EVEREADY EAST AFRICA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2017

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Directors	Mrs L Waithaka - Chairperson Mr J K Mutua - Managing Director Mr A H Butt ICDC - Represented by Ms M Mbithi Dr C Ngahu Ms F B Shah Ms S Mudhune - Retired 31st December 2016
Company secretary	Image Registrars Limited 5th Floor, Barclays Plaza, Loita Street P.O. Box 9287 - 00100 Nairobi, Kenya.
Registered office	MCFL Logistic 1st Floor, Mombasa Road P.O. Box 44765 - 00100 Nairobi, Kenya.
Registrar	Image Registrars Limited 5th Floor, Barclays Plaza, Loita Street P.O. Box 9287 - 00100 Nairobi, Kenya.
Independent auditor	RSM Eastern Africa Certified Public Accountants 1st Floor, Pacis Centre Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya.
Principal banker	Commercial Bank of Africa Limited Grenadier Tower, Woodvale Grove P.O. Box 30437- 00100 Nairobi, Kenya.

Legal advisers

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

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

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

The directors submit their report together with the audited financial statements for the year ended 30th September 2017.

Incorporation

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

Directorate

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

Principal activities

The principal activities of the company are those of selling dry cell and car batteries and trading in an assortment of flashlights, range of bulbs, washing detergents, household bleach, surface cleaners and fabric care.

Recommended dividend

During the year, an interim dividend of Shs 210,000,000 (2016: Nil). The directors do not recommend the declaration of a final dividend for the year.

Business review

Our business

EVEREADY East Africa PLC (the “Company” or “EVEREADY”) is a public limited liability Company incorporated in Kenya. The Company is headquartered in Nairobi, Kenya and was founded in 1967.

The Company is one of the largest supplier of portable power solutions in East Africa. This together with one of the best distribution systems in East Africa and world class brands has ensured the Company long term success. Continued product expansion and keen desire to understand what the consumer expects and what the competitors are doing has remained the priority areas for our Company. EVEREADY’s heritage is also tied to employee dedication and team work.

The Company distributes dry cells size ‘D’ ‘AA’ ‘AAA’ ‘9V’ and ‘C’ carbon zinc primary batteries, alkaline batteries and rechargeable throughout the East Africa region and also provides flashlights under the TURBO® brand name for a broad spectrum of usage. The Company has also introduced the TURBO® brand of automotive batteries, the TURBO® range of bulbs, EVERCLEAN® washing detergent and CLOROX® brand of household bleach, surface cleaners and fabric care. Our products are recognized for their distinct quality.

EVEREADY has an extensive network of associates and distributors whose support for its business in East Africa forms a far reaching network to ensure that the Company meets the portable power and cleaning requirements of people in East Africa.

The current company’s performance is Shs 339 million, which is 61% of prior period performance when the company had a revenue of Shs 553 million. During the year, the company completed the sale of its land and buildings in Nakuru at a consideration of Shs 1.3 billion.

Risks

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

i) **Supply chain**

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

ii) **Quality products**

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

Business review (continued)

Risks (continued)

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

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

iv) **Systems and information**

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

v) **Portfolio management**

Our growth is determined by our range of products (portfolio categories). These evolve over time. If we do not make optimal decision in this are out margins and revenues will be affected.

vi) **Ethical**

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

vii) **Brand preference**

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

viii) **Legal and regulatory**

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

ix) **Business transformation**

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

Statement as to disclosure to the company's auditor

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

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

(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Terms of appointment of the auditor

The directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of Shs 2,200,000 has been charged to profit or loss in the year.

By order of the board

…………………………………..
Director

Nairobi …………..………………. 2018

Directors' remuneration report

Section 1- Not subject to audit

a) Decisions on directors' remuneration

There was a 6% adjustment to the Managing Director's Basic pay effective 1st Jan 2017. There was no change in the remuneration of other Directors during the year.

b) Company policy on directors' remuneration

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

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

These are payable at the following rates:

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

c) General terms of service

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

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

Section 2 - Information subject to audit

Directors remuneration paid during the year

Director's name	**Fees and allowances as at 30th September 2017 Shs**	**Fees and allowances as at 30th September 2016 Shs**
Mrs L Waithaka - Chairperson	1,586,000	1,445,000
Mr J K Mutua - Managing director	16,009,026	16,324,192
Mr A H Butt	1,082,500	910,000
Dr C Ngahu	1,111,000	890,000
Ms F B Shah	1,051,500	785,000
ICDC - Represented by Ms M Mbithi	965,000	800,000
Ms S Mudhune - Retired 31st December 2016	550,000	775,000
	22,355,026	**21,929,192**

By order of the board

…………………………………..
Director

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

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

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

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

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

Approved by the board of directors on ………………………………….. 2018 and signed on its behalf by:

……………………………………	……………………………………
Director	**Director**

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

Opinion

We have audited the accompanying financial statements of Eveready East Africa PLC ("the company") and its subsidiary (together, "the group"), set out on pages 11 to 39, which comprise the balance sheets as at 30th September 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the group and of the company as at 30th September 2017 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

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

Key Audit Matters

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

Key audit matter	**How the matter was addressed**
Existence and valuation of inventory - Total inventories of Shs 182.8 million represent 31% of the total current assets of the company. These mainly consist of inventories at the company's stores and consignment stock at supermarkets.	Valuation of inventory is at the lower of cost and net realisable value. Cost is determined using the weighted average method. The determination of net realisable value for slow moving inventory is mainly based on management estimates. This in combination with the significant share of inventories as part of the total assets, made us conclude that existence and valuation of inventory are a key audit matter for our audit of the company. The procedures performed included: · Attending inventory count for all locations and obtained evidence to support existence of stock held by third parties. · Investigating explanations for material differences between physical quantities and book records during the period and at period end. · Ensuring correct application of the group's costing methodology for inventories, weighted average. · Reviewing the group's methodology for identifying slow moving or obsolete items and ensured adequate provisions for write-downs were in place. · Ensuring that inventory is not stated in excess of its net realisable value and management's estimates on realisability are corroborated.

