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**OLYMPIA**  
— Capital —

OLYMPIA CAPITAL HOLDINGS LIMITED  
FINANCIAL STATEMENTS

2007/2008

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# CHAIRMAN'S REPORT

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

The 14-month period ended 29th February 2008 was a very eventful time for the group. Our subsidiary, which is listed on the Botswana Stock Exchange, Olympia Capital Corporation (OCC), migrated to the main board from the venture capital board and had a successful 1:1 rights issue in March 2007. This was to pay off debt used in the acquisition of 74% of Plush products (pty) Limited and resulted in our slipping from a majority position. In August 2007, we purchased shares putting us back in a controlling position in OCC.

We increased our investment in Avon from 27.5% to 47.5%. We are happy with this investment and will use this company as a base to further invest in real estate opportunities. In September 2007, we had an oversubscribed 3:1 rights issue on the Nairobi Stock Exchange (NSE) and raised Ksh 420 million. These funds have enabled us to look for expansion in existing and new areas.

During the same period under review, we made a significant investment in Heri Limited an investment holding company; we expect this investment to enable us to venture into new and interesting areas of investment. We also placed an order for a new plant for our Kenyan manufacturing company, Dunlop Industries Limited.

Following our rights issue in September 2007, we invited Mr. John Simba and Mr. Paul Wanderi Ndungu to our board. Thus increasing the number of directors to seven and we also had an increase of executive directors from one to two, with the appointment of Mwangi Wamae as Chief Operations Officer.

It is difficult to compare the year ended Dec 2006 with the period under review, mainly because of the acquisition of Plush in Dec 2006, which has now been consolidated for the full period and that the cash raised on the NSE, was raised in the later part of the period under review.

As expected, turnover increased significantly from Ksh 397million to Ksh 1.3 Billion. Profit from operations increased from Ksh 30m to Ksh 69m. Unfortunately, due to heavy borrowing, prior to the rights issue, interest costs rose from Ksh 4m to Ksh 36m. Without factoring new acquisitions and due to the rights issue being held at the end tail of the period, we expect this to come down significantly in the next year.

## Operational Review:

### Kenya:

Our PVC tile and Adhesive operations in Kenya, Dunlop Industries Limited, did not contribute to the group bottom line. The unit performed below our expectations and although the new plant will be installed in the 2008/9 financial year, a significant positive contribution will only be expected in 2009/2010 from this unit's manufacturing operations. We feel that a medium to long-term view is needed in regards to this unit. We are however confident that the trading operations will mitigate any poor performance from the manufacturing side of the business until the new plant is on line.

Post balance sheet, we purchased 49% of Mather + Platt Kenya Limited (M+P). M+P is in the business of Fire Systems, Water Services and Mechanical Installations. Due to a more aggressive projection on future performance as compared to past, we expect to make a further investment into M+P for working capital requirements and for the investment to positively contribute to the bottom line in it's first year in our stable. ([www.mplattkenya.com](http://www.mplattkenya.com))

Our investment in Avon increased from 27.5% to 47.5%. Avon is a property company with very low gearing and significant development potential. It did contribute to the bottom line in the year under review and we expect this to increase in the 2008/9 financial year. We have decided to use Avon as our vehicle for investment into real estate opportunities.

We made a significant cash investment into a large investment holding company called Heri Limited. Although we only own just over 12.5% of this business, we are part of the consortium that controls the business. Heri has some excellent property and investment assets and has no gearing. We believe that this investment will make a significant return to us in the short to medium term. Our Chief Executive has joined the board of Heri.

### South Africa:

The period under review is the first full year with Plush Products (pty) Limited as a subsidiary. As expected the company contributed significantly to our top line and allowed us to cross the Ksh 1 Billion in sales mark. However the business did not contribute to the bottom line. During the year under review, we spent a significant amount of money, making changes to the business and business model. We are confident that it will make a strong come back to support the bottom line in 2008/9 financial year.

Post balance sheet, we have purchased majority shareholding in a Cape Town based manufacturing company called Natwood. Natwood has similar client base and distribution networks as Plush does. It is our intention to immediately merge the sales and distribution functions of Natwood and Plush. As with Plush, we expect to spend the first year making all the changes in Natwood and thereafter for it to contribute to the bottom line. Natwood in turn made

# CHAIRMAN'S REPORT (CONT'D)

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

an acquisition of 100% of another Cape Town business called FPI. We expect the combined turnover of Natwood and FPI to be in the range of Ksh 700m in the first year.

## **Botswana:**

Our Botswana manufacturing unit, Kalahari Floor Tiles Limited (KFT) remains the jewel in the group. The business has four divisions: PVC tiles, Aluminum window and door frames, Chemicals and Trading. KFT achieved a significant improvement in top line and doubled its bottom line. The unit has no debt and is cash rich. Due to limited growth prospects in Botswana, we have tasked the management at KFT to look into opportunities in other neighboring countries to Botswana.

## **Dividend:**

In line with our commitment to our shareholders during our rights issue, we intend to pay a dividend of Ksh 0.20 per share on 11th August 2008 to shareholders registered in our books at the close of business on 23rd July 2008. Our books closure dates will be 24th and 25th July.

**Dr. CW Obura**  
**Chairman**

**30th June 2008**

# REPORT OF THE DIRECTORS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

The directors submit herewith their report to the members together with the financial statements for the 14-month period ended February 29, 2008

1. **Principal activities**

Investment Holding company

2. **Change of financial year-end**

The directors changed the financial reporting year-end of the company to February 28/29 of each year from December 31 of each year to conform with the Group financial reporting year end. As a result, the financial statements presented herewith are for the 14-month period ended February 29, 2008. The prior year financial statements are for the 12-month year ended December 31, 2006.

3. **Results for the period**

The results for the period ended February 29, 2008 are shown on page 14 .

4. **Ordinary Share Dividend**

Proposed dividend of 20 cents per share.

5. **Directors**

The directors who held office during the year and upto the date of this report are set out on Page 3.

6. **Auditors**

The auditors, DCDM Associates, have expressed their willingness to continue in office in accordance with Section 159 (2) of the Companies Act (Cap 486).

**BY ORDER OF THE BOARD**

**Lina Kantaria**  
**Secretary**  
**Nairobi, 30th June 2008**

# CORPORATE GOVERNANCE STATEMENT

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

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 seven directors. Five are Non Executive Directors, including the Chairman, Dr. C. W. Dbura; two of the seven are Executive directors, namely the Chief Executive Officer, Michael Matu and the Chief Operations Officer Mwangi Wamae.

## **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 have been considered by the main board. However an Audit and Nominations Committee was formed which is due to begin operations in the 2008/9 financial year and will handle appointments to the main, subsidiary and associate company boards.

