SPECIMEN FINANCIAL STATEMENTS

KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2011

Note 1:

This specimen provides an illustrative set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting requirements of the Kenyan Companies Act for accounting periods beginning 1st January 2011. The presentation format is not the only acceptable form of presentation and other forms of presentation may be acceptable provided that they comply with the disclosure requirements of IFRS.

The Institute acknowledges the key contribution by RSM Ashvir in preparing this specimen. The specimen is intended as guidance for members of ICPAK. The specimen is not an interpretation of IFRS, and where necessary, reference should be made to the specific standards.

Note 2: ***The specimen does not cover the following standards:***

- IAS 11 Construction Contracts
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 26 Accounting and Reporting by Retirement Benefit Plans
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investment in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Investment in Joint Ventures
- IAS 33 Earnings Per Share
- IAS 32/39, IFRS 7 Hybrid and Complex Financial Instruments
- IAS 34 Interim Financial Reporting
- IAS 41 Agriculture
- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 4 Insurance Contracts
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRS 8 Operating Segments
- IFRS 9 Financial Instruments

Note 3:

Each item in the specimen financial statements is referenced (on the right) to the applicable disclosure and reporting requirements of the IFRS and the Kenyan Companies Act respectively. The following reference format has been used in this specimen:
IAS 1-120(a): refers to International Accounting Standard 1, paragraph 120(a)
IFRS 7-21: refers to International Financial Reporting Standard 7, paragraph 21
CA: refers to the reporting requirements of the Kenyan Companies Act
BP: refers to best reporting practice adopted in Kenya

Note 4:

Text within square brackets ([…]) represents guidance that does not form part of the Specimen Financial Statements.

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[If supplementary information, such as a detailed schedule of operating expenditure, is to be included, it should be made clear that it does not form part of the audited financial statements.] IAS 1-49

****[In these specimen financial statements, the titles required by the Kenyan Companies Act have been used.]*** IAS 1-10

Board of directors	………………………………..	CA
	………………………………..	
	………………………………..	
	………………………………..	
	………………………………..	
Company secretary	……………………………….	BP
	……………………………….	
	……………………………….	
Registered office	L.R. No. ……………………..	IAS 1-138(a)
	…th Floor, …………. Building	
	…………………. Street/Road	
	P.O. Box ……………….	
	Nairobi,	
	Kenya.	
Independent auditor	……………………………….	
	Certified Public Accountants	
Principal bankers	………………………………..	BP
	………………………………..	
Legal advisers	………………………………..	BP
	………………………………..	

The directors submit their report together with the audited financial statements for the year ended 31st December 2011, which disclose the state of affairs of the company. CA - 157(1)

Incorporation

The company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Kenyan Companies Act. The address of the registered office is set out on page 1. IAS 1-138(a)

Principal activities

The principal activities of the company are …………………………………………………………….. IAS 1-138(b)
CA

Results and dividends

The net profit/(loss) for the year of Shs ………... (2010: Shs …...……) has been added to/deducted from retained earnings. During the year, an interim dividend of Shs ………… (2010: Shs …………) was paid. The directors recommend the approval of a final dividend of Shs .... (2010: Shs ....). CA - 157(1)

[Or]
The net profit/(loss) for the year of Shs ………… (2010: Shs …………) has been added to/deducted from retained earnings. The directors do not recommend the declaration of a dividend for the year.

Directorate

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

Auditor

The company's auditor, ………..., has expressed its willingness to continue in office in accordance with Section 159 (2) of the Kenyan Companies Act.

[Or]
During the year, ………… was appointed as the company's auditor and has expressed its willingness to continue in office in accordance with the Section 159 (2) of the Kenyan Companies Act.

By order of the board

…………………………………..
Director/Company Secretary

Nairobi …………..…………………... 2012

Kenya Limited
Statement of directors' responsibilities
For the year ended 31st December 2011

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

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
ii) selecting and applying appropriate accounting policies; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31st December 2011 and of its 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.

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

Approved by the board of directors on ………………………………….. 2012 and signed on its behalf by:

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

Report on the financial statements

We have audited the accompanying financial statements of Kenya Limited, set out on pages _ to _, which comprise the balance sheet as at 31st December 2011, and the profit and loss account, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal controls 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 on 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 for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31st December 2011 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements CA

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

Certified Public Accountants
Nairobi

………………………………….. 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	2011 Shs'000	2010 Shs'000	
Revenue	4			IAS 1-82(a)
Cost of sales				IAS 1-103
Gross profit				IAS 1-103
Other income	5			IAS 1-103
Changes in fair value	6			IAS 1-103
Gain on disposal of available-for-sale financial assets				IAS 39-55(b)
Selling and distribution expenses				IAS 1-103
Administrative expenses				IAS 1-103
Other expenses				IAS 1-103
Finance costs	7			IAS 1-82(b)
Profit/(loss) before tax expense/income	8			IAS 1-85
Tax expense/income	9			IAS 1-82(d) IAS 12-77
Profit/(loss) for the year attributable to the owners of the company				IAS 1-82(f)
Dividends:				CA
Interim - paid	10			
Final - proposed	10			

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	2011 Shs'000	2010 Shs'000	
Profit/(loss) for the year				
Other comprehensive income:				
Surplus/(deficit) on revaluation of property, plant and equipment	19			IAS 1-82(g)
Change in fair value of available-for-sale financial assets				IAS 1-82(g)
Reclassification adjustment: gain on disposal of available-for sale financial assets included in the profit and loss account				IAS 1-82(g)
Deferred income tax relating to components of other comprehensive income	16			IAS 1-91(b)
Other comprehensive income for the year, net of tax				
Total comprehensive income for the year attributable to the owners of the company				IAS 1-82(i)

BALANCE SHEET AT 31ST DECEMBER 2011

	Note	2011 Shs'000	2010 Shs'000	
EQUITY				IAS 1-54(r)
Share capital	11			IAS 1-55
Share premium	11			IAS 1-55
Revaluation surplus	12			IAS 1-55
Fair value reserve	13			IAS 1-55
Retained earnings				IAS 1-55
Proposed dividends	10			IAS 1-55/CA
Total equity				IAS 1-54(r)
Non-current liabilities				IAS 1-60
Borrowings	14			IAS 1-54(m)
Deferred income tax	16			IAS 1-54(o)
Provision for liabilities and charges	17			IAS 1-54(l)
Post-employment benefit obligations	18			IAS 1-54(l)
REPRESENTED BY				
Non-current assets				IAS 1-60
Property, plant and equipment	19			IAS 1-54(a)
Investment property	20			IAS 1-54(b)
Prepaid operating lease rentals	21			IAS 1-55
Intangible assets	22			IAS 1-54(c)
Financial assets	23			IAS 1-54(d)
Non-current receivables	24			IAS 1-54(h)
Deferred income tax	16			IAS 1-54(o)
Current assets				IAS 1-60
Inventories	25			IAS 1-54(g)
Trade and other receivables	26			IAS 1-54(h)
Current tax recoverable				IAS 1-54(n)
Financial assets	23			IAS 1-54(d)
Cash at bank and in hand	27			IAS 1-54(i)
Current liabilities				IAS 1-60
Trade and other payables	28			IAS 1-54(k)
Current tax				IAS 1-54(n)
Borrowings	14			IAS 1-54(m)
Provision for liabilities and charges	17			IAS 1-54(l)
Net current assets/(liabilities)				

