UCHUMI SUPERMARKETS LIMITED
AND SUBSIDIARIES

ANNUAL REPORT

AND FINANCIAL STATEMENTS

30 JUNE 2014

CONTENTS

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2014

PRINCIPAL PLACE OF BUSINESS
Uchumi Supermarkets Limited
Yarrow Road,
Off Nanyuki Road
P.O. Box 73167
00200 NAIROBI

REGISTERED OFFICE
Uchumi Supermarkets Limited
Yarrow Road,
Off Nanyuki Road
P.O. Box 73167
00200 NAIROBI

BANKERS
Kenya Commercial Bank Limited
Kencom House
Moi Avenue
P.O. Box 48400
00100 NAIROBI

Barclays Bank of Kenya Limited
Barclays Plaza
Loita Street
P.O. Box 30120
00100 NAIROBI

Equity Bank Limited
NHIF Building
P.O. Box 75104
00200 NAIROBI

Commercial Bank of Africa
Mara and Ragati Roads - Upper Hill
P .O Box 30437
00100 NAIROBI

AUDITOR
Ernst & Young
Kenya Re Towers - Upper Hill
P.O. Box 44286
00100 NAIROBI

REGISTRARS
Funguo Registrars Limited
Uchumi House
Moi Avenue
P.O. Box 1133
00200 NAIROBI

SECRETARY
Pauline Kimotho
Uchumi Supermarkets Limited
Yarrow Road,
Off Nanyuki Road
P.O. Box 73167
00200 NAIROBI

The directors submit their report and the audited financial statements for the year ended 30 June 2014 which show the state of the group's affairs.

1. PRINCIPAL ACTIVITIES

The principal activity of the company is that of operating retail supermarkets. The activities of the subsidiary companies are those recorded in note 7 to the financial statements.

2. OPERATIONS OF THE COMPANY

On 31 May 2006, the Board and Management of Uchumi Supermarkets Limited passed a resolution to cease trading and the company operations were shut down, a closure that lasted from 1 June 2006 to 14 July 2006.

Following the decision to cease trading, the company's debenture holders were compelled to appoint Receiver Managers on 02 June 2006. Subsequently, the Government of Kenya appointed a Task Force, in collaboration with the debenture holders, to work out a 'rescue plan' for the company. On the recommendation of the Task Force, a Framework Agreement relating to a business rescue plan was drawn and was entered into between the company, debenture holders, the Government of Kenya and unsecured creditors.

On 14 July 2006, the debenture holders appointed a Specialist Receiver Manager and the company re-opened for operations on 15 July 2006.

The group put in place Uchumi Rescue Plan (URP) whose mandate was derived from a 'Framework Agreement' with the Government of Kenya and other stakeholders aimed at turning around the business.

On 4 March 2010, the debenture holders lifted the receivership. On 31 May 2011, the company shares started trading at the Nairobi Stock Exchange after the Capital Markets Authority lifted the suspension.

3. RESULTS

The group's and the company's results are set out on pages 8 and 11, respectively.

4. DIVIDEND

The directors have recommended for approval by the shareholders a first and final dividend of 0.30 per ordinary share (2013: KShs.0.30).

5. RESERVES

The reserves of the group and the company are set out in Note 13.

6. DIRECTORS

The directors who served during the year until the date of this report were:-

Ms. Khadija Mire	-Chairperson
Dr. Ibrahim Mohamed*	- Principal Secretary, for Commerce and Tourism
Ms. Mbatha Mbithi	-Representing Industrial & Commercial Development Corporation
Mr. Edwin Kinyua	- Resigned in November 2013
Mr. James Ruhiu Murigu	
Mr. Bartholomew Ragalo	
Dr. Jonathan Ciano	-Chief Executive Officer

7. FINANCIAL STATEMENTS

At the date of this report, the directors were not aware of any circumstances which would have rendered the values attributed to assets and liabilities in the financial statements of the group, misleading.

8. AUDITORS

Ernst & Young have expressed their willingness to continue in office in accordance with the provisions of section 159 (2) of the Kenyan Companies Act.

By Order of the Board

Secretary

....2014

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the operating results of the group and of the company for that year. It also requires the directors to ensure the group and the company keep proper accounting records which disclose, with reasonable accuracy, the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and of the operating results of the group and the company. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

....
Director

....
Director

5/9/2014
....
Date

Building a better
working world

Ernst & Young
Certified Public Accountants
Kenya Re Towers
Upper Hill
Off Ragati Road
PO Box 44286 - 00100
Nairobi GPO, Kenya

Tel: +254 20 2715300
www.ey.com

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
UCHUMI SUPERMARKETS LIMITED

Report On the Financial Statements

We have audited the accompanying financial statements of Uchumi Supermarkets Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 7 to 56, which comprise the statement of financial position of the Group and the Company as at 30 June 2014and the income statement of the Group and the Company, statement of comprehensive income of the Group and the Company, statement of changes in equity of the Group and the Company, statement of cash flows of the Group and the Company for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and the Company as at 30 June 2014 and the financial performance and cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Other offices: Nakuru, Mombasa
Partners: G G Karuu, J K Cheboror, A S Gilani, P N Anchinga, C O Atinda,
H C Wasike, G Gitahi, M M Kimoni, C W Mbogo, A K Gichuhi
A member firm of Ernst & Young Global Limited.

Report On Other Legal Requirements

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

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) In our opinion, proper books of account have been kept by the Group and the Company, so far as appears from our examination of those books; and

iii) The Group's and the Company's statement of financial position, income statement and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Michael Kimoni - P/No. P.1586

Nairobi

5 September 2014

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(a)	2,402,670	2,255,442
Investment properties	4	2,200,000	1,480,000
Intangible assets	5	12,546	21,707
Prepaid operating lease rentals	6	19,201	19,470
Deferred tax asset	8.1	-	71,599
		4,634,417	3,848,218
CURRENT ASSETS			
Inventories	9	1,333,218	1,185,065
Trade and other receivables	10	778,697	435,791
Tax recoverable	8.1	4,938	1,226
Bank and cash balances	26	133,583	104,459
		2,250,436	1,726,541
TOTAL ASSETS		6,884,853	5,574,759
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	1,327,133	1,327,133
Reserves	13	2,030,181	1,598,279
		3,357,314	2,925,412
NON-CURRENT LIABILITIES			
Deferred tax	8.1	78,185	-
Term loans	14	99,185	200,000
		177,370	200,000
CURRENT LIABILITIES			
Trade and other payables	15	1,876,267	1,845,793
Deferred revenue	16	26,105	12,264
Tax payable	8.1	1,191	1,899
Amounts due to related parties	11	-	16,054
Term loans	14	716,032	180,309
Bank overdraft	26	730,574	393,028
		3,350,169	2,449,347
TOTAL EQUITY AND LIABILITIES		6,884,853	5,574,759

The financial statements were approved by the Board of Directors on......5/9......2014
and were signed on its behalf by:-

....)

Directors

....)

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
REVENUE			
Sales	17	14,364,844	14,270,598
Income from redemption of loyalty points	16	92,843	98,045
		14,457,687	14,368,643
COST OF SALES	18	(11,643,604)	(11,600,148)
		2,814,083	2,768,495
CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	4	720,000	480,000
OTHER INCOME	19	601,803	430,709
		4,135,886	3,679,204
EXPENSES:-			
Administration and establishment	20	(3,498,676)	(3,055,665)
Selling and distribution	21	(119,821)	(121,575)
		(3,618,497)	(3,177,240)
PROFIT FROM OPERATING ACTIVITIES		517,389	501,964
FINANCE COSTS	22	(64,640)	(16,062)
PROFIT BEFORE TAX	23	452,749	485,902
INCOME TAX EXPENSE	8.2	(68,461)	(128,892)
PROFIT FOR THE YEAR		384,288	357,010
ATTRIBUTABLE TO:			
Owners of the parent		384,288	357,010
EARNINGS PER SHARE			
Basic and diluted - KShs.	24	1.45	1.35

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
PROFIT FOR THE YEAR		384,288	357,010
OTHER COMPREHENSIVE INCOME:			
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of land and buildings	3(a)	298,084	-
Deferred tax effect on revaluation surplus	8.1	(89,425)	-
		208,659	
Net other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign entity		(81,417)	(9,781)
Income tax effect		-	-
Other comprehensive income for the year, net of taxes		(81,417)	(9,781)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES		511,530	347,229
ATTRIBUTABLE TO:			
Owners of the parent		511,530	347,229

UCHUMI SUPERMARKETS LIMITED
STATEMENT OF FINANCIAL POSITION OF THE COMPANY
AS AT 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(b)	1,974,005	1,845,435
Intangible assets	5	12,278	21,232
Prepaid operating lease rentals	6	19,201	19,470
Investment in subsidiaries	7	205,129	205,129
Deferred tax asset	8.1	-	71,599
		2,210,613	2,162,865
CURRENT ASSETS			
Inventories	9	1,087,007	946,071
Trade and other receivables	10	739,161	277,741
Amounts due from related parties	11	1,205,512	766,099
Bank and cash balances	26	110,357	75,064
		3,142,037	2,064,975
TOTAL ASSETS		5,352,650	4,227,840
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	1,327,133	1,327,133
Reserves	13	1,276,324	1,016,222
		2,603,457	2,343,355
NON CURRENT LIABILITIES			
Deferred tax	8.1	78,185	
Term loans	14	99,185	200,000
		177,370	200,000
CURRENT LIABILITIES			
Trade and other payables	15	1,206,697	1,176,198
Deferred revenue	16	10,903	1,309
Amount due to related parties	11		16,054
Tax payable	8.1	1,191	1,899
Term loans	14	716,032	180,309
Bank overdraft	26	637,000	308,716
		2,571,823	1,684,485
TOTAL EQUITY AND LIABILITIES		5,352,650	4,227,840

The financial statements were approved by the Board of Directors on.......5/9/.......2014
and were signed on its behalf by:-

.................................)

