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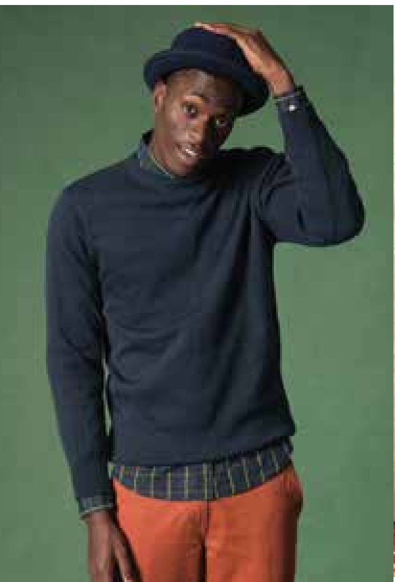
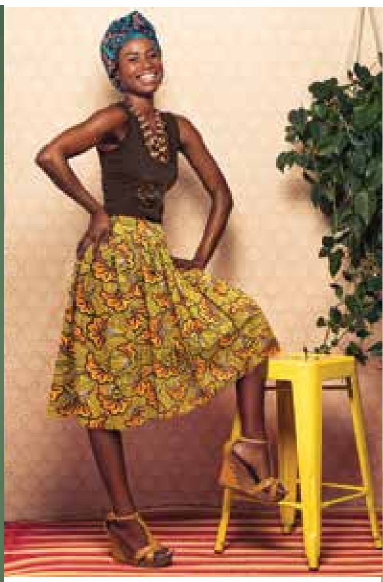
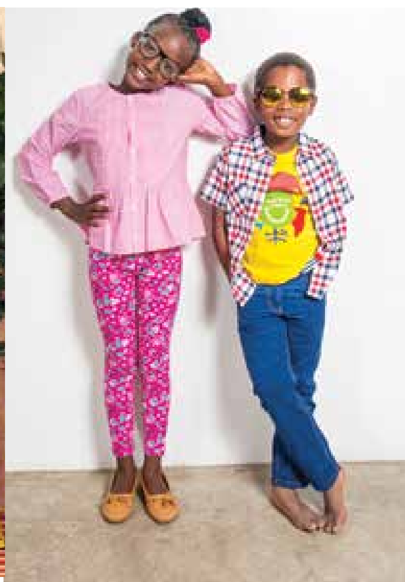
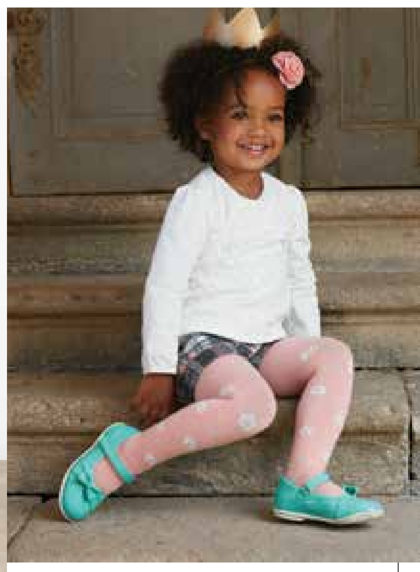
Annual Report and Financial Statements 2015

4u2 · Angelo · adidas · TRUWORTHS · Reebok

babyshop · Mr Price · bossini · LifeFitness · Mr Price Home

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VISION

Passionate people connecting customers to their desired lifestyle in Eastern Africa by 2020

