SPECIMEN GENERIC IFRS FINANCIAL STATEMENTS

KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2017

Note 1: ***This specimen provides an illustrative set of individual financial statements for a private company prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting requirements of the Kenyan Companies Act, 2015 for accounting periods beginning 1st January 2017.***

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. 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 presentation and disclosure requirements of IFRS.

The Institute acknowledges the key contribution by RSM Eastern Africa in preparing this specimen.

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

- IAS 11 Construction Contracts
- IAS 17 Leases - *Lessor accounting for finance leases*
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 26 Accounting and Reporting by Retirement Benefit Plans
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 33 Earnings Per Share
- IAS 32/39, IFRS 7 Financial Instruments - *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 (not yet effective)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers (not yet effective)
- IFRS 16 Leases (not yet effective)
- IFRS 17 Insurance Contracts (not yet effective)

Note 3: ***Each item in the specimen financial statements is referenced (on the left) to the applicable requirements of IFRS and the Kenyan Companies Act, 2015. 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
CAs653: refers to the reporting requirements in section 653 of the Kenyan Companies Act, 2015
BP: refers to best reporting practice adopted in Kenya
DV: disclosure is voluntary

Note 4: ***Text within square brackets ([…]) represents guidance that does not form part of the Specimen Financial Statements.***

Note 5: ***Included as an Appendix to the specimen financial statements, but not part of them, is a summary of new and revised Standards and Interpretations for 2017.***

Note 6: ***This specimen is applicable only for financial years ending on or after 15th June 2017.***

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IAS 1-49 ***[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 1-10 ****[In these specimen financial statements, the titles required by the Kenyan Companies Act, 2015 have been used.]***

CAs654(1)	**Board of directors**	……………………………….. ……………………………….. ……………………………….. ……………………………….. ………………………………..
BP	**Company secretary**	………………………………. ………………………………. ……………………………….
IAS 1-138(a)	**Registered office**	L.R. No. …………………….. …th Floor, …………. Building …………………. Street/Road P.O. Box ………………. Nairobi, Kenya.
	Independent auditor	……………………………….. Certified Public Accountants ……………………………….. ……………………………….. P.O. Box ………………. ……………………………….. Kenya.
BP	**Principal bankers**	……………………………….. ………………………………..
BP	**Legal advisers**	……………………………….. ………………………………..

CAs653 The directors submit their report together with the audited financial statements for the year ended 31st December 2017.

Incorporation

IAS 1-138(a) The company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 1.

Directorate

CAs654(1) The directors who held office during the year and to the date of this report are set out on page 1.

CAs654(1) **Principal activities**

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

Recommended dividend

CAs654(3) The directors recommend the approval of a final dividend of KSh .... (2016: KSh ....).

[Or]
The directors do not recommend the declaration of a dividend for the year.

Business review

CAs655(3) ***[This section shall include: (a) a fair review of the company's business; and (b) a description of the principal risks and uncertainties facing the company. It should be a balanced and comprehensive analysis of the development and performance of the business of the company during the company's financial year and the financial position of the company at the end of the year, consistent with the size and complexity of the business.]***

CAs655(6) ***[The review should include (to the extent necessary for an understanding of the development, performance or position of the company's business): (a) an analysis using financial key performance indicators; (b) if appropriate, an analysis using other key performance indicators (including information relating to environmental matters and employee matters); and (c) references to, and additional explanations of, amounts included in the company's annual financial statements.]***

Statement as to disclosure to the company's auditor

CAs657(2) With respect to each director at the time this report was approved:
(a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

CAs725 **Terms of appointment of the auditor**

[Name of audit firm] continues in office in accordance with the company's Articles of Association and Section 719 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KSh xxx has been charged to profit or loss in the year. ***[Regulations in respect of this disclosure are yet to be issued by the Cabinet Secretary.]***

By order of the board

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

Nairobi …………..………..……... 2018

CAs635
CAs628

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

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

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

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

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

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

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

Opinion

We have audited the accompanying financial statements of Kenya Limited (the company), set out on pages _ to _, which comprise the balance sheet as at 31st December 2017, the profit and loss account and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

CAs727 In our opinion the accompanying financial statements give a true and fair view of the financial position of the company as at 31st December 2017 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, 2015.

Basis for opinion

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

Other information

ISA 720 The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

CA - 728 In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

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

CAs728 In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

CAs730(2) ***[If, in reporting on the financial statements the auditor forms the opinion:***
a) That the company has not kept adequate accounting records; or
b) The company's financial statements are not in agreement with the company's accounting records;
the auditor shall state that opinion in this section of the report.]

ICPAK
CAs735 The engagement partner responsible for the audit resulting in this independent auditor's report was ***[F]*** CPA ***[name of partner]*** , Practising Certificate No. ....

CAs735 **……………………………….**
Certified Public Accountants
Nairobi

………………………………….. 2018

[Note: this specimen applies only to companies that are not required to include key audit matters in the auditor's report, and only to financial years ending on or after 15th June 2017. It is illustrative of an 'unmodified' opinion given in accordance with ISA 700.]

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2017

		Note	2017 KSh'000	2016 KSh'000
IAS 1-82(a)	Revenue	4		
IAS 1-103	Cost of sales			
IAS 1-103	**Gross profit**			
IAS 1-103	Other income	5		
IAS 1-103	Changes in fair value	6		
IAS 39-55(b)	Gain on disposal of available-for-sale financial assets			
IAS 1-103	Selling and distribution expenses			
IAS 1-103	Administrative expenses			
IAS 1-82(b)	Finance costs	7		
IAS 1-85	**Profit/(loss) before tax expense/income**	8		
IAS 1-82(d)	Tax expense/income	9		
IAS 12-77 IAS 1-81B(a)	**Profit/(loss) for the year attributable to the owners of the company**			

IAS 1-10A **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2017**

		Note	2017 KSh'000	2016 KSh'000
IAS 1-10A	**Profit/(loss) for the year**			
	Other comprehensive income			
IAS 1-82A(a)	Items that will not be reclassified subsequently to profit or loss:			
IAS 1-82(g)	Surplus/(deficit) on revaluation of property, plant and equipment	18		
IAS 19-120(c)	Remeasurement of net defined benefit asset/liability	17		
IAS 1-90 IAS 1-91(b)	Deferred income tax relating to items that will not be reclassified	15		
IAS 1-82A(b)	Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
IAS 1-82A	Change in fair value of available-for-sale financial assets			
IAS 1-92 IAS 1-94 IAS39-55(b)	Reclassification adjustment: gain on disposal of available-for sale financial assets included in the profit and loss account			
IAS 1-90 IAS 1-91(b)	Deferred income tax relating to items that may be reclassified	15		
IAS 1-81A(b)	**Other comprehensive income for the year, net of tax**			
IAS 1-81A(c) IAS 1-81B(b)	**Total comprehensive income for the year attributable to the owners of the company**			

[Alternatively, each component of other comprehensive income can be presented net of tax, with the tax relating to each component disclosed in the Notes.]

