is calculated on the straight-line basis to write off the cost of the assets over their estimated useful lives as follows:

	<u>% Rate per annum</u>
- Buildings	2.0 - 2.5
- Plant & Machinery	7.5 - 20.0
- Furniture, fittings and equipment	20.0
- Motor vehicles	20.0

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)****2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Property, plant and equipment (cont'd)**

Depreciation is provided for the full year in the year of acquisition of the asset and no depreciation is provided in the year of disposal.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with their carrying amounts and are included in the income statement. On disposal of revalued assets, the amounts included in the revaluation reserve are transferred to revenue reserves.

(c) Intangible assets**(i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(d) Investment in subsidiaries and associates*Separate financial statements of the investor*

Investments in subsidiary and associated companies are carried at cost.

Consolidated financial statements - Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to December 31, each year. Control is achieved, directly or indirectly, where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated income statement from the effective date of their acquisition up to the effective date of their disposal.

The income statements of subsidiaries are translated at average exchange rates for the year and balance sheets at the year end rates. All significant intercompany transactions, balances and unrealised gains on transactions between group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

A list of the Group's subsidiaries is set out in Note 17.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investments in subsidiaries and associates (Cont'd)

Consolidated financial statements-Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(e) Leasehold Land

Under IAS 17 on leases, the cost of acquiring leasehold land are treated as prepaid operating lease rentals and amortised over the lease period.

(f) Leases

(i) Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Accounting for leases-where the Company is the Lessor

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement unless they are attributed to qualifying assets in which case, they are capitalised in accordance with the policy on borrowing costs. (see note 2j)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)****2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iii) Accounting for leases where the Company is the Lessee**

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(iv) Operating Leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognised on a straight line basis over the lease term.

(g) Inventories

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

Basis of cost

The cost of inventories comprises all the costs of purchase, costs of conversion and other costs incurred in bringing the product to its present location and condition. Cost is determined by the weighted average method.

Basis of net realisable value:

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated selling expenses.

Stock provisions

Specific provision for stocks is made when stocks are considered damaged, slow-moving or obsolete.

(h) Trade receivables

Trade receivables are carried at original invoice amounts less provision for doubtful receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the end of the accounting period, when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included under borrowings in current liabilities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)****2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(j) Borrowings**

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after balance sheet date.

(k) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income taxes arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted at the balance sheet date and are expected to apply in the period when the related deferred tax asset is realised or the deferred income tax liability is settled.

The principal provisions are made in respect of depreciation on property, plant and equipment, unrealised exchange gains or losses, and tax losses carried forward.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

(l) Retirement Benefit obligations

The Group contributes to a statutory defined contribution pension scheme, the National Social Security Fund ("NSSF"). The Group's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Kshs. 200 per month per employee.

The Group also operates an optional defined contribution pension scheme for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations 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 and prior periods.

The Group's obligations to the retirement benefit schemes are recognised in the Income Statements as they fall due.

(m) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling value and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Sales are recognised when goods are delivered and title has passed.

Other revenues earned by the Group are recognised on the following bases:

- Interest income is recognised as it accrues, taking into account the effective yield on the asset, unless collectibility is in doubt.
- Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements
- Dividend income is recognised when received.

(q) Comparatives

Where necessary, prior year comparatives have been adjusted to conform with new requirements of the International Financial Reporting Standards, as explained in the next note.

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3 CHANGES IN ACCOUNTING POLICY

(i) Goodwill

International Financial Reporting Standard requires amounts to remain at cost and only be reduced in the event of a permanent impairment in the value of the subsidiary.

Given that all the valuations and information on the past acquisition (of Kalahari Floor Tiles Pty Ltd) is available the transitional provisions of the standard have been applied.

This led to a reversal of Kshs. 7,115,488 (Pula 593,863) in distributable reserves pre 31 December 2004 and Kshs. 3,078,063 (Pula 256,897) that had been expensed in last year's income statement. A total of Kshs. 10,193,551 (Pula 850,760) was therefore written back to the value of goodwill on the balance sheet. The directors are confident that the present value exceeds the cost of the investment, and therefore there is no need to impair the value.