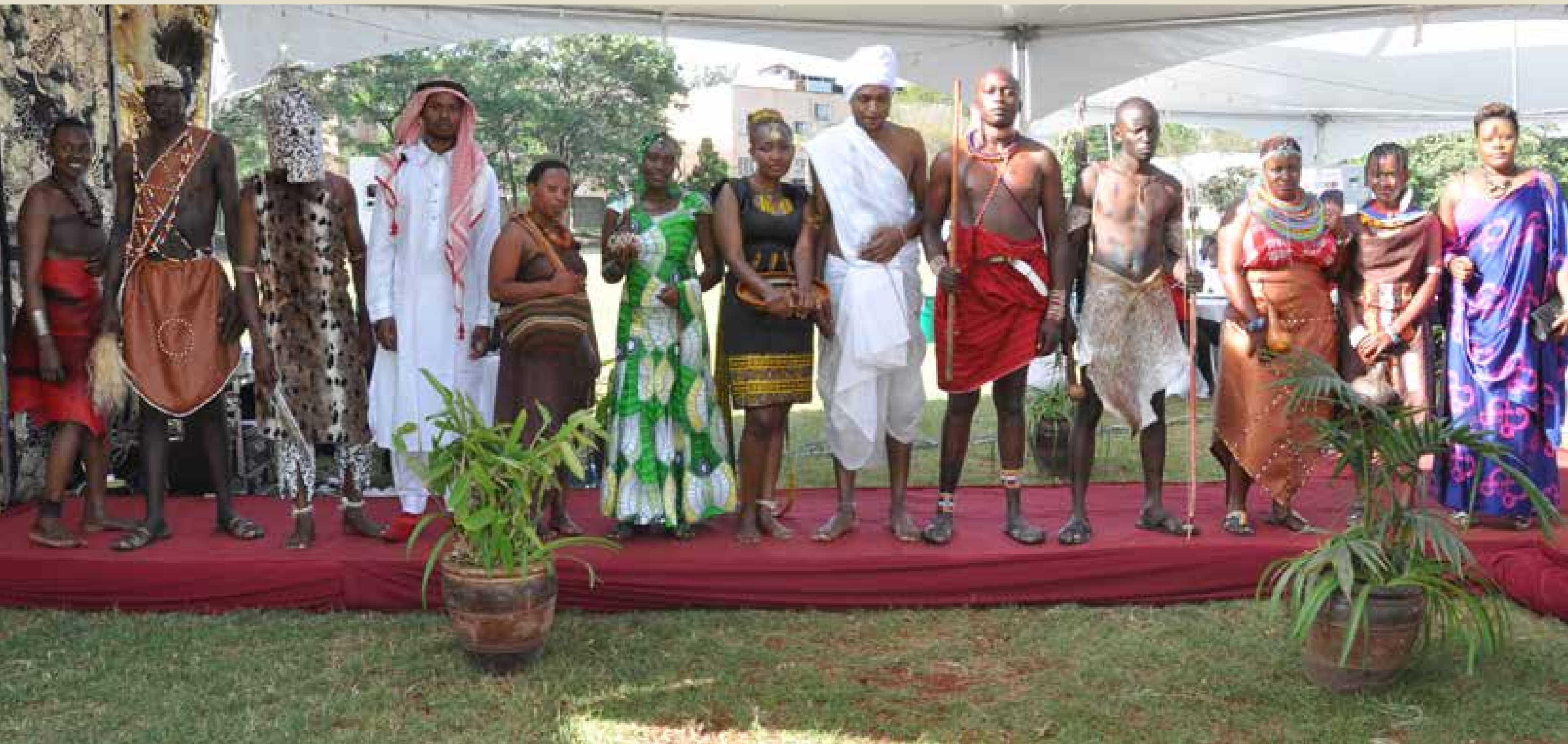
MISSION

Inspire our teams in order to drive passionate people connecting customers to their desired lifestyle in Eastern Africa by 2020

CORE VALUES

Stewardship, Professionalism, Integrity, Agility and Fun, Fairness

Deacons staff day fashion show - celebrating Kenyas cultural diversity



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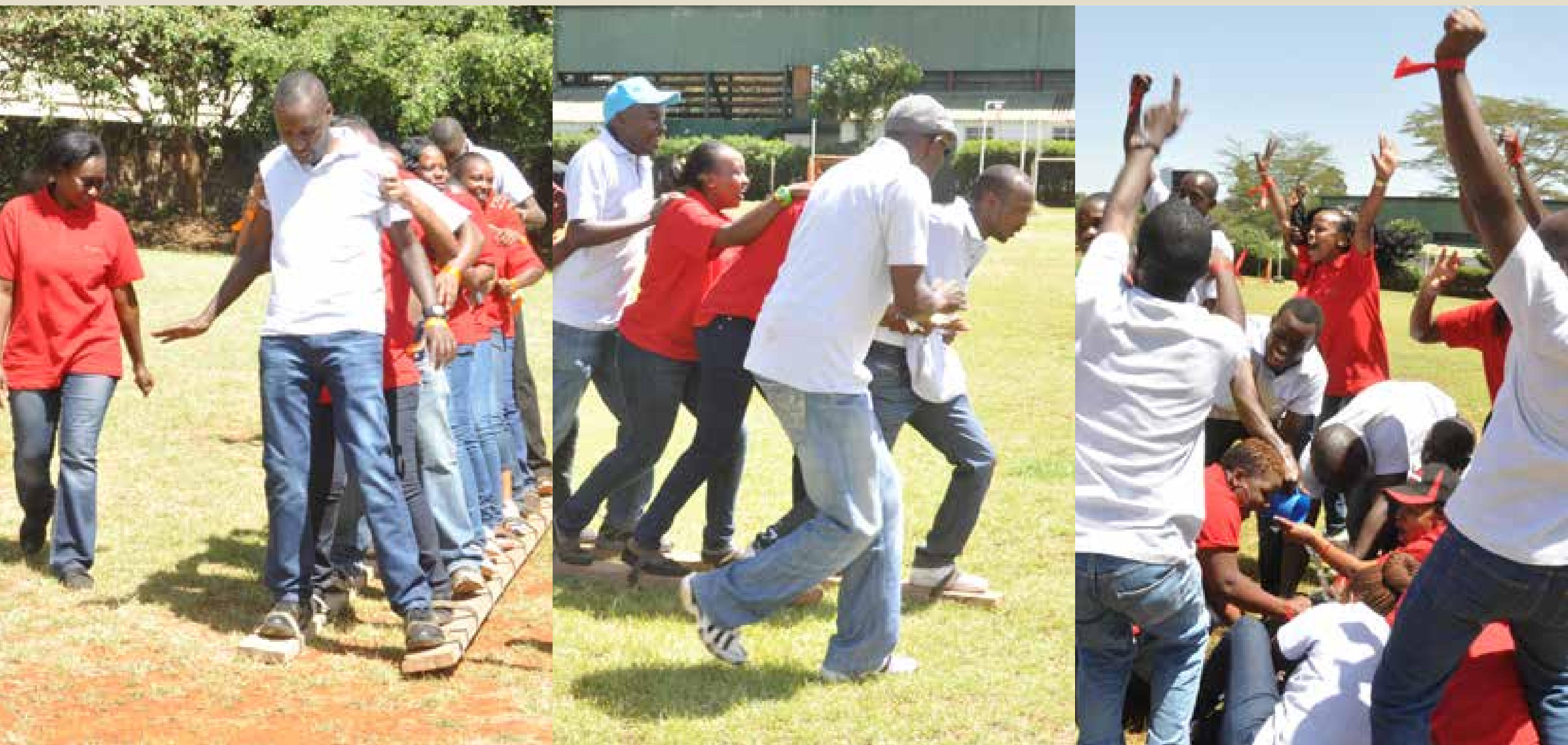
Deacons staff day - Team building



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ANNUAL GENERAL MEETING NOTICE

TO ALL MEMBERS

NOTICE is hereby given that the Forty Third (43rd) Annual General Meeting of Deacons Kenya Limited will be held at the Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Thursday, 5 May 2016 at 11 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To read the notice convening the meeting, table the proxies received and confirm the presence of a quorum.

2. To approve the minutes of the last Annual General Meeting held on 26 June 2015.

3. To receive, consider and adopt the Audited Financial Statements of the Company and the Group for the year ended 31 December 2015 together with the Directors' and Auditors' reports thereon.

4. To approve a first and final dividend of Kshs 0.50 per share for the Financial Year ended 31 December 2015 as recommended by the Directors, payable on 20 May 2016 to the shareholders on the Register of Members as at the close of business on 5 May 2016.

5. To approve the Directors' remuneration for the Financial Year ended 31 December 2015.

6. To re-elect Ms Betty Muthoni Mwangi and Ms Diana Bird, the directors retiring in accordance with Articles 91 and 92 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

7. To note that Messrs Deloitte & Touché will continue in office as auditors of the Company in accordance with the provisions of Section 159 (2) of the Companies Act (Cap. 486) and to authorize the Directors to fix their remuneration for the ensuing Financial Year.