BALANCE SHEET AT 31ST DECEMBER 2017

		Note	2017 KSh'000	2016 KSh'000
IAS 1-39				
IAS 1-54(r)	**EQUITY**			
IAS 1-55	Share capital	10		
IAS 1-55	Share premium	10		
IAS 1-55	Revaluation surplus	11		
IAS 1-55	Fair value reserve	12		
IAS 1-55	Retained earnings			
IAS 1-54(r)	**Total equity**			
IAS 1-60	**Non-current liabilities**			
IAS 1-54(m)	Borrowings	13		
IAS 1-54(o)	Deferred income tax	15		
IAS 1-54(l)	Provision for liabilities	16		
IAS 1-54(l)	Post-employment benefit obligations	17		
	REPRESENTED BY			
IAS 1-60	**Non-current assets**			
IAS 1-54(a)	Property, plant and equipment	18		
IAS 1-54(b)	Investment property	19		
IAS 1-55	Prepaid operating lease rentals	20		
IAS 1-54(c)	Intangible assets	21		
IAS 1-54(d)	Financial assets	22		
IAS 1-54(h)	Non-current receivables	23		
IAS 1-54(o)	Deferred income tax	15		
IAS 1-60	**Current assets**			
IAS 1-54(g)	Inventories	24		
IAS 1-54(h)	Trade and other receivables	25		
IAS 1-54(n)	Current tax recoverable			
IAS 1-54(d)	Financial assets	22		
IAS 1-54(i)	Cash at bank and in hand	26		
IAS 1-60	**Current liabilities**			
IAS 1-54(k)	Trade and other payables	27		
IAS 1-54(n)	Current tax			
IAS 1-54(m)	Borrowings	13		
IAS 1-54(l)	Provision for liabilities	16		
	Net current assets/(liabilities)			

IAS 10-17
CAs652

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2017

		Note	Share capital KSh'000	Share premium KSh'000	Revaluation surplus KSh'000	Other reserves** KSh'000	Retained earnings KSh'000	Total KSh'000
	At 1st January 2016							
	As previously reported							
	Prior period adjustment	*						
	As restated							
	Changes in equity in 2016							
IAS 1-106(d)(i)	Profit/(loss) for the year							
IAS 1-106(d)(ii	Surplus/(deficit) on revaluation of property, plant and equipment	18						
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	15						
IAS 1-106(a)	Total comprehensive income for the year							
IAS 1-106(d)(iii	Transactions with owners:							
	Shares issued for cash/Bonus issue of shares	10						
IAS 1-107	Dividends:	28						
	- Final for 2015							
	- Interim for 2016							
IAS 16-41	Transfer of excess depreciation							
IAS 12-61A(b)	Deferred income tax on depreciation transfer	15						
IAS 16-41	Transfer on disposal of property, plant and equipment							
IAS 12-61A(b)	Deferred income tax on disposal	15						
IAS 1-106(d)	**At 31st December 2016**							
	At 1st January 2017							
	As previously reported							
	Prior period adjustment	*						
	As restated							
	Changes in equity in 2017							
IAS 1-106(d)(i)	Profit/(loss) for the year							
IAS 1-106(d)(ii	Surplus/(deficit) on revaluation of property, plant and equipment	18						
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	15						
IAS 1-106(a)	Total comprehensive income for the year							
IAS 1-106(d)(iii	Transactions with owners:							
	Shares issued for cash/Bonus issue of shares	10						
IAS 1-107	Dividends:	28						
	- Final for 2016							
	- Interim for 2017							
IAS 16-41	Transfer of excess depreciation							
IAS 12-61A(b)	Deferred income tax on depreciation transfer	15						
IAS 16-41	Transfer on disposal of property, plant and equipment							
IAS 12-61A(b)	Deferred income tax on disposal	15						
IAS 1-106(d)	**At 31st December 2017**							

***** [Prior period adjustments comprise material prior period errors (IAS 8-42) and the effects of retrospective application of a change in an accounting policy (IAS 8-22). They would be explained in a Note, which is not illustrated in this template. Neither is the balance sheet as at the beginning of the comparative period, which is required under IAS 1-10(f), included in this illustration.]***
***** [Other reserves should be analysed into their separate components i.e. fair value reserve/statutory reserve, etc.]***

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2017

		Note	2017 KSh'000	2016 KSh'000
IAS 7-18(b)	**Cash flows from operating activities***			
	Profit for the year			
IAS 7-18(b)	Adjustments for:			
	Income tax expense	9		
	Depreciation of property, plant and equipment	18		
	Depreciation of investment property ***[cost model]***	19		
	Amortisation of prepaid operating lease rentals	20		
	Amortisation of intangible assets	21		
	Changes in fair value	6		
	Increase/(decrease) in provision for liabilities and charges	16		
	Increase/(decrease) in post-employment benefit obligations	17		
	(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			
IAS 7-10, 18	**Cash generated from operations**			
IAS 7-31	Interest paid	13		
IAS 7-31	Interest received			
IAS 7-35	Income tax paid			
	Net cash generated from/(used in) operating activities			
IAS 7-16/21	**Cash flows from investing activities**			
IAS 7-16(a)	Purchase of property, plant and equipment	18		
IAS 7-16(a)	Purchase of investment property	19		
IAS 7-16(c)	Purchase of financial assets			
IAS 7-16(b)	Proceeds from disposal of property, plant and equipment			
IAS 7-16(d)	Proceeds from disposal of financial assets			
IAS 7-31	Dividends received			
	Net cash generated from/(used in) investing activities			
IAS 7-17/21	**Cash flows from financing activities**			
IAS 7-17(a)	Proceeds from issue of ordinary shares	10		
IAS 7-17(c)	Proceeds from long-term borrowings	13		
IAS 7-17(d)	Repayments of long-term borrowings	13		
IAS 7-17(e)	Payments under finance leases	13		
IAS 7-31	Dividends paid	28		
	Net cash generated from/(used in) financing activities			
	Net (decrease)/increase in cash and cash equivalents			
IAS 7-6	**Cash and cash equivalents at start of year**			
IAS 7-6	**Cash and cash equivalents at end of year**	26		