(ii) Deferred tax

An error had been made previously in that future deferred tax was calculated on potential capital gains on the sale of buildings. However in fact a capital tax loss was and remains the actual case. An adjustment of Kshs. 3,764,075 (Pula 314,152) has been made to increase the prior year taxation expense to reflect this change.

A prior year restatement has also been made in the books of Dunlop Industries Ltd, in order to account for the deferred tax effect arising from tax losses carried forward, of Kshs. 677,158.

(iii) Revaluation reserve

When compiling the consolidated accounts it is necessary to reallocate an Investment property to Buildings for the property is used by a group company for manufacture. It is then necessary to readjust for revaluation reserves and compute depreciation that should have been charged. Prior to 2004 this had been computed incorrectly and the revaluation reserve was understated by Kshs. 2,616,204 (Pula 218,350). This has now been adjusted with a corresponding reduction in distributable reserves.

(iv) Translation reserve

An amount of Kshs. 578,488 (Pula 48,281) had been recorded for the past few years as a Translation reserve. This had arisen relating to amounts owed to the previous major shareholder (Rikett Asia). However all balances with this entity have now been settled and this reserve was not applicable. It was therefore reduced to zero with an increase in the opening reserves as at January 1, 2005.

(v) Consolidated error

Prior to 2004 the consolidation of the balance sheet had been incorrectly performed when the addition of the underlying companies was made. Amounts totalling to Kshs. 376,597 (Pula 31,431) had been adjusted to Accounts payable while in fact this amount should have been part of the Distributable reserves. Adjustment to increase the opening reserves has now been made.

In total the Distributable reserves increased by Kshs. 5,454,729 (Pula 455,225) due to the effect of the above changes in accounting policy and errors arising from the Botswana subsidiaries and by Kshs. 677,158 from the Kenyan subsidiary. This is recorded in the Statement of Changes in Equity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)**

4 FINANCIAL RISK MANAGEMENT

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

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Market Risk

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Botswana Pula. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(b) Credit Risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

(c) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, the Group's income/operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

(d) Fair values

The carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables, amounts due to group companies and loans from shareholder approximately their fair values. Financial assets and liabilities which are accounted for a historical cost are carried at values that may differ from their fair values.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Contd.)**

5. FINANCIAL SUPPORT

As at December 31, 2006, the current liabilities of Dunlop Industries Limited, a wholly owned subsidiary of Olympia Capital Holdings Limited, exceeded its current assets by Kshs. 11,403,674/= (2005: Kshs 18,719,030/=) and it had a shareholders' deficit of Kshs. 10,055,675/= (2005: Kshs. 15,799,833/=) due to trading losses incurred in previous years.

Satisfactory liquidity levels are dependent on improved operations and/or injection of additional capital. The holding company has given its commitment to continue supporting the subsidiary to improve its operations and financial position and has undertaken to provide the necessary financial support to enable it to pay its liabilities as they fall due.

In view of the above, the directors consider it appropriate to consolidate the financial statements of Dunlop Industries Limited in the group financial statements on a going concern basis.

Olympia Capital Holdings Limited, the company, has a negative working capital position. However, no qualification has been made to that effect since it is an investment holding company and its largest investment, the Botswana subsidiaries, are showing positive net worth.

6. SEGMENTAL REPORTING

(a) Primary reporting format-business segments.

The directors regard all group activities as relating to the manufacture and sale of floor tiles, adhesives and curtain tracking and related products. Primary segmental reporting is therefore not considered to be of any real value to the financial statement users.

(b) Secondary reporting format-geographical segments.

The Group's revenues are derived from sales in two main geographical markets. Kenya is the home country of the company.