## **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.

## **BOARD COMMITTEES**

Following the increase in the number of directors, following the rights issue. Two board committees were formed and were to start operating after the financial year-end. They are the Audit & Nominations Committee and the Investments Committee.

# CORPORATE GOVERNANCE STATEMENT

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

(CONT'D)

## MAJOR SHAREHOLDERS

	%
[REDACTED]	18.51
[REDACTED]	12.25
[REDACTED]	9.83
[REDACTED]	5.89
[REDACTED]	5.17
[REDACTED]	4.83
[REDACTED]	4.71
[REDACTED]	2.42
[REDACTED]	1.64
[REDACTED]	1.58
[REDACTED]	1.57
[REDACTED]	1.55
[REDACTED]	1.41
[REDACTED]	1.37
[REDACTED]	1.00
[REDACTED]	1.00
[REDACTED]	0.88
[REDACTED]	0.69
[REDACTED]	0.54
[REDACTED]	0.52
[REDACTED]	22.62
[REDACTED]	100.00

## DISTRIBUTION OF SHAREHOLDERS

	Shareholders
[REDACTED]	774
[REDACTED]	1,181
[REDACTED]	179
[REDACTED]	180
[REDACTED]	23
[REDACTED]	7
[REDACTED]	2,344

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Company's profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept full responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan 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 the Company's profit or loss in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

**Dr. C.W. Obura**  
Chairman

**Mr. M.W. Matu**  
Director

**Date: 30th June 2008**

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

DCDM Associates



This report is made solely to the members of Olympia Capital Holdings Limited (the "Company"), as a body, in 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 41 which comprise the balance sheet at February 29, 2008, the income statement, statement of changes in equity and cash flow statement for the period 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 Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

(CONT'D)

## 3. Opinion

In our opinion, the financial statements on pages 14 to 43 give a true and fair view of the financial position of the Company at February 29, 2008, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

## 4. Report on Other Legal and Regulatory Requirements

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

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- iii. the financial statements of the Company are in agreement with the books of account.

**Certified Public Accountants  
Nairobi, Kenya**

**June 30, 2008**



# CONSOLIDATED INCOME STATEMENT

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

	<u>Notes</u>	<u>2007/08</u> <u>Kshs '000</u>	<u>2006</u> <u>Kshs '000</u>
Sales		<b>1,366,927</b>	396,760
Cost of sales		<b>(1,001,273)</b>	(253,832)
<b>Gross profit</b>		<b>365,654</b>	142,928
Other operating income		<b>6,333</b>	9,981
Distribution costs		<b>(3,893)</b>	(2,891)
Administrative expenses		<b>(298,986)</b>	(118,459)
Other operating expenses		<b>(235)</b>	(1,106)
<b>Profit from operations</b>	7	<b>68,873</b>	30,453
Finance costs	9	<b>(36,475)</b>	(4,444)
		<b>32,398</b>	26,009
Share of profit of associate		<b>2,477</b>	-
<b>Profit before tax and minority interest</b>		<b>34,875</b>	26,009
Tax	10	<b>(501)</b>	(3,095)
<b>Net profit before minority interest</b>		<b>34,374</b>	22,914
Minority interest		<b>(13,804)</b>	(8,114)
<b>Net profit attributable to shareholders</b>		<b>20,570</b>	14,800
<b>Earnings per share</b>			
- Basic & Diluted	12	<b>0.51</b>	1.48

# BALANCE SHEET

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

	Notes	Group		Company	
		Feb 2008 Kshs '000	Dec 2006 Kshs '000	Feb 2008 Kshs '000	Dec 2006 Kshs '000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14, 15	117,467	129,613	113	26,178
Intangible assets	16	150,323	119,740	-	-
Investments	17	120,763	62,858	221,712	84,499
Available for sale investments	18	98,962	-	98,962	-
Deferred tax	24	3,120	2,884	38	-
Other non current assets		10,085	6,945	21,003	6,945
		<b>500,720</b>	<b>322,040</b>	<b>341,828</b>	<b>117,622</b>
<b>Current assets</b>					
Inventories	19	160,684	175,634	-	-
Trade and other receivables	20	242,784	276,341	1,199	679
Prepayments	21	12,750	-	-	-
Amounts due from related parties	28	21,354	483	75,001	6,299
Cash and cash equivalents	27	67,569	25,187	20,060	33
Funds held in trust in Botswana	27	83,519	-	83,519	-
		<b>588,660</b>	<b>477,644</b>	<b>179,779</b>	<b>7,011</b>
<b>Total assets</b>		<b>1,089,380</b>	<b>799,684</b>	<b>521,607</b>	<b>124,633</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Issued ordinary share capital	22	200,000	50,000	200,000	50,000
Share premium		255,985	-	255,985	-
Non-distributable reserves		(12,062)	3,008	-	13,310
Revenue reserves		94,738	77,443	39,606	32,509
Proposed dividends		8,000	-	8,000	-
<b>Shareholders' equity</b>		<b>546,661</b>	<b>130,451</b>	<b>503,591</b>	<b>95,819</b>
<b>Minority interest</b>	12	<b>128,421</b>	<b>70,120</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>					
Borrowings	23	76,798	98,883	-	-
Deferred tax	24	-	7,804	-	7,805
		<b>76,798</b>	<b>106,687</b>	<b>-</b>	<b>7,805</b>
<b>Current liabilities</b>					
Trade and other payables	25	198,278	311,744	8,542	9,479
Amounts due to related parties	28	5,958	4,286	5,642	4,073
Borrowings	23	105,446	155,426	-	-
Dividends payable		14,629	10,813	2,220	5,845
Taxation		13,192	10,157	1,612	1,612
		<b>337,503</b>	<b>492,426</b>	<b>18,016</b>	<b>21,009</b>
<b>Total liabilities</b>		<b>414,301</b>	<b>599,113</b>	<b>18,016</b>	<b>28,814</b>
<b>Total equity and liabilities</b>		<b>1,089,380</b>	<b>799,684</b>	<b>521,607</b>	<b>124,633</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