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

Key Audit Matters (continued)

Recoverability of trade receivables - The company had trade and other receivables amounting to Shs 153.1 million which included trade receivables of Shs 99.4 million.	The debtors' days has deteriorated from 126 days in 2016 to 213 days in 2017 as some of the company's customers have been experiencing financial distress. Therefore, valuation of accounts receivable has been identified as a key audit matter. Our procedures performed included the following: • Analysing the ageing of accounts receivable. • Circularising key accounts to confirm balances outstanding at period end. • Examining the historical recovery records and current credit status of customers. • Inspecting subsequent receipts from customers after the year end. • Ensuring that adequate provision for impairment is in place for balances whose recovery is doubtful.
Recognition of deferred tax asset on tax losses which is dependent on successful achievement of the company's business plan.	We obtained and reviewed the company's business plan for the period 2018 to 2022 which support the availability of taxable profits against which the temporary differences can be utilised. The deferred tax asset has not been recognised on deductible temporary differences and tax losses carried forward amounting to Shs 214,614,000 (2016: Shs 171,114,000) due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilised.

Other information

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

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

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

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

In our opinion,

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

The engagement partner responsible for the audit resulting in this independent auditor's report was FCPA Ashif Kassam, Practising Certificate No. 1126.

Certified Public Accountants
Nairobi

…………………………………… 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH SEPTEMBER 2017

		Group		**Company**	
		2017	**2016**	**2017**	**2016**
	Note	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Continuing operations					
Sales	5	338,931	553,311	338,931	553,311
Cost of sales		(251,610)	(425,016)	(251,610)	(425,016)
Gross profit		87,321	128,295	87,321	128,295
Other income	6	49,546	3,120	54,112	3,120
Gain on disposal of assets		452,468	1,752	452,468	1,752
Reversal of impairment of assets	7	-	17,021	-	17,021
Selling and distribution expenses		(38,622)	(43,926)	(38,622)	(43,926)
Administrative expenses		(216,152)	(177,394)	(215,822)	(177,394)
Establishments expenses		(23,197)	(41,242)	(23,197)	(41,242)
Impairment of assets	8	(52,494)	(34,220)	(52,827)	(93,406)
Finance costs	9	(9,736)	(72,368)	(9,736)	(72,368)
Profit/(loss) before tax	10	249,134	(218,962)	253,697	(278,148)
Tax income	11	16,947	47,138	16,947	47,138
Profit/(loss) for the year from continuing operations		266,081	(171,824)	270,644	(231,010)
Profit/(loss) for the year from discontinued operations	12	1,092	(34,681)	-	-
Profit/(loss) for the year		267,173	(206,505)	270,644	(231,010)
Other comprehensive income Items that will not be reclassified subsequently to profit or loss:					
Actuarial losses		3,270	310	3,270	310
Items that will be reclassified subsequently to profit or loss when specific conditions					
Currency translation differences on foreign operations		2,349	10,284	-	-
Other comprehensive income for the year, net of tax		5,619	10,594	3,270	310
Total comprehensive income/(loss) for the year attributable to the owners of the company		272,792	(195,911)	273,914	(230,700)
Earnings per share		**Shs**	**Shs**	**Shs**	**Shs**
Profit/(loss) per share - basic and diluted	13	1.27	(0.98)	1.29	(1.10)

BALANCE SHEET AT 30TH SEPTEMBER 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
		Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
	Note				
Equity					
Share capital	14	210,000	210,000	210,000	210,000
Actuarial reserve		-	(3,270)	-	(3,270)
Translation reserve		13,467	11,118	-	-
Revaluation reserve	16	-	657,073	-	657,073
Retained earnings		325,903	(388,343)	337,822	(379,895)
Total equity		549,370	486,578	547,822	483,908
Non-current liabilities					
Provisions for liabilities charges	17	8,847	8,847	8,847	8,847
		8,847	8,847	8,847	8,847
		558,217	495,425	556,669	492,755
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	18	9,312	18,293	9,312	18,293
Non-current assets held for sale	12	-	695,658	-	693,797
Investment in subsidiary	19	-	-	-	333
Deferred income tax	20	185,480	98,087	185,480	98,087
Retirement benefit asset	21	-	4,215	-	4,215
		194,792	816,253	194,792	814,725
Current assets					
Inventories	22	182,798	161,997	182,798	161,997
Trade and other receivables	23	149,235	94,805	149,235	94,805
Current tax		-	6,007	-	6,007
Cash at bank and in hand	24	245,827	3,744	244,279	562
		577,860	266,553	576,312	263,371
Current liabilities					
Trade and other payables	25	149,600	144,107	149,600	142,067
Current tax		60,335	-	60,335	-
Borrowings	26	4,500	443,274	4,500	443,274
		214,435	587,381	214,435	585,341
Net current assets/(liabilities)		363,425	(320,828)	361,877	(321,970)
		558,217	495,425	556,669	492,755

The financial statements on pages 11 to 39 were approved for issue by the board of directors on ....……………....……….. 2018 and were signed on its behalf by:

…………………………………
Director

…………………………………
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH SEPTEMBER 2017