The financial statements on pages …... to …... were authorised for issue by the board of directors on ....……………....……. 2012 and were signed on its behalf by: IAS 10-17

………………………………… **…………………………………**

Director **Director**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Other Reserves* Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000	
At 1st January 2010									
Changes in equity in 2010									
Profit/(loss) for the year									IAS 1-106(d)(i)
Surplus/(deficit) on revaluation of property, plant and equipment	19								IAS 1-106(d)(ii)
Change in fair value of available-for-sale financial assets									IAS 1-106(d)(ii)
Reclassification adjustment: gain on disposal of available-for sale financial assets									IAS 1-106(d)(ii)
Deferred income tax relating to components of other comprehensive income	16								IAS 1-106(d)(ii)
Total comprehensive income for the year									IAS 1-106(a)
Transactions with owners:									IAS 1-106(d)(iii)
Shares issued for cash/Bonus issue of shares	11								
Dividends:									IAS 1-107
- Final for 2009									
- Proposed for 2010									
Transfer of excess depreciation									IAS 16-41
Deferred income tax on depreciation transfer	16								IAS 12-61A(b)
Transfer on disposal of property, plant and equipment									IAS 16-41
Deferred income tax on disposal	16								IAS 12-61A(b)
At 31st December 2010									IAS 1-106(d)
At 1st January 2011									
Changes in equity in 2011									
Profit/(loss) for the year									IAS 1-106(d)(i)
Surplus/(deficit) on revaluation of property, plant and equipment	19								IAS 1-106(d)(ii)
Change in fair value of available-for-sale financial assets									IAS 1-106(d)(ii)
Reclassification adjustment: gain on disposal of available-for sale financial assets									IAS 1-106(d)(ii)
Deferred income tax relating to components of other comprehensive income	16								IAS 1-106(d)(ii)
Total comprehensive income for the year									IAS 1-106(a)
Transactions with owners:									IAS 1-106(d)(iii)
Shares issued for cash/Bonus issue of shares	11								
Dividends:									IAS 1-107
- Final for 2010									
- Proposed for 2011									
Transfer of excess depreciation									IAS 16-41
Deferred income tax on depreciation transfer	16								IAS 12-61A(b)
Transfer on disposal of property, plant and equipment									IAS 16-41
Deferred income tax on disposal	16								IAS 12-61A(b)
At 31st December 2011									IAS 1-106(d)

**** [Other reserves should be analysed into their separate components i.e. fair value reserve/statutory reserve, etc.]***

[Note: the analysis of other comprehensive income included in the 'boxes' above can alternatively be presented in a Note.] IAS 1-106A

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	2011 Shs'000	2010 Shs'000	
Cash flows from operating activities				IAS 7-18(b)
Profit for the year				
Adjustments for:				IAS 7-18(b)
Income tax expense				
Depreciation of property, plant and equipment	19			
Depreciation of investment property *(cost model)*	20			
Amortisation of prepaid operating lease rentals	21			
Amortisation of intangible assets	22			
Changes in fair value	6			
Increase/(decrease) in provision for liabilities and charges				
Increase/(decrease) in post-employment benefit obligations				
(Profit)/loss on disposal of property, plant and equipment				
Interest expense	7			
Interest income	5			
Operating profit/(loss) before working capital changes				
Decrease/(increase) in:				
Inventories				
Trade and other receivables				
Increase/(decrease) in:				
Trade and other payables				
Cash generated from operations				IAS 7-10, 18
Interest paid				IAS 7-31
Interest received	5			IAS 7-31
Income tax paid				IAS 7-35
Net cash generated from/(used in) operating activities				
Cash flows from investing activities				IAS 7-16/21
Purchase of property, plant and equipment	19			IAS 7-16(a)
Purchase of investment property	20			IAS 7-16(a)
Purchase of financial assets				IAS 7-16(c)
Proceeds from disposal of property, plant and equipment				IAS 7-16(b)
Proceeds from disposal of financial assets				IAS 7-16(d)
Dividends received				IAS 7-31
Net cash generated from/(used in) investing activities				
Cash flows from financing activities				IAS 7-17/21
Proceeds from issue of ordinary shares	11			IAS 7-17(a)
Proceeds from long-term borrowings				IAS 7-17(c)
Repayments of long-term borrowings				IAS 7-17(d)
Finance lease principal repayments				IAS 7-17(e)
Dividends paid				IAS 7-31
Net cash generated from/(used in) financing activities				
Net (decrease)/increase in cash and cash equivalents				
Cash and cash equivalents at 1st January				IAS 7-6
Cash and cash equivalents at 31st December	27			IAS 7-6

NOTES IAS 1-112

1. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below: IAS 1-112(a), 117(b)

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, which is also the functional currency (see (c) below), rounded to the nearest thousand (Shs'000). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. IAS 1-16/51 (d)/(e), 112(a), 117(a)

The financial statements comprise a profit and loss account (income statement), statement of comprehensive income, balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account 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.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the company. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

b) New and revised standards

i) Adoption of new and revised standards IAS 8-28

The following new and revised standards and interpretations have become effective for the first time for the financial year beginning 1st January 2011 and have been adopted by the company where relevant to its operations: IAS 8-28(a)
- IAS 24 - *Related Party Disclosures*
- IAS 32 (Amendment) - *Classification of Rights Issues*
- IFRIC 14 (Amendment) - *Prepayments of a Minimum Funding Requirement*
- IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments*
- The annual improvements project published in May 2010.

The adoption of the above has had no material effect on the company's accounting policies or disclosures.

[This section needs only to include the Standards and Interpretations that are relevant to the entity. The above list is illustrative only, and is not a comprehensive listing of all new and revised standards and interpretations. It is applicable for 31st December 2011 year ends only and will need to be amended for later periods.]

ii) New and revised standards and interpretations which have been issued but are not yet effective IAS 8-30

The following revised standards and interpretations have been published but are not yet effective for the year beginning 1st January 2011. The company has not early adopted any of these amendments or interpretations.
- IAS 12 (Amendment) - *Income Taxes*: the amendment requires that a rebuttable presumption be made that the carrying property of investment property carried at fair value will be recovered through sale. It is effective for accounting periods beginning on or after 1st January 2012.

