



# ANNUAL REPORT 2010

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## COMPANY INFORMATION

<b>DIRECTORS</b>	Dr. Christopher W. Obura (Chairman)
	Mr. Michael W. Matu (Chief Executive Officer)
	Mr. Mucai Kunyiha (resigned 29 June 2010)
	Mr. Suresh A. Lakhani
	Mr. John N. Simba
	Mr. Paul W. Ndungu
	Mr. Mwangi Wamae (resigned 1 October 2009)
	Mr. Eliud M. Wamae, alternate director to Mr. Mwangi Wamae (resigned 1 October 2009)
<b>REGISTERED OFFICE</b>	LR No: 209/5532
	Off Nanyuki Road
	Industrial Area
	P.O. Box 30102
	GPO 00100
	Nairobi
<b>COMPANY SECRETARY</b>	Commercial Registrars
	Lina Kantaria - CPS No. 051
	Certified Public Secretary
	P. O. Box 49925
	GPO 00100
	Nairobi
<b>TAX ADVISORS</b>	BDO East Africa
	Certified Public Accountants
	P. O. Box 10032
	GPO 00100
	Nairobi
<b>AUDITORS</b>	BDO East Africa
	Certified Public Accountants
	P. O. Box 10032
	GPO 00100
	Nairobi
<b>BANKERS</b>	Standard Chartered Bank Kenya Limited
	Co-operative Bank Ltd
	City Finance Bank Ltd
	FINA Bank (Kenya) Ltd
	Barclays Bank of Kenya Limited
	Southern Credit Banking Corporation Limited
	First National Bank of Botswana Limited
	Standard Chartered Bank of Botswana Limited
	Stanbic Bank Botswana Limited
	First National Bank Limited - South Africa
	Nedbank Ltd - South Africa
	NIC Bank Limited
<b>REGISTRARS</b>	Custody and Registrars Services Limited

# 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.

## BOARD OF DIRECTORS

The Board continues to maintain effective control over strategic, financial, operational and policy issues and meets at least four times in a year. The main Board consists of seven directors. Five are Non Executive Directors, including the Chairman, Dr. C. W. Obura. Mr. Mucai Kunyiha resigned from the board effective 29 June 2010. On 29 June 2010, the board appointed two new directors being Mr. Vincent Opanga as a non executive director while Ms Nancy Mwai, the current Finance Manager was appointed as an executive director. The Board is assisted in the discharge of its responsibilities by the Board Committees below and which meet quarterly or as required.

## AUDIT COMMITTEE

The committee members are Mr. Vincent Opanga (Chairman), Mr. Mucai Kunyiha and Mr. Oupa Mothibatsela. The main responsibilities of this committee are to act as the liaison between the external auditor, the board of directors and management and to strengthen the objectivity and independence of the auditor and act on behalf of the board in carrying its responsibilities to the members and shareholders.

## INVESTMENT COMMITTEE

The committee members are Mr. Suresh Lakhani (Chairman), Vincent Opanga and Mr. Michael Matu. The main responsibilities of this committee are to set limits for management in capital expenditure, review the budgets, review the companies' procurement and disposal policies and to review and make recommendations on all new investments proposals

## STAFF NOMINATIONS AND REMUNERATION COMMITTEE

The committee members are Mr. John Simba (Chairman), Mr. Mucai Kunyiha and Mr. Michael Matu. The main responsibilities of this committee are to recommend to the Board on recruitment, termination, promotion and other significant issues related to executive directors and general managers, review the adequacy of human resources policies and to monitor disputes and appeal procedures in the Company.

## OTHER BOARD INFORMATION

During the year under review, the Board of directors initiated the development of a Board Charter and a Code of Ethics. The Board Charter will be instrumental in guiding the board in dispensing their responsibilities, while the Code of Ethics will serve to ensure that all the directors and senior staff conduct their affairs to the highest ethical and business standards.

Summary of board attendance of the financial year ended February 28, 2010:

	May 25,'09	Jun 25,'09	Jun 30,'09	Jul 20,'09	Oct 1,'09	Nov 12,09	Dec 15,09	Jan 12,'10
<b>Dr. C.W. Obura (Chairman)</b>	a	a	a	r	a	a	a	a
<b>Mr. M. W. Matu (CEO)</b>	a	a	r	a	a	a	a	a
<b>Mr. Mwangi Wamae (COO)</b>	r	a	a	r	r	r	r	r
<b>Mr. M. Kunyiha</b>	a	a	a	r	a	a	a	r
<b>Mr. S.A. Lakhani</b>	a	r	a	a	a	a	a	a
<b>Mr. E.M. Wamae*</b>	a	a	a	r	r	a	a	r
<b>Mr. John P.N. Simba</b>	a	a	a	r	r	a	a	a
<b>Mr. Paul N. Ndungu</b>	r	r	r	r	r	r	r	r
*	- alternate director to Mr. Mwangi Wamae							
<b>a</b>	- Present							
<b>r</b>	- Absent							

# CORPORATE GOVERNANCE STATEMENT

## MAJOR SHAREHOLDERS

Name	Shares	Percentage (%) shareholding
Dunlop Properties Limited	7,363,502	18.4%
Paul Wanderi Ndungu	4,870,000	12.2%
Karen Enterprises Limited	3,932,832	9.8%
I & M Nominees Limited Acc: 028950	2,357,132	5.9%
First Ten Limited	2,222,536	5.6%
Stanbic Nominees (K) Limited Acc: R48703	1,901,700	4.8%
Stanbic Nominees (K) Limited Acc: R48704	1,389,000	3.5%
Michael Matu	1,106,997	2.8%
Joel Kamau Kibe	949,500	2.4%
Scottlink Limited	885,269	2.2%
Eliud Matu Wamae	619,088	1.5%
Stanbic Nominees (K) Limited Acc: R48702	420,000	1.1%
Croxley Properties Ltd A/c 693448	400,000	1.0%
Stanbic Nominees (K) Limited Acc: R48701	400,000	1.0%
James Mwangi Wamae	353,521	0.9%
Baloobhai Chhotabhai Patel	280,000	0.7%
Rakesh Gadani	240,425	0.6%
Stephen Gichohi Mwangi	200,000	0.5%
Corporate Insurance Company Limited	169,600	0.4%
Mt. Kenya Investments Ltd	169,031	0.4%
Mobicom Kenya Limited	152,500	0.4%
Central Kenya Wholesalers Ltd	131,167	0.3%
Others	9,486,200	23.7%
<b>Total</b>	<b>40,000,000</b>	<b>100.0%</b>

## CHAIRMAN'S REPORT

The year ended 28 February 2010 was a very eventful year for your company. It was during this year that our two businesses in South Africa were placed into liquidation. We provided for the bulk of the losses from the liquidations in the accounts to 28 February 2009, except for an amount of Ksh 18 million that was advanced to Natural Wooden Products (Pty) Limited after February 2009. We have provided for this amount in the audited financial statements for the year ended 28 February 2010.

A decision was made to liquidate our holdings on the Nairobi Stock Exchange to help fund the purchase of the South African businesses from the liquidators. This sale resulted in a realised loss of Ksh 16 million due to the depressed prices at the time of the sale.

Apart from the above two amounts, which we do not consider as normal costs in our continuing business, the year was fairly uneventful on other fronts.

We are pleased that our offer to purchase the Yokota brand name used by the now liquidated Plush Products (pty) Limited was accepted and we recommenced business as a 100% direct subsidiary of Olympia Capital Holdings Limited on 1 March 2010. The new business which trades as Yokota SA operates without any debt and on a much smaller scale than the old business.

Our offer to purchase all the assets, plant and equipment of Natural Wooden Products (pty) Limited was also accepted by the liquidator. The new business which trades as Natwood Africa is also a 100% subsidiary of Olympia Capital Holdings Limited effective 1 March 2010.

### Financials:

Mather & Platt Kenya Limited was finally consolidated into our accounts as it is now a subsidiary by virtue of effective board control. This is the cause of the increase in top line from Ksh 501 million to Ksh 618 million.

Our gross profits were the same as the previous year, which is a lower percentage compared to the previous year due to the higher turnover. This is an area we will be concentrating on in the year 2010/2011.

Due to certain subsidiaries paying significantly higher taxes due to profitability, our tax expense increased from Ksh 11 million to Ksh 19 million.

### Future Prospects:

All efforts are being placed on ensuring that the two South African businesses at least break even in their first year of operations. We are also making a marked effort to remove any costs possible from our operations to ensure a higher percentage of sales reaches the bottom line.

We do not anticipate any further acquisitions in the coming year.

### Dividends:

A decision was made to keep the dividend in line with that of the previous year at Ksh 0.10 per share.



**Dr. CW Obura**  
Chairman

29 June 2010

# REPORT OF THE DIRECTORS

The directors submit their annual report to the members together with the audited financial statements for the year ended 28 February 2010.