	Ordinary share capital	Share premium	Translation reserve	Property revaluation reserve	Revenue reserve	<b>TOTAL</b>
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	<b>Kshs '000</b>
<b>Year ended December 31, 2006:</b>						
Balance at January 1, 2006	50,000	-	(15,146)	25,664	64,987	<b>125,505</b>
Consolidation adjustment	-	-	-	-	-	-
Translation adjustment	-	-	(13,202)	-	-	<b>(13,202)</b>
Net profit for the year	-	-	-	-	22,914	<b>22,914</b>
Minority share	-	-	6,179	89	(8,113)	<b>(1,845)</b>
Transfer of excess depreciation	-	-	-	(550)	550	-
Deferred tax on transfer	-	-	-	165	(165)	-
Amortisation of revaluation reserve	-	-	-	(191)	102	<b>(89)</b>
Dividends	-	-	-	-	(2,832)	<b>(2,832)</b>
<b>Balance at December 31, 2006</b>	<b>50,000</b>	<b>-</b>	<b>(22,169)</b>	<b>25,177</b>	<b>77,443</b>	<b>130,451</b>
<b>Period ended February 29, 2008</b>						
Balance at January 1, 2007	50,000	-	(22,169)	25,177	77,443	<b>130,451</b>
Share capital issued in the period	150,000	270,000	-	-	-	<b>420,000</b>
Share issue costs	-	(14,015)	-	-	-	<b>(14,015)</b>
Fair value loss on revaluation of available-for-sale investments	-	-	-	-	(4,263)	<b>(4,263)</b>
Translation adjustment	-	-	(2,526)	-	-	<b>(2,526)</b>
Net profit for the year	-	-	-	-	31,897	<b>31,897</b>
Minority share	-	-	1,236	82	(13,804)	<b>(12,486)</b>
Share of profit in Associate company	-	-	-	-	2,477	<b>2,477</b>
Transfer of excess depreciation	-	-	-	-	-	-
Deferred tax on transfer	-	-	-	-	-	-
Amortisation of revaluation reserve	-	-	-	(169)	86	<b>(83)</b>
Transfer of revaluation reserve on disposal of asset	-	-	-	(13,694)	13,694	-
Dividends	-	-	-	-	(4,792)	<b>(4,792)</b>
<b>Balance at February 29, 2008</b>	<b>200,000</b>	<b>255,985</b>	<b>(23,459)</b>	<b>11,396</b>	<b>102,738</b>	<b>546,661</b>

Further explanations on the components of shareholders' equity are in Note 22.

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

	Ordinary share capital Kshs '000	Share premium Kshs '000	Property revaluation reserve Kshs '000	Revenue reserve Kshs '000	TOTAL Kshs '000
<b>Year ended December 31, 2006:</b>					
Balance at January 1, 2006	50,000	-	13,695	32,168	<b>95,863</b>
Transfer of excess depreciation	-	-	(550)	550	-
Deferred tax on transfer	-	-	165	(165)	-
Net profit for the year	-	-	-	(44)	<b>(44)</b>
<b>Balance at December 31, 2006</b>	<b>50,000</b>	<b>-</b>	<b>13,310</b>	<b>32,509</b>	<b>95,819</b>
<b>Period ended February 29, 2008:</b>					
Balance at January 1, 2007	50,000	-	13,310	32,509	<b>95,819</b>
Share capital issued in the period	150,000	270,000	-	-	<b>420,000</b>
Share issue costs	(14,015)	-	-	-	<b>(14,015)</b>
Transfer of revaluation reserve on disposal of asset	-	-	(13,310)	13,310	-
Fair value loss on revaluation of available-for-sale investments	-	-	-	(4,263)	<b>(4,263)</b>
Net profit for the year	-	-	-	6,050	<b>6,050</b>
<b>Balance at February 29, 2008</b>	<b>200,000</b>	<b>255,985</b>	<b>-</b>	<b>47,606</b>	<b>503,591</b>

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

	Notes	Feb 2008 Kshs '000	Dec 2006 Kshs '000
<b>OPERATING ACTIVITIES</b>			
CASH GENERATED FROM OPERATIONS	26	(57,281)	(32,869)
Interest received		6,877	1,263
Finance costs paid		(42,299)	(5,849)
Tax paid		(5,365)	2,221
Dividends received		3,886	2,712
Dividends paid to minority shareholders		(5,509)	(5,329)
<i>Net cash from operating activities</i>		<u>(99,691)</u>	<u>(37,851)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(47,408)	(61,218)
Intangible assets acquired		(9,812)	-
Proceeds from disposal of property, plant & equipment		29,064	526
Investment in associate company		(55,428)	(62,858)
Increase in investment in subsidiary		(81,785)	-
Investment in available-for-sale financial instruments		(103,224)	-
Investment in other non-current assets		(14,059)	-
<i>Net cash used in investing activities</i>		<u>(282,652)</u>	<u>(123,550)</u>
<b>FINANCING ACTIVITIES</b>			
Capital raised		513,565	-
Proceeds from long-term borrowings		60,290	131,479
Net repayment of long term borrowings		(35,368)	(404)
<i>Net cash from financing activities</i>		<u>538,487</u>	<u>131,075</u>
Net increase/(decrease) in cash and cash equivalents		156,144	(30,326)
Cash and cash equivalents at beginning of year		(104,351)	22,045
Effects of exchange rate changes		4,945	(96,070)
Cash and cash equivalents at end of year	27	<u>56,738</u>	<u>(104,351)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 1 GENERAL INFORMATION

Olympia Capital Holdings Limited ("OCHL" or the "Company") is a public limited liability company incorporated in the Republic of Kenya under the Companies Act (Cap 486) and is domiciled in Kenya. The Company has a number of subsidiaries (together, the "Group") which are detailed in Note 16. The address of its registered office is L.R. No. 209/5532, Off Nanyuki Road, Industrial Area, P.O. Box 30102, GPO 00100, Nairobi.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions are significant to the financial statements, are disclosed in Note 5.

#### **Adoption of new and revised standards**

In 2007, the following new and revised standards and interpretations became effective for the first time and have been adopted by the Company where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

~ *IAS 1 Amendment, Capital Disclosures*. The amendment to IAS 1 introduces disclosures about the level of the Company's capital and how it manages capital.

~ *IFRS 7, Financial Instruments: Disclosures*. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification or measurement of the Company's financial instruments.

#### **Standards, interpretations and amendments to published standards that are not yet effective**

The following amendments to an existing standard and new standard and interpretations will be mandatory for the Company's accounting periods beginning on or after 1 January 2008, but which the Company has not early adopted:

~ *IFRIC 11 - Group and Treasury Share Transactions* - from 1 January 2008.

~ *IFRIC 12 - Service Concession Arrangements* - from 1 January 2008.

~ *IFRS 8 - Operating segments* - from 1 January 2009.

~ *IAS 23 - Borrowing costs (revised)* - from 1 January 2009.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Company's operations and concluded that they are not relevant to the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## (b) Consolidation

### (i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of the Group's subsidiaries is set out in Note 16.

### (ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally comprising a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by 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 (see Note 16).