NOTES (CONTINUED)

b) New and revised standards (continued)

ii) New and revised standards and interpretations which have been issued but are not effective (continu IAS 8-30

- IFRS 7 (Amendment) - *Disclosures - Transfers of financial assets:* The amendments improve the disclosure requirements in relation to transferred financial assets and are effective for accounting periods beginning on or after 1st July 2011.
- IAS 1 (Amendment) - *Presentation of financial statements*: the amendment will require entities to group items of other comprehensive income according to whether or not they will be subsequently reclassified to profit or loss. It is effective for accounting periods beginning on or after 1st July 2012.
- IAS 19 (Amendment) - *Employee Benefits*: The key amendments include elimination of the 'corridor approach', modification of accounting for termination payments, and changes to the disclosure requirements for defined benefit plans. The amendments are effective for accounting periods beginning on or after 1st January 2013.
- IFRS 9 - *Financial Instruments* will eventually replace IAS 39 - Financial Instruments, Recognition and Measurement. The new standard will be effective for annual periods beginning on or after 1st January 2015. The chapters published to date cover recognition, derecognition, classification and measurement of financial assets and financial liabilities. Most gains or losses on financial assets measured at fair value will then be recognised in profit or loss, but the company will be able to make an irrevocable election to present changes in fair value of investments in equity instruments in other comprehensive income.
- IAS 27 (Revised) - *Separate Financial Statements*; IAS 28 (Revised) *Investments in Associates and Joint Ventures*; IFRS 10 - *Consolidated Financial Statements*; IFRS 11 - *Joint Arrangements*; IFRS 12 - *Disclosure of Interests in Other Entities*: these revised and new standards become effective for accounting periods beginning 1st January 2013, and have to be adopted simultaneously if adopted earlier. IFRS 10 establishes new principles of control, which determines whether an investee should be consolidated: it replaces parts of IAS 27, which will then deal only with separate financial statements of a parent, and SIC 12 - *Consolidation of Special Purpose Entities*. IFRS 11 establishes new principles for determining the nature of a joint arrangement, and eliminates the 'proportionate consolidation' method for joint ventures. The revised IAS 28 deals with the application of the equity method of accounting for associates and joint ventures. IFRS 12 sets out revised disclosure requirements for subsidiaries, joint arrangements, associated and unconsolidated structured entities.
- IFRS 13 - *Fair Value Measurement*: the new standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. IFRS 13 applies when other standards require or permit fair value measurements: it does not introduce any new requirements to measure an asset or a liability at fair value. The new standard is effective for accounting periods beginning on or after 1st January 2013.
- IFRIC 20 - *Stripping costs in the production phase of a surface mine*: the Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for accounting periods beginning on or after 1st January 2013.

The Directors have assessed the potential impact of the above and expect that they will not have a significant impact on the company's financial statements for 2012, other than the amendment to IAS 12, which will result in the write back of the deferred tax liability in respect of investment property ***[tailor as appropriate]***. IFRS 9, when adopted, will result in changes in the classification of financial assets, with the four existing classes being reduced to two: amortised cost and fair value. IAS 8-30(b)

[The above list of revised standards and interpretations was drafted in December 2011. It should be extended to include all such changes up to the date of approval of the financial statements. It is applicable for 31st December 2011 year ends only and may need to be amended for later periods.]

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 the company operates), which is Kenya Shillings. IAS 21-8 IAS 21-21

NOTES (CONTINUED)

c) Translation of foreign currencies (continued)

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 the profit and loss account 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. IAS 21-21, 28, 30

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. Cash discounts are included as part of finance costs. IAS 18-35(a)

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

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

Dividend income is recognised when the right to receive the payment is established.

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

e) 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. IAS 23-10, 12, 14, 17, 22

f) 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 the profit and loss account 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. IAS 12-5, 61

<u>Current tax</u>

Current income 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. IAS 12-5

<u>Deferred income tax</u>

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined 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, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. IAS 12-15, 47

NOTES (CONTINUED)

f) Income tax (continued)

Deferred income 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. IAS 12-24, 37, 56

g) Share capital and share premium

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity. IAS 32-11

h) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting. IAS 10-12

i) Financial instruments IFRS 7-21

Classification

The company classifies its financial instruments into the following categories:

i) **Financial assets and financial liabilities at fair value through profit or loss,** which comprise financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking; ***[AND/OR:]*** IAS 39-9

Financial assets and financial liabilities at fair value through profit or loss, which comprise financial assets or financial liabilities designated by the company at fair value through profit or loss and which are managed and their performance evaluated on a fair value basis in accordance with the company's investment strategy. IAS 39-9

ii) **Held-to-maturity investments,** which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has a positive intention and ability to hold to maturity. IAS 39-9

iii) **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 entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets. IAS 39-9

iv) **Available-for-sale financial assets,** which comprise non-derivative financial assets that are designated as available-for-sale financial assets, and not classified under any of the other categories of financial assets. IAS 39-9

v) **Financial liabilities,** which comprise all financial liabilities except financial liabilities at fair value through profit or loss. IAS 39-47

Financial instrumentts held during the year were classified as follows: IFRS 7-7

- Demand and term deposits with banking institutions and trade and other receivables were classified as 'loans and receivables'.
- Government securities were classified as 'held-to-maturity investments'.
- Investments in quoted and non-quoted shares were classified as available-for-sale financial assets.
- Borrowings and trade and other liabilities were classified as financial liabilities.

Recognition and measurement

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. IAS 39-43

NOTES (CONTINUED)

i) Financial instruments (continued)

Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while all other financial assets are carried at their fair values, without deduction for transaction costs that may be incurred on sale. IAS 39-46

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. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value for quoted shares is determined using the quoted bid price at the balance sheet date while that of non-quoted shares is determined using valuation techniques ***[AND/OR]*** Investment in equity shares classified as available-for-sale assets for which there is no active market and whose fair value cannot be reliably measured are carried at cost.

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. In the case of held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate. IAS 36-59

Changes in fair value of financial assets at fair value through profit or loss are recognised in the profit and loss account. IAS 39-55(a)

Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss), which are recognised in the profit and loss account. In the year of sale, the cumulative gain or loss recognised in other comprehensive income is recognised in the profit or loss account as a reclassification adjustment. IAS 39-55(b)

Changes in the carrying values and impairment losses of held-to-maturity investments and 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. IAS 39-56

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. IAS 39-43, 47

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.

<u>Presentation</u>

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. IAS 1-66

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.

<u>Derecognition</u>

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. IAS 39-17

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

NOTES (CONTINUED)

i) Financial instruments (continued)

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. IAS 32-42

j) 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 incident 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. IAS 17-8, 20, 25

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. IAS 17-8,33

k) Provision for liabilities and charges

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. IAS 37-14

l) 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. IAS 19-25, 44, 120A(b)

[Defined benefit]

The company operates a defined benefit plan for all its employees, funded by contributions from the company and the employees. The plan defines the benefits an employee will receive on retirement. The assets of the scheme are held in a separate trustee administered scheme. IAS 19-25, 120A(b)

The liability 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, together with adjustments for unrecognised actuarial gains or losses and past service costs. 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. Actuarial gains and losses arising from experience judgements and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefits obligations are charged or credited to income over the employees' expected average remaining working lives. IAS 19-64, 93, 120A(a)

NOTES (CONTINUED)

l) Post-employment benefit obligations (continued)

[Note: Gratuity provisions are also defined benefit obligations and should therefore also be measured using the projected unit credit method.] IAS 19-64

[NSSF]

The company and the 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.

m) 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. IAS 19-10, 11

n) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. ***[OR]*** IAS 16-73(a) IAS 38-4

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. Freehold land/buildings/plant and machinery/furniture and equipment/computers, copiers and faxes/motor vehicles are subsequently carried at a revalued amount, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. IAS 16-31 IAS 38-4

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. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred. IAS 16-17

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 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. IAS 16-39, 40, 41

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: IAS 16-50, 73(b)

	Rate - %
Freehold land	Nil
Buildings	….
Plant and machinery	….
Motor vehicles	….
Furniture & fittings	….
Office equipment	….
Computers, copiers & faxes	….