IAS 7-18(b) ***[This illustrates the indirect method of reporting cash flows from operating activities.]*

IAS 1-112

NOTES

1. Summary of significant accounting policies

IAS 1-112(a), 117(b)

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

a) Basis of preparation

IAS 1-16/51 (d)/(e), 112(a)

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

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.

Measurement basis

IAS 1-117(a)

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

IFRS 13-9
IFRS 13-61, 67

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

IFRS 13-72
IFRS 13-76, 81, 86
IFRS 13-95

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

b) New and revised standards

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

IAS 8-28(a) A number of amendments to standards became effective for the first time in the financial year beginning 1st January 2017 and have been adopted by the company. None of them has had an effect on the company's financial statements, except for amendments made to IAS 7 *Statement of Cash Flows*, which has resulted in enhanced disclosures concerning changes in liabilities arising from financing activities (included in Note 13).

[This section needs only to include the Standards, Amendments and Interpretations that have had an effect on the entity. A summary of all new and amended standards and interpretations that became effective for the first time in the financial year beginning 1st January 2017 is included in the appendix to these specimen financial statements. Preparers of financial statements should review the appendix to establish whether any of the changes have had an effect on the entity's financial statements.]

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

The company has not applied any new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2017 (see Note 32).

IAS 8-30(b) The Directors do not plan to apply any of them until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements, other than in respect of the application of IFRS 16 *Leases* in 2019: this will require right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the company is the lessee. The impact has not yet been quantified, but will result in an increase in non-current assets, an increase in non-current and current liabilities, and a reduction in retained earnings. ***[Tailor as appropriate: IAS 8 - 30 (b) requires that the entity discloses known or reasonably estimable information relevant to assessing the possible impact that the application will have on the financial statements in the period of initial application.]***

c) Translation of foreign currencies

IAS 21-8
IAS 21-21 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 21-21, 28, 30 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.

d) Revenue recognition

IAS 18-35(a) 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.

Sale of goods are recognised upon the delivery of the product and customer acceptance ***[other wording might be appropriate provided it reflects transfer of the significant risks and rewards of ownership]***, 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.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

d) Revenue recognition (continued)

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

IAS 23-10, 12, 14, 17, 22

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 and loss account in the year in which they are incurred.

f) Income tax

IAS 12-5, 61

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.

Current tax

IAS 12-5

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

Deferred income tax

IAS 12-47

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

IAS 12-51C

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

IAS 12-15

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

IAS 12-24, 37, 56

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

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

g) Share capital and share premium

IAS 32-11 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.

h) Dividends

IAS 10-12 Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Proposed dividends are not recognised until they have been declared at an annual general meeting.

IFRS 7-21 **i) Financial instruments**

<u>Classification</u>

The company classifies its financial instruments into the following categories:

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

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

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

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

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

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

IFRS 7-21 **i) Financial instruments (continued)**

Recognition and measurement

Financial assets:

IAS 39-43 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 39-46 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. However, investments 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 less impairment.

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.

IAS 36-59 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 39-55(a) 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(b) 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 39-56 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.

Financial liabilities:

IAS 39-43, 47 All financial liabilities are recognised initially at the fair value of the consideration given less the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit and loss account.

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

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

IFRS 7-21 **i) Financial instruments (continued)**

Presentation

IAS 1-66 All financial assets are classified as non-current except financial assets at fair value through profit or loss, those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

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

Derecognition

IAS 39-17 Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or the company has transferred substantially all risks and rewards of ownership.

IAS 39-39 Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting

IAS 32-42 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.

j) Leases

Finance leases as the lessee

IAS 17-8, 20, 25 Leases of property, plant and equipment including hire purchase contracts where the company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

Operating leases

IAS 17-8,33 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.

k) Provisions for liabilities

IAS 37-14 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.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

l) Post-employment benefit obligations

[Defined contribution]

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

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.

[Defined benefit]

IAS 19-64, 67, 83

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

IAS 19-120(a) and (b)

The following components of defined benefit cost are included in profit or loss:
• The service cost of the defined benefit plan (comprising current service costs, past service costs (including curtailment gains or losses) and any gain or loss on settlement)
• The net interest on the net defined benefit liability/asset.

IAS 19-120(c), 122, 127

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

IAS 19-26,29

[Note: Gratuity provisions, for example under a Collective Bargaining Agreement, are also defined benefit obligations and should therefore also be measured using the projected unit credit method. They will normally be unfunded.]

IAS 19-51

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

m) Short term employee benefits

IAS 19-11, 13, 16

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

n) Property, plant and equipment

IAS 16-73(a)
IAS 38-4

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]***

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

n) Property, plant and equipment (continued)

IAS 16-31
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 16-17

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the company over those originally assessed 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 16-39, 40, 41

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

IAS 16-50, 73(b)

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

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

IAS 16-43

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 16-51

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

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

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.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

o) Investment property

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

[Fair value model]

IAS 40-20/33/35 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 (Level __). 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.

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]

IAS 40-6
IAS 40-56 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:

	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

IAS 38-4, 72, 74, 118(a),(b) Software licence 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 ....%.

q) Impairment of non-financial assets

IAS 36-9
IAS 36-59 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.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

r) Inventories

IAS 23-6, 7
IAS 2-10, 25, 28, 30, 36(a)

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, variable production overheads and an allocation of fixed 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.

s) Cash and cash equivalents

IAS 7-46

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.