Directors

.................................)

UCHUMI SUPERMARKETS LIMITED
INCOME STATEMENT OF THE COMPANY
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
REVENUE			
Sales	17	12,421,044	12,197,652
Income from redemption of loyalty points	16	80,142	97,960
		12,501,186	12,295,612
COST OF SALES	18	(10,138,799)	(9,960,464)
		2,362,387	2,335,148
OTHER INCOME	19	546,831	357,355
		2,909,218	2,692,503
EXPENSES:-			
Administration and establishment	20	(2,527,084)	(2,169,266)
Selling and distribution	21	(117,963)	(113,586)
		(2,645,047)	(2,282,852)
PROFIT FROM OPERATING ACTIVITIES		264,171	409,651
FINANCE COSTS	22	(64,640)	(16,062)
PROFIT BEFORE TAX	23	199,531	393,589
INCOME TAX EXPENSE	8.2	(68,461)	(128,892)
PROFIT FOR THE YEAR		131,070	264,697
EARNINGS PER SHARE			
Basic and diluted - KShs.	24	0.50	1.00

UCHUMI SUPERMARKETS LIMITED
STATEMENT OF COMPREHENSIVE INCOME OF THE COMPANY
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
PROFIT FOR THE YEAR		131,070	264,697
OTHER COMPREHENSIVE INCOME: Net other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of land and buildings	3(b)	298,084	-
Deferred tax effect	8.1	(89,425)	-
Other comprehensive income for the year, net of taxes		208,659	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES		339,729	264,697

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Share capital	Share premium	Revaluation reserve	Translation reserve	Retained earnings	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July 2012	1,327,133	1,090,015	700,658	(67,343)	(392,653)	2,657,810
Profit for the year	-	-	-	-	357,010	357,010
Other comprehensive income for the year	-	-	-	(9,781)	-	(9,781)
Total comprehensive Income	-	-	-	(9,781)	357,010	347,229
Transfer to accumulated losses	-	-	(10,842)	-	10,842	-
Dividends paid (note 25)	-	-	-	-	(79,627)	(79,627)
At 30 June 2013	1,327,133	1,090,015	689,816	(77,124)	(104,428)	2,925,412
At 1 July 2013	1,327,133	1,090,015	689,816	(77,124)	(104,428)	2,925,412
Profit for the year	-	-	-	-	384,287	384,287
Other comprehensive income for the year	-	-	208,659	(81,417)	-	127,242
Total comprehensive Income	-	-	208,659	(81,417	384,287	511,530
Transfer to accumulated losses	-	-	(10,842)	-	10,842	-
Dividends paid (note 25)	-	-	-	-	(79,627)	(79,627)
At 30 June 2014	1,327,133	1,090,015	887,633	(158,541)	211,074	3,357,314

UCHUMI SUPERMARKETS LIMITED
STATEMENT OF CHANGES IN EQUITY OF THE COMPANY
FOR THE YEAR ENDED 30 JUNE 2014

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Accumulated losses KShs'000	Total KShs'000
At 1 July 2012	1,327,133	1,090,015	700,658	(959,521)	2,158,285
Profit for the year	-	-	-	264,697	264,697
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive Income	-	-	-	264,697	264697
Transfer to accumulated losses	-	-	(10,842)	10,842	-
Dividends paid (note 25)	-	-	-	(79,627)	(79,627)
At 30 June 2013	1,327,133	1,090,015	689,816	(763,609)	2,343,355
At 1 July 2013	1,327,133	1,090,015	689,816	(763,609)	2,343,355
Profit for the year				131,070	131,070
Other comprehensive income for the year	-	-	208,659	-	208,659
Total comprehensive Income	-	-	208,659	131,070	339,729
Transfer to accumulated losses	-	-	(10,842)	10,842	-
Dividends paid (note 25)	-	-	-	(79,627)	(79,627)
At 30 June 2014	1,327,133	1,090,015	887,633	(701,324)	2,603,457

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		452,749	485,902
Adjustments for:			
Depreciation of property, plant and equipment		336,200	275,510
Change in fair value of investment properties	4	(720,000)	(480,000)
Amortisation of prepaid operating lease rentals	6	269	268
Amortisation of intangible assets	5	9,342	8,019
Finance expense	22	64,640	-
Interest income	19	-	(3,050)
Profit on disposal of property, plant and equipment	19	(19,972)	(1,038)
Operating cash flows before working capital changes		123,228	285,611
Increase in trade and other receivables		(445,156)	(47,367)
(Decrease) / Increase in amounts due to related parties		(16,054)	3,175
Increase in inventories		(144,815)	(117,106)
Increase in trade and other payables		35,820	214,443
Increase / (Decrease) in deferred revenue		11,569	(4,833)
Net cash flows (used in)/generation from operations		(435,408)	333,923
Interest received	19		3,050
Income tax paid	8.1	(8,808)	(4,784)
Net cash (used in)/generated from operating activities		(444,216)	332,189
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(465,513)	(427,237)
Proceeds from disposal of property and equipment		350,403	1,038
Purchase of intangible assets	5	-	(13,851)
Net cash used in investing activities		(115,110)	(440,050)
FINANCING ACTIVITIES			
Finance cost	22	(64,640)	-
Payment of dividends	25	(79,627)	(79,627)
Proceeds from borrowings		600,000	300,000
Repayment of borrowings		(165,093)	(104,843)
Net cash generated from financing activities		290,640	115,530
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(268,686)	7,669
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(288,569)	(305,137)
Effects of exchange rate changes		(39,736)	8,899
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	(596,991)	(288,569)

UCHUMI SUPERMARKETS LIMITED
STATEMENT OF CASH FLOWS OF THE COMPANY
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		199,531	393,589
Adjustments for:			
Depreciation of property, plant and equipment	3(b)	212,965	171,478
Amortisation of prepaid operating lease rentals	6	269	268
Profit on disposal of property, plant and equipment	19	(19,972)	(1,038)
Finance income	19	-	(3,050)
Finance expense	22	64,640	-
Amortisation of intangible assets	5	8,954	7,629
Operating cash flows before working capital changes		466,387	568,876
(Increase) / Decrease in trade and other receivables		(461,422)	25,401
Increase in related parties balances		(455,464)	(228,268)
Increase in inventories		(140,930)	(144,008)
Increase in trade and other payables		30,499	159,756
Increase / (Decrease) in deferred revenue		9,594	(13,859)
Cash flows (used in)/generated from operations		(551,336)	367,898
Interest received	19	-	3,050
Tax paid	8.1	(8,808)	(4,784)
Net cash (used in)/ generated from operating activities		(560,144)	366,164
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3(b)	(373,891)	(366,723)
Proceeds from disposal of property and equipment		350,403	1,038
Purchase of intangible assets	5	-	(13,851)
Net cash used in investing activities		(23,488)	(379,536)
FINANCING ACTIVITIES			
Finance Cost		(64,640)	
Payment of dividends	25	(79,627)	(79,627)
Proceeds from borrowings		600,000	300,000
Repayment of borrowings		(165,092)	(104,843)
Net cash generated from financing activities		290,641	115,530
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(292,991)	102,158
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(233,652)	(335,810)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	(526,643)	(233,652)

1. GENERAL INFORMATION

Uchumi Supermarkets Limited is incorporated in Kenya under the Kenyan Companies Act. The company operates retail supermarkets in Kenya, Uganda and Tanzania.

The company's shares resumed trading at the Nairobi Securities Exchange from 31 May 2011 after being approved by the Capital Markets Authority. The shares had been suspended from trading at the Nairobi Securities Exchange from 2 June 2006 when the company was placed under receivership. The receivership was, however, uplifted by the debenture holders on 4 March 2010.

2. ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for land and buildings and investment properties, which have been measured at fair value, as disclosed in the accounting policies hereafter. The financial statements are presented in Kenya Shillings (KShs.) and all values are rounded to the nearest thousand (KShs'000) except where otherwise indicated. Unless stated otherwise, references to the company include the group.

b) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

c) Consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. ACCOUNTING POLICIES (continued)

c) Consolidation of financial statements (Continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

d) Critical accounting estimates, judgements and assumptions

In the process of applying the company's accounting policies, the directors make certain estimates, judgments and assumptions about future events. In practice, the estimated and assumed results may differ from the actual results

Such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Property, plant and equipment
The directors make estimates in determining the depreciation rates for property and equipment. The rates used are set out in the accounting policy for property, plant and equipment. These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances. For further disclosure refer to note 3.

Impairment of non-financial assets
The directors assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. For further disclosure refer to note 2(n) and 3,5,9.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. For further disclosure refer to note 8.1.

2. ACCOUNTING POLICIES (Continued)

d) Critical accounting estimates, judgements and assumptions (Continued)

Allowances for obsolete inventories
The directors review the inventories on an annual basis to assess the likelihood of obsolescence. In determining whether an inventory item is obsolete, the directors make judgments as to whether the inventory item can be used as an input in production or is in a saleable condition. For further disclosure refer to note 9.

Allowances for credit losses
The directors review the receivables portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable. See note 10.

Estimation of fair value of points earned under the customer loyalty programme
The group estimates the fair value of points earned under the loyalty points programme by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates. As points issued under the programme do not expire, such estimates are subject to significant uncertainty. For further disclosure refer to note 16.

Revaluation of property, plant and equipment and investment properties
The group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The group engaged an independent valuation specialist to assess fair value as at 30 June 2014 for its investment properties. A valuation methodology based on comparable market data was adopted.For further disclosure refer to notes 3 and 4 and 31

e) *New and amended IFRS and IFRIC interpretations*

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS interpretations effective as of 1 July 2013.

- IFRS 7 Financial Instrument Disclosures (revised)
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 19 Employee Benefits (Revised 2011)
- IAS 16 Property, Plant and Equipment – Classification of servicing equipment
- IAS 32 Financial Instruments: Presentation – Tax effects of distributions to holders of equity instruments
- IAS 34 Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities
- IFRIC 20-Stripping Costs in the Production Phase of a Surface Mine

2. ACCOUNTING POLICIES (Continued)

e) New and amended IFRS and IFRIC interpretations (Continued)

These revised standards and interpretations did not have any material effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures in some occasions.

IFRS 7 Financial Instrument Disclosures (revised) - effective for periods beginning on or after 1 January 2013.
The amendments require disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's statement of financial position.

Offsetting of financial assets and financial liabilities
Financial assets and financial liability are offset and the net amount presented in the statement of financial position when and only when, the entity:

- has a legally enforceable right to set off the recognised amounts; and
- Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

IFRS 7 did not have an impact on the financial performance or the financial position of the Group as the Group does not have such arrangements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements - effective for annual periods beginning on or after 1 January 2013
IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. IFRS 10 does not change consolidation procedures (i.e., how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. Control exists when an investor has:-

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the investor's returns

IFRS 10 also provides a number of clarifications on applying this new definition of control. IFRS 10 did not have any impact on the entities to be consolidated by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures - effective for annual periods beginning on or after 1 January 2013.
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

2. ACCOUNTING POLICIES (Continued)

e) *New and amended IFRS and IFRIC interpretations (continued)*

Joint operation – An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

Joint venture – An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures as defined in IFRS 11 using proportionate consolidation has been removed.

Under these new categories, the legal form of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances. IAS 28 has been amended to include the application of the equity method to investments in joint ventures.

This has no effect on the Group as the Group has not entered into any joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities - effective for annual periods beginning on or after 1 January 2013.
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries for example, where a subsidiary is controlled with less than a majority of voting rights. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include:

- Summarised financial information for each subsidiary that has non-controlling interests that are material to the reporting entity
- Significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e., joint operation or joint venture), if applicable
- Summarised financial information for each individually material joint venture and associate
- Nature of the risks associated with an entity's interests in unconsolidated structured entities, and changes to those risks

This has no effect on the group.

IFRS 13 Fair Value Measurement - effective for annual periods beginning on or after 1 January 2013
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group.

2. ACCOUNTING POLICIES (Continued)

e) New and amended IFRS and IFRIC interpretations (continued)

IFRS 13 requires an entity to disclose additional information that helps users of its financial statements assess both of the following:

- for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements
- For fair value measurements using significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income for the period.

Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The fair value hierarchy is provided in note 31 to the financial statements.

IAS 19 Employee Benefits (Revised 2011) - effective for annual periods beginning on or after 1 January 2013
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit or loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures and in determining the discount rate used in accounting for employee benefit plans, an entity would include high quality corporate bonds issued by entities operating in other countries, provided that those bonds are issued in the currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds would be assessed at the currency level and not at the country level.

Short-term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service whereas other long-term employee benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

IAS 19R also requires that when an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or cash refund.
(b) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset (see, for example, IAS 2 Inventories and IAS 16 Property, Plant and Equipment).

IAS 19R did not have any impact on the financial performance or the financial position of the Group's financial statements

2. ACCOUNTING POLICIES (Continued)

e) *New and amended IFRS and IFRIC interpretations (continued)*

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 - effective from 1 July 2012
The amendments to IAS 1 require an allocation of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on available for sale financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

The following improvements to International Financial Reporting Standards - 2009 -2011 Cycle were effective for annual periods beginning on or after 1 January 2013

IAS 1 Clarification of the requirement for comparative information (Amendment)
These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments also clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendment did not have impact on the Group's financial statements as the Group did not have any retrospective restatement or reclassification in its financial statements.

IAS 16 Property, Plant and Equipment (amendment) Classification of servicing equipment
This amendment clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory. The improvement had no impact on the Group's financial statements as such items were already correctly accounted for.

IAS 32 Financial Instruments: Presentation (amendment) -Tax effects of distributions to holders of equity instruments
This amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The improvement had no impact on the Group's financial statements as no such income taxes are payable by the Group.

IAS 34 Interim Financial Reporting (amendment) - Interim financial reporting and segment information for total assets and liabilities
This improvement clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The improvement had no impact on the Group's financial statements as these are not interim financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation had no impact on the Group as it is not involved in mining activities.

2. ACCOUNTING POLICIES (Continued)

e) *New and amended IFRS and IFRIC interpretations (continued)*

Standards issued but not effective

The following standards have been issued or revised and will become effective for the June2015 year-end or thereafter:

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IFRS 9 Financial Instruments - classification and measurement - effective for annual periods beginning on or after 1 January 2018

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9-Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The classification and measurement requirements address specific application issues arising in IFRS 9 (2009) that were raised by preparers, mainly from the financial services industry. The expected credit loss model addresses concerns expressed following the financial crisis that entities recorded losses too late under IAS 39.
IFRS 9 stipulates that financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.
Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, but early adoption is permitted.

The Group is currently assessing the impact of IFRS 9.

IFRS 14 Regulatory Deferral Accounts - effective for annual periods beginning on or after 1 January 2016
IFRS 14 allows an entity whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first time application of IFRS. This new standard is not expected to impact the Group as it already reports in terms of IFRS and is not subject to rate regulation.

IFRS 15- Revenue from Contracts with customers- *Effective for annual periods beginning on or after 1* January 2017

IFRS 15- Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management is still to determine the impact of this new standard.

2. ACCOUNTING POLICIES (Continued)

e) *New and amended IFRS and IFRIC interpretations (continued)*

Standards issued but not effective (continued)

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - effective for annual periods beginning on or after 1 January 2016
The IASB issued amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively. This amendment is not expected to have a material financial impact on future financial statements as the Group does not use revenue-based depreciation methods for fixed assets and intangible assets

IAS 16 and IAS 41 - Accounting for bearer plants- effective for annual periods beginning on or after 1 January 2016
IAS 41 Agriculture currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. This is based on the principle that the biological transformation that these assets undergo during their lifespan is best reflected by fair value measurement. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates.

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
This will not have any impact on the Group.

IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 - Effective for annual periods beginning on or after 1 July 2014.
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age. The amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy but early application is permitted and must be disclosed. The amendment will not have an impact on future financial statements as the Group has not entered into any defined benefit schemes.
IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not expect this amendment to have a material financial impact in future financial statements as no such offsetting arrangements exist.