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. IAS 16-43

NOTES (CONTINUED)

n) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. IAS 16-51

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. IAS 16-68 IAS 16-71 IAS 16-41

o) Investment property

[Select the appropriate model of measurement after recognition - fair value or cost.] IAS 40-30

[Fair value model]

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the balance sheet date determined by annual valuations carried out by external registered valuers/directors. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate. IAS 40-20/33/35

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

[Cost model]

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, excluding interest in leasehold land, is initially recognised at cost including the transaction costs. It is subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight line method to write down the cost of the property to its residual value over its estimated useful life using the following annual rates: IAS 40-6 IAS 40-56

	Rate - %
Freehold land	Nil
Buildings	….

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

p) Intangible assets

Software license costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of ....%. IAS 38-4, 72, 74, 118(a),(b)

q) 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. IAS 36-9 IAS 36-59

NOTES (CONTINUED)

r) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) ***[or*** **weighted average*]*** method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads based on normal operating capacity, but exclude 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. IAS 23-6, 7 IAS 2-10, 25, 28, 30, 36(a)

s) 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. IAS 7-46

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, 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. IAS 1-122, 125

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: IAS 1- 122

i) Whether it is probable that future taxable profits will be available against which temporary differences can be utilised; and IAS 12-34, 37

ii) Whether the company has the ability to hold 'held-to maturity' investments until they mature. If the company were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value. IAS 39-9

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: IAS 1-125

i) Retirement benefit obligations
Assumptions made by the actuary in determining the present value of retirement benefit obligations. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note _.

ii) Warranty provision
Estimates made in determining the warranty provision, which is based on past experience and may change based on actual cost of fulfilling the warranty. The carrying amount of the warranty provision is set out in Note _.

iii) 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 _.

[It should be noted that whereas these are examples of possible disclosures under paragraph 125 of IAS 1, that standard stipulates that "these assumptions and other sources of estimation uncertainty relate to estimates that require management's most difficult, subjective or complex judgements". Therefore, disclosure in accordance with paragraph 125 of IAS 1 would be made in respect of relatively few assets or liabilities (or classes of them). IAS 1 - BC81

A possible alternative disclosure where there are no difficult, complex or subjective judgements would be: "in the opinion of the directors, they have made no assumptions and there are no sources of estimation uncertainty that are likely to cause a material adjustment to the carrying amount of assets and liabilities within the next financial year".]

NOTES (CONTINUED)

3. Risk management objectives and policies ***[Tailor as appropriate - the disclosures should provide an overview of the company's exposure to risks based on the information provided to key management personnel.]*** IFRS 7-31

a) Financial risk management

The company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The company'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 company's performance by setting acceptable levels of risk. The company does not hedge against any risks. IFRS 7-33

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 company does not grade the credit quality of financial assets that are neither past due nor impaired. IFRS 7-33

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

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 maximum exposure of the company to credit risk as at the balance sheet date is as follows: IFRS 7-36(a)

31st December 2011	**Fully performing Shs'000**	**Past due but not impaired Shs'000**	**Past due and impaired Shs'000**	**Total Shs'000**
Financial assets				
Non-current receivables				
Trade receivables				
Other receivables				
Cash at bank				
Gross financial assets				

31st December 2010	**Fully performing Shs'000**	**Past due but not impaired Shs'000**	**Past due and impaired Shs'000**	**Total Shs'000**
Financial assets				
Non-current receivables				
Trade receivables				
Other receivables				
Cash at bank				
Gross financial assets				

The ageing analysis of past due but not impaired trade receivables is: ***[If there are other categories of financial assets which are past due but not impaired, similar disclosure to be provided.]*** IFRS 7-37(a)

NOTES (CONTINUED)

3. Risk management objectives and policies (continued) ***[Tailor as appropriate]***

a) Financial risk management (continued)

i) Credit risk (continued)

	2011 Shs'000	**2010 Shs'000**
0-3 months		
3-6 months		

The past due debtors are not impaired and continue to be paid. An impairment provision of Shs _________ (2010: Shs ________) is held against the impaired receivables. The company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables. IFRS 7-36(b), 37(b)

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 maintaining banking facilities to cover any shortfalls. Note _ provides details of additional undrawn facilities that may be utilised by the company to further reduce liquidity risk. IFRS 7-33, 39(b)

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities ***[time intervals to be based on what is provided to management, or what is appropriate for the business].*** The amounts disclosed are the contractual undiscounted cash flows. IFRS 7-39(a)

	Less than one month Shs'000	**Between 1-3 months Shs'000**	**Between 3-12 months Shs'000**	**Over 1 year Shs'000**
Year ended 31st December 2011				
Trade and other payables				
Borrowings - bank				
- others				

	Less than one month Shs'000	**Between 1-3 months Shs'000**	**Between 3-12 months Shs'000**	**Over 1 year Shs'000**
Year ended 31st December 2010				
Trade and other payables				
Borrowings - bank				
- others				

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. IFRS 7-33
[Sensitivity analysis should reflect changes that are reasonably possible - both positive and negative.]

NOTES (CONTINUED)

3. Risk management objectives and policies (continued) ***[Tailor as appropriate]***

iii) Market risk (continued)

Interest rate risk

The company is exposed to cash flow interest risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs. If the interest rates on the company's borrowings at the year-end were to increase/decrease by __ percentage points, with all other factors remaining constant, the post tax profit would be lower/higher by Shs ______ (2010: Shs ______) respectively. IFRS 7-33, 40

Currency risk ***[to be disclosed for each significant foreign currency]***

Currency risk arises on financial instruments that are denominated in foreign currency. The company has trade receivables, trade payables and borrowings which are denominated in foreign currency. IFRS 7-33

The significant exposure in respect of each currency is as follows: IFRS 7-33

	US$ Shs'000	**Euro Shs'000**	**Total Shs'000**
Year ended 31st December 2011			
Trade receivables			
Trade payables			
Borrowings			
Net exposure			

	US$ Shs'000	**Euro Shs'000**	**Total Shs'000**
Year ended 31st December 2010			
Trade receivables			
Trade payables			
Borrowings			
Net exposure			

If the United States Dollar and the Euro were to appreciate against the Kenya Shilling by __% and __% respectively, with all other factors remaining constant, the post tax profit would be lower by Shs ______ and Shs ______ (2010: Shs ______ and Shs ______) respectively. If the United States Dollar and the Euro were to depreciate against the Kenya Shilling by __% and __% respectively, with all other factors remaining constant, the post tax profit would be higher by Shs ______ and Shs ______ (2010: Shs ______ and Shs ______) respectively. IFRS 7-40