Group	Note	Share capital Shs'000	Translation reserve Shs'000	Actuarial reserve Shs'000	Revaluation reserve Shs'000	Retained earnings Shs'000	Total Shs'000
As at 1st October 2015		210,000	834	(3,580)	669,750	(194,515)	682,489
Changes in equity in 2016							
Loss for the year		-	-	-	-	(206,505)	(206,505)
Other comprehensive income		-	10,284	310	-	-	10,594
Total comprehensive income for the year		-	10,284	310	-	(206,505)	(195,911)
Transfer of excess depreciation (net of deferred tax)		-	-	-	(12,677)	12,677	-
At 30th September 2016		210,000	11,118	(3,270)	657,073	(388,343)	486,578
At 1st October 2016		210,000	11,118	(3,270)	657,073	(388,343)	486,578
Changes in equity in 2017							
Profit for the year		-	-	-	-	267,173	267,173
Other comprehensive income		-	2,349	3,270	-	-	5,619
Total comprehensive income for the year		-	2,349	3,270	-	267,173	272,792
Transactions with owners:							
Dividends - interim	15	-	-	-	-	(210,000)	(210,000)
Transfer of revaluation surplus on disposal of assets		-	-	-	(657,073)	657,073	-
At 30th September 2017		210,000	13,467	-	-	325,903	549,370

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH SEPTEMBER 2017

Company	**Note**	**Share capital Shs'000**	**Actuarial reserve Shs'000**	**Revaluation reserve Shs'000**	**Retained earnings Shs'000**	**Total Shs'000**
As at 1st October 2015		210,000	(3,580)	669,750	(161,562)	714,608
Changes in equity in 2016						
Loss for the year		-	-	-	(231,010)	(231,010)
Other comprehensive income		-	310	-	-	310
Total comprehensive income for the year		-	310	-	(231,010)	(230,700)
Transactions with owners:						
Transfer of excess depreciation (net of deferred tax)		-	-	(12,677)	12,677	-
At 30th September 2016		210,000	(3,270)	657,073	(379,895)	483,908
At 1st October 2016		210,000	(3,270)	657,073	(379,895)	483,908
Changes in equity in 2017						
Profit for the year		-	-	-	270,644	270,644
Other comprehensive income		-	3,270	-	-	3,270
Total comprehensive income for the year		-	3,270	-	270,644	273,914
Transactions with owners:						
Dividends:						
Interim - paid in year	15	-	-	-	(210,000)	(210,000)
Transfer of revaluation surplus on disposal of assets		-	-	(657,073)	657,073	-
At 30th September 2017		210,000	-	-	337,822	547,822

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH SEPTEMBER 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Cash flows from operating activities					
Profit/(loss) before tax		267,173	(206,505)	270,644	(231,010)
Adjustments for:					
Income tax	11	(16,947)	(47,138)	(16,947)	(47,138)
Depreciation charge	18	11,781	26,521	11,781	24,662
Gain on disposal of assets	6	(452,468)	(1,752)	(452,468)	(1,752)
Interest expense	9	9,736	72,368	9,736	72,368
Impairment of investment in subsidiary		-	-	333	-
Movement in retirement benefit asset and liabilities		7,485	(487)	7,485	(487)
Reversal of impairment loss on property plant and equipment	7	-	(17,021)	-	(17,021)
Write off of assets		2,768	4,460	982	-
Operating loss before working capital changes		(170,472)	(169,554)	(168,454)	(200,378)
(Increase)/decrease in trade and other receivables		(20,801)	111,056	(20,801)	154,983
(Increase)/decrease in inventories		(54,430)	194,720	(54,430)	172,236
Increase/(decrease) in trade and other payables		5,911	(171,329)	7,533	(172,223)
Cash used in operations		(239,792)	(35,107)	(236,152)	(45,382)
Interest paid		(9,736)	(72,368)	(9,736)	(72,368)
Tax paid		(4,104)	-	(4,104)	-
Net cash used in operating activities		(253,632)	(107,475)	(249,992)	(117,750)
Cash flows from investing activities					
Purchase of property, plant and equipment	18	(3,782)	(3,090)	(3,782)	(3,090)
Proceeds from disposal of property, plant and equipment		1,146,265	3,164	1,146,265	3,164
Net cash generated from investing activities		1,142,483	74	1,142,483	74
Cash flows from financing activities					
(Repayment of)/proceeds from borrowings		(433,969)	383,558	(434,299)	403,887
Dividend paid		(210,000)	-	(210,000)	-
Net cash (used in)/generated from financing activities		(643,969)	383,558	(644,299)	403,887
Net increase in cash and cash equivalents		244,882	276,157	248,192	286,211
Cash and cash equivalents at start of the year		(731)	(285,519)	(3,913)	(290,124)
Effect of exchange rate changes on cash and cash equivalents		1,676	8,631	-	-
Cash and cash equivalents at end of the year	24	245,827	(731)	244,279	(3,913)

1. Summary of significant accounting policies

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

a) Basis of preparation

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

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

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

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

Measurement basis

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

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

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

1. Summary of significant accounting policies (continued)

b) New and revised standards

i) Adoption of new and revised standards

A number of amendments to standards and one interpretation became effective for the first time in the financial year beginning 1st October 2016 and have been adopted by the company. None of them has had an effect on the company's financial statements.

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

The company has not applied any new or revised standards and interpretations that have been published but are not yet effective for the year beginning 1st October 2016 (see note 29).

c) Translation of foreign currencies

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

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

Translation of financial statements of foreign entities

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

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

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

d) Revenue recognition

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

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

Rental income from operating leases is recognised on a straight line basis over the period of the lease.