## Principal activities

Olympia Capital Holdings Ltd is an investment holding company. Its main investments are in companies dealing in the manufacture and sale of products used in the construction industry, such as floor tiles, adhesives, uPVC windows and door frames, cleaning chemicals as well as fire prevention equipment, water pumps and real estate.

## Results for the period

The net loss for the year of KShs. 14.6 million (2009: KShs. 63.8 million) has been added to retained earnings. The results for the year ended 28 February 2010 are shown on page 9.

## Ordinary Share Dividend

An amount of Kshs. 4 million (Kshs. 0.10 per share) is being proposed for the year ended 28 February 2010 (2009: Kshs. 4 million, Kshs. 0.10 per share).

## Directors

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

## Auditors

The Company's auditors, DCDM Associates, express their willingness to continue in office in accordance with Section 159(2) of the Companies Act. Subsequent to the year end, DCDM Associates became a member firm of BDO International, a worldwide network of public accounting firms. Effective January 25, 2010, DCDM Associates therefore changed its business name to BDO East Africa.

## BY ORDER OF THE BOARD

COMMERCIAL REGISTRARS

SECRETARIES

Lina Kantaria  
Secretary  
29 June 2010  
Nairobi

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 Group and Company as at the end of the financial year and of the Group and Company's profit or loss. It also requires the directors to ensure that the Group and Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and Company. They are also responsible for safeguarding the assets of the Group and 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 Group and Company and of the Group and 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 Group and 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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Olympia Capital Holdings Limited set out on pages 9 – 40 which comprise the statement of financial position at February 28, 2010, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and a summary of significant accounting policies.

### 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 in compliance with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintain 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, These 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 auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 or our audit opinion.

### 3) Opinion

In our opinion, the accompanying financial statements on pages 9 – to 40 give a true and fair view of the financial position of the Company and its subsidiaries at February 28, 2010, and of its financial performance and its cash flows for the year 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 is to the best of our knowledge and belief necessary for the purposes of our audit;
- II. In our opinion proper books of account have been kept by the Group and Company, so far as appears from our examination of those books; and
- III. The financial statements of the Group and Company are in agreement with the books of account.

BDO East Africa

Certified Public Accountants  
Nairobi, Kenya

29 June 2010

## CONSOLIDATED INCOME STATEMENT

	Notes	2010	2009
		Kshs'000	Kshs '000
<b>Continuing operations</b>			
Revenue		618,170	501,868
Cost of sales		(411,294)	(304,575)
<b>Gross profit</b>			
Other operating income		(12,884)	5,292
Distribution costs		(2,513)	(3,346)
Administrative expenses		(162,610)	(136,959)
Other operating expenses		(11)	(1,435)
<b>Profit from operations</b>			
	7	28,858	60,845
Finance costs	10	(3,377)	(852)
<b>Operating profit</b>			
		25,481	59,993
Share of profit of associate		-	280
<b>Profit before tax</b>			
		25,481	60,273
Tax expense	11	(19,001)	(10,971)
<b>Profit from continuing operations</b>			
		6,480	49,302
<b>Discontinued operations</b>			
Loss from discontinued operations	7	(18,478)	(200,496)
Loss for the year		(11,998)	(151,194)
Non-controlling interest		(2,581)	87,418
<b>Loss attributable to shareholders</b>			
		(14,579)	(63,776)
<b>Earnings per share for loss attributable to the ordinary equity holders of the parent during the year</b>			
Basic & Diluted (Kshs. per share)	13	(0.36)	(1.59)
<b>Dividends:</b>			
Final dividend proposed	25	4,000	4,000
Dividend paid		(4,000)	(8,000)
Dividend per share		0.10	0.10

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2010	2009
		Kshs '000	Kshs '000
<b>Loss for the year</b>			
		(11,998)	(151,194)
<b>Other comprehensive income</b>			
Fair value gain on property		4,486	24,667
Restatement on fair value gain in the year		-	(21,373)
Fair value gain/(loss) on revaluation of available-for-sale investments		20,743	(17,143)
Exchange gains/(losses) arising on translation of foreign subsidiary		6,465	(22,028)
Restatement of exchange losses arising on translation of foreign subsidiary		-	179
Loss from discontinued operations		-	3,232
<b>Total other comprehensive income for the year</b>			
		31,694	(32,466)
<b>Total comprehensive income for the year</b>			
		19,696	(183,660)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		2010	Restated 2009	2010	Restated 2009
		Kshs '000	Kshs '000	Kshs '000	Kshs '000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14, 15	265,197	232,323	328	553
Prepaid operating lease rentals	16	55,714	56,973	-	-
Intangible assets	17, 18	110,645	103,361	109	194
Investments in subsidiaries	19	-	-	243,366	221,712
Investments in associates		-	21,933	-	21,654
Available for sale financial assets	20	76,121	96,273	75,927	95,121
Deferred tax	27	1,391	85	-	85
Other noncurrent assets	32	19,164	21,840	48,909	51,403
		<b>528,232</b>	<b>532,788</b>	<b>368,639</b>	<b>390,722</b>
<b>Current assets</b>					
Inventories	22	100,693	59,803	-	-
Tax recoverable		1,982	-	-	-
Trade and other receivables	23	132,102	79,960	397	1,004
Amounts due from related parties	32	69,788	26,967	210,195	145,998
Cash and cash equivalents	31	86,412	54,983	48	2,489
Funds held in trust in Botswana	31	311	370	311	370
		<b>391,288</b>	<b>222,083</b>	<b>210,951</b>	<b>149,861</b>
Non-current assets held for sale	21	54,600	53,728	-	-
<b>Total assets</b>		<b>974,120</b>	<b>808,599</b>	<b>579,590</b>	<b>540,583</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves attributable to owners of the Company</b>					
Issued ordinary share capital	24	200,000	200,000	200,000	200,000
Share premium		255,985	255,985	255,985	255,985
Non-distributable reserves		(1,357)	(5,927)	-	-
Revenue reserves		14,419	11,296	60,370	56,024
Proposed dividends		4,000	4,000	4,000	4,000
<b>Shareholders' equity</b>		<b>473,047</b>	<b>465,354</b>	<b>520,355</b>	<b>516,009</b>
<b>Non-controlling interest</b>	12	<b>125,158</b>	<b>97,293</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>					
Borrowings	26	73,010	33,468	-	-
Deferred tax	27	25,240	16,504	1,973	-
Provisions	28	2,248	1,700	-	-
Due to related parties	32	11,650	210	-	-
		<b>112,148</b>	<b>51,882</b>	<b>1,973</b>	<b>-</b>
<b>Current liabilities</b>					
Trade and other payables	29	156,106	110,646	14,279	13,049
Amounts due to related parties	32	19,397	9,901	38,308	7,693
Provisions	28	34,778	32,050	-	-
Borrowings	26	27,194	19,495	-	-
Dividends payable		14,177	11,376	3,620	2,220
Taxation		12,115	10,602	1,055	1,612
		<b>263,767</b>	<b>194,070</b>	<b>57,262</b>	<b>24,574</b>
<b>Total liabilities</b>		<b>375,915</b>	<b>245,952</b>	<b>59,235</b>	<b>24,574</b>
<b>Total equity and liabilities</b>		<b>974,120</b>	<b>808,599</b>	<b>579,590</b>	<b>540,583</b>

The financial statements on pages 9 to 49 were approved by the Board of Directors on 29 June 2010 and signed on its behalf by:



Director \_\_\_\_\_



Director \_\_\_\_\_

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Translation reserve	Property revaluation reserve	Revenue reserve	TOTAL
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
<b>Year ended 28 February 2009 (Restated)</b>						
Balance at 1 March 2008	200,000	255,985	(23,458)	11,396	102,738	546,661
Restatement in prior years	-	-	-	32,176	(1,783)	30,393
Minority share of restatement in prior years	-	-	-	(15,930)	883	(15,047)
<b>As restated</b>	200,000	255,985	(23,458)	27,642	101,838	562,007
Fair value gain on property	-	-	-	24,667	-	24,667
Restatement on fair value gain in the year	-	-	-	(21,373)	-	(21,373)
Fair value loss on revaluation of available-for-sale financial assets	-	-	-	-	(17,143)	(17,143)
Exchange losses arising on translation of foreign subsidiary	-	-	(22,028)	-	-	(22,028)
Restatement of exchange losses arising on translation of foreign subsidiary	-	-	179	-	-	179
Loss for the year	-	-	-	-	(148,005)	(148,005)
Restatement of loss for the year	-	-	-	-	(3,189)	(3,189)
Loss from discontinued operations	-	-	-	-	3,232	3,232
Minority share	-	-	10,818	(901)	85,819	95,736
Amortisation of revaluation reserve	-	-	-	(1,002)	506	(496)
Restatement on amortisation of revaluation reserve	-	-	-	(471)	238	(233)
Dividends	-	-	-	-	(8,000)	(8,000)
Balance at 28 February 2009	200,000	255,985	(34,489)	28,562	15,296	465,354
<b>Year ended 28 February 2010</b>						
Balance at 1 March 2009	200,000	255,985	(34,489)	28,562	15,296	465,354
Fair value gain on property	-	-	-	4,486	-	4,486
Fair value gain on revaluation of available-for-sale financial assets	-	-	-	-	20,743	20,743
Exchange gains arising on translation of foreign subsidiary	-	-	6,465	-	-	6,465
Loss for the year	-	-	-	-	(11,998)	(11,998)
Minority share	-	-	(3,201)	(1,274)	(2,581)	(7,056)
Amortisation of revaluation reserve	-	-	-	(1,906)	959	(947)
Dividends	-	-	-	-	(4,000)	(4,000)
<b>Balance at 28 February 2010</b>	200,000	255,985	(31,225)	29,868	18,419	473,047

Further explanations on the components of shareholders' equity are in Note 24.