Other price risk

Other price risk arises on financial instruments because of changes in the price of a financial instrument. The company is exposed to other price risk on its investment in quoted shares. If the price of available-for-sale financial assets decreased/increased by __ %, with other factors remaining constant, other comprehensive income would decrease/increase by Shs ______ (2010: Shs ______). (In case of financial assets at fair value through profit or loss, the impact would be on profit). IFRS 7-33, 40

b) Capital management

The company'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 maximising the return to its shareholders. The company is not subject to any external capital requirements ***[OR]*** The company is subject to the following capital requirements ... ***[as imposed by its lenders, regulatory authorities or statute]*** . IAS 1-134, 135

NOTES (CONTINUED)

3. Risk management objectives and policies (continued) ***[Tailor as appropriate]***

b) Capital management (continued)

The company manages its capital by evaluating the working capital requirements and investment in non-current assets before borrowings and based on this requirement, setting an internal debt to equity ratio, which it monitors on a regular basis. The debt to equity ratio has been set at __%. There has not been any change in this since the last financial year. IAS 1-135(b)

The gearing ratio at the year-end was as follows:		2011 Shs'000	2010 Shs'000
Total borrowings			
Less: cash and cash equivalents			
Net debt			
Total equity			
Total capital resources			
Gearing	***[net debt over total capital resources]***	________%	________%

[Note: IAS 1 does not require disclosure of a gearing ratio. The above is only an illustration of how an entity might comply with the requirements in IAS 1-135 to its objectives for managing capital and how it is meeting those objectives.]

4. Revenue

Sales of goods			IAS 18-35(b)
Service income			IAS 18-35(b)

5. Other income

(a) Other income

Net rental income from investment property (Note 5(b))			IAS 40-75(f)
Net rental income from other property			
Dividend income			IFRS 7-20
- Available-for-sale financial assets			
- Financial assets at fair value through profit or loss			
Interest income			IFRS 7-20(b)
Available-for-sale financial assets			
Held-to-maturity investments			
Loans and receivables			

(b) Net rental income from investment property IAS 40-75

Rental income from investment property can be analysed as:			
Rental income			IAS 40-75(f)(i)
Direct operating expenses of investment property let			IAS 40-75(f)(ii)
Direct operating expenses of investment property not let			IAS 40-75(f)(iii)

NOTES (CONTINUED)

6. Changes in fair value

[Could be combined with other income if not material]

	2011 Shs'000	2010 Shs'000	
These comprise changes in fair value of:			
Investment property			IAS 40-76(d)
Financial assets at fair value through profit and loss held for trading			IFRS 7-20(a)(i)
Financial assets designated by the company at fair value through profit and loss			

7. Finance costs

	2011 Shs'000	2010 Shs'000	
Interest expense			IAS 1-82(b)
Bank loan			IFRS 7-20(b)
Bank overdraft			
Finance leases			
Net foreign exchange gain/(loss) on borrowings*			IAS 23-6(e)
Finance costs			

**** [Such exchange losses/gains should be classified as finance costs only if they can be regarded as an adjustment to interest costs.]*** IAS 23-6(e)

8. Profit/(loss) before tax expense/income

(a) Items charged

The following items have been charged in arriving at profit/(loss) before tax expense/income:

	2011 Shs'000	2010 Shs'000	
Inventories expensed			IAS 2-36(d)
Write down of inventories			IAS 2-36(e)
Employee benefits expense (Note 8(b))			IAS 1-104
Operating lease rentals expense			IAS 17-35(c)
Net foreign exchange loss/(gain)			IAS 21-52(a)
Depreciation of property, plant and equipment			IAS 1-104
Depreciation of investment property			IAS 1-104
Amortisation of prepaid operating lease rentals			IAS 1-104
Amortisation of intangible assets			IAS 1-104
Auditors' remuneration			CA
Current year			
Under/(over) provision in prior year			
Provision for impairment of financial assets			IFRS 7-20(e)
Available-for-sale financial assets			
Held-to-maturity investments			
Loans and receivables			

(b) Employee benefits expense

The following items are included in employee benefits expense:

	2011 Shs'000	2010 Shs'000	
Retirement benefit costs			
Defined benefit scheme			IAS 19-120A(g)
Defined contribution scheme			IAS 19-46
National Social Security Fund			IAS 19-46

NOTES (CONTINUED)

9. Tax expense/income

	2011 Shs'000	2010 Shs'000	
Current income tax			IAS 12-79, 80
Deferred income tax (Note 16)			
Income tax expense/(credit)			

The tax on the company's profit/(loss) before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows: IAS 12-81(c)

Profit/(loss) before income tax			
Tax calculated at the statutory tax rate of 30%			
Tax effect of:			
Income not subject to tax			
Expenses not deductible for tax purposes			
Change in tax rate			
Recognition of previously unrecognised deferred tax assets			
Income tax expense/(credit)			

10. Dividends

At the forthcoming annual general meeting, a final dividend in respect of the year ended 31st December 2011 of Shs …………… per share amounting to Shs …………… (2010: Shs ……….. per share amounting to Shs …………….) is to be proposed. During the year, an interim dividend of Shs ………... per share amounting to Shs ………….. (2010: Shs ………. per share amounting to Shs …………….) was paid. The total amount of dividend paid and proposed per share for the year is Shs .... (2010: Shs ....) amounting to Shs .... (2010: Shs ....). Where applicable, payment of non qualifying dividend is subject to deduction of withholding tax at a rate of 5% for residents and 10% for non-residents. IAS 1-107, 137, CA

11. Share capital

	No. of ordinary shares	Issued and fully paid up capital Shs'000	Share premium Shs'000	IAS 1-79(a)
At 1st January 2010				
Bonus issue				
At 31st December 2010				
Issue for cash/Bonus issue				
At 31st December 2011				

The total number of authorised ordinary shares is ……………… (2010: …...………..) with a par value of Shs …………… each.

On ………………….., the issued and paid up capital was increased from Shs ……….. to Shs ………… by a bonus issue of ……………. ordinary shares for every ……….. share held by capitalising Shs ……….. from retained earnings. On ……………….. the issued and paid up capital was increased from Shs ……….. to Shs ……….. by an issue for cash of ………… ordinary shares at a price of Shs ……….. per share.

The share premium account arose in 200_ on issue of shares at a premium and is not distributable. IAS 1-79(b)

NOTES (CONTINUED)

12. Revaluation surplus

The revaluation surplus arose on the revaluation of freehold land and buildings and is stated net of deferred income tax. The surplus is not distributable. IAS 1-79(b), IAS 16-77(f)

13. Fair value reserve

Gains or losses on available-for-sale financial assets are recognised, net of deferred income tax, directly in the fair value reserve and are transferred to the profit and loss account on disposal of the asset. The reserve is not distributable. IAS 1-79(b)

14. Borrowings

	2011 Shs'000	2010 Shs'000	
The borrowings are analysed as follows:			
Non-current			
Bank loans			
Loans from related parties (Note 29(vii))			
Other borrowings			
Finance leases (Note 15)			
Current			
Bank overdraft (Note 27)			
Bank loans			
Loans from related parties (Note 29(vii))			
Finance leases (Note 15)			
Total borrowings			CA

The borrowings are secured by:
* The bank overdraft facility from ……………………… Bank Ltd of Shs …………………… is secured by …………………………….. IAS 16-74(a), IFRS 7-14

* The loan facility from ……………………… Bank Ltd is secured by ……………………………..