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

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

1. Summary of significant accounting policies (continued)

e) Income tax

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

Current tax

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

Deferred income tax

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

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

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

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

f) Borrowing costs

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

g) Share capital

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

h) Dividends

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

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

i) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. Leasehold land is subsequently carried at a revalued amount, based on valuation by external independent valuers, less accumulated depreciation and accumulated impairment loss. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying value 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. Repairs and maintenance is charged to the profit and loss account in the year to which it relates.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

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

	Rate - %
Leasehold land	Over the lease period.
Buildings	3.33 - 4
Plant and machinery	6.67
Furniture and fixtures	16.7
Computers	33.3
Motor vehicles	33.3

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

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

j) Investment in subsidiaries

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

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

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

j) Investment in subsidiaries (continued)

The directors reached the decision to wind up Flamingo Properties Uganda Limited (the subsidiary) due to unprofitability of its operations. The results of the subsidiary have been presented as discontinued operations.

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

k) Impairment of non-financial assets

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

l) Discontinued operations and non-current assets held for sale

Discontinued operations

These are either separate major lines of business or geographical operations that have been sold or classified as held for sale. When held for use, discontinued operations were a cash-generating unit or a group of cash-generating units. They comprise operations and cash flows that can be clearly distinguished - operationally and for financial reporting purposes - from the rest of the entity. Their results are shown separately in the consolidated statement of profit or loss and comparative figures are restated to reclassify them from continuing to discontinued operations.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. The directors must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the asset’s previous carrying amount and the fair value less costs to sell.

m) Financial instruments

Classification

The company classifies its financial instruments into the following categories:

i) **Loans and receivables,** which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the company intends to sell immediately or in the near term or those which the company upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.

ii) **Financial liabilities**, which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions and trade and other receivables were classified as 'loans and receivables'.
- Borrowings and trade and other liabilities were classified as financial liabilities.

1. Summary of significant accounting policies (continued)

m) Financial instruments (continued)

Recognition and measurement

i) Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale. Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the profit and loss account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Subsequently, loans and receivables are carried at amortised cost using the effective interest method. Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The company assesses at each balance sheet whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

Changes in the carrying values and impairment losses of loans and receivables are recognised in the profit and loss account. Trade and other receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

ii) Financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit and loss account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

Presentation:

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

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

Derecognition:

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

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

Offsetting

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

1. Summary of significant accounting policies (continued)

n) Inventories

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

o) Cash and cash equivalents

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

p) Provisions for liabilities

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

q) Leases

Finance leases as the lessee

Leases of property, plant and equipment including hire purchase contracts where the company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

Operating leases

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

r) Short term employee benefits

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

s) Post-employment benefit obligations

Defined contribution

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

1. Summary of significant accounting policies (continued)

s) Post-employment benefit obligations (continued)

Defined benefit

The liability/asset recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligations at the balance sheet date less the fair value of the plan assets. The defined obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the functional currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of the net defined benefit liability/asset are recognised in other comprehensive income, with no reclassification to profit or loss in a subsequent period. Remeasurements comprise actuarial gains/losses and the return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset.

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

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the group, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

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

The judgements made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include whether it is probable that future taxable profits will be available against which temporary differences can be utilized.

b) Key sources of estimation uncertainty

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

i) Income taxes

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

ii) Impairment losses

Estimates made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. The movement on the impairment provision is set out in Note 23.

iii) Net realizable value of inventory

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

3. Risk management objectives and policies

a) Financial risk management

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

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The group does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings.

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

The credit exposure of the group and of the company as at the balance sheet date is as follows:

a. Group

	Fully performing Shs '000	Past due but not impaired Shs '000	Impaired Shs '000	Total Shs '000
At 30th September 2017				
Trade receivables	18,068	66,006	12,646	96,720
Other receivables	5,397	-	-	5,397
Value Added Tax recoverable	35,993	-	-	35,993
Advance payment to suppliers	6,403	-	-	6,403
Cash at bank	245,827	-	-	245,827
Maximum exposure to credit risk	311,688	66,006	12,646	390,340
At 30th September 2016				
Trade receivables	66,351	9,121	8,659	84,131
Other receivables	4,849	-	-	4,849
Cash at bank	3,744	-	-	3,744
Maximum exposure to credit risk	74,944	9,121	8,659	92,724

b. Company

	Fully performing Shs '000	Past due but not impaired Shs '000	Impaired Shs '000	Total Shs '000
At 30th September 2017				
Trade receivables	18,068	66,006	12,646	96,720
Other receivables	5,397	-	-	5,397
Value Added Tax recoverable	35,993	-	-	35,993
Advance payment to suppliers	6,403	-	-	6,403
Cash at bank	244,279	-	-	244,279
Maximum exposure to credit risk	310,140	66,006	12,646	388,792
At 30th September 2016				
Trade receivables	66,351	9,121	8,659	84,131
Other receivables	4,849	-	-	4,849
Cash at bank	562	-	-	562
Maximum exposure to credit risk	71,762	9,121	8,659	89,542

3. Risk management objectives and policies (continued)

a) Financial risk management (continued)

ii) Liquidity risk

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

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

a. Group

	Less than one month Shs '000	Between 1-3 months Shs '000	Between 3-12 months Shs '000	Over 1 year Shs '000
At 30th September 2017				
Trade payables	71,118	-	-	-
Other payables and accrued expenses	7,912	13,564	-	-
Dividend payable	57,006	-	-	-
Borrowings	-	1,125	3,375	-
	136,036	14,689	3,375	-
At 30th September 2016				
Trade payables	48,489	-	-	-
Other payables and accrued expenses	24,510	1,423	-	-
Payables to related parties	69,685	-	-	-
Borrowings	4,475	438,799	-	-
	147,159	440,222	-	-

b. Company

	Less than one month Shs '000	Between 1-3 months Shs '000	Between 3-12 months Shs '000	Over 1 year Shs '000
At 30th September 2017				
Trade payables	71,118	-	-	-
Other payables and accrued expenses	7,912	13,564	-	-
Dividend payable	57,006	-	-	-
Borrowings	-	1,125	3,375	-
	136,036	14,689	3,375	-
At 30th September 2016				
Trade payables	47,714	-	-	-
Other payables and accrued expenses	23,245	1,423	-	-
Payables to related parties	69,685	-	-	-
Borrowings	4,475	438,799	-	-
	145,119	440,222	-	-