	Sales	
	2006	2005
	<u>Kshs '000</u>	<u>Restated</u> Kshs'000
Kenya	59,755	52,734
Botswana	337,005	<u>238,491</u>
	396,760	<u>291,225</u>

Sales are allocated based on the country in which the sale is made.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2006 (Cont.)**

	<u>2006</u> KShs. '000	<u>2005</u> <u>Restated</u> KShs. '000
7 PROFIT FROM OPERATIONS		
<i>Profit from operations is stated after charging:</i>		
Depreciation on property, plant & equipment	8,076	7,524
Impairment of property, plant & equipment	-	10,458
Lease rentals (property, plant & equipment)	5,599	3,184
Staff Costs (See Note 8)	40,456	33,259
Directors' emoluments	5,153	4,374
Audit fees	490	2,132
Other services from auditors	460	400
Research and development	384	-
	=====	=====
<i>and after crediting:</i>		
Profit on disposal of property, plant & equipment	563	258
	=====	=====
8 STAFF COSTS		
Wages and salaries	36,141	25,845
Social security costs (NSSF)	88	77
Pension and retirement benefits	531	517
Gratuity	2,467	2,105
Leave pay and bonuses	-	2,359
Other staff welfare costs	1,229	2,356
	=====	=====
	40,456	33,259
	=====	=====

9 FINANCE COSTS

	2006 KShs. '000	2005 Restated KShs. '000
Interest payable on:		
Bank loans	1,005	830
Bank overdrafts	1,379	560
Finance leases	1,112	834
Others	209	245
	<u>4,705</u>	<u>2,469</u>
Interest income	(1,205)	(1,093)
Net foreign exchange gain	(97)	(274)
	<u>4,403</u>	<u>1,102</u>
	<u><u>4,403</u></u>	<u><u>1,102</u></u>

10 TAXATION

Corporation tax charge	4,683	4,683
Deferred tax (charge)/credit	1,086	1,086
Prior year adjustment	(1,518)	(1,518)
	<u>4,251</u>	<u>4,251</u>
	<u><u>4,251</u></u>	<u><u>4,251</u></u>

11. MINORITY INTEREST

	2006	2005
	KShs. '000	<u>Restated</u> KShs. '000
At 1 January	57,539	61,342
Prior year restatement for change in accounting policy/correction of fundamental error in 2006	-	4,974
	57,539	66,316
Dividends paid	(2,491)	(2,900)
Share of revaluation amortisation	(89)	(166)
Translation adjustment	(6,179)	(19,135)
Consolidation adjustment	-	(3,966)
Share of share issue and premium	-	6,201
Share of profit for the year	8,203	11,189
Minority Interest in Plush (Pty) Ltd	12,052	-
	69,035	57,539
	=====	=====

12. EARNINGS PER SHARE

The basic earnings per share is calculated by reference to the net profit attributable to shareholders, based on the number of ordinary shares in issue during the year.

Net profit attributable to shareholders	14,800	11,781
	=====	=====
Number of ordinary shares in issue ('000')	10,000	10,000
	=====	=====
Basic earnings per share (Kshs)	1.48	1.18
	=====	=====

The basic and diluted earnings per share are the same as there were no potentially dilutive shares outstanding at December 31, 2006 or December 31, 2005.

13 a PROPERTY, PLANT AND EQUIPMENT - GROUP

	2006 KShs. '000	Plant and Machinery KShs. '000	2005 KShs. '000	Motor Vehicles KShs. '000	TOTAL KShs. '000
COST AND VALUATION					
At 1 January 2006	87,387	100,280	17,941	12,649	218,257
Additions	15,839	74,015	10,213	35,098	135,265
Disposals	-	-	-	-	-
Translation Adjustment	(1,318)	(9,550)	-	(1,769)	(12,627)
At 31 DECEMBER 2006	101,908	164,745	28,154	45,978	340,785
DEPRECIATION					
At 1 January 2006	10,719	89,714	11,446	5,509	117,388
Charge for the period	1,228	44,583	1,892	18,574	66,287
Translation Adjustments	(264)	(8,578)	(1,775)	(1,105)	(11,722)
At 31 DECEMBER 2006	11,683	125,719	11,563	22,978	171,943
NET BOOK VALUE					
At 31 DECEMBER 2006	90,225	39,026	16,591	23,000	168,842
At 31 DECEMBER 2005	10,299	10,566	6,400	7,140	34,405