[If not directly apparent, the disclosure should specifically include the carrying value of property, plant and equipment, financial assets, and inventories pledged as security.]

The carrying amount of the borrowings approximates to their fair value. Fair values are based on discounted cash flows using a discount rate based on the borrowing rate that would be available to the company at the balance sheet date. IFRS 7-25, 27

Included in borrowings is a loan of Shs ________ on which the company defaulted in making interest payments of Shs ________ /defaulted in the payment of instalment comprising the principal and interest amounting to Shs ________. The amounts were repaid together with penal interest/the terms of the loan have been renegotiated with the bank. IFRS 7-18, 19

The total amount of borrowing costs capitalised during the year was Shs _______ (2010: Shs _______) using a capitalisation rate of __% (2010: __%). IAS 23-29

At the year-end, the company had Shs ______ (2010: Shs ______) of undrawn facilities which it may utilise to fund its obligations. IAS 7-50(a) (encouraged)

<u>Contingent liabilities</u>

The company's bankers have issued letters of guarantees/letters of credit of Shs ______ (2010: Shs ______) in the ordinary course of business. These are secured by ………………………….

NOTES (CONTINUED)

15. Finance leases

	2011 Shs'000	2010 Shs'000	
Total minimum lease payments payable:			IAS 17-31
Not later than one year			
Later than one year and not later than five years			
Later than five years			
Less future finance costs inherent in the lease			
Present value of minimum lease payments			
The present value of minimum lease payments may be analysed as follows:			
Not later than one year			
Later than one year and not later than five years			
Later than five years			

16. Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2010: 30%). Deferred tax assets and liabilities, and the deferred tax charge/(credit) in the profit and loss account and in other comprehensive income are attributable to the following items: IAS 12-81(d) IAS 12-81(g)

Year ended 31st December 2011	At 1st January 2011 Shs'000	(Credited)/charged to profit & loss Shs'000	(Credited)/charged to other comprehensive income Shs'000	At 31st December 2011 Shs'000	
Deferred income tax asset					
Property, plant and equipment					
on historical cost basis					
Provision for liabilities and charges					
Tax losses carried forward					
Deferred income tax liability					
Property, plant and equipment					
on historical cost basis					
on revaluation surplus					
Investment property					
Available-for-sale financial assets					
Net deferred tax liability/(asset)					IAS 12-74

NOTES (CONTINUED)

16. Deferred income tax (continued)

Year ended 31st December 2010	**At 1st January 2010 Shs'000**	**(Credited)/charged to profit & loss Shs'000**	**(Credited)/charged to other comprehensive income Shs'000**	**At 31st December 2010 Shs'000**
Deferred income tax asset				
Property, plant and equipment				
on historical cost basis				
Provision for liabilities and charges				
Tax losses carried forward				
Deferred income tax liability				
Property, plant and equipment				
on historical cost basis				
on revaluation surplus				
Investment property				
Available-for-sale financial assets				
Net deferred tax liability/(asset)				

The (credit)/charge to other comprehensive income relates to:	**2011 Shs'000**	**2010 Shs'000**
Surplus/(deficit) on revaluation of property, plant and equipment		
Change in fair value of available-for-sale financial assets		
Reclassification adjustment: gain on disposal of available-for-sale financial assets included in the profit and loss account		

IAS 12-81(ab)

In addition, deferred tax of Shs ______ (2010: Shs ______) was transferred from the revaluation surplus to retained earnings. This relates to the difference between the actual depreciation of the revalued carrying amounts of buildings and plant and machinery and the equivalent depreciation based on the historical cost of those assets (the excess depreciation). IAS 12-64

Under the Kenyan Income Tax Act, with effect from 1st January 2010, tax losses are allowable as a deduction only in the four years succeeding the year in which they occurred. The tax losses of Shs _____ carried forward will expire as follows:

Arising in:	**Tax losses**	**Expiring:**
2010 and earlier		31st December 2014
2011		31st December 2015
Tax losses carried forward		

The deferred tax asset has been recognised based on the projected future taxable profits that will be available against which the deductible temporary differences and tax losses can be utilised ***[OR]*** The deferred tax asset has not been recognised on deductible temporary differences and tax losses carried forward amounting to Shs ______ (2010: Shs ______) due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilised. IAS 12-82, 81(e)

If the whole of the retained earnings as at the reporting date were to be distributed, a further Shs _____ (2010: Shs _____) of tax would be payable. This liability has not been recognised. IAS 12-82A

NOTES (CONTINUED)

17. Provisions for liabilities and charges

	Warranties Shs'000	Others* Shs'000	Total Shs'000	
At 1st January 2010				IAS 37-84
Net increase charged to profit and loss account				
Utilised during the year				
At 31st December 2010				
Less: current portion				
Non-current portion				
At 1st January 2011				
Net increase charged to profit and loss account				
Utilised during the year				
At 31st December 2011				
Less: current portion				
Non-current portion				

The warranty provision represents the company's liabilities under the __ months warranty given on sale of ________. The estimate is based on past experience of defective products. IAS 37-85

[Each class to be disclosed separately.]

18. Post-employment benefit obligations

The amounts recognised in the balance sheet are determined as follows:	2011 Shs'000	2010 Shs'000	
Present value of funded obligations			IAS 19-120A(f)
Fair value of scheme assets			
Present value of unfunded obligation/(over-funding)			
Unrecognised actuarial gains/(losses)			
Unrecognised prior service cost			
Liability/asset in the balance sheet			

The movement in the defined benefit obligation over the year is:			IAS 19-120A(c)
At 1st January			
Current service cost			
Interest cost			
Actuarial losses/(gains)			
Benefits paid			
Past service costs			
At 31st December			

The movement in the fair value of plan assets is as follows:			IAS 19-120A(e)
At 1st January			
Expected return on plan assets			
Actuarial losses/(gains)			
Employer contributions			
Employee contributions			
Benefits paid			
At 31st December			

NOTES (CONTINUED)

18. Post-employment benefit obligations (continued)

Plan assets comprise:	**2011 Shs'000**	**2010 Shs'000**	IAS 19-120A(j)
Equity investments			
Debt securities			
Investment property			
Other			
Total			

Pension plan assets include a building occupied by the company with a fair value of Shs ….. (2010: Shs …..). IAS 19-120A(k)

The expected return on plan assets is determined as follows: IAS 19-120A(l)
i) Equity investments: All equity investments included in plan assets are listed on the Nairobi Stock Exchange. Expected rates of return are based on recent experience.
ii) Debt securities: All debt securities are Kenyan government bills and bonds. Their expected return is based on the current level of returns for the respective remaining periods to maturity.
iii) Investment property: by reference to long-term rates of return experienced in the markets where the properties are located.