# COMPANY STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Revenue reserve	TOTAL
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
<b>Year ended 28 February 2009:</b>				
Balance at 1 March 2008	200,000	255,985	47,606	503,591
Fair value loss on revaluation of available-for-sale financial assets	-	-	(17,144)	(17,144)
Loss for the year	-	-	37,562	37,562
Dividends paid in the year	-	-	(8,000)	(8,000)
Balance at 28 February 2009	200,000	255,985	60,024	516,009
<b>Year ended 28 February 2010:</b>				
Balance at 1 March 2009	200,000	255,985	60,024	516,009
Fair value loss on revaluation of available-for-sale financial assets	-	-	20,750	20,750
Net profit for the year	-	-	(12,404)	(12,404)
Dividends paid in the year	-	-	(4,000)	(4,000)
Balance at 28 February 2010	200,000	255,985	64,370	520,355

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2010	2009
		Kshs '000	Kshs '000
<b>OPERATING ACTIVITIES</b>			
CASH GENERATED FROM/(USED IN) OPERATIONS	30	9,820	(85,133)
Interest received		20,894	23,772
Finance costs paid		(25,215)	(18,229)
Tax paid		(13,513)	(7,476)
Dividends received		56	58,020
Dividends paid to minority shareholders		(2,449)	(18,987)
<b>Net cash used in operating activities</b>		<b>(10,407)</b>	<b>(48,033)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(7,749)	(17,383)
Intangible assets acquired		(3,952)	(1,119)
Proceeds from disposal of property, plant & equipment		711	616
Investment in associate company		-	(21,654)
Investment in available-for-sale financial instruments		(8,199)	(30,482)
Proceeds from disposal of available-for-sale financial instruments		30,912	17,517
Investment in other non-current assets		2,494	(30,399)
Loans to group companies		(18,913)	10,860
Effect of acquisition of controlling interest in Avon Rubber Company Ltd		-	527
Effect of acquisition of controlling interest in Mather & Platt (K) Ltd		(8,105)	-
<b>Net cash used in investing activities</b>		<b>(12,801)</b>	<b>(71,517)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings		51,334	117,930
Loans from shareholders		27,243	-
Net repayment of long term borrowings		(26,199)	(19,002)
<b>Net cash generated from financing activities</b>		<b>52,378</b>	<b>98,928</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>29,170</b>	<b>(20,622)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>38,490</b>	<b>56,738</b>
Effects of exchange rate changes		3,005	2,374
<b>Cash and cash equivalents at end of year</b>	31	<b>70,665</b>	<b>38,490</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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 19. 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 other than for the non-consolidation in the prior year of the South African subsidiary, Plush Products (Pty) Ltd, which had ceased trading after 28 February 2009 (Note 34).

### a) Basis of preparation:

The consolidated 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 consolidated 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 Group and 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.

### New and amended standards adopted by the group

In 2009/10, the following new and amended standards and interpretations became effective for the first time and have been adopted by the Group where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.
- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income.

The following new standards, interpretations and amendments, also effective for the first time from 1 January 2009, have not had a material effect on the financial statements:

- Amendment to IAS 23 Borrowing Costs
- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Improvements to IFRSs (2009)
- IFRIC 15 Agreements for the Construction of Real Estate
- Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

### Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the group, except as specified below:

There are a number of other amendments to an existing standard and new standard and interpretations that will be mandatory for the Company's accounting periods beginning on or after 1 January 2010, but which the Company has not early adopted.

The following are a number of standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not adopted them early, except in respect of IFRS 3, Business Combinations:

- IAS 27: Consolidated and separate financial statements (amendment). Consequential amendments have been made to IAS 27 as a result of the revised IFRS 3 Business Combinations issued. The amendments relate mainly to the accounting for changes in the non-controlling (minority) interest in a subsidiary and the loss of control in a subsidiary. The revision, which becomes mandatory for the group's 2011 financial statements, is not expected to have any impact on the financial statements of the company.

# NOTES TO THE FINANCIAL STATEMENTS

## Basis of Preparation (Continued)

- IFRS 3: Business Combinations: All transaction costs will need to be expensed and contingent purchase consideration will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit and loss. The revision is effective for business combinations in periods beginning on or after 1 July 2009, with earlier application permitted, but not for annual periods beginning before 30 June 2007. The company has opted to adopt this revision early, in respect of the consolidation of Mather & Platt (Kenya) Ltd in the current year, and Avon Rubber Company (Kenya) Ltd in the previous year.

## 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 19](#).

### 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 premium (net of any accumulated impairment loss) identified on acquisition (see [Note 19](#)).

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 consolidated financial statements are presented in Kenya Shillings which is the Company's functional and Group's 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.

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

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.

### 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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 and expenses are translated at the dates of the transactions); and
- 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 the statement of comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement 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

IFRS 8, Operating Segments requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes, which is provided to the board of directors. The Group defines operating segments on the basis of key product lines. Geographical information is also important to management, and has been given below.

## 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 Group or 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 Group or Company delivers products to the customer, the customer has accepted the products and collectability 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 collectability 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

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Land and buildings are subsequently carried at fair value less any subsequent accumulated depreciation, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period (at least every five years). Changes in fair value are recognised in the revaluation reserve

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 income statement. 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

## Property, Plant and equipment (Continued)

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 its 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.
- ii. **Trademarks and patents**  
Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to their residual values as follows:

Brands	Indefinite
--------	------------

### h) Accounting for leases

- i. **Leasehold land**  
Under IAS 17, the costs 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 Lessee**  
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 Lessor**  
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.

# NOTES TO THE FINANCIAL STATEMENTS

## Accounting for leases (continued)

### 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

### 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.

### 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 measured and 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

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

## s) Comparatives

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

## 3. GOING CONCERN

As at 28 February 2010, Dunlop Industries Limited, a wholly owned subsidiary of Olympia Capital Holdings Limited, had a shareholders' deficit of Kshs. 25,523,364 (2009: Kshs. 21,246,294) due to trading losses incurred in the current and prior financial 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. To address the shareholders' deficit, OCHL has made advances amounting to Kshs. 75,707,864 (2009: Kshs. 72,544,770) to Dunlop Industries Ltd, which are subordinated to third party debt.

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 investment holding company and its largest investment, Olympia Capital Corporation Limited, the Botswana subsidiary, has a positive net worth.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity 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) 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 South African Rand and Botswana Pula. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

At 28 February 2010, if the Kenya Shilling weakened by 10% against the following currencies with all other variables held constant, the consolidated post-tax loss for the year would have been higher or lower by the following amounts, mainly as a result of foreign currency denominated monetary assets and liabilities:

US Dollar	- Kshs. 5,482,042 lower	(2009: Kshs. 612,028 higher)
Euro	- Kshs. Nil lower	(2009: Kshs. 4,790 lower)
South African Rand	- Kshs. 210,411 higher	(2009: Kshs. 3,983,364 lower)
Botswana Pula	- Kshs. 9,351,878 higher	(2009: Kshs. 7,052,566 lower)

#### 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 29 February 2010, if interest rates on total borrowings had been 1 percentage point higher with all other variables held constant, post-tax loss for the period would have been Kshs. 0.54 million (2009: Kshs. 0.83 million) higher, 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 Stock Exchange (NSE). The Group is also exposed to price risk on the non-current assets held for sale.

At 28 February 2010, 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 Kshs. 7,830 (2009: Kshs 232,000) higher/lower.

### 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 28 February 2010, is made up as follows:

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Cash equivalents	70,665	38,490	359	2,859
Trade and other receivables	132,102	79,960	397	1,004
Amounts due from related parties	69,788	26,967	210,195	145,998
	<b>272,555</b>	<b>145,417</b>	<b>210,951</b>	<b>149,861</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	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Provision for impairment of trade receivables	(19,225)	(14,479)	-	-



# NOTES TO THE FINANCIAL STATEMENTS

## 5. 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 recognized

## 6. SEGMENTAL REPORTING

IFRS 8, Operating Segments requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the board of directors. The Group defines operating segments on the basis of key product lines. Geographical information is also important to management, and has been given below.