2. ACCOUNTING POLICIES (Continued)

e) *New and amended IFRS and IFRIC interpretations (continued)*

Standards issued but not effective (continued)

IAS 36 Recoverable Amount Disclosures for Non - Financial Assets – Amendments to IAS 36 - effective for annual periods beginning on or after 1 January 2014.
The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. In addition, additional disclosure requirements have been added as follows:

(a) Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
(b) Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

This amendment may have an impact on future disclosure if there is impairment, where fair value less costs of disposal is used as the recoverable amount.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The group is currently assessing the impact of this amendment.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not apply hedge accounting and as such is not expected to impact the Group.

Annual Improvements December 2013

The IASB issued two cycles of Annual Improvements to IFRSs - 2010-2012 Cycle and 2011-2013 Cycle - on 12 December 2013. These improvements include:

- IFRS 2 Share-based Payment - *Definition of vesting condition*
- IFRS 3 Business Combinations-*Accounting for contingent consideration in a business combination*
- IFRS 3 Business Combinations-*Scope exceptions for joint ventures*
- IFRS 8 - *Operating Segments*
- IFRS 13 Fair Value Measurement-*Scope of paragraph 52 (portfolio exception)*
- IAS 16 and IAS 38 - *Revaluation method–proportionate restatement of accumulated depreciation*
- IAS 24 Related Party Disclosures-*Key management personnel*
- IAS 40 Investment Property - Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying investment property or owner-*Ocuppied property.*
- IFRS 8 Operating Segments-*Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets*
- IFRS 13 Fair Value Measurement-*Short-term receivables and payables*
- IAS 16 and IAS 38 - *Revaluation method–proportionate restatement of accumulated depreciation*

These improvements are effective for annual periods beginning effective on or after 1 July 2014. The Group is currently assessing the impact of these improvements where applicable.

2. ACCOUNTING POLICIES (Continued)

f) Revenue recognition

Revenue from the sales of goods is recognised in the period in which the group delivers the product to the customer, the customer has accepted the products and the collectability of the related receivable is reasonably assured.

Revenue from the rendering of services is recognised in the period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue represents the fair value of the consideration receivable for sales of goods and services and is stated net of Value-Added Tax (VAT), rebates and discounts.

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

g) Customer loyalty programme

The group estimates the fair value of points earned under the loyalty points programme by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates. As points issued under the programme do not expire, such estimates are subject to significant uncertainty.

Award credits are accounted for as a separate identifiable component of sales. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and other components of the sale.

Revenue is recognised as the risk expires which is based on the number of points that have been redeemed relative to the total number expected to be redeemed.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

Provision for obsolescence is done on the basis of the period an item is projected to take to clear from the shelves for the two main categories of inventory being food and non-food items as follows;

Food items

Between 3 and 6 months	50%
Between 6 and 9 months	75%
Over 9 months	100%

Nonfood items

Between 9 and 18 months	50%
Between 18 and 24 months	75%
Over 24 months	100%

i) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

2. ACCOUNTING POLICIES (Continued)

i) Property, plant and equipment (continued)

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed every two years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognized in other comprehensive income and accumulated in the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful lives as follows:

Buildings on freehold land	over a period of 45 years
Buildings on leasehold land	Shorter of estimated useful life or the lease term
Improvements to premises	10 years
Plant and machinery	5 years
Equipment and motor vehicles	6.67 years, 5 years and 4 years (as applicable)

Freehold land is not depreciated as it is deemed to have an indefinite life.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property, plant and equipment are periodically reviewed for impairment. If any such indication exists and where the carrying amounts exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the profit or loss. The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. ACCOUNTING POLICIES (Continued)

j) Foreign currencies

The consolidated financial statements are presented in Kenya Shillings, which is the group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Monetary assets and liabilities in foreign currencies have been translated at rates approximating the mean rates of exchange ruling at the reporting date. Transactions during the period are converted at the rates ruling at the dates of the transactions. Gains and losses on conversion and translation are either included in profit or loss or, where appropriate, recharged to the relevant third party.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into Kenya Shillings at the rate of exchange ruling at the reporting date, and their income statements are translated at the weighted average exchange rates for the period. Exchange differences arising on translation are recognised in other comprehensive income and accumulated in equity in the translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised through other comprehensive income into profit or loss.

k) Financial instruments

Financial assets and liabilities are recognised when the group becomes a party to contractual provisions of the instrument.

Financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other payables, directly attributable transaction costs.

The subsequent measurement of financial assets and liabilities depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

Impairment of financial assets
The group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2. ACCOUNTING POLICIES (Continued)

k) Financial instruments (continued)

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. The loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. Impaired debts are derecognised when they are assessed as uncollectible.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Cash and cash equivalents that have a fixed maturity date (less than 3 months) are subsequently measured at cost, as these are highly liquid and readily convertible.

Cash and cash equivalents are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents (continued)
For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are disclosed separately under current liabilities.

Trade payables
Trade and other payables are carried at amortised cost using the effective interest rate method. Trade payables being short term in nature are carried at cost as the effect of imputing interest is considered to be insignificant.

Derecognition of financial assets

i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. ACCOUNTING POLICIES (Continued)

k) Financial instruments (Continued)

Derecognition of financial assets (continued)

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

When an entity continues to recognise an asset to the extent of its continuing involvement, the entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

(a) the amortised cost of the rights and obligations retained by the entity, if the transferred asset is measured at amortised cost; or
(b) equal to the fair value of the rights and obligations retained by the entity when measured on a stand-alone basis, if the transferred asset is measured at fair value.

ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognisedin the income statement.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently 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.

2. ACCOUNTING POLICIES (Continued)

l) Tax

Current corporate tax

Current corporate tax is provided on the basis of the results for the year as shown in the income statement, adjusted in accordance with the tax legislations and at the tax rate that has been enacted or substantively enacted at the reporting date in the countries where the group operates and generates taxable income. Corporate tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the profit nor taxable profit or loss

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized utilised, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the asset is realised or the liability is settled.

Deferred tax

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. ACCOUNTING POLICIES (Continued)

l) Tax (continued)

Value added tax
Revenues, expenses and assets are recognised net of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the statement of financial position.

m) Employee benefit costs

Retirement benefit plans

i) Kenya

The company contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to KShs.200 per employee per month. In addition the company operates a provident fund scheme, where employees contribute 5% of their basic salaries and the employer contributes 7 %.

ii) Uganda

The employee contributes 5% while the Company contributes 10%

iii) Tanzania

Both Employee and Company contribute 10%

The company's contributions to the above scheme are charged to the profit or loss in the year to which they relate.

Employee entitlements
The monetary benefits for employees' accrued annual leave entitlement at the reporting date are recognised as an expense accrual.

n) Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, the group makes an estimate of the asset's recoverable amount.An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2. ACCOUNTING POLICIES (Continued)

n) Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

o) Borrowing costs

Borrowing costs consist of interest and other costs that the group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

p) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

q) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over a period of three years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over a period of three years. Amortisation begins when the asset is available for use. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposalproceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized

r) Cost of sales

Cost of sales includes the historical costs of inventory expensed during the year including inventory losses.

2. ACCOUNTING POLICIES (Continued)

s) Investments in subsidiaries

Investments in subsidiaries are carried in the company's separate statement of financial position at cost less provisions for impairment losses. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

t) Segmental reporting

The group presents segmental information using geographical segments format. This is based on the internal financial reporting systems and reflects the risks and earnings structure of the group.

The group operations are carried out in Kenya, Uganda and Tanzania.

u) Investment properties

Investment properties are measured initially at cost, including transaction costs, and excluding the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use.

3. (a) PROPERTY, PLANT AND EQUIPMENT (GROUP)

At 30 June 2014:	Buildings and freehold land KShs '000	Improvements to premises KShs' 000	Plant and machinery KShs'000	Vehicles and equipment KShs'000	Total KShs'000
COST OR VALUATION					
At 1 July 2013	1,268,215	361,882	939,978	1,121,672	3,691,747
Revaluation recognized in OCI	298,084	-	-	-	298,084
*Transfer	(66,299)	-	-	-	(66,299)
Additions	-	28,067	195,596	222,962	446,625
Disposals	-	(25,511)	(163,229)	(258,239)	(446,979)
Exchange differences	-	23,759	(75,287)	99,818	48,290
At 30 June 2014	1,500,000	388,197	897,058	1,186,213	3,971,468
DEPRECIATION					
At 1 July 2013	45,869	282,377	437,413	670,646	1,436,305
*Transfer	(66,299)	-	-	-	(66,299)
Charge for the year	20,430	19,134	116,768	174,325	330,657
Disposals	-	(2,953)	(39,944)	(73,651)	(116,548)
Exchange differences	-	2,172	(8,384)	(9,105)	(15,317)
At 30 June 2014	-	300,730	505,853	762,215	1,568,798
NET CARRYING AMOUNT					
At 30 June 2014	1,500,000	87,467	391,205	423,998	2,402,670

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

In the opinion of the directors, there was no impairment of items in property, plant and equipment.
Buildings and freehold land were last valued in July 2014 by Kiragu & Mwangi Limited, independent professional valuers. Valuations were made on the basis of open market value. The freehold land is subject to a first charge as disclosed in note 14.