The actual return on plan assets was Shs ….. (2010: Shs …..). IAS 19-120A(m)

Expected contributions to the plan for the year ending 2012 are Shs ….. IAS 19-120A(q)

The amounts recognised in the profit and loss account for the year are as follows:	**2011 Shs'000**	**2010 Shs'000**	IAS 19-120A(g)
Current service cost			
Interest cost			
Expected return on scheme assets			
Net actuarial losses recognised in the year			
Past service costs			
Net charge for the year included in employee benefits expense (Note _)			

Of the total charge, Shs ….. (2010: Shs …..) is included in cost of sales, and Shs ….. (2010: Shs …..) in administrative expenses. IAS 19-120A(g)

The principal actuarial assumptions used were as follows:	**2011 %**	**2010 %**	IAS 19-120A(g)
Discount rate			
Expected rate of return on scheme assets			
Future salary increases			
Future pension increases			

The following table analyses the amounts for the current year and previous four years of the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan, the experience adjustments arising on the plan assets and liabilities at 31st December: IAS 19-120A(p)

	2011 Shs'000	**2010 Shs'000**	**2009 Shs'000**	**2008 Shs'000**	**2007 Shs'000**
Present value of the defined benefit obligation					
Fair value of the plan assets					
Surplus/(deficit) at 31st December					
Experience adjustments on plan liabilities					
Experience adjustments on plan assets					

NOTES (CONTINUED)

IAS 1-78(a)
IAS 16-73(d),(e)

19. Property, plant and equipment	**Freehold land Shs'000**	**Leasehold land* and buildings Shs'000**	**Plant & machinery Shs'000**	**Motor vehicles Shs'000**	**Furniture & fittings Shs'000**	**Office equipment Shs'000**	**Computers, copiers & faxes Shs'000**	**Capital work-in-progress Shs'000**	**Total Shs'000**
At 1st January 2010									
Cost or valuation									
Accumulated depreciation									
Net carrying amount									
Year ended 31st December 2010									
Opening carrying amount									
Revaluation surplus									
Additions									
Disposals									
Impairment loss									
Depreciation charge									
Closing carrying amount									
At 31st December 2010									
Cost or valuation									
Accumulated depreciation									
Net carrying amount									
Year ended 31st December 2011									
Opening carrying amount									
Additions									
Disposals									
Impairment loss									
Depreciation charge									
Closing carrying amount									
At 31st December 2011									
Cost or valuation									
Accumulated depreciation									
Net carrying amount									

[Leasehold land that meets the criteria for classification as a finance lease, may be included in property, plant and equipment.]

[Other layouts for presenting the movements in property, plant and equipment (with comparatives) are acceptable provided they comply with IAS 16-73(d) and (e).]

NOTES (CONTINUED)

19. Property, plant and equipment (continued)

Freehold land, buildings and plant and machinery were valued on ………………….. by ……………………………., independent valuers, on the basis of open market value. 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. IAS 16-77

If the freehold land, buildings and plant and machinery were stated on the historical cost basis, the carrying values would be as follows: IAS 16-77(e)

	Freehold land Shs'000	**Buildings Shs'000**	**Plant & machinery Shs'000**
31st December 2011			
Cost			
Accumulated depreciation			
Net book amount			
31st December 2010			
Cost			
Accumulated depreciation			
Net book amount			

Property, plant and equipment with a carrying amount of Shs ………….. (2010: Shs …………...) are subject to finance leases ***[disclosure required for each class separately]*** . IAS 17-31(a)

20. Investment property

[Fair Value Model]	**2011 Shs'000**	**2010 Shs'000**	IAS 40-76
At 1st January			
Additions through acquisition			
Additions from capital expenditure			
Transfers from/(to) property, plant and equipment			
Disposals			
Fair value gains/(losses)			
At 31st December			

Interest in leasehold land is included in the fair value of the investment property. IAS 40-6

The investment property has not been independently valued by a registered valuer and the fair value is based on estimates made by the directors ***[OR]*** The fair value of the investment property is based on the valuation carried out on .... by ...., independent valuers, on the basis of open market value. The valuer is a registered valuer and has recent experience in the location and the investment property being valued. IAS 40-75 (d),(e)

NOTES (CONTINUED)

20. Investment property (continued)

[Cost Model]	**Freehold Shs'000**	**Buildings Shs'000**	**Total Shs'000**	IAS 40-79
At 1st January 2010				
Cost				
Accumulated depreciation				
Net carrying amount				
Year ended 31st December 2010				
Opening carrying amount				
Additions through acquisition				
Additions from capital expenditure				
Disposals				
Transfers from/(to) property, plant & equipment				
Depreciation charge				
Closing carrying amount				
At 31st December 2010				
Cost				
Accumulated depreciation				
Net carrying amount				
Year ended 31st December 2011				
Opening carrying amount				
Additions through acquisition				
Additions from capital expenditure				
Disposals				
Transfers from/(to) property, plant & equipment				
Depreciation charge				
Closing carrying amount				
At 31st December 2011				
Cost				
Accumulated depreciation				
Net carrying amount				
Fair value at 31st December 2011				IAS 40-79(e)
Fair value at 31st December 2010				

Fair values of the investment property are based on estimates made by the directors.

NOTES (CONTINUED)

21. Prepaid operating lease rentals

Disclosure voluntary

Prepaid operating lease rentals are recognised at historical cost and subsequently amortised over the lease period.

The movement in prepaid operating lease rentals is as follows:

	2011	2010
Cost	**Shs'000**	**Shs'000**
At 1st January		
Additions		
Disposals		
At 31st December		
Amortisation		
Amortisation		
Eliminated on disposal		
At 31st December		
Net book amount		
At 31st December		
At 31st December		

22. Intangible assets

IAS 38-118(c),(e)

Software costs	**2011**	**2010**
	Shs'000	**Shs'000**
Cost		
At 1st January		
Additions		
At 31st December		
Amortisation		
At 1st January		
Charge for the year		
At 31st December		
Net book amount		
At 31st December		
At 31st December		

NOTES (CONTINUED)

23. Financial assets IFRS 7-8

	2011 Shs'000	2010 Shs'000
Non-current		
Held-to-maturity investments		
Government securities		
Available-for-sale financial assets		
Equity investments		
Corporate bonds		
Current		
Held-to-maturity investments		
Government securities		
Financial assets at fair value through profit or loss		
Equity investments		

The fair values of the held-to-maturity assets at the balance sheet date were: IFRS 7-26

Non-current		
Government securities		
Current		
Government securities		

The fair values of held to maturity investment securities are based on prices published by brokers. Fair values of term deposits are based on discounted cash flows using a discount rate based on current market rates offered for deposits with similar maturity dates. IFRS 7-27

The categorisation of assets carried at fair value by the levels defined below is as follows: IFRS 7-27B