3. Risk management objectives and policies (continued)

a) Financial risk management (continued)

iii) Market risk

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

Interest rate risk

The company is exposed to cash flow interest rate risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining an interest cover ratio, which is the extent to which the gross margin is available to service borrowing costs. Management consider that a change in interest rates of 1% in the year ending 30th September 2018 is reasonably possible. If the interest rates on the group's borrowings at the year-end were to increase/decrease by 1%, with all other factors remaining constant, the post-tax profit would be lower/higher by Shs 682,000 (2016: Shs 5,066,000) respectively.

Currency risk

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

	2017 US$ Shs' 000	**2016 US$ Shs' 000**
Cash at bank	46	-
Trade payables	(1,766)	(102,408)
Bank overdraft	-	(955)
Advance payments to suppliers	6,403	-
Net exposure	4,683	(103,363)

Management consider that an appreciation of the United States Dollar against the Kenya Shilling of between 5% and 10% in the year ending 30th September 2018 is reasonably possible. If the foreign currencies were to appreciate/depreciate against the Kenya Shilling by 10% with all other factors remaining constant, the post tax profit would be lower/higher by Shs 328,000 (2016: Shs 7,235,000).

b) Capital management

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

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

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

b) Capital management (continued)

The gearing ratio at the year-end was as follows:	Group		Company	
	2017	**2016**	**2017**	**2016**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Shareholders' funds	549,370	486,578	547,822	483,908
Total borrowings	4,500	443,274	4,500	443,274
Less: cash and cash equivalents	(245,827)	(3,744)	(244,279)	(562)
Net debt	(241,327)	439,530	(239,779)	442,712
Total shareholders' funds and net debt	549,370	926,108	547,822	926,620
%	Nil	47%	Nil	48%

4. Segmental information

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
5. Sales	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**
Sale of purchased goods	338,931	550,977	338,931	550,977
Sale of raw materials	-	2,334	-	2,334
	338,931	553,311	338,931	553,311
6. Other income				
Gain on disposal of assets				
Rental income	3,000	3,120	3,000	3,120
Interest income	33,686	-	33,686	-
Miscellaneous income	12,860	-	17,426	-
	49,546	3,120	54,112	3,120
7. Reversal of impairment loss on property, plant and equipment				
Buildings	-	15,609	-	15,609
Machinery and equipment	-	1,412	-	1,412
	-	17,021	-	17,021
8. Impairment of assets				
Impairment of retirement benefit asset	6,337	-	6,337	-
Impairment of receivables	46,157	34,220	46,157	34,220
Impairment of related party receivables	-	-	-	59,186
Impairment of subsidiary	-	-	333	-
	52,494	34,220	52,827	93,406
9. Finance costs				
Interest expense:				
- Bank overdrafts	7,963	24,799	7,963	24,799
- Loans	1,773	47,569	1,773	47,569
	9,736	72,368	9,736	72,368

NOTES (CONTINUED)

10. Profit/(loss) before tax

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Shs' 000	**Shs' 000**	**Shs' 000**	**Shs' 000**
(a) Items charged				
The following items have been charged in arriving at profit/(loss) before tax:				
Inventories expensed	251,610	425,016	251,610	425,016
Employee benefits expense (Note 10(b))	111,796	102,650	111,796	102,650
Operating lease rentals expense	10,139	9,951	10,139	9,951
Depreciation of property, plant and equipment	11,781	26,521	11,781	26,521
(b) Employee benefits expense				
The following items are included in employee benefits expense:				
Wages and salaries	106,945	97,956	106,945	97,956
Retirement benefit costs:				
- Defined contribution scheme	4,675	5,019	4,675	5,019
- Defined benefit scheme	-	(487)	-	(487)
- National Social Security Fund (NSSF)	176	162	176	162
	111,796	102,650	111,796	102,650

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

	2017	**2016**
	Number	Number
Sales and distribution	86	86
Management and administration	7	7
	93	93

11. Tax income

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Shs' 000	**Shs' 000**	**Shs' 000**	**Shs' 000**
Current income tax	66,829	936	66,829	936
Under provision in prior year	3,617	-	3,617	-
Deferred tax credit (Note 20)	(87,393)	(48,074)	(87,393)	(48,074)
Tax income	(16,947)	(47,138)	(16,947)	(47,138)

The tax on the group's profit/(loss) before tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Profit/(loss) before tax	249,134	(218,962)	253,697	(278,148)
Tax calculated at a tax rate of 30%	74,740	(65,689)	76,110	(83,444)
Tax effect of:				
Income subject to tax at 5%	(113,115)	-	(113,117)	-
Under - provision of deferred income tax in prior year	-	(39,958)	-	(39,958)
Under provision of current tax in prior year	3,617	-	3,617	-
Deferred tax asset not recognised	14,418	51,335	13,050	51,335
Expenses not deductible for tax purposes	3,393	7,174	3,393	24,929
Tax income	(16,947)	(47,138)	(16,947)	(47,138)

NOTES (CONTINUED)

12. Discontinued operations and assets held for sale - Group

Profit/(loss) for the year from discontinued subsidiary company operations

	2017 Shs' 000	2016 Shs' 000
Sales	-	25,514
Cost of sales	-	(18,235)
Gross profit	-	7,279
Other incomes	1,781	-
Employment cost	-	(1,799)
Other administration expenses	(689)	(9,360)
Write down of assets	-	(20,993)
Operating losses	1,092	(24,873)
Finance cost	-	(9,808)
Loss before tax	1,092	(34,681)
Tax	-	-
Profit/(loss) for the year	1,092	(34,681)

On 20th May 2016, the board of directors of the subsidiary company Flamingo Properties Uganda Limited resolved to voluntarily wind up the subsidiary company.