3. (a) PROPERTY, PLANT AND EQUIPMENT (continued)
(GROUP)

At 30 June 2013:	Buildings and freehold land KShs '000	Improvements to premises KShs' 000	Plant and machinery KShs'000	Vehicles and equipment KShs'000	Total KShs'000
COST OR VALUATION					
At 1 July 2012	1,268,215	300,431	819,339	990,397	3,378,382
Additions	-	63,024	147,352	216,861	427,237
Disposals	-	-	(17,730)	(80,225)	(97,955)
Exchange differences	-	(1,573)	(8,983)	(5,361)	(15,917)
At 30 June 2013	1,268,215	361,882	939,978	1,121,672	3,691,747
DEPRECIATION					
At 1 July 2012	25,882	255,490	359,659	622,574	1,263,605
Charge for the year	19,987	28,249	97,600	129,674	275,510
Disposals	-	-	(17,730)	(80,225)	(97,955)
Exchange differences	-	(1,362)	(2,116)	(1,377)	(4,855)
At 30 June 2013	45,869	282,377	437,413	670,646	1,436,305
NET CARRYING AMOUNT					
At 30 June 2013	1,222,346	79,505	502,565	451,026	2,255,442

In the opinion of the directors, there was no impairment of items in property, plant and equipment.

Buildings and freehold land were valued in July 2012 by Kiragu & Mwangi Limited, independent professional valuers. Valuations were made on the basis of open market value. The opening carrying amounts of the properties were adjusted to the revalued amounts and the resultant surplus, net of deferred tax, was credited to revaluation surplus in equity.

3. (b) PROPERTY, PLANT AND EQUIPMENT (continued)
(COMPANY)

At 30 JUNE 2014:	Buildings and freehold land KShs '000	Improvements to premises KShs' 000	Plant and Machinery KShs'000	Vehicles and equipment KShs'000	Total KShs'000
COST OR VALUATION					
At 1 July 2013	1,268,215	327,550	483,888	927,328	3,006,981
Revaluation recognized in OCI	298,084	-	-	-	298,084
*Transfer	(66,299)	-	-	-	(66,299)
Additions	-	30,402	169,050	174,439	373,891
Disposals	-	(25,511)	(163,229)	(258,239)	(446,979)
At 30 JUNE 2014	1,500,000	332,441	489,709	843,528	3,165,678
DEPRECIATION					
At 1 July 2013	45,869	246,732	299,276	569,669	1,161,546
*Transfer	(66,299)				(66,299)
Charge for the year	20,430	19,962	57,568	115,005	212,965
Disposals	-	(2,944)	(39,944)	(73,651)	(116,539)
At 30 JUNE 2014	-	263,750	316,900	611,023	1,191,673
NET CARRYING AMOUNT					
At 30 JUNE 2014	1,500,000	68,691	172,809	232,505	1,974,005

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.
In the opinion of the directors, there was no impairment of items in property, plant and equipment.

Buildings and freehold land were last valued in July 2014 by Kiragu & Mwangi Limited, independent professional valuers. Valuations were made on the basis of open market value.

3. (b) PROPERTY, PLANT AND EQUIPMENT (continued)
(COMPANY)

At 30 JUNE 2013:	Buildings and freehold land KShs '000	Improvements to premises KShs' 000	Plant and Machinery KShs'000	Vehicles and equipment KShs'000	Total KShs'000
COST OR VALUATION					
At 1 July 2012	1,268,215	270,271	399,561	800,166	2,738,213
Additions	-	57,279	102,057	207,387	366,723
Disposals	-	-	(17,730)	(80,225)	(97,955)
At 30 JUNE 2013	1,268,215	327,550	483,888	927,328	3,006,981
DEPRECIATION					
At 1 July 2012	25,882	220,674	275,771	565,696	1,088,023
Charge for the year	19,987	26,058	41,235	84,198	171,478
Disposals	-	-	(17,730)	(80,225)	(97,955)
At 30 JUNE 2013	45,869	246,732	299,276	569,669	1,161,546
NET CARRYING AMOUNT					
At 30 JUNE 2013	1,222,346	80,818	184,612	357,659	1,845,435

In the opinion of the directors, there was no impairment of items in property, plant and equipment.

Buildings and freehold land were valued in July 2012 by Kiragu & Mwangi Limited, independent professional valuers. Valuations were made on the basis of open market value. The book values of the properties were adjusted to the revalued amounts and the resultant surplus, net of deferred tax, was credited to revaluation surplus in equity.

4. INVESTMENT PROPERTIES

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Balance brought forward	1,480,000	1,000,000	-	-
Change in fair value during the year	720,000	480,000	-	-
At 30 June	2,200,000	1,480,000	-	-

Investment properties relate to two pieces of land held by the company's subsidiary, Kasarani Mall Limited, under long-term lease arrangements with the Government of Kenya with Kasarani Mall Limited as the lessee. The land was valued at KShs.2.2 billion by Kiragu & Mwangi Limited, accredited independent valuers, as at 30 June 2014. The present value of the ground rent obligations is immaterial and thus, the valuation amount of KShs.2.2 billion (2013: KShs. 1.48 billion) is equivalent to the fair values of these properties.

5. INTANGIBLE ASSETS

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
COST				
Balance brought forward	72,089	58,288	70,412	56,561
Additions	-	13,851	-	13,851
Exchange difference	195	(50)	-	-
At 30 June	72,284	72,089	70,412	70,412
AMORTISATION				
Balance brought forward	50,382	42,389	49,180	41,551
Amortisation for the year	9,342	8,019	8,954	7,629
Exchange difference	14	(26)	-	-
At 30 June	59,738	50,382	58,134	49,180
NET CARRYING AMOUNT				
At 30 June	12,546	21,707	12,278	21,232

Intangible assets relate to the computer software acquisition costs.

6. PREPAID OPERATING LEASE RENTALS

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Balance brought forward	19,470	19,738	19,470	19,738
Amortisation for the year	(269)	(268)	(269)	(268)
At 30 June	19,201	19,470	19,201	19,470

Prepaid operating leases relate to one piece of land held by the company under a long term lease arrangement, with the Government of Kenya where the company is a lessee. The remaining lease period is 80 years. The leasehold land is subject to a first charge as disclosed in note 14.

7. INVESTMENTS IN SUBSIDIARIES

	Country of incorporation	Shareholding	Company 2014 KShs'000	2013 KShs'000
Uchumi Supermarkets (Uganda) Limited	Uganda	100%	204,929	204,929
Uchumi Supermarkets (Tanzania) Limited	Tanzania	100%	-	-
Uchumi Holdings Limited	Kenya	100%	-	-
Kasarani Mall Limited	Kenya	100%	200	200
			205,129	205,129

The principal activity of Uchumi Supermarkets (Uganda) Limited and Uchumi Supermarkets (Tanzania) Limited is the operation of retail supermarkets. The principal activity of Kasarani Mall Limited is property management.

The results of Uchumi Supermarkets (Uganda) Limited, Uchumi Supermarkets (Tanzania) Limited and Kasarani Mall Limited have been consolidated in these financial statements. There is another wholly owned subsidiary, Uchumi Holdings Limited, incorporated in Kenya which has two issued shares of nominal amounts. Uchumi Holdings Limited is dormant. The investment in Uchumi Supermarkets (Tanzania) Limited is below KShs.1, 000.