2. Significant judgements and key sources of estimation uncertainty

IAS 1-122, 125 IAS 8-36

In the process of applying the accounting policies adopted by the company, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. 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. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

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

IAS 1- 122

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 12-34, 37

i) Whether it is probable that future taxable profits will be available against which temporary differences can be utilised; and

IAS 39-9

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.

b) Key sources of estimation uncertainty

IAS 1-125
IAS 8-32

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

i) 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 _.

NOTES (CONTINUED)

2. Significant judgements and key sources of estimation uncertainty (continued)

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 _.

IAS 1 - BC81 ***[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).***

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".]

IFRS 7-31 **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.]***

a) Financial risk management

IFRS 7-33 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.

i) Credit risk

IFRS 7-33 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.

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 a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

NOTES (CONTINUED)

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

a) Financial risk management (continued)

i) Credit risk (continued)

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

31st December 2017	**Fully performing KSh'000**	**Past due but not impaired KSh'000**	**Impaired KSh'000**	**Total KSh'000**
Financial assets				
Non-current receivables				
Trade receivables				
Other receivables				
Cash at bank				
Maximum exposure to credit risk				

31st December 2016	**Fully performing KSh'000**	**Past due but not impaired KSh'000**	**Impaired KSh'000**	**Total KSh'000**
Financial assets				
Non-current receivables				
Trade receivables				
Other receivables				
Cash at bank				
Maximum exposure to credit risk				

IFRS 7-B9(b) ***[The amounts disclosed above should be net of any impairment losses recognised.]***

IFRS 7-37(a) 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.]***

	2017 KSh'000	**2016 KSh'000**
0-3 months		
3-6 months		

IFRS 7-36(b), 37(b) The past due debtors are not impaired and continue to be paid. An impairment provision of KSh _________ (2016: KSh ________) 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.

ii) Liquidity risk

IFRS 7-33, 39(b) 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.

NOTES (CONTINUED)

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

ii) Liquidity risk (continued)

IFRS 7-39(a) 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.

	Less than one month KSh'000	Between 1-3 months KSh'000	Between 3-12 months KSh'000	Over 1 year KSh'000
31st December 2017				
Trade and other payables				
Borrowings - bank				
- others				

	Less than one month KSh'000	Between 1-3 months KSh'000	Between 3-12 months KSh'000	Over 1 year KSh'000
31st December 2016				
Trade and other payables				
Borrowings - bank				
- others				

iii) Market risk

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

Interest rate risk

IFRS 7-33, 40(a), (b) The company is exposed to cash flow interest rate risk on its variable rate borrowings resulting from 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. Management consider that a change in interest rates of __ percentage points in the year ending 31st December 2017 is reasonably possible. If the interest rates on the company's borrowings at the year-end were to increase/decrease by this number of percentage points, with all other factors remaining constant, the post tax profit and equity would be lower/higher by KSh ______ (2016: KSh ______) respectively.

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

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

NOTES (CONTINUED)

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

iii) Market risk (continued)

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

	US$ KSh'000	Euro KSh'000	Total KSh'000
Year ended 31st December 2017			
Trade receivables			
Trade payables			
Borrowings			
Net exposure			
Year ended 31st December 2016			
Trade receivables			
Trade payables			
Borrowings			
Net exposure			

IFRS 7-40 Management consider that an appreciation of the United States Dollar and the Euro against the Kenya Shilling of __% and __% respectively or a depreciation of the United States Dollar and the Euro against the Kenya Shilling of __% and __% respectively in the year ending 31st December 2018 are both reasonably possible. If the United States Dollar and the Euro were to appreciate/depreciate against the Kenya Shilling by the said percentages, with all other factors remaining constant, the post tax profit and equity would be lower/higher by KSh ______/ KSh _____ (2016: KSh ______ and KSh ______) respectively.

Other price risk

IFRS 7-33, 40 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. Management consider that a change in the market prices of its quoted shares of __% either way in the year ending 31st December 2018 is reasonably possible. If the price of available-for-sale financial assets decreased/increased by the said percentage, with other factors remaining constant, other comprehensive income and equity would decrease/increase by KSh ______ (2016: KSh ______). ***[In the case of financial assets at fair value through profit or loss, the impact would be on profit.]***

b) Capital management

IAS 1-134, 135 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 1-135(b) 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.

NOTES (CONTINUED)

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

b) Capital management (continued)

The gearing ratio at the year-end was as follows:		2017 KSh'000	2016 KSh'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 disclose its objectives for managing capital and how it is meeting those objectives.]

	4. Revenue	2017 KSh'000	2016 KSh'000
IAS 18-35(b)	Sales of goods		
IAS 18-35(b)	Service income		

5. Other income

(a) Other income

		2017	2016
IAS 40-75(f)	Rental income from investment property		
	Rental income from other property		
IFRS 7-20	Dividend income		
	- Available-for-sale financial assets		
	- Financial assets at fair value through profit or loss		
IFRS 7-20(b)	Interest income		
	Available-for-sale financial assets		
	Held-to-maturity investments		
	Loans and receivables		
	Net foreign exchange gain		

6. Changes in fair value

[Could be presented as a component of other income if not material]
These comprise changes in fair value of:

		2017	2016
IAS 40-76(d)	Investment property		
IFRS 7-20(a)(i)	Financial assets at fair value through profit and loss held for trading		
	Financial assets designated by the company at fair value through profit and loss		

NOTES (CONTINUED)

		2017	2016
	7. Finance costs	**KSh'000**	**KSh'000**
IAS 1-82(b)	Interest expense		
IFRS 7-20(b)	Bank loan (Note 13)		
	Bank overdraft		
	Finance leases (Note 13)		
IAS 23-6(e)	Net foreign exchange gain/(loss) on borrowings*		