Assets held for sale	**Group**		**Company**	
	2017 Shs'000	**2016 Shs'000**	**2017 Shs'000**	**2016 Shs'000**
Leasehold land	-	678,188	-	678,188
Building	-	15,609	-	15,609
Furniture and fixtures	-	161	-	-
Motor vehicles	-	1,630	-	-
Computers	-	70	-	-
	-	695,658	-	693,797

13. Profit/(loss) per share - basic and diluted

Profit/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to shareholders by the number of ordinary shares in issue during the year.

	Group		**Company**	
	2017 Shs'000	**2016 Shs'000**	**2017 Shs'000**	**2016 Shs'000**
Profit/(loss) for the year (Shs' 000)	267,173	(206,505)	270,644	(231,010)
Number of ordinary shares (thousands) - Note 14	210,000	210,000	210,000	210,000
Profit/(loss) per share - basic and diluted (Shs)	1.27	(0.98)	1.29	(1.10)

There were no potentially dilutive shares outstanding at either 30th September 2017 or 30th September 2016.

14. Share capital

	No. of shares	Issued and paid up capital Shs
Ordinary shares		
At 1st October 2015 and 30th September 2016	210,000,000	210,000,000
At 1st October 2016 and 30th September 2017	210,000,000	210,000,000

The total number of authorised ordinary shares is 210,000,000 (2016: 210,000,000) with a par value of Shs 1 each.

15. Dividends

During the year, an interim dividend of Shs 1 per share amounting to Shs 210,000,000 (2016: Nil) was paid. The total amount of dividend paid per share for the year is Shs 210,000,000 (2016: Shs Nil). Payment of dividends to shareholders (other than companies owning more than 12.5% of the issued shares) is subject to deduction of withholding tax at a rate of 5% for residents and 10% for non-residents.

16. Revaluation surplus

Group and company

The revaluation surplus arises on the revaluation of leasehold land and is stated net of deferred income tax. The surplus is not distributable. The movement during the year is as follows:

	2017 Shs'000	2016 Shs'000
At 1st October	657,083	669,750
Transfer of revaluation surplus on disposal of assets	(657,083)	-
Transfer of excess depreciation on revaluation (net of deferred tax)	-	(12,667)
At 30th September	-	657,083

17. Provisions for liabilities

	Group		Company	
	2017 Shs 000	2016 Shs 000	2017 Shs 000	2016 Shs 000
At the start of the year and end of year	8,847	8,847	8,847	8,847

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

NOTES (CONTINUED)

18. Property, plant and equipment

a) Group

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Furniture and fixtures Shs'000	Computers Shs'000	Motor vehicles Shs'000	Total Shs'000
At 1st October 2015							
Cost or valuation	705,267	28,211	246,622	44,559	32,201	62,612	1,119,472
Translation differences	-	-	-	(116)	(40)	(276)	(432)
Accumulated depreciation	(13,644)	(28,211)	(246,622)	(32,372)	(22,552)	(53,969)	(397,370)
Net carrying amount	691,623	-	-	12,071	9,609	8,367	721,670
Year ended 30th September 2016							
Opening carrying amount	691,623	-	-	12,071	9,609	8,367	721,670
Additions	-	-	-	-	-	3,090	3,090
Disposals	-	-	(1,412)	-	-	-	(1,412)
Depreciation charge	(13,435)	-	-	(5,386)	(4,580)	(3,120)	(26,521)
Reversal of impairment loss	-	15,609	1,412	(300)	-	(1,626)	15,095
Transfer to assets held for sales	(678,188)	(15,609)	-	-	-	-	(693,797)
Translation differences	-	-	-	30	20	118	168
Closing carrying amount	-	-	-	6,415	5,049	6,829	18,293
At 30th September 2016							
Cost or valuation	-	-	241,133	42,853	30,491	47,178	361,655
Accumulated depreciation and impairment loss	-	-	(241,133)	(36,438)	(25,442)	(40,349)	(343,362)
Net carrying amount	-	-	-	6,415	5,049	6,829	18,293
Year ended 30th September 2017							
Opening carrying amount	-	-	-	6,415	5,049	6,829	18,293
Additions	-	-		-	363	3,419	3,782
Depreciation charge	-	-	-	(4,629)	(2,303)	(4,849) -	(11,781)
Asset write off	-	-	-	(942)	(40)	-	(982)
Closing carrying amount	-	-	-	844	3,069	5,399	9,312
At 30th September 2017							
Cost or valuation	-	-	-	25,862	14,739	47,409	88,010
Accumulated depreciation and impairment loss	-	-	-	(25,018)	(11,670)	(42,010)	(78,698)
Net carrying amount	-	-	-	844	3,069	5,399	9,312

NOTES (CONTINUED)