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 associate 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 asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

## (c) Functional currency and translation of foreign currencies

### (i) Functional and presentation currency

Items included in the financial statements are measured in Kenya Shillings (Kshs) which is the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Kenya Shillings which is the Company's functional and presentation currency.

### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities at the balance sheet date which are denominated in foreign currencies, are translated into the functional currency at year-end exchange rates. The resulting differences from conversion and translation are recognised in the income statement in the year in which they arise.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## (iii) Consolidation of Group entities

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## (d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

## (e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts. Revenue is recognised as follows:

- (i) Sales of goods are recognised in the period in which the Company delivers products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.
- (ii) Sales of services are recognised in the period in which the services are rendered.
- (iii) Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.
- (iv) Interest income is recognised as it accrues taking into account the effective yield on the asset, unless collectibility is in doubt.
- (v) Dividend income is recognised as income in the period in which the right to receive payment is established.

## (f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and are subsequently stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the profit and loss account. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation surplus to revenue reserves.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

Depreciation on property, plant and equipment is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives, as follows:

	<u>% Rate per annum</u>
Buildings	2.0 - 2.5
Plant and machinery	7.5 - 20.0
Furniture, fittings and equipment	20
Motor vehicles	20

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

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with their carrying amounts and are included in arriving at operating profit. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

## (g) 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 acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## (h) Accounting for leases

### (i) Leasehold land

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

### (ii) Classification of leases

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.

### (iii) 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 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 2(n)).

### (iv) 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.

### (v) 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.

## (i) Inventories

Inventories are initially recorded at cost and subsequently 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 in bringing the product to its present location and condition. Cost is determined by the weighted average method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 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 variable selling expenses.

## Stock provisions

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

### **(j) Receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

A provision for impairment of receivables is made when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement.

### **(k) Payables**

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

### **(l) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### **(m) Share capital**

Ordinary shares are classified as equity.

### **(n) Borrowings**

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### **(o) Employee Benefits**

#### **(i) Post employment benefit**

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 a defined contribution retirement benefit 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). The Group has 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 Company's contributions to the defined contribution scheme are charged to the income statement in the year to which they relate.

#### **(ii) Other entitlements**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## (p) Income tax

Income tax expense is the aggregate of the charge to the income statement in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Deferred income tax is provided in full using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

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

## (q) Provisions

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 will be required to settle the obligation; and the amount has been reliably estimated. Employee entitlements to annual leave and gratuity where applicable are recognised when they accrue to employees.

## (r) 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 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 they are separately identifiable cash flows (cash-generating units).

## (s) Comparatives

The Group opted for a change in their financial year end from December 31 in each year to February 29. As a result, the current financial year represents the 14-month period ended February 29, 2008, while the prior year comparatives are for the 12-month year ended December 31, 2006. Where necessary, prior year comparatives have been adjusted to conform with changes in presentation in the current year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 3 CHANGES IN ACCOUNTING POLICY

### Stock - Plush Products

The financial statements of Olympia Capital Corporation Ltd were restated as below, in respect of Plush Products (Pty) Ltd, which had previously never included a proportion of labour and overheads relating to manufactured goods. Stock was therefore understated. As at the date of acquisition of the company, stock was understated by Pula 491,006 (Kshs. 5.65 million).

The effect of the restatement had the following effects on prior year balances:

- i) Stock increased by Pula 491,006 (Kshs. 5.65 million).
- ii) Tax payable in the balance sheet increased by Pula 142,392 (Kshs. 1.63 million).
- iii) Goodwill reduced by Pula 257,975 (Kshs. 2.97 million).
- iv) Minority interest in the balance sheet increased by Pula 90,639 (Kshs. 1.04 million).
- v) A reclassification of the income statement led to cost of sales increasing by Pula 491,006, and operating costs reducing by Pula 491,006 (Kshs. 5.65 million).

There was no effect on the level of profit, nor of retained income.

## 4 GOING CONCERN

As at February 29, 2008, Dunlop Industries Limited, a wholly owned subsidiary of Olympia Capital Holdings Limited, had a shareholders' deficit of Kshs. 13,223,797 (2006: Kshs. 10,055,675) due to trading losses incurred in the current and prior financial years. In the previous year ended December 31, 2006, the current liabilities had exceeded its current assets by Kshs. 11,403,674.

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 is an investments holding company and its largest investment, Olympia Capital Corporation Limited, the Botswana subsidiary, is showing a positive net worth.

## 5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

### 5 (a) Market risk

#### (i) Foreign exchange 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.

At February 29, 2008, if the Kenya Shilling strengthened/weakened by 5% against the US Dollar with all other variables held constant, the consolidated post-tax loss for the year would have been Kshs. 5,011,636 million higher/lower, mainly as a result of US dollar denominated assets and liabilities and investments.

At February 29, 2008, if the Kenya Shilling strengthened/weakened by 5% against the Euro with all other variables held constant, the consolidated post-tax loss for the year would have been Kshs. 2,563 higher/lower, mainly as a result of Euro-denominated assets and liabilities and investments.

At February 29, 2008, if the Kenya Shilling strengthened/weakened by 5% against the South African Rand with all other variables held constant, the consolidated post-tax loss for the year would have been Kshs. 1,177 higher/lower, mainly as a result of Rand-denominated assets and liabilities and investments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## (ii) Cash flow and fair value interest rate risk

As the Group has no significant long term interest bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

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

At February 29, 2008, if interest rates on total borrowings had been 1 percentage point higher with all other variables held constant, post-tax profit for the period would have been Kshs. 1.53 million (2006: Kshs. 0.93 million) lower, mainly as a result of higher interest expense on floating rate borrowings.

## (iii) Price risk

The Group is exposed to equity securities price risk because of investments in quoted and unquoted shares classified as available-for-sale. The Group is not exposed to commodity price risk. All quoted shares held by the Group are traded on the Nairobi St

At February 29, 2008, if the NSE Index had increased/decreased by 1% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated equity reserves would have been Shs

## 5(b) Credit risk

The Group's credit risk arises from cash equivalents, deposits with banks, as well as trade and other receivables. Neither the Group nor the Company has any significant concentrations of credit risk.