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

		2017	2016
	8. Profit/(loss) before tax expense/income	**KSh'000**	**KSh'000**
	(a) Items charged		
	The following items have been charged in arriving at profit/(loss) before tax expense/income:		
IAS 2-36(d),38	Inventories expensed ***[often this will be the same as cost of sales]***		
IAS 2-36(e)	Write down of inventories		
IAS 1-104	Employee benefits expense (Note 8(b))		
IAS 17-35(c)	Operating lease rentals expense		
IAS 21-52(a)	Net foreign exchange loss/(gain)		
IAS 40-75(f)(ii)	Direct operating expenses of investment property let		
IAS 40-75(f)(iii)	Direct operating expenses of investment property not let		
IAS 1-104	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		
IFRS 7-20(e)	Provision for impairment of financial assets		
	Available-for-sale financial assets		
	Held-to-maturity investments		
	Loans and receivables		

CA - 649(5) **(b) Employee benefits expense *[include executive directors]***

The following items are included in employee benefits expense:

	Wages and salaries		
	Retirement benefit costs:		
	- Defined benefit scheme		
IAS 19-46	- Defined contribution scheme		
IAS 19-46	- National Social Security Fund		

CAs649 The average number of persons employed during the year, by category, were:

		Number	Number
	Production		
	Sales and distribution		
	Management and administration		
	Total		

CAs649(2) ***[The categories are to be determined by management, having regard to the manner in which the company's activities are organised.]***

NOTES (CONTINUED)

			2017 KSh'000	2016 KSh'000
	9.	**Tax expense/income**		
IAS 12-79, 80		Current income tax		
		Deferred income tax (Note 15)		
IAS 12-80(g)		Write down/(reversal of a write down) of a deferred tax asset		
		Income tax expense/(credit)		

IAS 12-81(c) 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:

	2017 KSh'000	2016 KSh'000
Profit/(loss) before income tax		
Tax calculated at the statutory tax rate of 30%		
Tax effect of:		
Income not subject to tax		
Income subject to tax at 5%		
Expenses not deductible for tax purposes		
Change in tax rate		
Write down/(reversal of a write down) of a deferred tax asset		
Income tax expense/(credit)		

IAS 1-79(a) **10. Share capital**

	No. of ordinary shares	Issued and fully paid up capital KSh'000	Share premium KSh'000
At 1st January 2016			
Bonus issue			
At 31st December 2016			
Issue for cash/Bonus issue			
At 31st December 2017			

The total number of authorised ordinary shares is ……………… (2016: …...………..) with a par value of KSh …………… each.

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

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

11. Revaluation surplus

IAS 1-79(b), IAS 16-77(f) 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.

12. Fair value reserve

IAS 1-79(b) 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.

NOTES (CONTINUED)

13. Borrowings

	2017 KSh'000	2016 KSh'000
The borrowings are analysed as follows:		
Non-current		
Bank loans		
Loans from related parties (Note 29(iv))		
Other borrowings		
Finance leases (Note 14)		
Current		
Bank overdraft (Note 26)		
Bank loans		
Loans from related parties (Note 29(iv))		
Finance leases (Note 14)		
Total borrowings		

IFRS 7-25, 27 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 (Level 2).

IAS 7-44A

Reconciliation of liabilities arising from financing activities:	**Long term borrowings KSh'000**	**Finance leases KSh'000**	**Total KSh'000**
Year ended 31 December 2017			
At start of year			
Interest charged to profit or loss			
IAS 23-29 Borrowing costs capitalised during the year			
Foreign exchange (gain)/loss			
Cash flows:			
Operating activities (interest paid)			
Proceeds from long-term borrowings			
Amounts financed through finance leases			
Repayments of long-term borrowings			
Payments under finance leases			
At end of year			
Year ended 31 December 2016			
At start of year			
Interest charged to profit or loss			
IAS 23-29 Borrowing costs capitalised during the year			
Foreign exchange (gain)/loss			
Cash flows:			
Operating activities (interest paid)			
Proceeds from long-term borrowings			
Amounts financed through finance leases			
Repayments of long-term borrowings			
Payments under finance leases			
At end of year			

NOTES (CONTINUED)

13. Borrowings (continued)

The borrowings are secured by:

IAS 16-74(a), IFRS 7-14

* The bank overdraft facility from ……………………… Bank Ltd of KSh …………………… is secured by ……………………………..

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

IAS 16-74(a)

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

IFRS 7-18, 19

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

IAS 7-50(a) (encouraged)

At the year-end, the company had KSh ______ (2016: KSh ______) of undrawn facilities which it may utilise to fund its obligations.

Other facilities

The company's bankers have issued guarantees/letters of credit of KSh ______ (2016: KSh ______) in the ordinary course of business. These are secured by ………………………….

14. Finance leases

		2017 KSh'000	2016 KSh'000
IAS 17-31	**Total minimum lease payments payable:**		
	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		

NOTES (CONTINUED)

15. Deferred income tax

IAS 12-81(d)
IAS 12-81(g)

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

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

Year ended 31st December 2017	**At 1st January 2017 KSh'000**	**(Credited)/charged to profit or loss KSh'000**	**(Credited)/charged to other comprehensive income KSh'000**	**At 31st December 2017 KSh'000**
Property, plant and equipment				
on historical cost basis				
on revaluation surplus				
Investment property				
Provision for liabilities				
Provision for impairment of receivables				
Tax losses carried forward				
IAS 12-74 **Net deferred tax asset/(liability)**				

Year ended 31st December 2016	**At 1st January 2016 KSh'000**	**(Credited)/charged to profit or loss KSh'000**	**(Credited)/charged to other comprehensive income KSh'000**	**At 31st December 2016 KSh'000**
Property, plant and equipment				
on historical cost basis				
on revaluation surplus				
Investment property				
Provision for liabilities				
Provision for impairment of receivables				
Tax losses carried forward				
IAS 12-74 **Net deferred tax asset/(liability)**				

IAS 12-81(ab) The (credit)/charge to other comprehensive income relates to:	**2017 KSh'000**	**2016 KSh'000**
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Surplus/(deficit) on revaluation of property, plant and equipment		
Remeasurement of net defined benefit asset/liability		
<u>Items that will be reclassified subsequently to profit or loss when</u>		
Change in fair value of available-for-sale financial assets		
Reclassification adjustment: gain on disposal of available-for-sale		

NOTES (CONTINUED)

15. Deferred income tax (continued)

IAS 12-64 In addition, deferred tax of KSh ______ (2016: KSh ______) 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 12-82, 81(e) The deferred tax asset has been recognised based on management's projections of future taxable profits that will be available against which the deductible temporary differences and tax losses can be utilised. [OR] The deferred tax asset has not been recognised on deductible temporary differences and tax losses carried forward amounting to KSh ______ (2016: KSh ______) due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilised. Under the Kenyan Income Tax Act, tax losses are allowable as a deduction only in the nine years succeeding the year in which they occurred. The tax losses of KSh _____ carried forward will expire as follows:

IAS 12-81(e)

Arising in:	**Tax losses KSh'000**	**Expiring:**
2016		31st December 2025
2017		31st December 2026
Tax losses carried forward		

IAS 12-82A If the whole of the retained earnings as at the reporting date were to be distributed, a further KSh _____ (2016: KSh _____) of tax would be payable. This liability has not been recognised.