Notes:

- (i) Included above are assets with an original cost of Shs. 19,977,554/- (2005: Shs. 19,944,554/-), which were fully depreciated. The notional depreciation of the assets would have been Shs. 3,995,571/- (2005: Shs. 3,988,911/).
- (ii) Included in motor vehicle are vehicles with an original cost of Shs. 875,000/- (2005: Shs. 875,000/-) whose registration documents are in the names of related companies.
- (iii) Included above are capitalised finance leases with a net book value of Shs. 3,368,924/- (2005: Shs. 5,087,577/).
- (iv) Buildings consists of land and buildings in Botswana consisting of Industrial Buildings on leasehold land located at Lots 44, 45, 51, 52 and 53 Mogoditshane. These were valued by Roscoe Bonna Valuers, independent property valuers on 10 December 2003 and the cost reflects this valuation plus subsequent improvements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2005 (Cont.)**

13 b PROPERTY, PLANT & EQUIPMENT - GROUP Prior year comparatives

	<u>Buildings</u> KShs. '000	<u>Plant and Machinery</u> KShs. '000	<u>Furniture Fittings and Equipment</u> KShs. '000	<u>Motor Vehicles</u> KShs. '000	<u>TOTAL</u> KShs. '000
COST AND VALUATION					
At 1 January 2005	66,674	127,234	16,726	10,765	221,399
Additions	-	3,026	1,270	4,097	8,393
Disposals	-	-	-	(451)	(451)
Revaluations	-	-	-	-	-
Translation Adjustment	713	(29,980)	(3,535)	(1,762)	(34,564)
At 31 December 2005	67,387	100,280	14,461	12,649	194,777
DEPRECIATION					
At 1 January 2005	6,098	112,990	12,865	4,433	136,386
Charge for the period	1,125	3,212	638	1,991	6,966
Disposals	-	-	-	-	-
Translation Adjustments	(425)	(26,488)	(2,043)	(915)	(29,871)
At 31 December 2005	6,798	89,714	11,460	5,509	113,481
NET BOOK VALUE					
At 31 December 2005	60,589	10,566	3,001	7,140	81,296
At 31 December 2004	60,576	14,244	3,861	6,332	85,013

14 a PROPERTY, PLANT & EQUIPMENT - COMPANY

	<u>Buildings</u> KShs. '000	<u>Office</u> <u>Equipment</u> KShs. '000	<u>TOTAL</u> KShs. '000
COST & VALUATION			
At January 1,2005	31,921	-	31,921
Additions	-	70	70
At December 31, 2005	<u>31,921</u>	<u>70</u>	<u>31,991</u>
DEPRECIATION			
At January 1, 2005	5,140	-	5,140
Charge for the period	652	21	673
At December 31, 2006	<u>5,792</u>	<u>21</u>	<u>5,813</u>
NET BOOK VALUE			
At December 31, 2006	<u>26,129</u>	<u>49</u>	<u>26,178</u>
At December 31, 2005	<u>26,791</u>	<u>-</u>	<u>26,791</u>

14 b PROPERTY, PLANT & EQUIPMENT - COMPANY - Prior year comparatives

	<u>Buildings</u> KShs. '000	<u>Office</u> <u>Equipment</u> KShs. '000	<u>TOTAL</u> KShs. '000
COST & VALUATION			
At January 1,2005 and December 31, 2005	31,921	-	31,921
DEPRECIATION			
At January 1, 2005	5,140	-	5,140
Charge for the year	652	-	652
At December 31, 2005	<u>5,792</u>	<u>-</u>	<u>5,792</u>
NET BOOK VALUE			
At December 31, 2005	<u>26,129</u>	<u>-</u>	<u>26,129</u>
At December 31, 2004	<u>26,791</u>	<u>-</u>	<u>26,791</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)**

15. PREPAID OPERATING LEASE RENTAL

	Group		Company	
	2006	2005	2006	2005
	KShs. '000	Restated KShs. '000	KShs. '000	KShs. '000
Net book value at January 1	-	10,458	-	515
Translation adjustment	-	-	-	-
	-	10,458	-	515
Amortisation for the year	-	-	-	(12)
Asset Impairment	-	(10,458)	-	(503)
Net Book Value at December 31	-	-	-	-