8. TAXATION

8.1 STATEMENT OF FINANCIAL POSITION

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
INCOME TAX RECOVERABLE/(PAYABLE)				
Balance brought forward	(673)	5,300	(1,899)	255
Tax charge for the year	(8,100)	(6,916)	(8,100)	(6,916)
Prior year over/(under) provision		3,753	-	(22)
Tax paid during the year	8,808	4,784	8,808	4,784
Exchange difference	3,712	(7,594)	-	-
At 30 June	3,747	(673)	(1,191)	(1,899)
Tax recoverable	4,938	1,226	-	-
Tax payable	(1,191)	(1,899)	(1,191)	(1,899)
	3,747	(673)	(1,191)	(1,899)

DEFERRED TAX ASSET
Movements in deferred tax during the year were as follows;

Group *At 30 JUNE 2014*	2013 KShs'000	Income statement KShs'000	Equity KShs'000	2014 KShs'000
Deferred tax liability is attributable to the following items:				
Tax losses carried forward	214,916	(87,917)	-	126,999
Excess of depreciation over tax allowances	50,690	23,943	-	74,633
Provision for bad debts	7,409			7,409
Provision for leave	4,555	2,683	-	7,238
Provision for obsolete stocks	7,323	411	-	7,734
Other temporary differences	3,193	521	-	3,714
Revaluation reserve	(216,487)	-	(89,425)	(305,912)
	71,599	(60,359)	(89,425)	(78,185)

8. TAXATION (Continued)

8.1 STATEMENT OF FINANCIAL POSITION (Continued)

DEFERRED TAX ASSET (Continued)

Group *At 30 June 2013*	2012 KShs'000	Income statement KShs'000	Equity KShs'000	2013 KShs'000
Deferred tax asset is attributable to the following items:				
Tax losses carried forward	341,890	(126,974)	-	214,916
Excess of depreciation over tax allowances	45,797	4,893	-	50,690
Provision for bad debts	7,409			7,409
Provision for leave	3,624	931		4,555
Provision for obsolete stocks	7,952	(629)		7,323
Other temporary differences	7,143	(3,950)	-	3,193
Revaluation reserve	(216,487)	-	-	(216,487)
	197,328	(125,729)	-	71,599

Company *At 30 JUNE 2014*	2013 KShs'000	Income statement KShs'000	Equity KShs'000	2014 KShs'000
Deferred tax liability is attributable to the				
Tax losses carried forward	214,916	(87,917)	-	126,999
Excess of depreciation over tax allowances	50,690	23,943	-	74,633
Provision for bad debts	7,409			7,409
Provision for leave	4,555	2,683		7,238
Provision for obsolete stocks	7,323	411		7,734
Other temporary differences	3,193	521	-	3,714
Revaluation reserve	(216,487)	-	(89,425)	(305,912)
	71,599	(60,359)	(89,425)	(78,185)

Company *At 30 June 2013*	2012 KShs'000	Income statement KShs'000	Equity KShs'000	2013 KShs'000
Deferred tax asset is attributable to the				
Tax losses carried forward	341,890	(126,974)	-	214,916
Excess of depreciation over tax allowances	45,797	4,893	-	50,690
Provision for bad debts	7,409	-		7,409
Provision for leave	3,624	931		4,555
Provision for obsolete stocks	7,952	(629)		7,323
Other temporary differences	3,368	(175)	-	3,193
Revaluation reserve	(216,487)	-	-	(216,487)
	193,553	121,954	-	71,599

8.2 INCOME STATEMENT

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Deferred tax charge	(60,361)	(125,729)	(60,361)	(121,954)
Corporation tax	(8,100)	(6,916)	(8,100)	(6,916)
Prior year over /(under) provision	-	3,753	-	(22)
	(68,461)	(128,892)	(68,461)	(128,892)
Accounting profit before tax	452,749	485,902	199,531	393,589
Tax calculated at tax rate of 30%	135,825	145,771	59,859	118,077
Prior year over /(under) provision		(3,753)		22
Tax effect of items not deducted for tax	(67,364)	(13,126)	8,602	10,793
	(68,461)	128,892	(68,461)	128,892

9. INVENTORIES

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Food	523,748	444,602	427,025	348,666
Non-food	768,871	701,959	626,881	561,108
Other	40,599	38,504	33,101	36,297
	1,333,218	1,185,065	1,087,007	946,071
Stock Provision	37,911	31,617,	25,779	26,505

The stock provision amount was recognized as an expense for inventories carried at Net realisable value. This is recognised in cost of sales

Other inventory relate to packaging materials and empties and crates.

10. TRADE AND OTHER RECEIVABLES

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Trade receivables	58,987	85,634	55,358	76,860
Prepayments and other receivables	719,710	350,157	683,803	200,881
	778,697	435,791	739,161	277,741
Aging analysis of trade receivables:				
Neither past due nor impaired	40,124	56,317	38,553	36,388
Past due but not impaired: 30 to 60 days	15,821	29,317	14,929	40,472
Impaired: Over 60 days	31,692	28,898	26,574	24,698
	87,637	114,532	80,056	101,558
Allowance for credit losses	(28,650)	(28,898)	(24,698)	(24,698)
	58,987	85,634	55,358	76,860

10. TRADE AND OTHER RECEIVABLES (Continued)

	Group 2014	Group 2013	Company 2014	Company 2013
Movement in allowance for credit losses:	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July	28,898	28,854	24,698	24,698
Unused amounts reversed	(248)	-	-	-
Charge for the year (Note 20)	-	44	-	-
At 30 June	28,650	28,898	24,698	24,698

The above trade receivables have no collateral, are non - interest bearing and are generally on 30-60 days term. All trade receivables above 60 days are deemed past due and are assessed as impaired.

There were no trade receivables written off during the year.

Neither past due nor impaired
The group classifies trade receivables under this category for receivables that are up to date with their payments and conforming to all the agreed terms and conditions. Such customers are financially sound and demonstrate capacity to continue to service their debts in the future.

11. RELATED PARTY TRANSACTIONS AND BALANCES

Note 7 above provides details about the company's subsidiaries. The company is related to various other entities through common shareholding and /or directorships. The following balances relating to transactions entered into with related parties arising from sale and purchase of goods/ services were outstanding at year end:

	Company 2014	Company 2013
	KShs'000	KShs'000
i) Amounts due from related parties:		
Uchumi Supermarkets (Uganda) Limited	614,032	308,663
Uchumi Supermarkets (Tanzania) Limited	458,457	324,413
Kasarani Mall Limited	133,023	133,023
	1,205,512	766,099

ii) Amounts due to related parties:	Group 2014	Group 2013	Company 2014	Company 2013
	KShs'000	KShs'000	KShs'000	KShs'000
Industrial and Commercial Development Corporation (ICDC)	-	369	-	369
Kenya Wine Agencies Limited (KWAL)	-	15,685	-	15,685
	-	16,054	-	16,054

The balance due from Uchumi Supermarkets (Uganda) Limited and Uchumi Tanzania Limited relates to expenses paid by the parent on behalf of the subsidiaries and working capital requirements disbursed to the subsidiaries. . The balance due from Kasarani Mall Limited relates to purchase and maintenance costs of the investment property.

During the year, KWAL traded with the company in the normal course of business. The balances due KWAL relate to outstanding amounts at year end.

The table below shows total amount of transactions that have been entered into with related parties:-

11. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	Group		Company	
	2014	2013	2014	2013
iii) Amounts due to related parties:	KShs'000	KShs'000	KShs'000	KShs'000
Purchases from KWAL	-	92,632	-	92,632
Loan from related party (Group and Company)		2014		2013
	Interest	Loan	Interest	Loan
*ICDC loan	43,079	215,216	-	300,000

*The amount is classified as loan (see Note14)

iv) Senior management compensation:

	Group 2014	Group 2013	Company 2014	Company 2013
Short term employee benefits	82,062	78,961	75,396	73,713
Post-employment benefits	10,286	5,535	10,220	5,535
	92,348	84,496	85,616	79,248

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2014, the group did not record any impairment of receivables relating to amounts owed by related parties (2013: KShs Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

12. SHARE CAPITAL

	2014	2013
	KShs'000	KShs'000
Authorised:		
500,000,000 (2013: 300,000,000) ordinary shares of KShs.5 each	2,500,000	2,500,000
25,000,000 preference shares of KShs.20 each	500,000	500,000
	3,000,000	3,000,000
Issued and fully paid:		
265,426,614 (2013: 265,426,614) ordinary shares of Shs.5 each	1,327,133	1,327,133

13. RESERVES

	Group		Company	
	2014	2013	2014	2013
	KShs'000	KShs'000	KShs'000	KShs'000
Retained Earnings/ (Accumulated losses)	211,074	(104,428)	(701,324)	(763,609)
Share premium	1,090,015	1,090,015	1,090,015	1,090,015
Revaluation reserve	887,633	689,816	887,633	689,816
Translation reserve	(158,541)	(77,124)	-	-
	2,030,181	1,598,279	1,276,324	1,016,222

The revaluation reserve represents the surplus on the revaluation of buildings and freehold land net of deferred income tax. The reserve is non-distributable.

The translation reserve arises from translation of the net investment in foreign subsidiaries, Uchumi Supermarkets (Uganda) Limited and Uchumi Supermarkets (Tanzania) Limited, to Kenya Shillings.

14. LOANS

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Borrowings are made up as follows:				
a) Non-current				
Term loan	99,185	200,000	99,185	200,000
b) Current				
Bank overdraft	730,574	393,028	637,000	308,716
Term loan	716,032	180,309	716,032	180,309
	1,446,606	573,337	1,353,032	489,025
	1,545,791	773,337	1,452,217	689,025
Maturity profile of non-current borrowings				
Between 1 and 2 years	99,185	100,000	99,185	100,000
Between 2 and 5 years	-	100,000	-	100,000
	99,185	200,000	99,185	200,000
Term Loan				
Non-current				
ICDC	99,185	200,000	99,185	200,000
Current				
KCB	600,000	100,000	600,000	100,000
ICDC	116,032-	80,309	116,032-	80,309
	716,032	180,309	716,032	180,309

In addition to the bank overdraft from Kenya Commercial Bank, the company acquired a new loan f of KShs.600 million at the rate of18% to be repaid in one year.
The Company has an existing loan from ICDC at the base rate (currently 16%). The ICDC loan is to be repaid on a quarterly basis over a period of three years without a moratorium period.