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following Special Resolutions:-

a) Change of Company Name

"**THAT** subject to approval by the Registrar of Companies, the name of the Company be and is hereby changed from Deacons Kenya Limited to **Deacons (East Africa) PLC** with immediate effect".

b) Amendment to the Articles of Association of the Company

THAT the following New Article numbered 147(a) be added immediately after article 147:-

147 a) "The Accounts may be sent or otherwise made available by electronic means and not by post. This Article shall not require a copy of the Accounts to be sent or otherwise made available by electronic means to any person whose electronic or postal address the Company is not aware of, nor to more than the first named of any joint holders of any shares. The Company may also send the Accounts to all persons entitled thereto by publishing the Accounts on the Company's official website provided that the Company shall send to every Member or publish a summary of the Financial Statements and Auditors' Report in two daily newspapers with national circulation for two consecutive days drawing attention to the website on which the Accounts in full may be read, and the address to which a request for a printed copy of the Accounts may be submitted to the Company Secretary and upon any such publication the Accounts shall be deemed to have been sent to every Member or other person entitled to receive a copy of the Accounts."

9. To consider and, if thought fit, to pass the following Ordinary Resolutions:-

a) Listing by Introduction

(i) "**THAT** subject to the Company receiving all regulatory approvals, including but not limited to approval by the Capital Markets Authority (CMA) and the Nairobi Securities Exchange Limited (NSE), all of the Ordinary Shares of Kenya Shillings Two and Fifty Cents (Kshs 2.50) each in the capital of the Company be and are hereby approved for listing by introduction on the Alternative Investment Market Segment (AIMS) of the NSE.

(ii) "**THAT** all other previous resolutions relating to the listing of the Company and which contradict the present resolutions be and are hereby superseded and replaced to the extent of such contradiction".

(iii) "**THAT** the Board of Directors be and is hereby mandated to take all actions, make all applications and obtain all consents, approvals, authorizations and permissions required for this purpose".

b) Filing of Documents with the Registrar of Companies

"**THAT** the Company Secretary be and is hereby directed to arrange for filing with the Registrar of Companies all necessary returns consequent upon the business dealt with at this meeting".

ANY OTHER BUSINESS

10. To consider any other business of which due notice has been received.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY
Written on Date: 12 April 2016

Note:

a) In accordance with Section 298 (1) of the Companies Act, 2015, a member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and to speak and vote on his/her behalf. A proxy need not be a member of the Company.

b) A Proxy Form may be obtained from the Company's website, **www.deacons.co.ke** or from the offices of the Company's Share Registrars, CDSC Registrars Limited, Nation Centre, 10th Floor, Kimathi Street, Nairobi.

c) A copy of the entire Annual Report and Accounts may be viewed at the Company's website at **www.deacons.co.ke** or a printed copy may be obtained from the Registered Office of the Company, Norfolk Towers, Kijabe Street, Block G, 1st Floor, P.O. BOX 30087 – 00100 Nairobi.

CORPORATE INFORMATION

Directors	Peter Gichuru Njoka – Chairman Muchiri Wahome – Chief Executive Officer Diana Bird* James Olubayi Christine K. Mweti Betty Mwangi * British
Secretary	John L G Maonga Maonga Ndonye Associates Certified Public Secretaries (Kenya) Jadala Place, 3rd Floor, Ngong Lane, Ngong Road P.O. Box 73248 – 00200, Nairobi
Registered Office	L.R. No. 209/9622, Norfolk Towers, Kijabe Street P.O. Box 30087 – 00100, Nairobi
Principal Place of Business	Norfolk Towers, Kijabe Street P.O. Box 30087 – 00100, Nairobi
Auditors	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P.O. Box 40092 - 00100, Nairobi
Bankers	Barclays Bank of Kenya Limited Barclays Plaza, Business Centre, Loita Street P.O. Box 46661 - 00100, Nairobi Bank of Africa (Kenya) Limited Reinsurance Plaza P.O. Box 69562 - 00400, Nairobi NIC Bank Limited NIC House Branch P.O. Box 44599 - 00100, Nairobi UBA Kenya Bank Limited Apollo Centre, Ring Road P.O. Box 34154 – 00100, Nairobi
Lawyers	Coulson Harney Advocates 5th Floor, West wing, ICEA Lion Center, Chiromo Road P.O. Box 10643 - 00100, Nairobi

BOARD OF DIRECTORS

Below is a brief profile of the directors of the Company:-

PETER GICHURU NJOKA: KENYAN, AGE 45 – NON EXECUTIVE CHAIRMAN

Peter is 45 years old and is an Advisor to The Abraaj Group. He is based in Nairobi and has 19 years' private equity and corporate finance experience in East Africa. Since 1999, he has been responsible for recommending investments, monitoring and working on exits for a number of companies, across various sectors, in which Funds managed by The Abraaj Group have participated. He is a board member of Brookside Dairy Limited., Seven Seas Technologies Ltd., Athi River Steel Plant Ltd., Kenya Clay Products Ltd. and Kenya Investment Authority, amongst other companies. Prior to 1999, Peter was responsible for preparing corporate and industry research reports, as well as valuation and forecast models at an advisory company in Nairobi for a period of 2 years. He holds a B.Sc. in Mathematics and Physics from the University of Nairobi.

MUCHIRI WAHOME: KENYAN, AGE 53 – CHIEF EXECUTIVE OFFICER

Muchiri has over 28 years of retail experience. He is a Non-Executive Director of Scangroup Limited, Tea Brokers East Africa Limited, Goodlife Pharmacies and East African Packaging Limited. He is also the Chairman of the Board of Governors of Othaya Girls High School. Muchiri is a holder of a BA (Economics) from the University of Nairobi, a higher national diploma in management from Strathmore University, a fellow of the Aspen Leadership Center and was awarded the Head of State Commendation medal (HSC) for implementing performance contracts in government bodies.

DIANA BIRD: BRITISH, AGE 59 – NON EXECUTIVE DIRECTOR

Diana is the immediate former Managing Director of Deacons Kenya Limited, having served in that capacity from 1986 to 2003. Prior to this she worked with the renowned Marks & Spencer chain of stores and has a wealth of experience in sourcing, buying and marketing for apparel retail across the world. She now divides her time between Devon in the UK and Nairobi in Kenya.