	Patents and Trademarks Plush Proprietary Ltd.		Goodwill Kalahari Floor Tiles (Proprietary) Limited		Total	
	2006	2005	2006	2005	2006	2005
	KShs. '000	Restated KShs. '000	KShs. '000	Restated KShs. '000	KShs. '000	KShs. '000
16. INTANGIBLE ASSETS						
At January 1	-	-	17,094	17,094	17,094	17,094
On acquisition during the year	53,610	-	53,831	-	107,441	-
Translation adjustment	-	-	(1,704)	-	(1,704)	-
At December 31	53,610	-	69,221	17,094	122,831	17,094

17. INVESTMENT IN SUBSIDIARY AND ASSOCIATE COMPANIES

	Company	
	2006	2005
	KShs. '000	KShs.'000
Subsidiary companies - unquoted investments:		
Dunlop Industries Limited (100% Equity Interest) - Shareholding at cost	11,500	11,500
Olympia Capital Corporation (Proprietary) Limited (53% Equity Interest) - Shareholding at cost	10,141	10,141
Avon Rubber Company Ltd (27.5% Equity interest)-Shareholding at cost	62,858	-
	84,499	21,641
	====	====
	Group	
	2006	2005
	KShs. '000	Restated KShs. '000
Share of net assets at year end	31,740	-
Premium on acquisition	31,118	-
	62,858	-
	====	====

17. INVESTMENT IN SUBSIDIARY AND ASSOCIATE COMPANIES (cont'd)

The details of the subsidiary and associate companies are as follows:

<u>Company</u>	<u>Share Capital</u>	<u>Country of Incorporation</u>	<u>Principal Activity</u>
Dunlop Industries Limited (100%)	Kshs. 610,000	Kenya	Manufacture and sale of Vinylex floor tiles and adhesive
Olympia Capital Corporation (Proprietary) Limited	Pula 143,000	Botswana	Investment holding Company
Kalahari Floor Tiles (Proprietary) Limited	Pula 15,336,320	Botswana	Manufacture and sale of Vinylex floor tiles and adhesives
Gaborone Enterprises (Proprietary) Limited	Pula 450,000	Botswana	Investment property
Plush (Proprietary) Limited	ZAR 100	South Africa	Manufacture of curtain Tracking and related Products

(i) Dunlop Industries Limited

Dunlop Industries Limited is a wholly owned subsidiary of Olympia Capital Holdings Limited. In 2005, an amount of Kshs 11 million payable by a subsidiary, Dunlop Industries Limited to the parent company Olympia Capital Holdings Limited was capitalised in the books of Dunlop Industries Limited by means of an issue of 110 shares of face value Kshs 1000 each at a premium of Kshs 99,000 per share.

(ii) Olympia Capital Corporation (Proprietary) Limited

The Company now holds 53% equity interest in Olympia Capital Corporation (Proprietary) Limited. In 2005, the subsidiary offered 734,000 ordinary shares of Pula .01 each by way of an initial public offering ("IPO") on the Botswana Stock Exchange at an issue price of Pula .80 representing 5.4% of the share capital prior to the IPO. The IPO of the shares closed on January 31, 2005, by which date the IPO was oversubscribed by 73.28%

(iii) Kalahari Floor Tiles (Proprietary) Limited

This is a fully owned subsidiary of Olympia Capital Corporation (Proprietary) Limited

(iv) Gaborone Enterprises (Proprietary) Limited

This is a fully owned subsidiary of Kalahari Floor Tiles (Proprietary) Limited.

(v) Plush (Proprietary) Limited

During the year, Olympia Capital Corporation (Proprietary) Ltd acquired a 74% equity stake in this company.

(vi) Avon Rubber Company Ltd.