Year ended 28 February 2010	Investment holding		Building & construction materials & fire prevention equipment		Geographical totals		Total
	Kenya Kshs '000	Kenya Kshs '000	Kenya Kshs '000	Botswana Kshs '000	Kenya Kshs '000	Botswana Kshs '000	
Sales/Revenues	4,842	25,896	135,864	451,569	166,602	451,569	618,171
Operating profit/(loss) from operations	(10,497)	8,890	(2,516)	29,604	(4,123)	29,604	25,481
Profit/(loss)	(12,555)	5,191	(2,642)	(1,992)	(10,006)	(1,992)	(11,998)
Total assets	579,590	201,209	204,307	366,195	985,106	366,195	1,351,301
Less: Intercompany consolidation adjustments							(377,181)
Consolidated group assets							974,120
Non-current assets excluding financial assets and deferred tax	292,712	180,431	50,371	131,806	523,514	131,806	655,320
Less: Intercompany consolidation adjustments							(204,600)
Consolidated group non-current assets							450,720
Year ended 28 February 2009 (Restated)							
Sales/Revenues	47,862	20,520	55,398	378,088	123,780	378,088	501,868
Operating profit/(loss) from operations	33,072	664	(7,324)	33,581	26,412	33,581	59,993
Share of profit from associate	-	-	280	-	280	-	280
Profit/(loss)	33,400	57	(8,022)	(176,629)	25,435	(176,629)	(151,194)
Total assets	540,583	189,118	104,013	278,718	833,714	278,718	1,112,432
Less: Intercompany consolidation adjustments							(303,833)
Consolidated group assets							808,599
Non-current assets excluding financial assets and deferred tax	295,516	170,589	26,909	115,786	493,014	115,786	608,800
Less: Intercompany consolidation adjustments							(172,370)
Consolidated group non-current assets							436,430

# NOTES TO THE FINANCIAL STATEMENTS

## SEGMENTAL REPORTING (Continued)

Trading between the reporting segments is limited and the amounts are not material. Sales reported above pertain mainly to external customers. Transactions between operating segments are captured on an arm's length basis.

## 7. PROFIT FROM OPERATIONS

### a) Profit from continuing operations is stated after charging:

Depreciation on property, plant & equipment  
Amortisation of intangible assets  
Lease rentals (property, plant & equipment)  
Staff Costs (See Note 9)  
Directors' emoluments  
Audit fees  
Other services from auditors

### and after crediting:

(Loss)/Profit on sale of available for sale financial assets  
Profit on disposal of property, plant & equipment

### b) Loss from discontinued operations comprise the following:

Investment in subsidiary (Plush products (Pty) Ltd )  
Loans to Plush Products (Pty) Ltd  
Provision for final audit fees relating to Plush Products (Pty) Ltd  
Loans advanced to Natwood  
Contingent liability for guarantees given to Nedbank for Plush Products (Pty) Ltd's Loans ( Estimated at R 3,800,000 by the Nedbank of South Africa based on forced sale asset values)

	2010	2009
	Kshs '000	Kshs '000
	12,320	9,964
	1,748	831
	4,139	3,629
	77,068	60,159
	9,397	4,980
	3,562	6,209
	440	460
	(18,285)	1,224
	219	209
	-	85,983
	-	16,628
	-	3,352
	18,478	62,693
	-	31,840
	18,478	200,496

## 8. PRIOR YEAR ADJUSTMENTS

- a) The group adopted a revaluation policy on its land and buildings in 2003. However no revaluation was carried out of the properties held by Olympia Capital Corporation (Pty) Ltd since then, resulting in the carrying amount of properties being different from their fair values. In order to update the fair values of the properties, revaluations were carried out by an independent valuer as at 28 February 2008, 2009 and 2010. The prior year balances were accordingly adjusted. The impact of the adjustments are as follows:

### Balance sheet

Increase in PPE  
Increase in revaluation reserve  
Increase in deferred tax liability

### Income statement

Depreciation expense

- b) The share of profit of associate (Mather & Platt (K) Ltd) in the prior year was restated, following a restatement of the associate's changes in equity. This reduced the share of changes in shareholders' funds previously consolidated by Kshs. 712,000 from Kshs. 992,000 to Kshs. 280,000.

	2010	2009
	Kshs '000	Kshs '000
	-	23,581
	-	11,438
	-	17,048
	-	1,526

## 9. STAFF COSTS

Wages and salaries  
Social security costs (NSSF)  
Pension and retirement benefits  
Gratuity  
Leave pay and bonuses  
Other staff welfare costs

	2010	2009
	Kshs '000	Kshs '000
	56,974	50,268
	259	99
	1,080	560
	3,029	1,841
	11,321	4,642
	4,405	2,749
	77,068	60,159

# NOTES TO THE FINANCIAL STATEMENTS

## 10. FINANCE COSTS

### Interest payable on:

Long term loans	
Bank overdrafts	
Finance leases	
Others	
Interest income	
Net foreign exchange (gain)/loss	

2010	2009
Kshs '000	Kshs '000
7,926	844
2,461	5,706
3,207	1,561
2,018	382
15,612	8,493
(4,910)	(9,643)
(7,325)	2,002
3,377	852

## 11. TAX EXPENSE

### TAX EXPENSE

Corporation tax charge	
Deferred tax credit/ (charge) (Note 27)	
Prior year adjustment	

2010	2009
Kshs '000	Kshs '000
14,818	8,449
4,183	3,115
-	(593)
19,001	10,971

Reconciliation of tax on accounting profit to tax charge per income statement:

Profit from continuing operations before tax	
Less: Loss from discontinued operations	
Profit after discontinuing operations	
Tax calculated at the applicable tax rate	
Expenses not allowable for tax purposes	
Originating and reversing temporary differences	
Income not subject to tax	
Effect of tax losses	
Tax losses on which no deferred tax has been recognised	
Deferred tax movements	
(Over)/under provision in prior year	
Tax charge	

2010	2009
Kshs '000	Kshs '000
25,480	60,273
(18,478)	(200,496)
7,002	(140,223)
1,588	(32,472)
6,208	772
10,371	51,442
(39)	(15,293)
(1,096)	671
(282)	6,649
2,251	(204)
-	(594)
19,001	10,971

The applicable tax rate for the Kenyan companies was 30% (2009: 30%), while that for the subsidiary in Botswana, Olympia Capital Corporation (Pty) Ltd, was 25% (2009: 25%).

# NOTES TO THE FINANCIAL STATEMENTS

## 12. NON-CONTROLLING INTEREST

	2010	2009
	Kshs '000	Kshs '000
At beginning of the year	97,293	128,418
Restatement in respect of prior years	-	15,047
As restated	97,293	143,465
<b>Changes in respect of existing consolidated entities</b>		
Restatements in respect of prior year movements	-	(12,072)
Dividends paid	-	(4,356)
Share of fair value gain	2,221	12,212
Share of revaluation amortisation	-	-
Translation adjustment	3,201	(10,906)
Share of share issue and premium	-	-
Share of profit/(loss) for the year	1,738	(85,870)
Share of losses from discontinued operations	-	1,600
Change in minority interest in Plush (Pty) Ltd - (as restated for prior year)	-	-
Write-off in respect of Plush (Pty) Ltd	-	(11,945)
<b>Changes in respect of the first time consolidation of the non-controlling interest in Avon Rubber Company Ltd</b>		
Share of capital and reserves brought forward on consolidation	-	65,135
Share of profit for the year	-	30
<b>Changes in respect of the first time consolidation of the non-controlling interest in Mather &amp; Platt (Kenya) Ltd</b>		
Share of capital and reserves brought forward on consolidation	20,030	-
Share of changes in the revenue reserves for the year	835	-
Dividends paid	(160)	-
At end of the year	125,158	97,293

## 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.

	2010	2009
	Kshs '000	Kshs '000
Loss attributable to shareholders	(14,579)	(63,776)
Number of ordinary shares in issue ('000)	40,000	40,000
<b>Basic earnings per share (Kshs)</b>	<b>(0.36)</b>	<b>(1.59)</b>