16. Provisions for liabilities

IAS 37-84

	Warranties KSh'000	**Others* KSh'000**	**Total KSh'000**
At 1st January 2016			
Net increase charged to profit and loss account			
Utilised during the year			
Unused amounts reversed during the period			
At 31st December 2016			
Less: current portion			
Non-current portion			
At 1st January 2017			
Net increase charged to profit and loss account			
Utilised during the year			
At 31st December 2017			
Less: current portion			
Non-current portion			

IAS 37-85 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.

**** [Each class to be disclosed separately.]***

NOTES (CONTINUED)

17. Post-employment benefit obligations

IAS 19-139(a)(i) The company operates a funded defined benefit plan for qualifying employees. Under this plan, the employees are entitled to retirement benefits of 1/60th of their final salary for each year of service and a half pension to surviving spouses. Final salary is the average of the last three year's remuneration before retirement of the employee concerned. The assets of the scheme are held in a separate trustee administered fund.

IAS 19-139(b) The plan exposes the company to actuarial risks, in particular:
• Salary risk: any increase in the plan participants' salary will increase the plan's liability.
• Longevity risk: any increase in the plan participants' life expectancy will increase the plan's liability.
• Investment risk: if the actual return on plan assets is below the discount rate used in calculating the defined benefit plan liability, a plan deficit will arise; however, the composition of plan assets is balanced enough not to expose the company to significant concentrations of investment risk.
• Interest rate risk: a decrease in the bond interest rate will increase the plan liability (however, partially counterbalanced by an increase in the return on the plan's debt investments).

IAS 19-135(b), 141 The following table analyses the components of defined benefit costs recognised in comprehensive income:

	2017 KSh'000	2016 KSh'000
Current service cost		
Past service cost and loss arising from settlements		
Net interest expense		
Components of defined benefit costs recognised in profit or loss		
Return on plan assets (excluding amounts included in net interest expense)		
Actuarial losses arising from changes in demographic assumptions		
Actuarial gains arising from changes in financial assumptions		
Actuarial losses arising from experience adjustments		
Components of defined benefit costs recognised in other comprehensive income		

The net defined benefit liability ***[/asset]*** in the balance sheet comprises:

	2017 KSh'000	2016 KSh'000
Present value of the defined benefit obligation		
Less: fair value of plan assets		

IAS 19-140, 141 The movement in the defined benefit obligation over the year is:

	2017 KSh'000	2016 KSh'000
At start of year		
Current service cost		
Net interest expense		
Past service cost and loss arising from settlements		
Actuarial losses arising from changes in demographic assumptions		
Actuarial gains arising from changes in financial assumptions		
Actuarial losses arising from experience adjustments		
Benefits paid		
At end of year		

NOTES (CONTINUED)

17. Post-employment benefit obligations (continued)

IAS 19-140, 141

The movement in the fair value of plan assets is as follows:	**2017 KSh'000**	**2016 KSh'000**
At start of year		
Return on plan assets (excluding amounts included in net interest expense)		
Employer contributions		
Employee contributions		
Benefits paid		
At end of year		

IAS 19-142

The fair value of plan assets comprises:		
Equity investments:		
Manufacturing		
Financial institutions		
Agriculture		
Debt securities:		
Treasury bonds		
High quality corporate bonds		
Investment property		
Other		
Total		

IAS 19-142 Only the equity investments and debt securities are quoted in an active market (Level 1).

IAS 19-143 Pension plan assets include a building occupied by the company with a fair value of KSh ….. (2016: KSh …..).

IAS 19-144

The significant actuarial assumptions used were as follows:	**2017**	**2016**
IAS 19-83 Discount rate (%)		
IAS 19-87 Future salary increases (%)		
IAS 19-82 Life expectancy after retirement age (years)		

IAS 19-145(a) For each of the above significant actuarial assumptions, a sensitivity analysis has been determined based on reasonably possible changes of the assumption occurring at the end of the reporting period, while holding all other assumptions constant:

• If the discount rate is 1% higher (lower), the defined benefit obligation would decrease by KSh ..... (increase by KSh .....).

• If the expected rate of salary growth increases (decreases) by 1%, the defined benefit obligation would increase by KSh ..... (decrease by KSh .....).

• If the average life expectancy increases (decreases) by one year, the defined benefit obligation would increase by KSh ..... (decrease by KSh .....).

IAS 19-145(b) For the above sensitivity analysis, the present value of the defined benefit obligation has been determined using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in the statement of financial position.

Such sensitivity analysis might not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another.

IAS 19-147(b) The expected contributions to the plan during 2018 are KSh …..

IAS 19-147(c) The weighted average duration of the defined benefit obligation at 31st December 2017 is … years (2016: … years).