Olympia Capital Holdings Ltd acquired a 27.5% equity stake in this company on December 31, 2006. Post acquisition profits are immaterial and have therefore not been consolidated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)**

	Group		Company	
	2006	2005	2006	2005
	KShs. '000	Restated KShs. '000	KShs. '000	KShs. '000
18 INVENTORIES				
Raw materials	10,339	9,038	-	-
Finished goods	147,488	14,072	-	-
Consumables	11,924	9,807	-	-
	<u>169,751</u>	<u>32,917</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
19. TRADE AND OTHER RECEIVABLES				
Trade receivables	275,043	58,167	-	-
Other receivables	1,297	1,163	6,978	613
Due from related parties (Note 27)	484	573	-	5,324
	<u>276,824</u>	<u>59,903</u>	<u>6,978</u>	<u>5,937</u>
	=====	=====	=====	=====
20. SHARE CAPITAL				
Authorised				
40,000,000 Ordinary shares of Kshs. 5/= each	200,000	200,000	200,000	200,000
	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
	=====	=====	=====	=====
Issued and fully paid				
10,000,000 Ordinary shares of Kshs. 5/= each	50,000	50,000	50,000	50,000
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
	=====	=====	=====	=====



	Group		Company	
	2006 KShs. '000	2005 Restated KShs. '000	2006 KShs. '000	2005 KShs. '000
20. BORROWINGS				
Loans:				
Standard Chartered Bank Botswana Ltd	1,244	1,960	-	-
Standard Chartered Bank Kenya Ltd	839	968	-	-
Rikett Asia Limited	-	-	-	-
Nedbank Limited	74,268	-	-	-
First National Bank Botswana Ltd.	4,755	-	-	-
	<u>81,106</u>	<u>2,928</u>	<u>-</u>	<u>-</u>
Bank overdrafts	129,538	4,392	-	-
Finance Leases	10,703	4,507	-	-
Liabilities under instalment sales Agreement	32,962	-	-	-
	<u>254,309</u>	<u>11,827</u>	<u>-</u>	<u>-</u>
Current	<u>155,426</u>	<u>7,025</u>	<u>-</u>	<u>-</u>
Non current	<u>98,883</u>	<u>4,802</u>	<u>-</u>	<u>-</u>

(a) Details of securities on loans and overdrafts

- (i) The loan from Standard Chartered Bank Botswana Limited carries an interest rate of Prime plus 3% and is repayable in equal monthly instalments of Kshs. 55,919 (Pula 4,667) over a period of 60 months commencing January 2004. It secured by:
 - a first surety bond for Kshs. 8,986,275 (Pula 750,000) over lots 51, 52 and 53 Mogoditshane owned by Gaborone Enterprises (pty) Ltd for Kshs. 1,347,941 (Pula 112,500)
 - Guarantee by Olympia Capital Corporation Limited, the holding company for Kshs. 8,986,275 (Pula 750,000)
- (ii) The loan from Rikett Asia Limited was fully repaid during 2005.
- (iii) The loan from Nedbank is rand denominated and bears interest at 12% p.a. and is repayable over a period of 60 months commencing December 2006. The loan is secured by a special notairla bond over specified assets of Plush, including a general clause covering all movables for Kshs. 39,805,200 (R 4 million). The loan is further secured by a pledge and cession by Olympia Capital Corporation Ltd of its 74% shares and claims against Plush together with a pledge and cession by Mr. MAC Gillen of his 26% shares and claims against Plush.
- (iv) The loan from First National Bank Botswana Limited carries an interest rate of Prime p.a. repayable in monthly instalments of Kshs. 149,771 (Pula 12,500) over a period of 5 years commencing June 2006 and is secured by a first mortgage bond for Kshs. 5,271,948 (Pula 440,000) over lot 61818, Gaborone, and a letter of suretyship for Kshs. 5,271,948 (Pula 440,000) by Olympia Capital Corporation Ltd.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)**

21. BOROWINGS (cont'd)

- (v) The overdraft facilities from Standard Chartered Bank Kenya Limited are secured by a debenture of Kshs. 15,700,000 over the assets of Dunlop Industries Limited and is supported by a legal charge of the same amount over I.R. No. 209/5532, Industrial Area, Nairobi, in the name of Olympia Capital holdings Limited and a guarantee by the latter of Kshs. 15,700,000.
- (vi) Finance leases in Botswana are secured on the assets leased and are repayable in annual instalments of Kshs. 182,264 (Pula 13,696) and carries an interest rate varying between prime rate plus 1% to 3% per annum.
- (vii) Finance lease in Kenya is by means of a hire purchase agreement for motor vehicle. The agreement is subject to an effective interest rate of 12.90%, which is reset by the lessor as market rates change.