The basic and diluted earnings per share are the same as there were no potentially dilutive shares outstanding at 28 February, 2010 or 28 February 2009.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. (a) 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 1 March 2009	245,445	90,084	18,046	14,523	368,098
Additions	-	4,037	2,472	1,373	7,882
Additions pertaining to the consolidation of Mather & Platt (Kenya) Ltd	22,002	569	1,880	3,956	28,407
Revaluations	5,887	-	-	-	5,887
Disposals	-	-	(87)	(1,938)	(2,025)
Translation adjustment	7,023	6,347	968	1,008	15,346
At 28 February 2010	280,357	101,037	23,279	18,922	423,595
<b>DEPRECIATION</b>					
At 1 March 2009	38,773	80,445	12,431	4,126	135,775
Charge brought forward pertaining to the consolidation of Mather & Platt (Kenya) Ltd	367	546	1,274	3,132	5,319
Charge for the year	4,974	2,891	1,280	3,053	12,198
Disposals	-	-	(57)	(1,551)	(1,608)
Translation adjustment	352	5,548	564	250	6,714
At 28 February 2010	44,466	89,430	15,492	9,010	158,398
<b>NET BOOK VALUES</b>					
At 28 February 2010	235,891	11,607	7,787	9,912	265,197
At 29 February 2009	206,672	9,639	5,615	10,397	232,323

## PROPERTY, PLANT & EQUIPMENT – GROUP (Continued)

Notes:

- i. Included above are assets with an original cost of Kshs. 20,645,660/- (2008: Kshs. 20,607,670/-), which were fully depreciated.
- ii. Land and buildings include the following:
  - Land and buildings in Botswana consisting of Industrial Buildings on leasehold land located at Lots 44, 45, 51, 52 and 53 Mogoditshane. These properties are stated at their fair value based on a valuation performed by Home Safe Inspection on September 19, 2008. The valuation was based on an open market basis, supported by market evidence in accordance with IAS 40, Investment Property. This valuation was at Pula 4,220,000 (Kshs. 44,489,772) and the Directors do not believe that the value has significantly altered.
  - Residential house on lot 61818, Gaborone, acquired in May 2006, at a total cost of Pula 505,550 (Kshs. 5,329,811).
  - Land in Nairobi, Kenya, L.R No 209/5532/1 occupied by the tile factory in industrial area.
- iii. In the previous 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.
- iv. The disposals in the prior year 2008/9 refer to the discontinued operation of Plush Products (Pty) Ltd. The property, fixtures and fittings of Plush (Pty) Ltd were consolidated in the prior year. In 2008/9 the amounts have been removed from the group's assets as the company has been consolidated on a break up basis.

# NOTES TO THE FINANCIAL STATEMENTS

## (b) PROPERTY, PLANT & EQUIPMENT - GROUP (PRIOR YEAR COMPARATIVES - RESTATED)

	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 1 March 2008	68,591	166,971	27,761	42,329	305,652
Restatement in prior years	24,726	(2,727)	-	-	21,999
As restated	93,317	164,244	27,761	42,329	327,651
Reclassification to prepaid operating lease rentals	(31,921)	-	-	-	(31,921)
Additions	162,947	6,371	3,304	7,229	179,851
Additions pertaining to the consolidation of Avon Rubber Company Ltd	1,623	-	35	-	1,658
Disposals- Non consolidation of Plush Pty	-	(67,963)	(11,186)	(30,047)	(109,196)
Revaluations	24,667	-	-	-	24,667
Disposals	-	-	-	(1,568)	(1,568)
Translation adjustment	(5,188)	(12,568)	(1,868)	(3,420)	(23,044)
At 28 February 2009	245,445	90,084	18,046	14,523	368,098
<b>DEPRECIATION</b>					
At 1 March 2008	8,906	136,764	19,036	23,479	188,185
Restatement in prior years	986	(2,727)	-	-	(1,741)
As restated	9,892	134,037	19,036	23,479	186,444
Reclassification to prepaid operating lease rentals (see Note 15)	(6,315)	-	-	-	(6,315)
Charge brought forward pertaining to the consolidation of Avon Rubber Company Ltd	32,047	-	9	-	32,056
Charge for the year	3,451	2,379	1,071	2,578	9,479
Disposals- Non consolidation of Plush Pty	-	(45,913)	(6,539)	(18,646)	(71,098)
Disposals	-	-	-	(1,436)	(1,436)
Translation adjustment	(302)	(10,058)	(1,146)	(1,849)	(13,355)
At 28 February 2009	38,773	80,445	12,431	4,126	135,775
<b>NET BOOK VALUES</b>					
At 28 February 2009	206,672	9,639	5,615	10,397	232,323
At 29 February 2008	59,685	30,207	8,725	18,850	117,467

# NOTES TO THE FINANCIAL STATEMENTS

## 15. (a) PROPERTY, PLANT & EQUIPMENT – COMPANY

### COST & VALUATION

At 1 March 2009

Additions

Disposals

**At 28 February 2010**

### DEPRECIATION

At 1 March 2009

Charge for the period

Disposals

**At 28 February 2010**

### NET BOOK VALUE

**At 28 February 2010**

At 28 February 2009

Office Equipment Kshs '000	TOTAL Kshs '000
883	883
-	-
(85)	(85)
798	798
330	330
195	195
(55)	(55)
470	470
328	328
553	553

## (b) PROPERTY, PLANT & EQUIPMENT - COMPANY (PRIOR YEAR COMPARATIVES)

### COST & VALUATION

At 1 March 2008

Additions

**At 28 February 2009**

### DEPRECIATION

At 1 March 2008

Charge for the period

**At 28 February 2009**

### NET BOOK VALUE

**At 28 February 2009**

At 29 February 2008

Office Equipment Kshs '000	TOTAL Kshs '000
205	205
678	678
883	883
92	92
238	238
330	330
553	553
113	113

## 16. PREPAID OPERATING LEASE RENTALS

### COST & VALUATION

At 1 March 2009

Additions pertaining to the consolidation of Mather & Platt (Kenya) Ltd

Disposals

**At 28 February 2010**

### AMORTISATION

**At 1 March 2009**

Charge brought forward pertaining to the consolidation of Mather & Platt (Kenya) Ltd

Charge for the year

Disposals

**At 28 February 2010**

### NET BOOK VALUE

**At 28 February 2010**

At 28 February 2009

Group Kshs '000	TOTAL Kshs '000
72,658	72,658
14	14
-	-
72,672	72,672
15,685	15,685
8	8
1,265	1,265
-	-
16,958	16,958
55,714	55,714
56,973	56,973

# NOTES TO THE FINANCIAL STATEMENTS

## 17. INTANGIBLE ASSETS - PATENTS, TRADEMARKS & GOODWILL

### a) Patents and trademarks

	Group		Total	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
At 1 March 2009 (As restated)	836	49,995	836	49,995
On acquisition during the year	3,952	836	3,952	836
Discontinued operation - impairment	-	(45,770)	-	-
Amortisation	(907)	-	(907)	-
Translation adjustment	71	(4,225)	71	(4,225)
At end of the year	3,952	836	3,952	46,606

### b) Goodwill

	At 28 Feb 2009 Kshs '000	Acquired in the year Kshs '000	Discontinued operations impairment Kshs '000	Translation adjustment Kshs '000	At 28 Feb 2010 Kshs '000
<b>Year ended 28 February 2010</b>					
Kalahari Floor Tiles (Pty) Limited	13,542	-	-	1,153	14,695
Olympia Capital Corporation Ltd	26,957	-	-	-	26,957
Avon Rubber Company Ltd	61,832	-	-	-	61,832
Mather & Platt (Kenya) Ltd	-	3,100	-	-	3,100
	102,331	3,100	-	1,153	106,584

	At 29 Feb 2008	Acquired in the year	Discontinued operations impairment	Translation adjustment	At 28 Feb 2009
<b>Year ended 28 February, 2009</b>					
Kalahari Floor Tiles (Pty) Limited	63,559	-	(53,629)	3,612	13,542
Olympia Capital Corporation Ltd	26,957	-	-	-	26,957
Plush Products Proprietary Ltd	9,812	-	(9,812)	-	-
Avon Rubber Company Ltd	-	61,832	-	-	61,832
	100,328	61,832	(63,441)	3,612	102,331

	Group Total		Company Total	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
<b>c) Total intangible assets</b>				
Total patents and trademarks	3,952	836	-	-
Total goodwill	106,584	102,331	-	-
Software (See Note 18)	109	194	109	194
Total intangible assets	110,645	103,361	109	194

The write down in goodwill in the prior year 2008/9 refers to the discontinued operation in Plush Products (Pty) Ltd (see director's report). The goodwill on acquisition has also been fully impaired and written off from the consolidated group balance sheet, since the cash generating unit to which it related has been fully impaired. In the prior year, the brought forward patents and trademarks relate to the trademark 'Yokota' owned by Plush Products (Pty) Ltd, which has since ceased trading. The patents have been impaired to zero in accordance with International Accounting Standards. In the current year, the balance brought forward of Kshs. 835,500 (Pula 79,250) for Patents and trade mark refers to the brand name acquired from Fepchem Industries by the subsidiary Kalahari Floor Tiles. This includes formulations for Wild Rose Foam Bath, Mo-soft Fabric Softener and Flash dish washing liquid. The useful life of the intangible assets is considered indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the company.