The Kenya Commercial Bank Loan and overdraft is secured by a first charge on freehold property Land Reference Number 209/399/3 while the ICDC loan is secured by a first charge on leasehold property Land Reference number 209/12593.

The weighted average effective interest rate at year-end was:

	2014	2013
Term loan	18%-	9.50%
Bank overdrafts	15.5%	15.10%

15. TRADE AND OTHER PAYABLES

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Trade payables	1,634,611	1,596,030	1,033,687	1,041,394
Accrued expenses	188,628	197,656	134,893	106,947
Other payables	53,028	52,107	38,117	27,857
	1,876,267	1,845,793	1,206,697	1,176,198

Trade payables and other payables are non-interest bearing and are normally settled within 60 days.

16. DEFERRED REVENUE

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
At 1 July	12,264	17,097	1,309	15,168
Deferred during the year	106,121	92,691	89,736	84,101
Released to the income statement	(92,843)	(98,045)	(80,142)	(97,960)
Exchange difference	563	521	-	-
At 30 June	26,105	12,264	10,903	1,309

Deferred revenue represents fair value of the consideration received from customer's loyalty points (note 2(g)).

17. SALES

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Food	9,160,492	9,304,970	8,073,679	7,973,930
Personal care	2,875,509	2,916,613	2,484,209	2,507,038
General merchandise	1,858,019	1,844,198	1,490,525	1,565,456
Textiles	470,824	204,817	453,631	151,228
	14,364,844	14,270,598	12,421,044	12,197,652

18. COST OF SALES

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Food	7,568,343	7,567,373	6,590,219	6,513,400
Personal care	2,328,721	2,385,260	2,027,759	2,061,793
General merchandise	1,397,232	1,494,453	1,216,656	1,273,577
Textiles	349,308	153,062	304,165	111,694
	11,643,604	11,600,148	10,138,799	9,960,464

19. OTHER INCOME

	Group 2014	Group 2013	Company 2014	Company 2013
Promotions income	129,527	89,487	120,923	76,497
Profit on disposal of property, plant and equipment	19,972	1,038	19,972	1,038
Specialty shop income	184,691	166,850	160,384	134,034
Miscellaneous income	267,613	170,284	245,552	142,736
Interest receivable	-	3050	-	3,050
	601,803	430,709	546,831	357,355

20. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	Group 2014	Group 2013	Company 2014	Company 2013
Staff costs (Note 27)	1,398,257	1,084,642	1,107,544	836,323
Establishment costs	407,292	466,563	293,756	340,161
Rent	682,582	622,056	414,669	390,805
Computer expenses	33,947	25,552	30,879	21,844
Motor running expenses	34,847	39,320	34,370	39,276
Auditors' remuneration	19,500	13,795	12,258	8,400
Consultancy fees	46,214	46,925	28,377	42,625
Increase in allowance for credit losses	-	44	-	-

20. ADMINISTRATION AND ESTABLISHMENT EXPENSES (continued)

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Credit card commission	46,534	43,594	46,231	43,136
Bank charges and commission	58,965	17,410	24,895	13,903
Amortisation of intangible assets	9,342	8,019	8,954	7,629
Amortisation of operating lease rentals	269	268	269	268
Depreciation of property, plant and equipment	330,657	275,510	212,965	171,478
General expenses	430,270	411,967	311,917	253,418
	3,498,676	3,055,665	2,527,084	2,169,266

21. SELLING AND DISTRIBUTION

Marketing expenses	119,821	121,575	117,963	113,586

22. FINANCE COSTS

Interest on loans and ovedraft	64,640	16,062	64,640	16,062

23. PROFIT BEFORE TAX

	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
The profit before tax is stated after				
Depreciation on property, plant and	330,657	275,510	212,965	171,478
Amortisation of intangible assets	9,342	8,019	8,954	7,629
Amortisation of operating lease rentals	269	268	269	268
Auditors' remuneration	26,497	13,795	12,258	8,400
Directors' emoluments:				
-As executives	26,450	21,156	26,450	21,156
-As directors	3,329	3,143	3,329	3,143
And after crediting:				
Gain on disposal of property, plant and equipment	19,972	1,038	19,972	1,038

24. EARNINGS PER SHARE

The earnings per share are calculated on the profit after tax and on the number of ordinary shares in issue during the year. There are no instruments that have a dilutive effect on earnings.

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Profit for the year	384,288	357,010	131,070	264,697
Number of ordinary shares	265,427	265,427	265,427	265,427
Profit per share - KShs.	1.45	1.35	0.50	1.00

25. DIVIDENDS

Proposed for approval at the annual general meeting (not recognised as a liability as at 30June).

	Group 2014 KShs'000	Group 2013 KShs'000
Final proposed dividend: KShs.0.30 per share (2013: KShs.0.30)	79,627	79,627
Dividends paid	79,627	79,627

26. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise of the following at 30 June:

	Group		Company	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
Bank and cash balances	133,583	104,459	110,357	75,064
Short term deposits	-	-	-	-
Bank overdraft	(730,574)	(393,028)	(637,000)	(308,716)
	(596,991)	(288,569)	(526,643)	(233,652)

27. EMPLOYEE BENEFITS

	Group		Company	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
Salaries	670,371	602,615	536,599	463,125
Medical	48,085	37,021	38,837	30,247
Pension	45,403	46,957	44,395	34,489
Other	634,398	398,049	487,713	308,462
	1,398,257	1,084,642	1,107,544	836,323

28. SEGMENT INFORMATION

	Kenya KShs '000	Uganda KShs '000	Tanzania KShs '000	Adjusted on consolidation KShs '000	Group KShs '000
Year ended 30 June 2014:					
Sales	12,421,044	1,250,924	692,876	-	14,364,844
Profit/(loss) before tax	919,531	(3,41,595)	(125,187)	-	(452,749)
Current assets	3,142,039	223,188	90,721	(1,205,512)	2,250,436
Non-current assets	4,410,612	313,472	115,462	(205,129)	4,634,417
Total segment assets	7,552,651	536,660	206,183	(1,410,641)	6,884,853
Current liabilities	2,704,868	1,188,863	661,950	(1,205,512)	3,350,169
Non-current liabilities	177,370	-	-	-	177,370
Total segment liabilities	2,881,238	1,188,863	661,950	(,205,512)	3,527,537

28. SEGMENT INFORMATION (continued)

	Kenya KShs '000	Uganda KShs '000	Tanzania KShs '000	Adjusted on consolidation KShs '000	Group KShs '000
Year ended 30 June 2013:					
Sales	12,197,652	1,442,326	630,620	-	14,270,598
Profit/(loss) before tax	873,589	(256,408)	(131,279)	-	485,902
Current assets	2,064,975	341,952	85,710	(767,322)	1,725,315
Non-current assets	3,642,865	281,885	128,597	(205,129)	3,848,218
Total segment assets	5,707,840	623,837	214,307	(972,451)	5,573,533
Current liabilities	1,817,508	881,791	516,144	(767,322)	2,448,121
Non-current liabilities	200,000	-	-	-	200,000
Total segment liabilities	2,017,508	881,791	516,144	(767,322)	2,648,121

Sales revenue is based on the country in which the sales took place. Total assets are shown by the geographical area in which the assets are located. All the geographical segments are involved in the operation of retail supermarkets.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash and exclude investments and amounts due from subsidiaries.

Segment liabilities consist of operating liabilities and exclude items such as dividends payable and amounts due to the parent company.

It is not possible to obtain information on revenues from external customers for each product and service, or each group of similar products and services, because the necessary information is not available and the cost to develop it would be excessive.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management is carried out by the Risk and Compliance Committee.

The group maintains a conservative policy regarding currency and interest rate risks and does not engage in speculation in the markets. In addition, the group does not speculate or trade in derivative financial instruments.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates.

The group's exposure to the risk of changes in market interest rates relates primarily to the group's long and short term obligations with floating interest rates.

Interest margin may increase as a result of changes in the prevailing levels of base rates applied by ICDC and based on lending covenants entered into with the company. The balances outstanding as at 30 June 2014 are disclosed under note 14.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at year end. The analysis was prepared using the following assumptions:

- Interest-bearing liabilities outstanding as at 30 June 2014 were outstanding at those levels for the whole year,
- All other variables are held constant.