JAMES I. OLUBAYI: KENYAN, AGE 50 – NON EXECUTIVE DIRECTOR

James Olubayi is currently the Executive Director of the Alexander Forbes Group in Kenya. He studied actuarial science at the City University, Cass Business School, in London where he graduated in 1989 with a First Class Honours degree. He joined Hymans Robertson Consulting Actuaries in London in 1989 and qualified as a Fellow of the Institute of Actuaries ('FIA') in 1994. He gained several years' experience in international actuarial consulting in the United Kingdom before establishing the Hymans Robertson Consulting Actuaries Kenya operation in May 1994. Hymans Robertson in Kenya later changed its name to Alexander Forbes Kenya when Hymans Robertson UK sold out to Alexander Forbes of South Africa.

James currently is appointed Actuary to many pension Schemes in East and Central Africa. He is also appointed Actuary to several insurance companies in the region. His work involves extensive client contact and travelling. He is also a Board Member of UBA Kenya Bank Limited. He is also the Liaison Officer of the Institute and Faculty of Actuaries in East Africa and the current President of The Actuarial Society of Kenya (TASK).

BOARD OF DIRECTORS (CONTINUED)

BETTY MWANGI: KENYAN, AGE 47 – NON EXECUTIVE DIRECTOR

Betty Mwangi is the immediate former Director of Financial Services at Safaricom Limited which is the division that oversees Mpesa, the globally acclaimed Mobile Money Service, a role she has held for almost a decade since the year Mpesa was launched. She holds a B. Eng (Hons) in Electrical and Electronic Engineering from the Victoria University of Manchester and an MBA from the University of Leicester - both in the UK. She is also a Chartered Marketer and a member of the Chartered Institute of Marketing.

KAMAMI CHRISTINE MICHIRA MWETI: KENYAN, AGE 44 —NON EXECUTIVE DIRECTOR

Christine is a Partner and the Head of the Banking and Finance Practice Group at Coulson Harney one of Kenya's leading corporate commercial law firms. She has spent most of her professional career in the capital markets, having served as the head of the legal and compliance functions of the Nairobi Securities Exchange Limited (where she currently serves on the Finance, Strategy & Business Development Committee), the Capital Markets Authority, Renaissance Capital (Kenya) Limited and Equity Investment Bank Limited.

Christine holds a Masters Degree in Business Administration and a Bachelors Degree in Law both from the University of Nairobi. She was admitted as an advocate of the High Court of Kenya in 1997. She is a member of the Law Society of Kenya and the Institute of Directors (Kenya). She is a Certified Public Secretary (Kenya) and a member of the Institute of Certified Public Secretaries of Kenya. She is certified by the Commonwealth Secretariat, the Centre for Corporate Governance and the Institute of Directors (Kenya) as a trainer in corporate governance. She has also been trained by the International Finance Corporation of the World Bank Group in board evaluation and has been extensively involved in the training of directors in the areas of legal duties, accountability and reporting.

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LETTER TO SHAREHOLDERS

Dear Shareholder,

We are pleased to present the annual report and financial statements for Deacons Kenya Limited for the year ended 31 December 2015.

The overall trading environment for the year ending 31st December 2015, across the region was characterized by some challenges in the retail sector. The depreciation of the Kenya Shilling against major currencies put pressure on retail prices, particularly in our biggest market in Kenya. Corporate bank lending rates and retail lending rates increased to a high of 24% p.a. and 28% p.a. respectively. These trends negatively affected the consumer's purchasing power and increased the cost of doing business. Security continued to be a concern thereby affecting customer traffic into malls and increased the cost of mall operations.

FINANCIAL PERFORMANCE

Revenue was up 24% against prior year reaching a high of Kshs 2.3B driven by the opening of a Bossini and Mr Price store in Acacia Mall Kampala (Q2 2015) and Garden City Mall Thika Road (Q3 2015) bringing the total store footprint for the Group to 31 stores. The inventory management strategy in the year was to reduce aged stock and increase the freshness of product for the customer. This resulted in healthier gross margins against prior year.

The increase in overall operational expenses by 28% over prior year is directly attributable to cost of borrowings and occupational costs related to new stores whose full trading potential will be realized in the short term.

The Group concluded the sale of its 49% share of the Woolworths business (WKPL) in Kenya resulting in a gain in disposal of Kshs. 64.9M. This was a strategic initiative in order to invest and focus the trading initiatives into wholly owned brands/franchises.

The total comprehensive income was recorded at Kshs. 100.6M an increase of 73% over prior year.

DIVIDEND

The Directors recommend the payment of a first and final dividend of Kshs. 0.50 per share in respect of the Financial Year ended 31 December 2015. Subject to approval by the shareholders at the Annual General Meeting, the dividend will be paid on 20 May 2016 to members on the register as at the close of business on 5 May 2016. Accordingly, the register of members will remain closed for one day on 6 May 2016 for preparation of dividend warrants.

FUTURE OUTLOOK

The trading environment across the region continues to be challenging with high interest rates, exchange rate volatility and heightened political activity. The Group has just launched its 5 year strategic plan (2016 - 2020) that includes diversified sources of supply and brands in order to take advantage of the new malls being developed in the region.

The Group recently opened an Adidas/Reebok store and a Bossini store at The Hub in Karen. Plans are underway to launch four stores at the Two Rivers mall that will be the largest multiuser retail development in Sub Saharan Africa. In addition, the Group will launch a Mr Price and a Bossini store at the modern Kigali Heights mall in Rwanda.

Peter Gichuru Njoka Chairman Board of Directors	Muchiri Wahome Chief Executive Officer

CORPORATE GOVERNANCE AND SHARE REGISTER AS AT 24 MARCH 2016

The Board of Directors is committed to complying with legislation, regulation and best practice and has in particular adopted the Capital Markets Authority (CMA) guidelines on corporate governance practices by public companies in Kenya. The Board is also committed to the consideration and implementation of initiatives to improve corporate governance for the benefit of all shareholders.