IFRS 7-IG13A

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
At 31st December 2011				
Available-for-sale financial assets				
Equity investments				
Corporate bonds				
Financial assets at fair value through profit or loss				
Equity investments				
Total				
At 31st December 2010				
Available-for-sale financial assets				
Equity investments				
Corporate bonds				
Financial assets at fair value through profit or loss				
Equity investments				
Total				

NOTES (CONTINUED)

23. Financial assets (continued)

The levels in fair value hierarchy used above within which the fair value measurement is categorised are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets; IFRS 7-27A(a)

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); IFRS 7-27A(b)

Level 3: inputs for the asset that are not based on observable market data. IFRS 7-27A(c)

The movement in the fair value of those assets measured at fair value based on Level 3 were as follows: IFRS 7-27B(c)

IFRS 7-IG13B

	Available-for sale financial assets		Financial assets at fair value through profit or loss	Total	
	Equity investments **Shs'000**	Corporate bonds **Shs'000**	Equity investments **Shs'000**	**Shs'000**	
Year ended 31st December 2011					
At start of year					
Purchases					IFRS 7-27B(c)
Sales					IFRS 7-27B(c)
Total gains or losses:					
- recognised in the profit or loss					IFRS 7-27B(c)
- recognised in other comprehensive income					IFRS 7-27B(c)
At end of year					
Total gains or losses for the period included in the profit and loss account for assets held at the end of the reporting period					IFRS 7-27B(d)
Year ended 31st December 2010					
At start of year					
Purchases					IFRS 7-27B(c)
Sales					IFRS 7-27B(c)
Total gains or losses:					
- recognised in the profit or loss					IFRS 7-27B(c)
- recognised in other comprehensive income					IFRS 7-27B(c)
At end of year					
Total gains or losses for the period included in the profit and loss account for assets held at the end of the reporting period					IFRS 7-27B(d)

NOTES (CONTINUED)

24. Non-current receivables

	2011 Shs'000	2010 Shs'000	
Loans to directors (Note 29(vi))			

The fair values of non-current receivables approximates their carrying values. IFRS 7-29

25. Inventories

IAS 2-36(b)

	2011 Shs'000	2010 Shs'000
Raw materials		
Packaging materials		
Consumables		
Work-in-progress		
Finished goods		
Less: provision for stock impairment		

The movement in provision for stock write-down can be analysed as follows:

	2011 Shs'000	2010 Shs'000
At 1st January		
Net increase/(decrease) charged to profit and loss account		
Provisions utilised		
At 31st December		

The carrying amount of inventory carried at fair value less costs to sell* is Shs ______ (2010: Shs ______). IAS 2-36(c)

['Fair value less costs to sell' is not the same as 'net realisable value'. It is only commodity broker-traders that are allowed to carry inventory at fair value less costs to sell.] IAS 2-3(b)

26. Trade and other receivables

	2011 Shs'000	2010 Shs'000
Trade receivables (Note 29(iii))		
Less: provision for impairment losses		
Net trade receivables		
Prepayments		
Other receivables		
Other receivables from related parties (Note 29(iii))		

The movement on the provision for impairment losses is as follows: IFRS 7-16

	2011 Shs'000	2010 Shs'000
At 1st January		
Net increase/decrease charged to profit and loss account		
Provisions utilised		
At 31st December		

The fair value of the trade and other receivables approximates their fair value. IFRS 7-29

NOTES (CONTINUED)

27. Cash and cash equivalents

	2011 Shs'000	2010 Shs'000	
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:			IAS 7-45
Cash and current account balances			
Short-term bank deposits			
Cash at bank and in hand			
Bank overdraft (Note 14)			

28. Trade and other payables

	2011 Shs'000	2010 Shs'000
Trade payables (Note 29(iii))		
Accruals		
Other payables		
Payable to directors (Note 29(vi))		
Payables to related parties (Note 29(iii))		

The fair value of other payables approximates their fair value. IFRS 7-29

29. Related party transactions

The holding company is ……………………………, incorporated in ………………., while the ultimate holding company is …………………………, incorporated in ……………………. The company is related to other companies which are related through common shareholding or common directorships. IAS 24-12 CA

The following transactions were carried out with related parties. IAS 24-17, 18

i) Purchase of goods and services

	2011 Shs'000	2010 Shs'000
- Parent company		
- Subsidiaries		
- Associate		
- Other related parties		

ii) Sale of goods and services

	2011 Shs'000	2010 Shs'000
- Parent company		
- Subsidiaries		
- Associate		
- Other related parties		

Sales and purchases to/from related parties were made at terms and conditions similar to those offered to/by major customers/suppliers ***[This disclosure, if made, needs to be substantiated]*** . IAS 24-21

NOTES (CONTINUED)

29. Related party transactions (continued)

	2011 Shs'000	**2010 Shs'000**	
iii) Outstanding balances arising from sale and purchase of goods/services			
Trade receivables from related parties (Note 26)			
- Parent company			
- Subsidiaries			
- Associate			
- Other related parties			
Other receivables from related parties (Note 26)			
- Parent company			
- Subsidiaries			
- Associate			
- Other related parties			
Trade payables to related parties (Note 28)			
- Parent company			
- Subsidiaries			
- Associate			
- Other related parties			
Other payables to related parties (Note 28)			
- Parent company			
- Subsidiaries			
- Associate			
- Other related parties			

There are no impairment provisions held against any related party balances.

iv) Directors' remuneration			CA
Directors' remuneration			
- As executives (included in Note 28(v))			
- Fees			
v) Key management compensation (including directors' remuneration)			
Salaries and other employment benefits			IAS 24-16(a)
Post-employment benefits			IAS 24-16(b)
Other long-term benefits			IAS 24-16(c)
Termination benefits			IAS 24-16(d)
vi) Directors' accounts			CA
At 1st January			
Directors' fees			
Amounts received from directors during the year			
Payments on behalf of directors			
Interest charged/(paid)			
Amounts re-paid			
At 31st December			

The loans to directors are unsecured and bear interest at 10% per annum. They are all repayable within 2 years of the reporting date.

NOTES (CONTINUED)

29. Related party transactions (continued)

vii) Loans from related parties *[for holding company, separate disclosure required]*

	2011 Shs'000	2010 Shs'000
At 1st January		
Amounts received during the year		
Interest charged		
Amounts repaid		
At 31st December		

viii) Contingencies

The company has guaranteed a bank loan to ***[parent company, subsidiaries, associates or other related party]*** of Shs …………………… IAS 24-20(h)

30. Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

Property, plant and equipment			IAS 16-74(c)
Investment property			IAS 40-75(h)
Intangible assets			IAS 38-122(e)

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows: IAS 17-35(a)

Not later than 1 year		
Later than 1 year and not later than 5 years		
Later than 5 years		

The directors are of the view that future net revenues and funding will be sufficient to cover these commitments.

31. Contingent liabilities

In the normal course of operations, the Kenya Revenue Authority carried out a tax audit and has subsequently raised an assessment of Shs ______. Based on professional advice received, the directors estimate that no material liability will arise on the assessment and hence have made no provision. IAS 37-86