The acquisition in the current year of Kshs. 3,951,983 (Pula 345,450) comprises an amount of Kshs. 1,043,337 (Pula 91,200) in respect of the "Yokota" patent repurchased from the liquidated subsidiary, Plush Products (Pty) Ltd, and Kshs. 2,908,646 (Pula 254,250) of patents paid to Fepchem.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. INTANGIBLE ASSETS – SOFTWARE

### COST

At 1 March 2009

Additions

Disposals

**At 28 February 2010**

### AMORTISATION

At 1 March 2009

Charge for the year

Disposals

**At 28 February 2010**

### NET BOOK VALUE

**At 28 February 2010**

At 28 February 2009

Group	Company
Kshs '000	Kshs '000
283	283
-	-
-	-
<b>283</b>	<b>283</b>
89	89
85	85
-	-
<b>174</b>	<b>174</b>
109	109
<b>194</b>	<b>194</b>

## 19. INVESTMENT IN SUBSIDIARY AND ASSOCIATE COMPANIES

### Subsidiary companies

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

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

### Companies consolidated by virtue of board control

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

**Mather and Platt Limited - 48.46% equity interest**  
Shareholding at cost (Unquoted investment)

### Associate company

**Mather and Platt Limited - 48.46% equity interest**  
Shareholding at cost (Unquoted investment)

### Associate company - Unquoted investment

Beginning of the year

Acquisition in the year

Premium on acquisition

Share of profit of associate

Restatement of share of profit of associate

Elimination on consolidation of Mather & Platt (K) Ltd

Share of net assets at the year-end

Premium on acquisition

Company	
2010	2009
Kshs '000	Kshs '000
11,500	11,500
91,926	91,926
118,286	118,286
21,654	-
<b>243,366</b>	<b>221,712</b>
-	21,654
-	21,654
Group	
2010	Restated 2009
Mather & Platt (Kenya) Limited Kshs '000	Mather & Platt (Kenya) Limited Kshs '000
21,933	-
-	18,554
-	3,100
-	992
-	(713)
(21,933)	-
-	21,933
-	18,833
-	3,100
-	21,933

# NOTES TO THE FINANCIAL STATEMENTS

## INVESTMENT IN SUBSIDIARY AND ASSOCIATE COMPANIES (Continued)

Olympia Capital Holdings acquired a 48.46% stake in this company in the previous financial year 2008/9. This entity was accounted for on an equity basis in the consolidated financial statements in the previous year; in the period ended February 28, 2010, OCHL effectively controlled the board of Mather & Platt (Kenya) Ltd due to which the Directors elected to consolidate this entity.

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

Company	Share Capital	Country of incorporation	Principal Activity
<b>Dunlop Industries Limited (100%)</b>	Kshs. 610,000	Kenya	Manufacture and sale of Vinylex floor tiles and adhesives
<b>Olympia Capital Corporation (Proprietary) Limited (50.5%)</b>	Pula 286,000	Botswana	Investment holding company
<b>Kalahari Floor Tiles (Proprietary) Limited</b>	Pula 15,336,320	Botswana	Manufacture and sale of Vinyl floor tiles and adhesives, cleaning chemicals, PVC windows and doors
<b>Gaborone Enterprises (Proprietary) Limited</b>	Pula 450,000	Botswana	Industrial investment property holding
<b>Plush (Proprietary) Limited - in liquidation</b>	ZAR 100	South Africa	Manufacture of curtain tracking and related products
<b>Avon Rubber Company Ltd (47.5%, controlling interest by virtue of board control)</b>	Kshs. 17,660,300	Kenya	Investment property
<b>Mather &amp; Platt (Kenya) Ltd (48.46%, controlling interest by virtue of board control)</b>	Kshs. 14,800,000	Kenya	Manufacture of fire systems, water services and mechanical installations.

### 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. In March 2007, the company issued a further 14.3 million shares by way of a rights issue, which resulted in OCHL's equity interest decreasing from 53.2% at 1 January 2007, to 27%. OCHL subsequently increased its shareholding to 50.5% in August 2007.

### 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 held a 74% equity stake in this company, which ceased trading. The total amount of the investment in Plush (Pty) Ltd and loans advanced to the subsidiary from the group were been fully written off from the parent's balance sheet in the prior year. These write downs were reported in the income statement under discontinued operations.

The total capital write-offs from Plush in the financial statements of Olympia Capital Corporation (Pty) Ltd include:

	2009	
	Pula	Kshs
Investment in Plush	8,209,347	85,983,059
Loans from the group	1,587,576	16,627,954
	<u>9,796,923</u>	<u>102,611,013</u>

# NOTES TO THE FINANCIAL STATEMENTS

## INVESTMENT IN SUBSIDIARY AND ASSOCIATE COMPANIES (Continued)

### vi. Avon Rubber Company Ltd

Olympia Capital Holdings Ltd (OCHL) acquired a 27.5% equity stake in this company on 31 December 2006. Post acquisition profits for the year ended 31 December 2006 were not consolidated as these were not material. During the period ended 29 February 2008, a further 20% was acquired, bringing the total shareholding to 47.5%. In the year ended 28 February 2009, OCHL effectively controlled the board of Avon due to which the Directors elected to consolidate this entity.

### vii. Mather & Platt (Kenya) Limited

Olympia Capital Holdings acquired a 48.46% stake in this company in the previous financial year 2008/9. This entity was accounted for on an equity basis in the consolidated financial statements in the previous year; in the year ended 28 February 2010, OCHL effectively controlled the board of Mather & Platt (Kenya) Ltd due to which the Directors elected to consolidate this entity.

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010	Restated 2009	2010	Restated 2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Quoted securities:				
~ Shares in Kenya Commercial Bank Ltd	104	-	-	-
~ Shares in Pan African Insurance	-	15,509	-	15,509
~ Shares in Safaricom Ltd	-	7,121	-	6,059
~ Shares in Housing Finance Company Ltd	680	528	680	528
~ Shares in Barclays Bank of Kenya Ltd	-	-	-	-
Unquoted securities:				
~ Shares in Heri Limited	73,822	71,600	73,822	71,600
~ Shares in Funguo Investment Limited	1,425	1,425	1,425	1,425
~ Shares in Avon Financial Services Ltd	90	90	-	-
	<u>76,121</u>	<u>96,273</u>	<u>75,927</u>	<u>95,121</u>

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

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Beginning of year	96,273	98,962	95,121	98,962
Additions	8,311	30,749	8,193	29,597
Disposals	(49,199)	(16,294)	(48,137)	(16,294)
Net losses transferred from equity on disposal	20,598	98	20,598	98
Revaluation surplus transfer to equity	138	(17,242)	152	(17,242)
End of the year	<u>76,121</u>	<u>96,273</u>	<u>75,927</u>	<u>95,121</u>

There were no impairment provisions on available-for-sale financial assets for the year.

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

## 21. NON - CURRENT ASSETS HELD FOR SALE

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Tile plant	54,600	53,728	-	-

In the previous period 2007/8, Dunlop Industries Limited acquired a new vinyl tile manufacturing plant. By the current year end, this plant had not been installed. The Directors are currently considering options to either enter into a joint venture with a third party to install and operate this plant, or its outright sale. The plant is stated at cost and the directors are of the opinion that if sold, would realize at least the amount at which it is stated.

## 22. INVENTORIES

INVENTORIES	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Raw materials	6,787	5,798	-	-
Work-in-progress	7,426	-	-	-
Finished goods	72,380	40,377	-	-
Consumables	14,100	13,628	-	-
	100,693	59,803	-	-

## 23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Trade receivables	128,226	83,540	141	-
Less: impairment	(19,225)	(14,479)	-	-
	109,001	69,061	141	-
Other receivables	23,101	10,899	256	1,004
	132,102	79,960	397	1,004
Due from related parties (Note 32)	48,181	8,667	188,688	127,698
Due from directors (Note 32)	21,607	18,300	21,507	18,300
	201,890	106,927	210,592	147,002

## 24. SHARE CAPITAL

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Authorised 40,000,000 Ordinary shares of Kshs. 5/- each.	200,000	200,000	200,000	200,000
Issued and fully paid 40,000,000 Ordinary shares of Kshs. 5/- each	200,000	50,000	200,000	50,000

## 25. DIVIDENDS PER SHARE

A first and final dividend of Kshs. 4 million (10 cents per share) is proposed for the year ended 28 February 2010 (2009: 10 cents per share amounting to a total of Kshs. 4 million). No interim dividend was paid during the year (2009: Nil).

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting.