BOARD AND COMMITTEES

The Company is led by an effective Board that provides strategic direction and is ultimately responsible for the functioning of the company and group. The Board has constituted committees which assist in this process. The membership of the committees during the year under review was as follows:

- Audit and Risk : James Olubayi (Chairperson) and Peter Gichuru Njoka
- Remuneration and Staff : Christine Mweti (Chairperson), Diana Bird and Muchiri Wahome
- Strategy and Investment : Diana Bird (Chairperson), Peter Gichuru Njoka, Christine Mweti, Betty Mwangi and Muchiri Wahome
- Nomination : Peter Njoka (Chairperson), Diana Bird and Muchiri Wahome
- Information and Communication Technology (ICT): Betty Mwangi (Chairperson) and Peter Gichuru Njoka

CHAIRMAN AND CHIEF EXECUTIVE

The roles of Chairman and CEO are separate and distinct.

SHARE REGISTER AS AT 24 MARCH 2016

	INVESTOR NAME	NO. OF SHARES	% HOLDING
1	SWEDFUND INTERNATIONAL AB	17,330,656	14.0%
2	PINPOINT INVESTMENTS LIMITED	10,784,280	8.7%
3	BIRD DIANA	9,839,656	8.0%
4	CHARLES MWANGI GATHURI	9,340,852	7.6%
5	KIRIMARA LIMITED	8,031,332	6.5%
6	TRI-KAY DEVELOPMENT CO. LTD.	6,869,092	5.6%
7	AUREOS EAST AFRICA FUND LLC	6,837,548	5.5%
8	A/C PEREGRINE EQUITY LLC KESTREL CAPITAL NOMINEES LIMITED	5,120,000	4.1%
9	OLD MUTUAL LIFE ASSURANCE CO. LTD.	3,733,332	3.0%
10	MUCHIRI WAHOME	3,728,024	3.0%
	OTHER 318 SHAREHOLDERS	41,943,456	33.9%
	TOTAL SHARES	**123,558,228**	**100.00%**

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CORPORATE SOCIAL RESPONSIBILITY

Deacons is committed to creating a positive impact in our community. Through our corporate social responsibility program, with the health and educational pillars we continue to strive to improve the lives of those around us.

Students at Lukenya Girls High School receiving free professional bra size measurements from a Deacons staff member.

HEALTH PILLAR

The Deacons Breast Health Initiative was launched in 2009 to educate high school female students (ages 14 to 19 years) on breast health matters including knowing their bra size and breast cancer awareness. The program has accorded Deacons the opportunity to interact with students from rural and urban settings and has impacted over 15,000 students from 19 high schools. Each year (except the inception year), an average of 3 schools are visited by Deacons female staff members .In a bid to provide holistic education on breast health, Deacons partnered with a medical institution - Gertrude's Children's Hospital.

The schools visited in 2015 were: St. Hannah's Girls High School (Nairobi), Lukenya Girls High school (Athi River) and Alliance Girls High School (Kikuyu).

In addition to the above, Deacons extended its support towards breast cancer awareness and management by donating post-mastectomy bras and breast prosthesis (forms) worth more than Ksh600,000 to the Twakutukuza Trust.

Deacons CEO – Mr. Muchiri Wahome (left) donating Amoena products to the Twakutukuza Trust Founder - Doris Mayoli (right) and a beneficiary of the trust (centre).

EDUCATION PILLAR

The Soma Deacons Book Drive was established in 2012 with the objective of providing primary and secondary school under privileged children with reading material (story books and curriculum books). This initiative has provided an avenue for Deacons customers and well-wishers to donate books. In 2015, the beneficiaries of the donation were: New Star Light children of Zion school in Korogocho and Beyond the Vision School in Tassia. In addition to the books, Deacons donated an 8,000 litre water tank to each school as well as a 20 foot storage container to Beyond the Vision School.

Deacons also made a special donation to the Langata Women's Prison of adult books, nappies and nappy liners as well as a Ksh. 10,000 cash reward for the best warden and a Ksh. 5,000 cash award and a trophy for the most disciplined inmate.

During the months of November and December 2015, all Deacons stores participated in the Soma Deacons Book Drive where over 13,000 books were donated by customer, well-wishers as well as staff members.

Deacons staff members touring the Langata Women's Prison Day Care Centre.

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report together with the audited financial statements of Deacons Kenya Limited (the "Company") and its subsidiaries (together, the "Group) for the year ended 31 December 2015 which show their state of affairs.

PRINCIPAL ACTIVITY

The principal activity of the Company and its subsidiaries is retailing of franchise products.

RESULTS	Shs'000
Profit before taxation	141,595
Attributable income tax charge	(27,845)
Profit for the year transferred to retained earnings	113,750

DIVIDEND

The directors recommend the payment of a first and final dividend of Shs 0.50 per share amounting to Shs 61,779,114 in respect of the financial year ended 31 December 2015 (2014 – Nil).

DIRECTORS

The directors who served during the year up to the date of signing these Financial Statements are shown on page 6.

AUDITORS

The auditors, Deloitte & Touche, having expressed their willingness, continue in office in accordance with section 159(2) of the Kenyan Companies Act.

BY ORDER OF BOARD

SECRETARY
24TH MARCH, 2016
NAIROBI

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 of the Company as at the end of the financial year and of operating results of the Group for that year. It also requires the directors to ensure that the parent Company and subsidiary companies keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company. They are also responsible for safeguarding the assets of the Group.

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

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 in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company and of the Group's operating results. 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 going concerns for at least the next twelve months from the date of this statement.

DIRECTOR
24TH MARCH, 2016

DIRECTOR

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEACONS KENYA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Deacons Kenya Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 15 to 54, which comprise the consolidated and company statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are 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 our 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, we considered the internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the of the Group and of the Company as at 31 December 2015 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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 Company, so far as appears from our examination of those books; and
iii) the Company's statement of financial position (balance sheet) is in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is ***CPA Anne Muraya (P/No 1697)***.