If interest rates on bank overdraft had been 3 percent higher or lower, the group's net profit for the year ended 30 June 2014 would increase or decrease by KShs.21 million (2013-KShs. 12million)

If interest rates on bank overdraft had been 3 percent higher or lower, the company's net profit for the year ended 30 June 2014 would increase or decrease by KShs 19 million (2013-KShs.9 million)

All other borrowings besides bank overdrafts are subject to fixed rates.In light of this, the directors are of the opinion that any sensitivity analysis with respect to the interest rate risk would be unrepresentative.

Foreign currency exchange risk

The group's policy is to record transactions in foreign currencies at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the reporting date. All gains or losses on changes in currency exchange rates are accounted for in profit or loss. The group operates wholly within Kenya, Uganda and Tanzania and its assets and liabilities are mainly denominated in local currencies. Consequently, the group's exposure to exchange risk is minimal. In light of this, the directors are of the opinion that any sensitivity analysis with respect to the foreign exchange exposure would be unrepresentative.

Credit risk

The largest concentration of credit exposure within the group relates to cash held with banks and accounts receivable. The group has policies in place to ensure that services are provided to customers with an appropriate credit history. In addition, the group only deals with financial institutions which have a strong credit rating. The directors have the responsibility of managing the group's credit risk.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The amount that best represents the group and company's maximum exposure to credit risk as at 30 June is made up as follows:

	Group		Company	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
Bank balance	133,583	104,459	110,357	75,064
Trade receivables	58,987	85,634	55,385	76,860
Amounts due from related parties	-	-	1,205,512	766,099
	192,570	190,093	1,371,254	918,023

Liquidity risk

Liquidity risk concerns the ability of the group to fulfil its financial obligations as they become due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group maintains a portfolio of short-term liquid assets, largely made up of bank balances and short term deposits to ensure that sufficient liquidity is maintained within the group as a whole. The group also arranges for short-term borrowings to ensure that the group's financial obligations are met.

The group's non derivative financial liabilities mainly comprise trade and other payables which are short term in nature with maturities of between 30 and 60 days.

Liquidity risk analysis

Group

At 30 JUNE 2014	Less than 1 year KShs'000	Between 1 and 2 years KShs'000	Between 2 and 5 years KShs'000	Total KShs'000
Trade payables	1,206,697	-	-	1,206,697
Bank overdraft	730,574	-	-	730,574
Term loans	716,032	99,185	-	815,217
	2,653,303	99,185	-	2,752,488
At 30 June 2013				
Trade payables	1,596,030	-	-	1,596,030
Due to other related parties	16,054	-	-	16,054
Bank overdraft	393,028	-	-	393,028
Term loans	180,309	100,000	100,000	380,309
	2,185,421	100,000	100,000	2,385,421

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

At 30 JUNE 2014	Less than 1 year KShs'000	Between 1 and 2 years KShs'000	Between 2 and 5 years KShs'000	Total KShs'000
Trade payables	1,206,697	-	-	1,206,697
Due to other related parties	-	-	-	-
Bank overdraft	637,000	-	-	637,000
Term loans	716,032	99,185	-	815,217
	2,559,729	99,185	-	2,658,914
At 30 June 2013				
Trade payables	1,041,394	-	-	1,041,394
Due to other related parties	16,054	-	-	16,054
Bank overdraft	308,716	-	-	308,716
Term loans	180,309	100,000	100,000	380,309
	1,546,473	100,000	100,000	1,746,473

30. CAPITAL MANAGEMENT

The group's objectives when managing capital are to safeguard its ability to continue as a going concern and ultimately build an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the level of borrowings or equity or sell assets to reduce debt.

The group manages the following components as part of capital:

	2014 Kshs '000	2013 Kshs '000
Share capital	1,327,133	1,327,133
Reserves	2,030,181	1,598,279
	3,357,314	2,925,412

31 FAIR VALUE HIERARCHY

a) The table below shows an analysis of all assets and liabilities measured at fair value in the financial statements or for which fair values are disclosed in the financial statements by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- 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 a price) or indirectly (i.e. derived from prices);and
- 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)

31 FAIR VALUE HIERARCHY (Continued)

Group

30 June 2014	Level 1 Shs.'000	Level 2 Shs.'000	Level 3 Shs.'000
Investment property			2,200,000
Freehold Land and buildings	-	-	1,500,000
Term loan	-	-	826,150
	-	-	

30June 2013	Level 1 Shs.'000	Level 2 Shs.'000	Level 3 Shs.'000
Investment property			1,480,000
Term loan			398,295

Company

30 June 2014	Level 1 Shs.'000	Level 2 Shs.'000	Level 3 Shs.'000
Freehold Land and buildings	-	-	1,500,00
Term loan			826,150

30June 2013	Level 1 Shs.'000	Level 2 Shs.'000	Level 3 Shs.'000
Term loan			398,295

i) Investment property and freehold land and buildings

The Group/company's freehold land and buildings were revalued on July 2014 while the group investment property was last valued in July 2014. The valuations were based on market value

There were no purchases or sales within the revalued property. There were no transfers between the levels.

The significant unobservable inputs used in the fair value measurement of the company's property and buildings are price per acre, estimated rental value per sqm per month and capital expenditure for similar property. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

Fair value of the freehold land and buildings and investment property was determined by using market comparable method or the depreciated replacement cost where market comparable was not available. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. The valuations were performed by Kiragu and Mwangi associates, an accredited independent valuer.

The valuers applied the depreciated replacement cost method to reflect the current market values of the buildings. The current replacement cost of all the improvements, including professional fees, were depreciated on the basis of age, use, condition, maintenance and obsolescence. The gross replacement cost was estimated to be the total cost to construct, at current prices, as of the effective date of the valuation, a duplicate or replica of the building using the materials, construction standards, design, layout and quality of workmanship specified in the existing building construction plans and specifications.

31 FAIR VALUE HIERARCHY (Continued)

i) Investment property and freehold land and buildings (continued)

The gross replacement cost of the buildings was determined using a reasonable current replacement cost depending on construction, function, location and required specification of the building as guided by the Ministry of Public Works and as per cost utilised by quantity surveyors in the building industry.

The fair value of this land was determined by using market comparable method. The fair value of the buildings, plant and machinery was determined by using market comparable method or the depreciated replacement cost where the market comparable method was not available. The depreciated replacement cost is the cost of acquiring, and installing a new or modern substitute asset having the same production capacity as that applied to assets which are part of an operating concern and assumes adequate profitability

The carrying amounts of the freehold land and buildings were adjusted to the revalued amounts and the resultant surplus net of deferred income tax was credited to the revaluation surplus in equity. The investment property is on LR No. 25544 and measures 19.7333 acres while the freehold land and buildings are on LR No. 209/399/3 and LR No 206/12593 measures 2.5 and 3.7 acres respectively

ii) Loans

The estimated fair value of loans represents the discounted amount of estimated future cash outflows.

b) Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments

Group	2014 KShs'000 Carrying amount	2014 KShs'000 Fair value	2013 KShs'000 Carrying amount	2013 KShs'000 Fair value
Term loan	815,217	826,150	380,307	398,296
Cash	133,583	133,583	104,459	104,459
Trade receivables	58,987	58,987	85,634	85,634
Trade payables	1,634,611	1,634,611	1,596,030	1,596,030
Bank Overdrafts	730,574	730,574	393,028	393,028
Company				
Term loan	815,217	826,150	380,307	398,296
Cash	110,357	110,357	75,064	75,064
Trade receivables	55,358	55,358	76,860	76,860
Trade payables	1,033,687	1,033,687	1,041,394	1,041,394
Bank Overdraft	637,000	637,000	308,716	308,716

The management assessed that cash, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments..

32. CAPITAL COMMITMENTS

There were no contracted capital commitments as at 30 June 2014. (2013:nil)

33. OPERATING LEASE COMMITMENTS

Operating lease commitments - Group and company as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2014	2013	2014	2013
	KShs'000	KShs'000	KShs'000	KShs'000
Not later than one year	671,294	514,559	537,254	455,698
Later than one year and not later than five years	2,712,762	1,431,754	2,382,267	1,002,929
Later than five years	1,305,921	1,204,868	894,817	783,279
	4,689,977	3,151,181	3,814,338	2,241,906

The group leases a number of branches and office premises under operating leases. The leases typically run for a year up to ten years, with an option to renew the lease after that date. Lease payments are increased accordingly to reflect market rentals.

34. CONTINGENT LIABILITIES

Uchumi Supermarkets (Uganda) Limited received a notice of assessment in 2011 from Uganda Revenue Authority amounting to KShs.75.8 million which relates to a variance noted between the purchases included in the financial statements and those declared in the returns for the years 2004 to 2008. The company objected to this assessment since it could support the disallowed expenses and, therefore, no provision has been made in these financial statements.