	Group		Company	
	2006	2005	2006	2005
	<u>KShs. '000</u>	<u>Restated</u> KShs. '000	<u>KShs. '000</u>	<u>KShs. '000</u>
(b) Maturity of Non-current borrowings				
The maturity of non-current borrowings is as follows:				
After one year and within five years	98,883	4,802	-	-
After five years	-	-	-	-
	<u>98,883</u>	<u>4,802</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

(c) Analysis of borrowings by currency.

The carrying amounts of the Group's borrowings are denominated in the following currencies.

	<u>Kenya Shillings</u>		<u>Botswana Pula</u>		<u>South African Rand</u>	
	2006	2005	2006	2005	2006	2005
	<u>KShs. '000</u>	<u>Restated</u> KShs. '000	<u>KShs. '000</u>	<u>Restated</u> KShs. '000	<u>KShs. '000</u>	<u>Restated</u> KShs. '000
Bank loans	-	-	5,999	1,960	74,268	-
Bank overdrafts	3,162	1,592	126,376	2,800	-	-
Finance leases	241	518	10,462	3,990	-	-
Liabilities under Instalment sale	-	-	32,962	-	-	-
Other	839	967	-	-	-	-
	<u>4,242</u>	<u>3,077</u>	<u>175,799</u>	<u>8,750</u>	<u>74,268</u>	<u>-</u>
	=====	=====	=====	=====	=====	=====

- (d)** The carrying amounts of non-current borrowings are not materially different from the fair value

The carrying amounts of short term borrowings approximate their fair value

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

22 DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2005: 30%). The movement in the deferred tax account is as follows:

	Group		Company	
	2006	2005	2006	2005
	KShs. '000	Restated KShs. '000	KShs. '000	KShs. '000
At January 1	7,992	7,839	7,635	7,833
Underprovision of deferred tax	-	(677)	-	-
As restated	7,992	7,162	7,635	7,833
Income statement charge/(credit) (Note 10)	(2,801)	830	170	(198)
Reversal of deferred capital gains tax	-	-	-	-
Translation adjustment	(271)	-	-	-
At December 31	4,920	7,992	7,805	7,635
Tax losses not recognised	1,152	489	1,152	489

Deferred tax assets liabilities, deferred tax charge/(credit) in the income statement and deferred tax charge/(credit) in equity are attributable to the following items:

Losses	(1,152)	(1,798)	(1,152)	(489)
Accelerated tax depreciation	6,922	6,704	7,805	7,635
Timing differences	(1,731)	2,805	-	-
Unrealised exchange gains	-	10	-	-
Translation adjustment	(271)	(218)	-	-
Tax losses not recognised	3,768	7,503	6,653	8,124
	1,152	489	1,152	489
Deferred tax liability	4,920	7,992	7,805	7,635

A portion of the deferred tax asset attributable to tax losses has not been recognised. This is inline with IAS 12 which requires the deferred tax assets relating to the unused tax losses carried forward be recognised only to the extent that it is probable that future taxable profit will be available against which the unutilised tax losses can be used.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)**

	Group		Company	
	2006	2005	2006	2005
	<u>KShs. '000</u>	<u>Restated KShs. '000</u>	<u>KShs. '000</u>	<u>KShs. '000</u>
23. TRADE AND OTHER PAYABLES				
Trade payables	297,544	44,295	-	-
Other payables	16,063	19,902	9,479	10,591
Due to directors	2,803	2,510	2,684	2,242
Due to related parties (Note 26)	(380)	1,053	1,389	1,053
	<u>316,030</u>	<u>67,760</u>	<u>13,552</u>	<u>13,886</u>
	=====	=====	=====	=====

Included in accounts payable is an amount of Kshs. 86,532,352 (Pula 7,222,043) owed by Olympia Capital Corporation Ltd to a group of shareholders and related parties that provided bridging finance for the acquisition of Plush Products (Pty) Ltd in December 2006. This liability is of a short term nature to be repaid after the rights issue in March 2007. The amounts are subject to interest at 16% p.a. They also have an option to underwrite the Rights Issue and charge a 7% underwriting fee.