The amount that best represents the Group's and Company's maximum exposure to credit risk as at February 29, 2008, is made up as follows:

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
Cash equivalents	56,738	(104,351)	103,579	33
Trade receivables	242,784	276,341	1,199	679
Amounts due from related parties	21,354	483	75,001	6,299
Other receivables	12,750	-	-	-
	<b>333,626</b>	<b>172,473</b>	<b>179,779</b>	<b>7,011</b>

None of the above assets are past due or impaired except for a provision for impairment made in respect of trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
Provision for impairment of trade receivables	10,481	10,481	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 5(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

The table below analyses the Group's and Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table below are the expected undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Less than 1 year Kshs '000</u>	<u>More than 1 year Kshs '000</u>
<b>(a) Group:</b>		
<b>At February 29, 2008:</b>		
Trade and other payables	198,275	-
Amounts due to related parties	5,958	-
Borrowings	105,446	76,798
Other payables	27,821	-
	<u>337,500</u>	<u>76,798</u>
<b>At 31 December 2006:</b>		
Trade and other payables	311,745	-
Amounts due to related parties	4,286	-
Borrowings	155,426	98,884
Other payables	20,970	-
	<u>492,427</u>	<u>98,884</u>
<b>(b) Company:</b>		
<b>At February 29, 2008:</b>		
Trade and other payables	8,542	-
Amounts due to related parties	5,642	-
Borrowings	-	-
Other payables	3,832	-
	<u>18,016</u>	<u>-</u>
<b>At 31 December 2006:</b>		
Trade and other payables	9,479	-
Amounts due to related parties	4,073	-
Borrowings	-	-
Other payables	7,457	-
	<u>21,009</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 5(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's gearing ratio is tabulated below. This ratio is calculated as total borrowings divided by total capital. Total borrowings comprise all loans from third parties. Total capital is calculated as Shareholders' equity plus total borrowings.

The gearing ratios at February 29, 2008 and December 31, 2006 are as follows:

	Group		Company	
	Feb 2008 Kshs '000	2006 Kshs '000	2007/08	2006
Total borrowings	182,244	254,310	-	-
Total shareholders' equity	546,661	130,451	503,591	95,819
<b>Total Capital</b>	<b>728,905</b>	<b>384,761</b>	<b>503,591</b>	<b>95,819</b>
Gearing ratio	25%	66%	0%	0%

## 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

### (i) Critical accounting estimates and assumptions

Management has made estimates in determining:

- ~ provision for impaired receivables;
- ~ the fair value of financial liabilities;
- ~ whether assets are impaired.

### Income taxes

Significant judgement is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### (ii) Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management has made judgements in determining:

- ~ the classification of leases;
- ~ the useful lives of, or expected pattern of consumption of the future economic benefits embodied in, depreciable assets;
- ~ the value of deferred tax asset recognised

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 7 SEGMENTAL REPORTING

### (a) Primary reporting format - business segments

The directors regard all group activities as relating to the manufacture and sale of floor tiles and adhesives. 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	
	2007/08	2006
	Kshs '000	Kshs '000
Kenya	74,977	59,755
Botswana	1,291,950	337,005
	<b>1,366,927</b>	<b>396,760</b>

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

## 8 PROFIT FROM OPERATIONS

	2007/08	2006
	Kshs '000	Kshs '000
<i>Profit from operations is stated after charging:</i>		
Depreciation on property, plant & equipment	26,506	8,076
Impairment of property, plant & equipment	-	-
Amortisation on intangible assets	-	-
Lease rentals (property, plant & equipment)	16,649	5,599
Staff Costs (See Note 8)	19,134	40,456
Directors' emoluments	797	5,153
Audit fees	3,228	490
Dther services from auditors	460	460
Research and development	289	384
<i>and after crediting:</i>		
Profit on disposal of property, plant & equipment	1,019	563

## 9 STAFF COSTS

	Feb 2008	Dec 2006
	Kshs '000	Kshs '000
Wages and salaries	210,121	36,141
Social security costs (NSSF)	93	88
Pension and retirement benefits	5,590	531
Gratuity	10,474	2,467
Leave pay and bonuses	431	-
Other staff welfare costs	5,174	1,229
	<b>231,883</b>	<b>40,456</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 10 FINANCE COSTS

	<u>2007/08</u> Kshs '000	<u>2006</u> Kshs '000
<b>Interest payable on:</b>		
Bank loans	8,830	1,085
Bank overdrafts	19,323	3,379
Finance leases	6,162	1,125
Others	<u>7,983</u>	<u>261</u>
	<b>42,298</b>	<b>5,850</b>
Interest income	<u>(2,577)</u>	<u>(1,262)</u>
Net foreign exchange gain	<u>(3,246)</u>	<u>(144)</u>
	<b><u>36,475</u></b>	<b><u>4,444</u></b>

## 11 TAXATION

	<u>2007/08</u> Kshs '000	<u>2006</u> Kshs '000
Corporation tax charge	8,471	5,509
Deferred tax (charge)	(7,970)	(2,241)
Prior year adjustment	-	(173)
	<u>501</u>	<u>3,095</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 12 MINORITY INTEREST

	<u>2007/08</u> Kshs '000	<u>2006</u> Kshs '000
At beginning of period/year	70,120	57,539
Effect of changes in shareholding	(1,470)	-
Dividends paid	(4,591)	(2,491)
Share of revaluation amortisation	(82)	(89)
Translation adjustment	(1,236)	(6,179)
Consolidation adjustment	-	-
Share of share issue and premium	52,323	-
Share of profit for the year	14,656	8,203
Change in minority interest in Plush (Pty) Ltd - (as restated for prior year)	(1,299)	13,137
	<u>128,421</u>	<u>70,120</u>

## 13 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.

	<u>2007/08</u> Kshs '000	<u>2006</u> Kshs '000
Net profit attributable to shareholders	<u>20,570</u>	<u>14,800</u>
Number of ordinary shares in issue ('000)	<u>40,000</u>	<u>10,000</u>
Basic earnings per share (Kshs)	<u>0.51</u>	<u>1.48</u>

The basic and diluted earnings per share are the same as there were no potentially dilutive shares outstanding at February 29, 2008 or December 31, 2006.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 14a) PROPERTY, PLANT & EQUIPMENT - GROUP