18. Property, plant and equipment (continued)

b) Company

	Leasehold land Shs'000	Buildings Shs'000	Plant and machinery Shs'000	Furniture and fixtures Shs'000	Computers Shs'000	Motor vehicles Shs'000	Total Shs'000
At 1st October 2015							
Cost or valuation	705,267	29,448	246,622	42,853	30,491	57,090	1,111,771
Accumulated depreciation	(13,644)	(29,448)	(246,622)	(31,437)	(21,309)	(51,258)	(393,718)
Net carrying amount	691,623	-	-	11,416	9,182	5,832	718,053
Year ended 30th September 2016							
Opening carrying amount	691623	-	-	11,416	9,182	5,832	718,053
Additions	-	-	-	-	-	3,090	3,090
Disposal	-	-	(1,412)	-	-	-	(1,412)
Reversal of impairment loss	-	15,609	1,412	-	-	-	17,021
Depreciation charge	(13,435)	-	-	(5,001)	(4,133)	(2,093)	(24,662)
Transfer to assets held for sales	(678,188)	(15,609)	-	-	-	-	(693,797)
Closing carrying amount	-	-	-	6,415	5,049	6,829	18,293
At 30th September 2015							
Cost or valuation	-	-	241,133	42,853	30,491	47,178	361,655
Accumulated depreciation and impairment	-	-	(241,133)	(36,438)	(25,442)	(40,349)	(343,362)
Net carrying amount	-	-	-	6,415	5,049	6,829	18,293
Year ended 30th September 2016							
Opening carrying amount	-	-	-	6,415	5,049	6,829	18,293
Additions	-	-	-	-	363	3,419	3,782
Depreciation charge	-	-	-	(4,629)	(2,303)	(4,849)	(11,781)
Assets written off	-	-	-	(942)	(40)	-	(982)
Closing carrying amount	-	-	-	844	3,069	5,399	9,312
At 30th September 2016							
Cost or valuation	-	-	-	25,862	14,739	47,409	88,010
Accumulated depreciation and impairment	-	-	-	(25,018)	(11,670)	(42,010)	(78,698)
Net carrying amount	-	-	-	844	3,069	5,399	9,312

NOTES (CONTINUED)

18. Property, plant and equipment (continued)

Leasehold land was revalued on 13th November 2014 by Regent Valuers Limited based on special value assuming successful change of use from existing industrial to mixed use (commercial and residential) and extension of remaining lease term from 52 years to 99 years. The carrying amount of the asset was restated to the revalued amount of the asset, and the resulting surplus arising on revaluation net of deferred income tax was recognised in other comprehensive income and credited to the revaluation surplus in equity. The leasehold land was disposed of in the year.

If the leasehold land were stated on the historical cost basis, the carrying amount would be as follows:

	2017 Shs '000	2016 Shs '000
Cost	-	267
Accumulated depreciation	-	(91)
Carrying amount	-	176

Fully depreciated assets still used had a cost of Shs 76,904,000 (2016: 165,826,000).

19. Investments in subsidiaries

Company

Unquoted securities at cost	**Holding**	**2017 Shs'000**	**2016 Shs'000**
Flamingo Properties Uganda Limited	100%	333	333
Impairment loss		(333)	-
		-	333

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

NOTES (CONTINUED)

20. Deferred income tax - group and company

Deferred income tax is calculated using the enacted tax rate of 30% except for capital gains, for which the enacted tax rate of 5% is used (2016: 30% and 5%).

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

Year ended 30th September 2017	**At start of year Shs'000**	**(Credited)/ charged to profit or loss Shs'000**	**At end of year Shs'000**
Deferred tax assets			
Tax losses	116,643	52,949	169,592
Provision for staff leave	24	1,220	1,244
Provision for bad debts	-	13,847	13,847
Provision for obsolete inventory	23,065	(14,403)	8,662
	139,732	53,613	193,345
Deferred tax liability			
Property, plant and equipment	(41,645)	33,780	(7,865)
Net deferred tax asset	98,087	87,393	185,480

Year ended 30th September 2016	**At start of year Shs'000**	**(Credited)/ charged to profit or loss Shs'000**	**At end of year Shs'000**
Deferred tax assets			
Tax losses	72,348	44,295	116,643
Provision for staff leave	3,851	(3,827)	24
Unrealised exchange difference	5,660	(5,660)	-
Provision for obsolete inventory	19,225	3,840	23,065
Provision for terminal dues	3,000	(3,000)	-
	104,084	35,648	139,732
Deferred tax liability			
Property, plant and equipment	(54,071)	12,426	(41,645)
Net deferred tax (liability)/asset	50,013	48,074	98,087

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

The deferred tax asset has not been recognised on deductible temporary differences and tax losses carried forward amounting to Shs 214,614,000 (2016: Shs 171,114,000) due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilised. Under the Kenyan Income Tax Act, tax losses are allowable as a deduction only in the nine years succeeding the year in which they occurred. The tax losses of Shs 779,922,000 carried forward will expire as follows:

Arising in:	Tax losses Shs'000	Expiring:
2011	92,518	2020
2012	55,148	2021
2015	180,226	2024
2016	232,032	2025
2017	219,998	2026
	779,922	

The deferred tax asset has been recognised based on management's projections of future taxable profits that will be available against which the deductible temporary differences and tax losses can be utilised.