	Group	
	2006	2005
	<u>KShs. '000</u>	<u>Restated KShs. '000</u>
24. NOTES TO THE CASH FLOW STATEMENT		
(a) Cash generated from operations		
Net profit before tax	26,009	27,055
ADJUSTMENTS FOR:		
Depreciation and amortisation	8,076	8,063
Interest income	-	-
Investment Income	(3,975)	(6,093)
Finance costs	5,849	2,469
Profit on sale of property, plant and equipment	(563)	(258)
Write off of creditor balances	(3,226)	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>32,170</u>	<u>31,236</u>
Movement in other non current assets	62,858	-
Movement in inventories	(154,218)	(3,837)
Movement in debtors	(247,820)	(17,870)
Movement in creditors	280,675	10,684
Cash generated from operations	<u>(26,335)</u>	<u>20,213</u>
	=====	=====

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	<u>KShs. '000</u>	<u>Restated KShs. '000</u>	<u>KShs. '000</u>	<u>KShs. '000</u>
Cash and cash equivalents included in the cash flow statement comprise:				
Cash and bank balances	25,187	26,437	33	684
Bank overdraft	(129,538)	(4,392)	-	-
Cash and bank balances	<u>(104,351)</u>	<u>22,045</u>	<u>33</u>	<u>684</u>
	=====	=====	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (Cont.)**



26 RELATED PARTY TRANSACTIONS

	2006	Group 2005	2006	Company 2005
	<u>KShs. '000</u>	<u>Restated</u> KShs. '000	<u>KShs. '000</u>	<u>KShs. '000</u>
(a) Due to related parties				
Avon Rubber Company Limited	1,483	1,053	(1,389)	1,053
	<u>1,483</u>	<u>1,053</u>	<u>(1,389)</u>	<u>1,053</u>
(b) Due to Directors	<u>2,803</u>	1,973	<u>(2,684)</u>	2,242
(c) Due from Directors	-	322	-	-
(d) Due from Related Parties				
<i>Current:</i>				
Avon Rubber Company Limited	484	524	-	-
Dunvon Tanzania Limited	-	120	-	-
Provision for related party receivables	-	(120)	-	-
Dunlop Industries Limited	-	-	2,876	3,542
Olympia Capital Corporation Ltd	-	-	3,374	1,733
Kalahari Floor Tiles (Proprietary) Ltd	49	49	49	50
	<u>533</u>	<u>573</u>	<u>6,299</u>	<u>5,325</u>
<i>Non-Current:</i>				
Dunlop Properties Limited (formerly Maniple Limited)	161	63,019	161	63,019
Mt Kenya Investment Limited	6,784	6,784	6,784	6,784
	<u>6,945</u>	<u>69,803</u>	<u>6,945</u>	<u>69,803</u>

A related party for the purpose of these financial statements is a company, which directly or indirectly has common ownership with Olympia Capital Holdings Limited. The amounts due from and due to related parties are in respect of transactions arising in the normal course of business.

The above includes current and non-current related-party balances.

10/10/10



PROXY

I/WE _____

OF _____

Being a member of the above Company, hereby appoint:

OF _____

Whom failing _____

OF _____

Of failing him, the Chairman of the Meeting as our/my proxy, to vote for us/me and on our/my behalf at the Annual General Meeting of the Company to be held at noon on 15th June 2007, at the Nairobi Club and at any adjournment thereof.

As witness our/my hand this _____ day of _____ 2006

Signed _____



Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.

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