	Buildings Kshs '000	Plant & Machinery Kshs '000	Furniture Fittings & Equipment Kshs '000	Motor Vehicles Kshs '000	TOTAL Kshs '000
<b>COST &amp; VALUATION</b>					
At January 1, 2007	69,690	164,745	22,770	45,978	<b>303,183</b>
Additions	370	8,393	5,969	6,548	<b>21,280</b>
Disposals	-	-	(405)	(8,675)	<b>(9,080)</b>
Translation adjustment	(1,469)	(6,167)	(573)	(1,522)	<b>(9,731)</b>
<b>At February 29, 2008</b>	<b><u>68,591</u></b>	<b><u>166,971</u></b>	<b><u>27,761</u></b>	<b><u>42,329</u></b>	<b><u>305,652</u></b>
<b>DEPRECIATION</b>					
At January 1, 2007	7,852	125,719	17,021	22,978	<b>173,570</b>
Charge for the period	1,134	15,364	2,855	8,139	<b>27,492</b>
Disposals	-	-	(384)	(6,798)	<b>(7,182)</b>
Translation adjustment	(80)	(4,319)	(456)	(841)	<b>(5,696.00)</b>
<b>At February 29, 2008</b>	<b><u>8,906</u></b>	<b><u>136,764</u></b>	<b><u>19,036</u></b>	<b><u>23,478</u></b>	<b><u>188,184</u></b>
<b>NET BOOK VALUE</b>					
<b>At February 29, 2008</b>	<b><u>59,685</u></b>	<b><u>30,207</u></b>	<b><u>8,725</u></b>	<b><u>18,851</u></b>	<b><u>117,468</u></b>
At December 31, 2006	<u>61,838</u>	<u>39,026</u>	<u>5,749</u>	<u>23,000</u>	<b><u>129,613</u></b>

### Notes :

- i) Included above are assets with an original cost of Kshs. 19,977,554/- (2006: Kshs. 19,977,554/-), which were fully depreciated. The notional depreciation of the assets would have been Kshs. 3,995,971/- (2006: Kshs. 3,995,971/-).
- ii) Included in motor vehicles are vehicles with an original cost of Kshs. 875,000/- (2005: Kshs. 875,000/-) whose registration documents are in the name of a related company.
- iii) Included above are capitalised finance leases with a net book value of Kshs. 3,368,924 (2006: Kshs. 3,368,924).
- 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.

During the financial year 2007/08, the Group decided to transfer land with a Net Book Value of Kshs. 26,127,890 from the holding company, Olympia Capital Holdings Limited to the subsidiary, Dunlop Industries Limited. This transfer has been effected in the financial statements on the basis of the Board resolution passed, although the title deed had not been transferred into the name of Dunlop Industries Limited as at the date of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 14b PROPERTY, PLANT & EQUIPMENT - GROUP (Prior year comparatives)

<b>COST &amp; VALUATION</b>	<b>Buildings Kshs '000</b>	<b>Plant &amp; Machinery Kshs '000</b>	<b>Furniture Fittings &amp; Equipment Kshs '000</b>	<b>Motor Vehicles Kshs '000</b>	<b>TOTAL Kshs '000</b>
At January 1, 2006					
Additions	67,387	100,280	14,461	12,649	194,777
Disposals	5,837	74,015	9,213	35,098	124,163
Translation adjustment	(3,534)	(9,550)	(904)	(1,769)	(15,757)
<b>At December 31, 2006</b>	<b>69,690</b>	<b>164,745</b>	<b>22,770</b>	<b>45,978</b>	<b>303,183</b>
<b>DEPRECIATION</b>					
At January 1, 2006					
Charge for the period	6,798	89,714	11,460	5,509	113,481
Translation adjustment	1,220	44,583	586	18,574	64,963
	(166)	(8,578)	4,975	(1,105)	(4,874)
<b>At December 31, 2006</b>	<b>7,852</b>	<b>125,719</b>	<b>17,021</b>	<b>22,978</b>	<b>173,570</b>
<b>NET BOOK VALUE</b>					
<b>At December 31, 2006</b>	<b>61,838</b>	<b>39,026</b>	<b>5,749</b>	<b>23,000</b>	<b>129,613</b>
At December 31, 2005	60,589	10,566	3,001	7,140	81,296

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 15a PROPERTY, PLANT & EQUIPMENT - COMPANY

	<b>Buildings</b> Kshs '000	<b>Office Equipment</b> Kshs '000	<b>TOTAL</b> Kshs '000
<b>COST &amp; VALUATION</b>			
<b>At January 1, 2007</b>	31,921	70	31,991
Disposals	(31,921)	135	(31,786)
<b>At February 29, 2008</b>	<u>0</u>	<u>205</u>	<u>205</u>
<b>DEPRECIATION</b>			
<b>At January 1, 2007</b>	5,792	21	5,813
Charge for the period	-	72	72
Disposals	(5,792)	-	(5,792)
<b>At February 29, 2008</b>	<u>0</u>	<u>93</u>	<u>93</u>
<b>NET BOOK VALUE</b>			
<b>At February 29, 2008</b>	<u>0</u>	<u>113</u>	<u>113</u>
At December 31, 2006	<u>26,129</u>	<u>49</u>	<u>26,178</u>

During the financial year 2007/08, the Group decided to transfer land with a Net Book Value of Kshs. 26,127,890 from the holding company, Olympia Capital Holdings Limited to the subsidiary, Dunlop Industries Limited. This transfer has been effected in the financial statements on the basis of the Board resolution passed, although the title deed had not been transferred into the name of Dunlop Industries Limited as at the date of these financial statements.

## 15b PROPERTY, PLANT & EQUIPMENT - COMPANY (Prior year comparatives)

	<b>Buildings</b> Kshs '000	<b>Office Equipment</b> Kshs '000	<b>TOTAL</b> Kshs '000
<b>COST &amp; VALUATION</b>			
<b>At January 1, 2006</b>	31,921	-	31,921
Additions	-	70	70
<b>At December 31, 2006</b>	<u>31,921</u>	<u>70</u>	<u>31,991</u>
<b>DEPRECIATION</b>			
<b>At January 1, 2006</b>	5,140	-	5,140
Charge for the period	652	21	673
<b>At December 31, 2006</b>	<u>5,792</u>	<u>21</u>	<u>5,813</u>
<b>NET BOOK VALUE</b>			
<b>At December 31, 2006</b>	<u>26,129</u>	<u>49</u>	<u>26,178</u>
At December 31, 2005	<u>26,781</u>	<u>-</u>	<u>26,781</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 16 INTANGIBLE ASSETS

### a) Patents and trademarks

	Plush Products Proprietary Ltd		Total	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
At January 1 (As restated)	53,610	-	53,610	-
On acquisition during the year	-	53,610	-	53,610
Translation adjustment	(3,615)	-	(3,615)	-
At end of the period	<u>49,995</u>	<u>53,610</u>	<u>49,995</u>	<u>53,610</u>

### b) Goodwill

Period ended February 29, 2008	At January 1, 2007	acquisition during the year	Translation adjustment	Amortisation for the year	At February 29, 2008
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Kalahari Floor Tiles (Proprietary) Limited	66,131	-	(2,572)	-	63,559
Olympia Capital Corporation Ltd	-	26,957	-	-	26,957
Plush Products Proprietary Ltd	-	9,812	-	-	9,812
	<u>66,131</u>	<u>36,769</u>	<u>(2,572)</u>	<u>-</u>	<u>100,328</u>
Period ended December 31, 2006					
Kalahari Floor Tiles (Proprietary) Limited	15,390	50,740	-	-	66,130
	<u>15,390</u>	<u>50,740</u>	<u>-</u>	<u>-</u>	<u>66,130</u>
				<b>Total</b>	
				<b>2007/08</b>	<b>2006</b>
Total patents and trademarks				Kshs '000	Kshs '000
Total goodwill				49,995	53,610
				100,328	66,130
Total intangible assets				<u>150,323</u>	<u>119,740</u>