21. Staff retirement defined benefit scheme

The company operated a funded final salary defined benefit plan. The scheme was wound up and is currently under liquidation. The movement in the net asset in the year was as follows:

Group and company

	Shs'000
Net asset at start of the year	4,215
Actuarial reserve	3,270
	7,485
Recoverable surplus (transferred to other receivables - Note 23)	(1,148)
Impairment of asset (Note 8)	(6,337)
Net asset at the end of the year	-

NOTES (CONTINUED)

	Group		Company	
	2017	**2016**	**2017**	**2016**
22. Inventories	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**
Raw materials	-	48,927	-	48,927
Less: provision for impairment	-	(48,927)	-	(48,927)
	-	-	-	-
Finished goods	211,673	102,188	211,673	102,188
Good in transit	-	59,809	-	59,809
Less: provision for impairment	(28,875)	-	(28,875)	-
	182,798	161,997	182,798	161,997

23. Trade and other receivables

Trade receivables	227,329	168,583	227,329	168,583
Less: Provision for impairment losses	(130,609)	(84,452)	(130,609)	(84,452)
	96,720	84,131	96,720	84,131
Other receivables	5,397	4,849	5,397	4,849
Receivable from related parties	-	-	54,621	59,186
Less: Provision for impairment losses	-	-	(54,621)	(59,186)
Value Added Tax recoverable	35,993	-	35,993	-
Prepayments	4,722	5,825	4,722	5,825
Advance payment to suppliers	6,403	-	6,403	-
	149,235	94,805	149,235	94,805

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

At 1st October	84,452	50,232	143,638	50,232
Net increase charged to profit and loss account	46,157	37,066	46,157	96,252
Provisions utilised	-	(2,846)	(4,565)	(2,846)
At 30th September	130,609	84,452	185,230	143,638

24. Cash at bank and in hand

Cash at bank and in hand	21,697	3,744	20,149	562
Short-term bank deposits	224,130	-	224,130	-
	245,827	3,744	244,279	562

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

Cash and bank balance	21,697	3,744	20,149	562
Short-term bank deposits	224,130	-	224,130	-
Bank overdraft (Note 26)	-	(4,475)	-	(4,475)
	245,827	(731)	244,279	(3,913)

25. Trade and other payables

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Trade payables	71,118	48,489	71,118	47,714
Other payables	11,912	765	11,912	582
Accrued expenses	9,564	25,168	9,564	24,086
Dividend payables	57,006	-	57,006	-
Related parties (Note 28(i))	-	69,685	-	69,685
	149,600	144,107	149,600	142,067

26. Borrowings

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Current				
Bank overdraft (Note 24)	-	4,475	-	4,475
Bank loans	-	363,799	-	363,799
Insurance Premium Financing	4,500		4,500	-
Related party loans (Note 28(i))	-	75,000	-	75,000
	4,500	443,274	4,500	443,274

The borrowings are repayable as follows:

	Group 2017	Group 2016	Company 2017	Company 2016
On demand or within 1 year	4,500	443,274	4,500	443,274

27. Operating lease arrangements

Group and company	2017 Shs'000	2016 Shs'000
The company as lessee:		
Minimum lease payments under operating leases recognised through profit or loss	16,446	19,036

At the end of the reporting period, the company had outstanding commitments under operating leases, payable as follows:

	2017	2016
Within one year	2,666	605
In the second to fifth years inclusive	1,200	-
	3,866	605

Operating lease payments represent rentals payable by the company for certain of its office premises and storage facilities. The leases are cancellable with no penalty provided the company gives three months' notice to vacate the premises.

28. Related party transactions

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

The following transactions were carried out with related parties.

Group and Company

i) Outstanding balances arising from sale and purchase of goods/services	2017 Shs'000	2016 Shs'000
Payables to related parties (Note 25)	-	69,685
Loans from related parties (Note 26)	-	75,000

28. Related party transactions (continued)

ii) Key management compensation

The remuneration for key management during the year was as follows:

	2017 Shs'000	2016 Shs'000
Salaries and other benefits	48,620	48,429

iii) Directors' remuneration

	2017 Shs'000	2016 Shs'000
Salaries	16,009	16,324
Fees for services as directors	6,346	5,605
	22,355	21,929
Bank guarantees	12,600	12,600

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

The company has not applied the following revised standards and interpretations that have been published but are not yet effective for the year beginning 1st October 2016:

• IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18).

• IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018.

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

• IFRS 16 Leases (issued in January 2016) - The new standard will be effective for annual periods beginning on or after 1 January 2019.

• Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016) - The amendments will be applicable to annual periods beginning on or after 1 January 2018.

• Amendments to IFRS 4 titled Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016) - The amendments will be applicable to annual periods beginning on or after 1 January 2018.

• Amendment to IFRS 1 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) - The amendment will be applicable to annual periods beginning on or after 1 January 2018.

• Amendment to IAS 28 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) - The amendment will be applicable to annual periods beginning on or after 1 January 2018.

• Amendments to IAS 40 titled Transfers of Investment Property (issued in December 2016) – The amendments will be applicable to annual periods beginning on or after 1 January 2018.

• IFRIC 22 titled Foreign Currency Transactions and Advance Consideration (issued in December 2016) – The Interpretation will be applicable to annual periods beginning on or after 1 January 2018.

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

NOTES (CONTINUED)

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

• IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017) - The Interpretation will be applicable to annual periods beginning on or after 1 January 2019.

• Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)- The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

• Amendments to IAS 12 titled Recognition of Deferred Tax Assets (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, provide additional guidance on the estimation of future taxable profits when considering the recoverability of deferred tax assets.

• Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, require enhanced disclosure concerning changes in liabilities arising from financing activities.

• Amendment to IFRS 12 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) - The amendment, applicable to annual periods beginning on or after 1 January 2017, clarifies the scope of the standard.

The Directors do not plan to apply any of them until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements, other than in respect of the application of IFRS 16 Leases in year ending 30th September 2020: this will require right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the company is the lessee. The impact has not yet been quantified, but will result in an increase in non-current assets, an increase in non-current and current liabilities, and a reduction in retained earnings.