NOTES (CONTINUED)

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

18. Property, plant and equipment	**Freehold land KSh'000**	**Leasehold land* and buildings KSh'000**	**Plant and machinery KSh'000**	**Motor vehicles KSh'000**	**Furniture and fittings KSh'000**	**Office equipment KSh'000**	**Computers, copiers and faxes KSh'000**	**Capital work-in-progress KSh'000**	**Total KSh'000**
At 1st January 2016									
Cost or valuation									
Accumulated depreciation									
Net carrying amount									
Year ended 31st December 2016									
Opening carrying amount									
Revaluation surplus									
Additions									
Disposals									
Impairment loss									
Depreciation charge									
Closing carrying amount									
At 31st December 2016									
Cost or valuation									
Accumulated depreciation									
Net carrying amount									
Year ended 31st December 2017									
Opening carrying amount									
Additions									
Disposals									
Impairment loss									
Depreciation charge									
Closing carrying amount									
At 31st December 2017									
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)

18. Property, plant and equipment (continued)

IAS 16-77 Freehold land, leasehold land and buildings, and plant and machinery were valued (Level 2) on ***[date]*** 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(e) If the freehold land, leasehold land and buildings and plant and machinery were stated on the historical cost basis, the carrying values would be as follows:

	Freehold land KSh'000	Leasehold land and buildings KSh'000	Plant & machinery KSh'000
31st December 2017			
Cost			
Accumulated depreciation			
Net book amount			
31st December 2016			
Cost			
Accumulated depreciation			
Net book amount			

IAS 17-31(a) Property, plant and equipment with a carrying amount of KSh ………….. (2016: KSh …………...) are subject to finance leases [disclosure required for each class separately].

In the statement of cash flows, purchases of property, plant and equipment represent:

		2017 KSh'000	2016 KSh'000
	Additions, as above		
IAS 7-44(a)	Less: amounts financed through finance leases (Note 13)		

IAS 16-79(b) Fully depreciated plant still in use had a cost of KSh …… (2016: KSh …..).

19. Investment property

IAS 40-76 ***[Fair Value Model]***

	2017	2016
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		

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

NOTES (CONTINUED)

19. Investment property (continued)

IAS 40-75 (d),(e) The investment property has not been independently valued by a registered valuer and the fair value is based on estimates made by the directors based on discounted cash flows from projected rental incomes (Level 3) ***[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 (Level 2). The valuer is a registered valuer and has recent experience in the location and the category of the investment property being valued.

IAS 40-79

[Cost Model]	**Freehold land KSh'000**	**Buildings KSh'000**	**Total KSh'000**
At 1st January 2016			
Cost			
Accumulated depreciation			
Net carrying amount			
Year ended 31st December 2016			
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 2016			
Cost			
Accumulated depreciation			
Net carrying amount			
Year ended 31st December 2017			
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 2017			
Cost			
Accumulated depreciation			
Net carrying amount			
IAS 40-79(e) **Fair value at 31st December 2017**			
Fair value at 31st December 2016			

Fair values of the investment property are based on estimates made by the directors (Level 3).

NOTES (CONTINUED)

DV

20. Prepaid operating lease rentals

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:

	2017 KSh'000	2016 KSh'000
Cost		
At 1st January		
Additions		
Disposals		
At 31st December		
Amortisation		
Amortisation		
Eliminated on disposal		
At 31st December		
Net book amount		
At 31st December		

IAS 38-118(c),(e)

21. Intangible assets

Software costs

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		

NOTES (CONTINUED)

IFRS 7-8

22. Financial assets

	2017 KSh'000	2016 KSh'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		

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

Non-current	
Government securities	
Current	
Government securities	

IFRS 7-27 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 7-27B The categorisation of assets carried at fair value by the levels defined in Note 1(a) is as follows:

IFRS 7-IG13A

	Level 1 KSh'000	Level 2 KSh'000	Level 3 KSh'000	Total KSh'000
At 31st December 2017				
Available-for-sale financial assets				
Equity investments				
Corporate bonds				
Financial assets at fair value through profit or loss				
Equity investments				
Total				
At 31st December 2016				
Available-for-sale financial assets				
Equity investments				
Corporate bonds				
Financial assets at fair value through profit or loss				
Equity investments				
Total				

NOTES (CONTINUED)

22. Financial assets (continued)

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

IFRS 7-IG13B

		Available-for sale financial assets		Financial assets at fair value through profit or loss	Total
		Equity investments	Corporate bonds	Equity investments	
		KSh'000	KSh'000	KSh'000	KSh'000
	Year ended 31st December 2017				
	At start of year				
IFRS 7-27B(c)	Purchases				
IFRS 7-27B(c)	Sales				
	Total gains or losses:				
IFRS 7-27B(c)	- recognised in the profit or loss				
IFRS 7-27B(c)	- recognised in other comprehensive income				
	At end of year				
IFRS 7-27B(d)	Total gains or losses for the period included in the profit and loss account for assets held at the end of the reporting period				
	Year ended 31st December 2016				
	At start of year				
IFRS 7-27B(c)	Purchases				
IFRS 7-27B(c)	Sales				
	Total gains or losses:				
IFRS 7-27B(c)	- recognised in the profit or loss				
IFRS 7-27B(c)	- recognised in other comprehensive income				
	At end of year				
IFRS 7-27B(d)	Total gains or losses for the period included in the profit and loss account for assets held at the end of the reporting period				

NOTES (CONTINUED)

23. Non-current receivables	**2017 KSh'000**	**2016 KSh'000**
Loans to directors (Note 29(vii))		

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

IAS 2-36(b) **24. Inventories**

Raw materials		
Packaging materials		
Consumables		
Work-in-progress		
Finished goods		

Write down of inventories recognised as an expense during the year amounted to KSh ______ (2016: KSh ______).

IAS 2-36(c) The carrying amount of inventory carried at fair value less costs to sell* is KSh ______ (2016: KSh ______).

IAS 2-3(b) ***['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.]***

25. Trade and other receivables

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

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

At 1st January		
Net increase/decrease charged to profit and loss account		
Provisions utilised		
At 31st December		

IFRS 7-29(a) ***[Disclosure of the fair value of trade and other receivables is required if the carrying amount is not a reasonable approximation of fair value.]***

NOTES (CONTINUED)

26. Cash and cash equivalents

IAS 7-45 For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2017 KSh'000	2016 KSh'000
Cash and current account balances		
Short-term bank deposits		
Cash at bank and in hand		
Bank overdraft (Note 13)		

IAS 7-48 ***[If there are significant cash and cash equivalent balances held by the entity that are not available for its use, this should be disclosed.]***

27. Trade and other payables

Trade payables (Note 29(iii))		
Accruals		
Other payables		
Payable to directors (Note 29(vii))		
Payables to related parties (Note 29(iii))		

IFRS 7-29(a) ***[Disclosure of the fair value of trade and other payables is required if the carrying amount is not a reasonable approximation of fair value.]***

28. Dividends

IAS 1-107, 137 At the forthcoming annual general meeting, a final dividend in respect of the year ended 31st December 2017 of KSh …………… per share amounting to KSh …………… (2016: KSh ……..….. per share amounting to KSh …………….) is to be proposed. During the year, an interim dividend of KSh ………... per share amounting to KSh ………….. (2016: KSh ………. per share amounting to KSh …………….) was paid. The total amount of dividend paid and proposed per share for the year is KSh .... (2016: KSh ....) amounting to KSh ....