## 17 INVESTMENT IN SUBSIDIARY AND ASSOCIATE COMPANIES

### Subsidiary companies

**Dunlop Industries Limited - 100% Equity interest**  
Shareholding at cost (Unquoted investment)

**11,500**      11,500

**Olympia Capital Corporation (Proprietary) Limited - 50.5% Equity interest**  
Shareholding at cost (Quoted investment)

**91,926**      10,141

### Associate company

**Avon Rubber Company Ltd - 47.5% equity interest**  
Shareholding at cost (Unquoted investment)

**118,286**      62,858  
**221,712**      84,499

### Associate company - Unquoted investment

Beginning of the year  
Acquisition in the period  
Premium on acquisition  
Share of profit of associate

<b>Group</b>	
<b>2007/08</b>	<b>2006</b>
<b>Kshs '000</b>	<b>Kshs '000</b>
<b>62,858</b>	-
<b>24,952</b>	31,740
<b>30,476</b>	31,118
<b>2,477</b>	-
<b>120,763</b>	<b>62,858</b>

Share of net assets at the year-end  
Premium on acquisition

<b>59,169</b>	31,740
<b>61,594</b>	31,118
<b>120,763</b>	<b>62,858</b>

Olympia Capital Holdings Ltd had a 27.5% equity stake in Avon Rubber Company Limited (Avon) at the start of the financial period. OCHL acquired an additional 20% stake in Avon from Wavon International Ltd (Wavon), a company related to OCHL by virtue of common directorship. The value of Avon's shares was based on directors' valuation.

Public notice for the acquisition of the additional 20% stake in Avon was made after the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 17 INVESTMENT IN SUBSIDIARY AND ASSOCIATE COMPANIES (Cont'd)

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

Company	Share Capital	Country of Principal incorporation	Activity
Dunlop Industries Limited (100%)	Kshs. 610,000	Kenya	Manufacture and sale of Vinylex floor tiles and adhesives
Olympia Capital Corporation (Proprietary) Limited	Pula 429,000	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 Manufacture of curtain tracking and related products
Plush (Proprietary) Limited	ZAR 100	South Africa	

### (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 50.5 % equity interest in Olympia Capital Corporation (Proprietary) Limited. During the year, the company issued a further 14.3 million shares by way of a rights issue.

### (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

Olympia Capital Corporation (Proprietary) Ltd holds 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 for the year ended December 31, 2006 were not consolidated as these were not material. During the period ended February 29, 2008, a further 20% was acquired, bringing the total shareholding to 47.5%.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Company	
	2007/08 Kshs '000	2006 Kshs '000
Quoted securities:		
~ Shares in Kenya Commercial Bank	10,900	-
~ Shares in Pan African Insurance	24,000	-
Unquoted securities:		
~ Shares in Heri Limited	62,637	-
~ Shares in RAMPA LIMITED	1,425	-
	<b>98,962</b>	-

The movement in investment financial assets may be summarised as follows:

Beginning of period	-	-
Exchange differences	-	-
Acquisition of subsidiary	-	-
Additions	103,454	-
Revaluation surplus transfer to equity	(4,492)	-
	<b>98,962</b>	-
End of the period		

There were no disposals or impairment provisions on available-for-sale financial assets for the period.

The unquoted available-for-sale securities are stated at cost and the directors are of the opinion that these investments, if sold, would realize at least the amounts at which they are stated.

None of the available-for-sale financial assets are either past due or impaired.

Available-for-sale financial assets are denominated in Kenya Shillings (Kshs).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
<b>19 INVENTORIES</b>				
Raw materials	5,936	10,339	-	-
Work-in-progress	30	-	-	-
Finished goods	142,263	153,371	-	-
Consumables	12,455	11,924	-	-
	<b>160,684</b>	<b>175,634</b>	<b>-</b>	<b>-</b>

## 20 TRADE AND OTHER RECEIVABLES

Trade receivables	239,867	275,043	-	-
Other receivables	2,916	1,297	1,199	6,978
Due from related parties (Note 25)	242,783	276,340	1,199	6,978
Due from directors	6,837	484	60,484	-
	14,517	-	14,517	-
	<b>264,137</b>	<b>276,824</b>	<b>76,200</b>	<b>6,978</b>

## 21 PREPAYMENT FOR NON - CURRENT ASSETS

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
Prepayment for the new machinery	12,750	-	-	-

The prepayment comprises a preliminary deposit on new machinery that has been ordered for Dunlop Industries Limited.

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
	200,000	200,000	200,000	200,000
	50,000	50,000	50,000	50,000
	150,000	-	150,000	-
	200,000	50,000	200,000	50,000

## 22 SHARE CAPITAL

Authorised  
40,000,000 Ordinary shares of Kshs.  
5/- each.

### Issued and fully paid

At Jan 1, 2007:  
10,000,000 Ordinary shares of Kshs. 5/- each  
Rights issue:  
30,000,000 Ordinary shares of Kshs. 5/- each

### At Feb 29, 2008

40,000,000 Ordinary shares of Kshs. 5/- each

During the financial period ended February 29, 2008, the Company carried out a Rights Issue which entailed the issuance of 30,000,000 ordinary shares at a rate of 3 shares for every 1 share held in the Company at the price of Kshs. 14/- per share.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 23 BORROWINGS

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
<b>Loans:</b>				
Standard Chartered Bank Botswana Ltd	(215)	1,244	-	-
Standard Chartered Bank Kenya Ltd	242	839	-	-
Rickett Asia Limited	-	-	-	-
Nedbank Limited	57,395	74,268	-	-
First National Bank Botswana Ltd	1,561	4,755	-	-
	<b>58,983</b>	<b>81,106</b>	-	-
Bank overdrafts	94,350	129,538	-	-
Finance Leases	2,353	10,703	-	-
Liabilities under instalment sales agreement	26,559	32,962	-	-
	<b>182,245</b>	<b>254,309</b>	-	-
Total borrowings	<b>105,445</b>	<b>155,426</b>	-	-
<b>Current</b>	<b>76,800</b>	<b>98,883</b>	-	-
<b>Non-current</b>				

### (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 is 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 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 Rickett 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 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 23 BORROWINGS (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 L.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.
- (iv) 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.
- (v) 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 14.50%, which is reset by the lessor as market rates change.