Deloitte & Touche

CERTIFIED PUBLIC ACCOUNTANTS (KENYA)
NAIROBI, KENYA
24TH MARCH, 2016

Deloitte.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 shs'000	2014 shs'000
Sales	4	2,383,297	1,927,669
cost of sales		(1,274,514)	(1,049,071)
Gross profit		1,108,783	878,598
Interest income		37,664	32,778
Other income	5	12,222	36,833
Share of profit of associate company	18(a)	53,832	28,679
Profit on disposal of associate	18(b)	64,933	-
Administration expenses	7	(938,211)	(731,573)
Selling expenses	8	(143,796)	(125,429)
Finance costs	9	(79,405)	(60,273)
Net foreign exchange gains		25,573	28,557
Profit before taxation	10	141,595	88,170
Taxation charge	11(a)	(27,845)	(26,767)
PROFIT FOR THE YEAR	**12**	**113,750**	**61,403**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences from translation of foreign operations		(13,182)	(3,350)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**100,568**	**58,053**
BASIC AND DILUTED EARNINGS PER SHARE	13	0.92	0.50

CONSOLIDATED & COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	Notes	Sh'000	Sh'000	Sh'000	Sh'000
ASSETS					
Non current assets					
Furniture, fittings and equipment	14(a)	640,843	467,603	527,872	414,970
Intangible assets	15	54,425	8,498	54,425	8,418
Lease prepayments	16	22,789	22,025	1,638	2,885
Investments in subsidiaries	17	-	-	20,018	20,018
Investment in associate	18(a)	-	162,751	-	119,050
Trade and other receivables	19	41,204	64,262	41,204	64,262
Due from related parties	20(a)	-	-	150,823	59,534
Deferred taxation	21	34,402	43,254	7,177	14,079
		793,663	768,393	803,157	703,216
Current assets					
Loan to associate	18(c)	-	297,735	-	297,735
Trade and other receivables	19	531,780	84,461	507,013	71,221
Due from related parties	20(a)	-	10,477	224,349	119,806
Inventories	22	931,979	712,898	817,201	663,880
Taxation recoverable	10(c)	32,234	39,545	913	16,282
Bank and cash balances		196,416	48,373	156,576	34,907
		1,692,409	1,193,489	1,706,052	1,203,831
Total assets		**2,486,072**	**1,961,882**	**2,509,209**	**1,907,047**
SHAREHOLDERS' FUNDS AND LIABILITIES					
Capital and reserves					
Share capital	23	308,896	308,896	308,896	308,896
Share premium		548,803	548,803	548,803	548,803
Retained earnings		674,909	561,159	744,596	570,668
Translation reserve		(20,314)	(7,132)	-	-
Shareholder's funds		**1,512,294**	**1,411,726**	**1,602,295**	**1,428,367**
Non current liabilities					
Borrowings	25	390,632	138,381	356,932	70,361
Current liabilities					
Due to related parties	20(b)	-	-	62,485	62,485
Trade and other payables	24	318,999	316,457	257,827	265,028
Borrowings	25	264,147	95,318	229,670	80,806
		583,146	411,775	549,982	408,319
Total shareholders' funds and liabilities		**2,486,072**	**1,961,882**	**2,509,209**	**1,907,047**

The financial statements on pages 15 to 54 were approved and authorized for issue by the Board of Directors on24th March 2016 and were signed on its behalf by:-

Directors

Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital Shs '000	Share premium Shs '000	Retained earnings Shs '000	Translation reserve Shs '000	Total Shs '000
At 1 January 2014	308,896	548,803	499,756	(3,782)	1,353,673
Profit for the year	-	-	61,403	-	61,403
Other comprehensive income	-	-	-	(3,350)	(3,350)
Total comprehensive income for the year	-	-	61,403	(3,350)	58,053
At 31 December 2014	308,896	548,803	561,159	(7,132)	1,411,726
At 1 January 2015	308,896	548,803	561,159	(7,132)	1,411,726
Profit for the year	-	-	113,750	-	113,750
Other comprehensive income	-	-	-	(13,182)	(13,182)
Total comprehensive income for the year	-	-	113,750	(13,182)	100,568
At 31 December 2015	308,896	548,803	674,909	(20,314)	1,512,294

The reserve accounts in the statement of changes in equity are explained below:

- The retained earnings represent accumulated profits retained by the company.
- Share premium represents the excess of paid up capital over the par value of the issued ordinary shares.
- The translation reserve represents the cumulative effects of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies to the reporting currency.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital Shs '000	Share premium Shs '000	Retained earnings Shs '000	Total Shs '000
At 1 January 2014	308,896	548,803	537,988	1,395,687
Profit for the year	-	-	32,680	32,680
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	32,680	32,680
At 31 December 2014	308,896	548,803	570,668	1,428,367
At 1 January 2015	308,896	548,803	570,668	1,428,367
Profit for the year	-	-	173,928	173,928
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	173,928	173,928
At 31 December 2015	308,896	548,803	744,596	1,602,295

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 Shs'000	2014 Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	26(a)	(483,244)	280,757
Taxation paid	11(c)	(13,280)	(13,401)
Net cash (used in)/generated from operating activities		(496,524)	267,356
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment	14(a)	(294,058)	(115,183)
Additions to lease prepayments	16	(5,942)	(19,140)
Proceeds from sale of interest in associate	18(b)	420,454	-
Proceeds of disposal of equipment		162	2,284
Net cash generated from/(used in) investing activities		120,616	(132,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan received	26(b)	528,791	-
Repayment of loan	26(b)	(140,055)	(104,094)
Proceeds from repayments of loan to associate	18(c)	192,770	10,416
Interest on borrowings		(79,405)	(60,273)
Net cash generated from/(used in) financing activities		502,101	(153,951)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT CASH AND CASH EQUIVALENTS		126,193	(18,634)
AT 1 JANUARY		14,521	35,033
Effect of exchange rates		(3,990)	(1,878)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26(c)	136,724	14,521

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards

For the Kenyan Companies Act reporting purposes the balance sheet is represented by the statement of financial position and the profit and loss account is represented in the statement of profit or loss and other comprehensive income.

Application of new and revised International Financial Reporting Standards (IFRSs)

I) Relevant new standards and amendments to published standards effective for the year ended 31 December 2015

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

IFRS 13 Fair Value Measurement	The amendment to the basis for conclusions of IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions. As the group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the company's financial statements.
IAS 16 Property, Plant and Equipment; IAS 38 Intangible Assets	The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. As the group has not revalued its plant and equipment and intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the company's financial statements.
IAS 24 Related Party Disclosures	The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2015 (continued)

Annual Improvements 2011-2013	The annual improvements 2011-2013 cycle makes amendments to the following standards::

- IFRS 3 — The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.
- IAS 40 — The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether:

(a) the property meets the definition of investment property in accordance with IAS 40; and

(b) the transaction meets the definition of a business combination in accordance with IFRS 3.