# NOTES TO THE FINANCIAL STATEMENTS

## 26. BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Loans:				
Co-operative Bank Ltd	6,832	-	-	-
Barclays Bank of Kenya Ltd	30,146	32,232	-	-
City Finance Bank Ltd	11,758	-	-	-
Stanbic Botswana Ltd	34,064	-	-	-
	82,800	32,232	-	-
Bank overdrafts (Note 31)	16,058	16,863	-	-
Finance Leases	1,345	3,868	-	-
Total borrowings	100,203	52,963	-	-
Current	27,194	19,495	-	-
Non-current	73,010	33,468	-	-

### Details of securities on loans and overdrafts:

- i. The loan from Co-operative Bank Ltd of an original amount of Kshs. 8 million was obtained by Mather & Platt (K) Ltd in May 2009, and is repayable in 48 monthly instalments. The loan bears interest at 1.75% above the bank's base rate and is secured by way of a fixed and floating debenture of Kshs. 28 million each over the company's assets, supported by a first legal charge over LR 209/4727.
- ii. The loan from Barclays Bank of Kenya Limited to Avon Rubber Company (K) Ltd is secured by a debenture supported by a first charge over property LR 209/6336 stamped to cover the sum of Kshs. 35 million.
- iii. The loan from City Finance Bank Limited to Avon Rubber Company (K) is secured by marketable securities of Dunlop Properties Ltd.
- iv. The loan from Stanbic Botswana Ltd to Olympia Capital Corporation Ltd is secured by unrestricted pledge and cession of investments held with the Stanbic Money Market Funds for not less than Pula 2 million, unlimited suretyship by Olympia Capital Corporation Ltd as well as unlimited suretyship by Michael Matu. The effective interest rate for the year under review was 13.50%. Monthly instalments of Pula 68,177.08 are payable on the first day of every month. Interest is payable at prime plus 1% per annum. The final instalment is payable on 30 September 2014.
- v. The overdraft facility of Kshs. 4 million with Fina Bank Ltd in respect of Dunlop Industries Ltd is secured by (1) a legal charge for Kshs. 14 million on property LR. No. 209/5532 in the name of Dunlop Industries Ltd, (2) a corporate guarantee by Olympia Capital Holdings Ltd for Kshs. 14 million supported by a board resolution authorising issuance of the guarantee therein, and (3) board resolution authorising the borrowing of up to Kshs. 14 million and issuance of securities therein.
- 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 carry an interest rate varying between prime rate plus 1% to 3% per annum. These were paid off in the current year.
- vii. The finance lease in Kenya, with a balance of Kshs. 1,236,836 at the year end is in respect of Dunlop Industries Ltd and comprises a hire purchase agreement for the purchase of a commercial motor vehicle for business purposes. The agreement is subject to an effective interest rate of 16%, which is reset by the lessor as market rates change. The facility is secured by a fixed debenture and joint registration, together with blank transfer forms signed by the client over the purchased vehicle, as well as joint and several personal guarantees of the company's directors.
- viii. The other finance lease in Kenya of Kshs. 108,062 is in respect of Mather & Platt (K) Ltd and comprises a hire purchase agreement for the purchase of a commercial motor vehicle for business purposes. The agreement is subject to an effective interest rate of 17%, which is reset by the lessor as market rates change. The facility is secured over the purchased vehicle.

# NOTES TO THE FINANCIAL STATEMENTS

## BORROWINGS (Continued)

### b) Maturity of non-current borrowings

Maturity of non-current borrowings	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
The maturity of non-current borrowings is as follows:				
After one year and within five years	73,012	33,468	-	-
After five years	-	-	-	-
	<b>73,012</b>	<b>33,468</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	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Bank loans	<b>48,737</b>	32,232	<b>34,065</b>	-
Bank overdrafts	<b>16,058</b>	16,863	-	-
Finance leases	<b>1,345</b>	1,623	-	2,245
	<b>66,140</b>	<b>50,718</b>	<b>34,065</b>	<b>2,245</b>

**d) The fair values of all financial instruments are substantially identical to the carrying values reflected in the balance sheet. No valuation methods have been used to measure the fair values since the carrying amounts of both non-current and current borrowings approximate the fair value.**

## 27. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2008: 30%). The movement in the deferred tax account is as follows:

	Group		Company	
	2010	Restated 2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At start of the year	<b>16,419</b>	(3,120)	<b>(85)</b>	(38)
Prior year restatement	-	13,753	-	-
Balance b/f pertaining to the consolidation of Mather & Platt (Kenya) Ltd	<b>(377)</b>	-	-	-
Income statement charge/(credit) (Note 11)	<b>6,413</b>	6,734	<b>2,058</b>	(47)
Translation adjustment	<b>1,394</b>	(948)	-	-
Deferred tax liability/(asset) at end of the year	<b>23,849</b>	16,419	<b>1,973</b>	(85)
Tax losses not recognised	<b>(18,140)</b>	(10,134)	<b>(9,474)</b>	(6,217)

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	<b>(18,140)</b>	(10,134)	<b>(6,217)</b>	(6,217)
Accelerated tax depreciation	<b>(696)</b>	(868)	<b>1,973</b>	(85)
Provisions	<b>(809)</b>	(273)	-	-
Timing differences	<b>21,852</b>	17,327	-	-
Unrealised exchange gains	<b>2,108</b>	1,181	-	-
Translation adjustment	<b>1,394</b>	(948)	-	-
	<b>5,709</b>	6,285	<b>(4,244)</b>	(6,302)
Tax losses not recognised	<b>18,140</b>	10,134	<b>9,474</b>	6,217
<b>Deferred tax (asset)/liability</b>	<b>23,849</b>	16,419	<b>5,230</b>	(85)

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

## DEFERRED TAX (Continued)

Deferred tax (assets)/liabilities pertaining to the respective consolidated entities are as follows:

	Group	
	2010	2009
	Kshs '000	Kshs '000
<b>Deferred tax assets:</b>		
Olympia Capital Holdings Ltd	-	(85)
Dunlop Industries Ltd	(972)	-
Mather & Platt (Kenya) Ltd	(419)	-
	<b>(1,391)</b>	<b>(85)</b>
<b>Deferred tax liabilities:</b>		
Olympia Capital Holdings Ltd	1,973	-
Olympia Capital Corporation (Pty) Ltd	23,246	16,380
Dunlop Industries Ltd	-	124
Avon Rubber Company Ltd	21	-
Mather & Platt (Kenya) Ltd	-	-
	<b>25,240</b>	<b>16,504</b>
Net deferred tax liability	<b>23,849</b>	<b>16,419</b>

## 28. PROVISIONS

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
<b>Non Current portion</b>				
Balance brought forward	1,700	-	-	-
Additions	403	1,700	-	-
Translation adjustment (Kshs)	145	-	-	-
Balance carried forward	<b>2,248</b>	<b>1,700</b>	<b>-</b>	<b>-</b>
<b>Current portion</b>				
Balance brought forward	32,050	-	-	-
Additions	18,492	32,050	-	-
Amounts utilised during the year	(18,492)	-	-	-
Translation adjustment (Kshs)	2,728	-	-	-
Balance carried forward	<b>34,778</b>	<b>32,050</b>	<b>-</b>	<b>-</b>

Non-current provisions pertain to amounts in respect of severance pay. The current portion is in respect of the guarantees by Olympia Capital Corporation (Pty) Ltd to Nedbank of South Africa for any shortfall in the amounts of loans recovered from the liquidation of Plush Products (Pty) Ltd. The amount is based on the forced sale values of assets as provided by Ned Bank of South Africa.

## 29. TRADE AND OTHER PAYABLES

Trade payables	<b>84,622</b>	55,186	-	-
Other payables	<b>71,484</b>	55,460	<b>14,279</b>	13,049
	<b>156,106</b>	110,646	<b>14,279</b>	13,049
Due to directors (Note 32)	<b>14,835</b>	5,684	<b>11,793</b>	3,476
Due to related parties (Note 32)	<b>4,562</b>	4,217	<b>26,515</b>	4,217
	<b>175,503</b>	120,547	<b>52,587</b>	20,742

The carrying amounts of trade and other receivables approximate their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. NOTES TO THE CASH FLOW STATEMENT

### (a) Cash generated from operations

	2010 Kshs '000	2009 Kshs '000
Profit before tax	25,481	60,273
<b>ADJUSTMENTS FOR:</b>		
Share of profit of associate		(280)
Impairment of investment in subsidiary	-	86,548
Dividends	-	(4,356)
Depreciation and amortisation	14,591	10,233
Revaluation surplus	-	25,403
Impairment loss	(18,478)	(200,496)
Discontinued operations (intangible assets and property, plant and equipment)	-	(82,224)
Investment Income	(20,950)	(72,994)
Finance costs	25,215	18,229
Loss/(profit) on sale of property, plant and equipment	89	(482)
Loss/(gain) of sale of available for sale assets	18,285	(1,224)
Increase in provisions	409	33,530
Net exchange gain	10,107	-
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	<b>54,749</b>	<b>(127,840)</b>
Movement in other noncurrent assets	(872)	(40,978)
Movement in inventories	(10,676)	88,667
Movement in work in progress	(6,371)	-
Movement in debtors	(7,309)	150,257
Movement in related party receivables	(63,896)	(70,699)
Movement in related party payables	30,417	1,943
Movement in creditors	13,778	(86,483)
Cash generated from/(used in) operations	<b>9,820</b>	<b>(85,133)</b>