### (b) Maturity of non-current borrowings

The maturity of non-current borrowings is as follows:  
 After one year and within five years  
 After five years

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
After one year and within five years	76,800	98,883	-	-
After five years	-	-	-	-
	<b>76,800</b>	<b>98,883</b>	<b>-</b>	<b>-</b>

### (c) Analysis of borrowings by currency

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

	Kenya Shillings		Botswana Pula		South African Rand	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
Bank loans	-	-	1,346	5,999	57,395	74,268
Bank overdrafts	3,146	3,162	91,204	126,376	-	-
Finance leases	242	241	2,353	10,462	-	-
Liabilities under instalment sales agreements	-	-	26,559	32,962	-	-
Other	-	839	-	-	-	-
	<b>3,388</b>	<b>4,242</b>	<b>121,462</b>	<b>175,799</b>	<b>57,395</b>	<b>74,268</b>

d) The carrying amounts of both non-current and current borrowings are not materially different from the fair value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 24 DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2006: 30%). The movement in the deferred tax account is as follows:

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
At January 1	4,920	7,992	7,805	7,635
Underprovision of deferred tax				
As restated	4,920	7,992	7,805	7,635
Income statement charge/(credit)	(8,115)	(2,801)	(7,842)	170
Reversal of deferred capital gains tax				
Translation adjustment	75	(271)		
At December 31	(3,120)	4,920	(37)	7,805
Tax losses not recognised	1,775	1,152	1,775	1,152

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

Losses	(1,775)	(1,152)	(1,152)
Accelerated tax depreciation	(928)	6,922	7,805
Provisions	338		
Timing differences	(2,610)	(1,731)	
Unrealised exchange gains	5		
Translation adjustment	75	(271)	
	(4,895)	3,768	6,653
Tax losses not recognised	1,775	1,152	1,152
<b>Deferred tax liability</b>	<b>(3,120)</b>	<b>4,920</b>	<b>7,805</b>

A portion of the deferred tax asset attributable to tax losses has not been recognised. This is in line with IAS 12 which requires that 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 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 25 TRADE AND OTHER PAYABLES

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
Trade payables	182,414	297,544	-	-
Other payables	15,862	16,063	8,543	9,479
Due to directors	198,276	313,607	8,543	9,479
Due to related parties (Note 25)	3,889	2,803	3,573	2,684
	2,069	(380)	2,069	1,389
	<b>204,234</b>	<b>316,030</b>	<b>14,184</b>	<b>13,552</b>

## 26 NOTES TO THE CASH FLOW STATEMENT

	2007/08 Kshs '000	Group 2006 Kshs '000
(a) Cash generated from operations		
Net profit before tax		
ADJUSTMENTS FOR:	32,398	26,009
Depreciation and amortisation		
Interest income	27,029	8,076
Investment Income		0
Finance costs	(10,763)	(3,975)
Profit on sale of property, plant and equipment	42,299	5,849
Net exchange gain	(1,019)	(563)
	1,566	(3,226)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>91,510</b>	<b>32,170</b>
Movement in Other Non Current Assets		
Movement in inventories	(12,750)	62,858
Movement in debtors	8,613	(160,752)
Movement in related party receivables	30,523	(247,820)
Movement in related party payables	(68,816)	-
Movement in creditors	(492)	-
	(105,866)	280,675
Cash generated from operations	(57,278)	(32,869)

## 27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
Cash and cash equivalents included in the cash flow statement comprise:				
Cash and Bank balances	151,088	25,187	103,579	33
Bank Overdraft	(94,350)	(129,538)	-	-
<b>Cash and bank balances</b>	<b>56,738</b>	<b>(104,351)</b>	<b>103,579</b>	<b>33</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 14-MONTH PERIOD ENDED FEBRUARY 29, 2008

## 28 RELATED PARTY TRANSACTIONS

	Group		Company	
	2007/08 Kshs '000	2006 Kshs '000	2007/08 Kshs '000	2006 Kshs '000
<b>(a) Due to related parties</b>				
Central Kenya Wholesalers Ltd	1,444			
Croxley Properties Ltd	30			
Dunlop Properties Ltd	595			
Avon Rubber Company Limited	-	1,483	-	(1,389)
	<b>2,069</b>	<b>1,483</b>	<b>-</b>	<b>1,053</b>
<b>(b) Due to Directors</b>	<b>3,889</b>	<b>2,803</b>	<b>(3,573)</b>	<b>(2,684)</b>
<b>(c) Due from Directors</b>	<b>14,517</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(d) Due from Related Parties</b>				
<b>Current:</b>				
Tractor Bell	117			
Avon Rubber Company Limited	6,720	484	6,122	-
Dunvon Tanzania Limited	-	-	-	-
Provision for related party receivables	-	-	48,835	2,876
Dunlop Industries Limited	-	-	9,581	3,374
Olympia Capital Corporation Ltd	-	-	10,049	49
Kalahari Floor Tiles (Proprietary) Ltd	-	-	-	-
	<b>6,837</b>	<b>484</b>	<b>74,587</b>	<b>6,299</b>
<b>Non-Current:</b>				
Dunlop Properties Limited (formerly Maniple Limited)	-	161	-	161
Mt Kenya Investment Limited	6,784	6,784	6,784	6,784
	<b>6,784</b>	<b>6,945</b>	<b>6,784</b>	<b>6,945</b>

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

## 29 POST BALANCE SHEET EVENTS

The following investments were made after the balance sheet date:

### Mather & Platt Kenya Ltd

OCHL acquired a 49% shareholding in Mather & Platt Kenya Ltd, effective June 9, 2008, a company that is in the business of providing fire systems, water services and mechanical installations.

# CONTACT DETAILS

## CONTACT DETAILS

Olympia Capital Holdings Limited  
P.O.Box 30102-00100  
Nairobi.

Telephone: 020-271 622 / 0728 608 375

Dunlop Industries Limited  
P.O.Box 30102-00100  
Nairobi

Telephone: 020-651311 / 020-650047

Avon Rubber Company (K) Limited  
Avon centre  
P.O Box 18270,  
Nairobi.

Telephone: 020-651311 / 020-650047

For more information on our Subsidiaries and Associate companies  
and recent acquisitions visit our website on  
[www.olympiacapital.co.ke](http://www.olympiacapital.co.ke).

# Proxy Form

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 3.00 p.m on 29th August 2008, at the Nairobi Club and at any adjournment thereof.

As witness our/my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2008.

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 authorized in writing.
3. Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.