IAS 12-81(i) ***[If payment of the proposed dividend would trigger payment of compensating tax, the amount of such tax should be disclosed.]***

29. Related party transactions

IAS 24-13 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 24-18, 19 The following transactions were carried out with related parties.

i) Purchase of goods and services

	2017 KSh'000	2016 KSh'000
- Parent company		
- Subsidiaries		
- Associate		
- Other related parties		

NOTES (CONTINUED)

	2017	2016
29. Related party transactions (continued)	**KSh'000**	**KSh'000**
ii) Sale of goods and services		
- Parent company		
- Subsidiaries		
- Associate		
- Other related parties		

IAS 24-23 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]*** .

iii) Outstanding balances arising from sale and purchase of goods/services

	2017	2016
Trade receivables from related parties (Note 25)		
- Parent company		
- Subsidiaries		
- Associate		
- Other related parties		
Other receivables from related parties (Note 25)		
- Parent company		
- Subsidiaries		
- Associate		
- Other related parties		
Trade payables to related parties (Note 27)		
- Parent company		
- Subsidiaries		
- Associate		
- Other related parties		
Other payables to related parties (Note 27)		
- Parent company		
- Subsidiaries		
- Associate		
- Other related parties		

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

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

	2017	2016
At 1st January		
Amounts received during the year		
Interest charged		
Amounts repaid		
At 31st December		

v) Key management compensation (including directors' remuneration)

		2017	2016
IAS 24-17(a)	Salaries and other employment benefits		
IAS 24-17(b)	Post-employment benefits		
IAS 24-17(c)	Other long-term benefits		
IAS 24-17(d)	Termination benefits		

NOTES (CONTINUED)

29. Related party transactions (continued)

CAs650	**vi) Directors' benefits and other remuneration**	**2017 KSh'000**	**2016 KSh'000**
	- salaries		
	- fees		
CAs650(2)	- gains made by directors on the exercise of share options		
CAs650(2)	- benefits received or receivable under long-term incentive schemes		
CAs650(2)	- payments for loss of office		
CAs650(2)	- benefits receivable, and contributions for the		
CAs650(2)	- consideration paid to, or receivable by, third		

CA - 651(1) **vii) Directors' advances and credits**

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

CA - 651(1) **viii) Guarantees entered into by the company on behalf of the directors**

CA - 651(4) ***[Describe the nature and terms of any such guarantees, including the maximum liability that may be incurred and any amount paid or liability incurred by the company for the purpose of fulfilling the guarantee.]***

ix) Contingencies

IAS 24-21(h) The company has guaranteed a bank loan to ***[parent company, subsidiaries, associates or other related party]*** of KSh ……………………

NOTES (CONTINUED)

30. Commitments

Capital commitments

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

		2017 KSh'000	2016 KSh'000
IAS 16-74(c)	Property, plant and equipment		
IAS 40-75(h)	Investment property		
IAS 38-122(e)	Intangible assets		

Operating lease commitments

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

	2017 KSh'000	2016 KSh'000
Not later than 1 year		
Later than 1 year and not later than 5 years		
Later than 5 years		

IAS 17-35(b) The future minimum sublease payments expected to be received under non-cancellable subleases is KSh ____.

31. Contingent liabilities

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

[Guarantees and letters of credit issued by a bank on behalf of the company do not normally meet the definition of a contingent liability.]

NOTES (CONTINUED)

32. New and revised financial reporting standards

IAS 8-30 The company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2017.

• IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

• IFRS 9 *Financial Instruments* (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:

o IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

o For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

o For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.

o For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

o The derecognition provisions are carried over almost unchanged from IAS 39.

• Amendments to IFRS 10 and IAS 28 titled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014) – The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

• IFRS 16 *Leases* (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

• Amendments to IFRS 2 titled *Classification and Measurement of Share-based Payment Transactions* (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Group’s consolidated financial statements.

NOTES (CONTINUED)

32. New and revised financial reporting standards (continued)

• Amendments to IFRS 4 titled *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued in September 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial assets.

• Amendment to IFRS 1 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) - The amendment, applicable to annual periods beginning on or after 1 January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.

• Amendment to IAS 28 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) - The amendment, applicable to annual periods beginning on or after 1 January 2018, clarifies that exemption from applying the equity method is available separately for each associate or joint venture at initial recognition.

• Amendments to IAS 40 titled *Transfers of Investment Property* (issued in December 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

• IFRIC 22 titled *Foreign Currency Transactions and Advance Consideration* (issued in December 2016) – The Interpretation, applicable to annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

• IFRS 17 *Insurance Contracts* (issued in May 2017) - The new standard, effective for annual periods beginning on or after 1 January 2021, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.

• IFRIC 23 *Uncertainty over Income Tax Treatment*s (issued in June 2017) - The Interpretation, applicable to annual periods beginning on or after 1 January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

[The above list of revised standards and interpretations was drafted in June 2017. 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 2017 year ends only and may need to be amended for earlier or later periods. A summary of each new standard or amendment is included above for guidance: for new or amended standards that are not expected to have any impact on the financial statements, only the
IAS 8-30 ***name of the standard or amendment needs to be disclosed.]***

APPENDIX - NEW AND REVISED STANDARDS FOR 2017

[This appendix is for guidance only, and does not form part of the Specimen Financial Statements. The summary below is applicable for 31st December 2017 year ends only.]

The following new and revised standards have become effective for the first time in the financial year beginning 1st January 2017:

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

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

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