## 31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Cash and cash equivalents included in the cash flow statement comprise:				
Cash and Bank balances	86,412	54,983	48	2,489
Funds held in trust in Botswana	311	370	311	370
Bank Overdraft (Note 26)	(16,058)	(16,863)	-	-
Cash and bank balances	<b>70,665</b>	<b>38,490</b>	<b>359</b>	<b>2,859</b>

## 32. RELATED PARTY TRANSACTIONS

	Group		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
<b>Current:</b>				
<b>(a) Due to related parties (Note 29)</b>				
Central Kenya Wholesalers Ltd	1,444	1,444	1,444	1,444
Croxley Properties Ltd	30	30	30	30
Dunlop Properties Ltd	1,143	798	1,143	798
Country side investments Limited	1,945	1,945	1,945	1,945
Avon Rubber Company Ltd	-	-	4,358	-
Kalahari Floor Tiles (Proprietary) Ltd	-	-	17,595	-
	<b>4,562</b>	4,217	<b>26,515</b>	4,217
<b>(b) Due to Directors (Current) (Note 29)</b>	<b>14,835</b>	5,684	<b>11,793</b>	3,476
<b>Total current amounts due to related parties</b>	<b>19,397</b>	9,901	<b>38,308</b>	7,693
<b>Non-Current :</b>				
L.D Lekalake (Director of Olympia Capital Corporation (Pty) Ltd)	11,440	-	-	-
Dunlop Properties Ltd	210	210	-	-
	<b>11,650</b>	210	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## RELATED PARTY TRANSACTIONS (Continued)

	Group		Company	
	2010	2009	2010	2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
<b>Due from Directors (Note 23)</b>	<b>21,607</b>	18,300	<b>21,507</b>	18,300
<b>Due from Related Parties (Note 23)</b>				
<b>Current:</b>				
Avon Rubber Company Limited	-	-	-	3,778
Dunlop Industries Limited	-	-	<b>41,550</b>	38,564
Olympia Capital Corporation Ltd	-	-	<b>111,114</b>	74,924
Kalahari Floor Tiles (Proprietary) Ltd	-	-	<b>49</b>	1,764
Scottlink Limited	<b>3,046</b>	3,046	<b>3,046</b>	3,046
Geoffrey Kimaru	<b>488</b>	488	<b>488</b>	488
Kibuga Kariithi	-	5,133	-	5,134
Taboo (179) Trading SA	<b>6,300</b>	-	<b>501</b>	-
Tiespro (171) Trading Proprietary Limited	<b>38,347</b>	-	<b>31,940</b>	-
	<b>48,181</b>	8,667	<b>188,688</b>	127,698
Total current amounts due from related parties	<b>69,788</b>	26,967	<b>210,195</b>	145,998
<b>Non-Current :</b>				
Avon Financial Services Limited	1,166	1,166	-	-
Arco Industries Limited	1,258	1,258	-	-
Croxley Properties Limited	268	268	-	-
Scottlink Limited	873	873	-	-
Avon Rubber Company Limited	-	-	-	-
Dunlop Industries Limited	-	-	34,158	33,979
Mt Kenya Investment Limited	7,632	7,635	6,784	6,784
Meatons Kenya Limited	7,967	7,800	7,967	7,800
Mather & Platt Kenya Ltd	-	2,840	-	2,840
	<b>19,164</b>	<b>21,840</b>	<b>48,909</b>	<b>51,403</b>

A related party for the purpose of these financial statements is a company, which directly or indirectly has common ownership or directorship 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, including investment activities.

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

Olympia Capital Corporation Ltd had advanced monies to a company in South Africa known as Natwood (Pty) Ltd. In the previous year 2008/9, these amounts have been provided for in full as events after year end indicated that the amounts might not be recoverable. The total amounts of these loans amount to Pula 5,985,665 (Kshs. 63,104,472). The loan owed by Avon Rubber has been transferred to amounts owing to group companies, as this entity has been fully consolidated in the current year group financial statements.

In the current year, Olympia Capital Holdings Ltd made payments to meet the pre-incorporation costs of Taboo (179) Trading SA and Tiespro (171) Trading Proprietary Ltd, being companies in which controlling stakes were acquired after 28 February 2010.

# NOTES TO THE FINANCIAL STATEMENTS

## 33. CONTINGENT LIABILITIES

### ➤ Potential liabilities on winding up (Plush Products (Pty) Ltd)

Plush Products (Pty) Ltd, the South African Subsidiary ceased trading after the 28 February 2009. The liquidation of this entity may result in liabilities in future (see Note 34).

### ➤ Guarantees and collateral

- i. Olympia Capital Corporation Ltd has guaranteed the rental on leased premises occupied by Kalahari Floor Tiles for its chemical division. This is only payable if there is a default in monthly rental payments.
- ii. Olympia Capital Corporation Ltd has guaranteed loans from Standard Chartered Bank and First National Bank. Please refer to Note 26, Borrowings.
- iii. Olympia Capital Corporation Ltd has guaranteed advances to Plush Products (Pty) Ltd from Nedbank in South Africa. As Plush went into liquidation after the year end, a contingent liability of P 3.04 million (R 3.8 million) has been provided in the financial statements.
- iv. Kalahari Floor Tiles Ltd has the following guarantees: a VAT bond of Pula 80,000 and one in respect of Total Botswana (a fuel supplier) of Pula 40,000.
- v. The loan from Stanbic Botswana Ltd to Olympia Capital Corporation Ltd is secured by unrestricted pledge and cession of investments held with the Stanbic Money Market Funds for not less than Pula 2 million, unlimited suretyship by Olympia Capital Corporation Ltd .

## 34. POST BALANCE SHEET EVENTS (PRIOR YEAR)

In the prior year, Plush Products (Pty) Ltd, the South African Subsidiary ceased trading after the reporting date of 28 February 2009. In the 2008/9 consolidated financial statements, the company was accounted for on a break up basis. All known contingent liabilities were provided for in full as a result of the closure of Plush Products (Pty) Ltd. The management is aware that IAS 27 (Consolidated and Separate Financial Statements) requires that a subsidiary should be consolidated until the date that it is actually disposed off. However, the management was of the view that consolidating Plush Products (Pty) Ltd into the group accounts would not have given a fair presentation of the financial position of the group as at 28 February 2009. This is because Plush deteriorated significantly after year end and Nedbank of South Africa moved in to perfect the notarial bond they had over the assets of the business. Plush was therefore consolidated on a break up basis. The full investment made by the parent company plus all loans from the group were fully impaired. In addition, there is an extra provision of Kshs. 32.68m (P 3.1 m) to cover for the guarantees that Olympia Capital Corporation had given Nedbank for the loans advances to Plush.

This provision was based on the balance remaining after forced sale values of the assets as provided by the bank and full provision for any probable loss was effected in the 2008/9 financial statements. In addition the company had advanced loans to Natwood (Pty) Ltd in South Africa in which there was a conditional offer to purchase. As at 28 February 2009 the sale purchase agreement had not been finalised and it had come to the attention of the directors that the amounts might not be recoverable. In order to be in compliance with IAS 10 (Events after the Balance Sheet Date) and IAS 36 (Impairment of Assets), the management fully provided for these loans. Note 7 provides a full disclosure of the amounts written off in the prior year due to these discontinuing operations, in both the current year, of Kshs. 18.5 million (Pula 1.59 million) and the prior year of Kshs. 200.5 million (Pula 19.1 million).

## Proxy Form

For the Year Ended February 28, 2010

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### The 40th Annual General Meeting to be held on the, 17th December 2010, 3.00 pm at the Nairobi Club, Nairobi.

I/We \_\_\_\_\_

Of address \_\_\_\_\_

being Shareholder / Shareholders of the above named company do hereby appoint:

\_\_\_\_\_ Of \_\_\_\_\_ or failing that person

\_\_\_\_\_ Of \_\_\_\_\_ or failing that person

\_\_\_\_\_ Of \_\_\_\_\_ or failing that person

The chairman of the meeting as my proxy to vote for me/us on my/our behalf at the 40th annual General held on the 17th of December 2010 at 03.00pm

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signature \_\_\_\_\_

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. 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.

**BY ORDER OF THE BOARD**

L. A. KANTARIA

COMPANY SECRETARY

**OLYMPIA CAPITAL HOLDINGS LIMITED**