An entity should apply the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts the amendment. Consequently, accounting for acquisitions of investment property in prior periods should not be restated. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date (i.e. 1 July 2014) if and only if information needed to apply the amendment to earlier transactions is available to the entity.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2015.

The new terminologies have been adopted in these financial statements. In other respects the application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

II) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IAS 1	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016
Amendments to IFRS's Annual improvements	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)
Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

III) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2015 and future annual periods

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Group do not anticipate that the application of IFRS 9 in the future will have a significant impact on amounts reported in respect of the Groups's financial assets and financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised international financial reporting standards (IFRS) (continued)

III) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2015 and future annual periods (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

As mentioned above, the new revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Far more prescriptive guidance has been introduced by the new revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.

- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

  Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the group anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

III) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2015 and future annual periods (continued)

Amendments to IAS 1 (Disclosure Initiative)

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.
- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items:
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

Application of the amendments need not be disclosed. The directors of the group anticipate that the application of IAS 1 in the future may not have a significant impact on amounts reported in respect of the group's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the company uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively.

The directors of the group do not anticipate that the application of the standard will have a significant impact on the group's financial statements.

Annual Improvements 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 introduces specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendment clarifies that such a change is considered as a continuation of the original plan of disposal and accordingly an entity should not apply paragraphs 27-29 of IFRS 5 regarding changes to a plan of sale in those situations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

III) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2015 and future annual periods (continued)

Annual Improvements 2012-2014 Cycle (Continued)

The amendments to IFRS 7 provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. Also, the amendment clarifies that the offsetting disclosures are not specifically required for all interim periods. However, the disclosures may need to be included in the condensed interim financial statements to satisfy the requirements in IAS 34 Interim Financial Reporting.

The amendments to IAS 19 clarifies that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The basis for conclusions to the amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level which is consistent with the currency in which the benefits are to be paid. For currencies for which there is no deep market in such high quality bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency should be used.

The directors of the group do not anticipate that the application of these amendments will have a significant impact on the group's financial statements.

iii) Early adoption of standards

The group did not early-adopt any new or amended standards in 2015.

Basis of preparation

The financial statements are presented in Kenya Shilling thousands (Sh'000) and are prepared under the historical cost basis of accounting. The principal accounting policies adopted, which remain unchanged from the previous year, are set out below:

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (Board of Directors). The Board of Directors allocates resources to and assesses the performance of the operating segments of the Group.

Segment result is segment revenue less segment expenses.

Segment revenue is the revenue that is directly attributable to a segment plus the relevant portion of the Group's revenue that can be allocated to the segment on a reasonable basis.

Segment expenses are expenses resulting from the operating activities of a segment plus the relevant portion of an expense that can be allocated to the segment on a reasonable basis.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment capital expenditure represents the total cost incurred during the year to acquire segment assets (property, plant and equipment) that are expected to be used over a period of more than one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised.

Sale of goods and services

Revenue is recognized upon delivery of products and customer acceptance, if any, net of refunds, discounts and value added tax (VAT). Service fees for equipment sold are recognized on provision of the service.

Other income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividends receivable are recognised as income in the period in which the right to receive payment is established.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and its subsidiary. Subsidiaries are all entities (including structured entities) over which the group has control.The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, whose financial period ends on 31 December (See note 17).

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investments in subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment where applicable.

Investments in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group. These transactions between the group and its associates, are not eliminated in the preparation of these financial statements

Taxation

Income tax represents the sum of tax currently payable and deferred tax.

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised, while deferred tax liabilities are recognised for all taxable temporary differences.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Furniture, fittings and equipment and depreciation

Furniture fittings and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the reducing balance basis to write off carrying values of the assets over their expected useful lives at the following rates:

Motor vehicles	25% per annum
Furniture, fittings and equipment	12.5% per annum
Computer equipment	30% per annum

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if applicable, at the end of each reporting period.

Intangible assets

Intangible assets represent computer software.
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is amortised over the expected useful live at $33^1/_3$% per annum.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in profit or loss.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Lease prepayments

Lease prepayments represent payments made towards acquisition of lease rentals of business premises. The expenditure is amortized over the term of the related lease.

Employment benefits

Pension obligations

The Group operates a defined contribution pension scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions from both the Group and employees.

Statutory pension obligations

The Group also contributes to statutory defined pension schemes, the National Social Security Fund (NSSF). Contributions are determined by local statutes in Kenya, Uganda, Tanzania and Rwanda. These are currently at Shs 200 per employee per month in Kenya, 10% of the employee's salary in Uganda and Tanzania and 5% of the employee's salary in Rwanda.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution. Specific provisions are made for slow moving and defective inventories. Goods in transit are stated at cost.

Provisions

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

Employee entitlements to annual leave and long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service awards as a result of services rendered by employees up to the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Foreign currencies

i) Transactions and balances

Transactions in foreign currencies during the year are translated into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the end of the reporting period. The resulting differences from conversion and translation are dealt with in the profit or loss for the year in which they arise.

ii) Translation of foreign operations

The results and financial position of all the group entities (none of which has the currency of a hyperinflationery economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated into Kenya Shillings using exchange rates prevailing at the end of the reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised under other comprehensive income and accumulated in a separate heading, translation reserve, in the consolidated statement of changes in equity.

Financial instruments

Financial assets and liabilities are initially recognised in the Group's statement of financial position at cost using settlement date accounting, when the Group has become a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The objective evidence of impairment of receivables is when there is a significant financial difficulty of the counter party or when there is a default or delinquency by the customer. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Financial instruments (continued)

Impairment and uncollectability of financial assets

At the end of each reporting period, all financial assets are subject to review for impairment. If it is probable that the Group will not be able to collect all amounts due (principal and interest) according to the contractual terms of receivables or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is included in the profit or loss for the period.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial Liabilities

After initial recognition, the Group measures all financial liabilities other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

Trade payables

Trade payables are stated at their nominal value

Dividends

Dividends payable are charged to equity in the period in which they are declared. Proposed dividends are not accrued for until approved in an annual general meeting.

Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management makes certain estimates and assumptions about future events. In practice, the estimated and assumed results at times 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:

Furniture, fittings and equipment
Management makes estimates in determining the depreciation rates for furniture, fittings and equipment. The rates used are set out in the accounting policy for furniture, fittings 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.
2 Critical accounting estimates and judgements in applying the Group's accounting policies (continued)

Provision for doubtful debts
The Group reviews its debtors' portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable.

Provision for inventory obsolescence
The Group reviews its inventories regularly for obsolete or slow moving stocks. This requires an estimation of the amounts that are irrecoverable.

3 SEGMENT REPORTING

a) Markets from which reportable segments derive their revenues

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of resource allocation and assessment of segment performance. The Board of Directors considers the business from both a geographic and product perspective.

The Group's reportable segments under IFRS 8 are therefore as follows;
- Product sales – apparel, home and sports.
- Geographic – Kenya, Uganda, Rwanda and Tanzania.

The Tanzania segment of the Group has been reported as a discontinued operation following the board resolution to discontinue operations in this segment in December 2011.

b) Segment revenues and results

	2015	2014
SALES ANALYSIS BY PRODUCT SEGMENTS	Shs'000	Shs'000
Apparel	1,799,287	1,624,398
Home	289,903	162,748
Sports	294,107	140,523
	2,383,297	1,927,669

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

REVENUE AND RESULTS ANALYSIS BY GEOGRAPHIC REPORTABLE SEGMENTS

	Kenya	Uganda	Rwanda	Mauritius	Consolidated
31 December 2015	**Sh'000**	**Sh'000**	**Sh'000**	**Sh'000**	**Sh'000**
External sales	2,062,358	254,223	66,716	-	2,383,297
Share of profit of associate company	53,582	-	-	-	53,582
Segment profit/(loss) before taxation	200,364	2,085	(16,799)	(354)	185,296
Income tax charge	(26,436)	(617)	(792)	-	(27,845)
Profit after taxation	173,928	1,468	(17,591)	(354)	157,451
Less profits from associate recognized in prior years	(43,701)	-	-	-	(43,701)
Profit/(loss) after taxation	130,227	1,468	(17,591)	(354)	113,750
Interest expense	61,729	10,747	6,929	-	79,405
Interest income	37,664	-	-	-	37,664
31 December 2014					
External sales	1,709,423	155,775	62,471	-	1,927,669
Share of profit of associate company	28,679	-	-	-	28,679
Segment profit/(loss) before taxation	58,121	17,219	(15,572)	(277)	59,491
Income tax (charge)/credit	(25,441)	(4,662)	3,336		(26,767)
Profit/(loss) after taxation	61,359	12,557	(12,236)	(277)	61,403
Interest expense	39,619	12,791	7,863	-	60,273
Interest income	32,778	-	-	-	32,778

c) Segment assets and liabilities

	Kenya	Uganda	Tanzania	Rwanda	Mauritius	Consolidated
31 December 2015						
Segment assets	2,114,019	280,760	1,196	89,804	293	2,486,072
Segment liabilities	844,429	75,696	520	52,945	188	973,778
Depreciation and amortisation expense	64,682	6,471	-	5,195	-	76,348
Capital expenditure	222,444	69,379	-	2,235	-	294,058
Lease prepayments	-	5,942	-	-	-	5,942
31 December 2014						
Segment assets	1,761,868	106,264	1,661	91,825	264	1,961,882
Segment liabilities	416,195	70,012	511	63,390	48	550,156

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Depreciation and amortisation expense	53,125	2,549	-	5,051	-	60,725
Capital expenditure	115,054	-	-	129	-	115,183
Lease prepayments	-	19,140	-	-	-	19,140

d) Information about major customers

No single customer contributed 10% or more to the Group's revenue in both 2015 and 2014.

4 SALES ANALYSIS

	2015 Shs'000	2014 Shs'000
Apparel	1,799,287	1,624,398
Home	289,903	162,748
Sports	294,107	140,523
	2,383,297	1,927,669

5 OTHER INCOME

Management fees	-	25,105
Miscellaneous income	12,222	11,728
	12,222	36,833

6 STAFF COSTS

Salaries	214,517	197,637
Medical costs	13,780	16,077
Pension scheme contributions	9,309	7,039
Leave pay provision	4,531	1,799
Other	45,143	22,333
Total staff costs included in note 7	287,280	244,885

7 ADMINISTRATION EXPENSES

Rent and rates	370,209	271,649
Staff costs (note 6)	287,280	244,885
Depreciation (note 14(a))	70,812	53,532
Utilities	34,414	37,997
Others	51,650	27,269
Directors' emoluments	22,198	20,040
Entertainment and travel	17,744	17,750
Insurance	11,647	13,335
Repairs and maintenance	13,021	12,704
Computer expenses	5,327	8,414
Amortisation of intangible assets (note 15)	4,289	3,987
Bank charges	5,780	3,247
Amortisation of lease prepayments (note 16)	3,778	3,206
Professional fees - consultancy	27,129	3,392
- legal	6,886	3,611
- audit	6,047	6,555
	938,211	731,573

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 SELLING EXPENSES

Turnover commission	67,617	53,014
Advertising	36,176	50,440
Credit cards commission	11,936	15,844
Promotional discounts	28,067	6,131
	143,796	125,429

9 FINANCE COSTS

Interest expense	79,405	60,273

10 PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

Depreciation (note 14(a))	70,812	53,532
Interest expense	79,405	60,273
Amortisation of intangible assets (note 15)	4,289	3,987
Amortisation of lease prepayments (note 16)	3,778	3,206
Auditors' remuneration	6,047	6,555
Directors' emoluments - fees	2,520	2,880
- other	19,678	17,160
Gain on disposal of assets	(62)	-
Profit on disposal of associate	(64,933)	-
Exchange gains	(25,573)	(28,557)

11. TAXATION

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
(A) TAXATION CHARGE				
Current tax based on taxable profit for the year at 30%	11,299	9,849	11,299	9,849
Capital gains tax on sale of business	8,123	-	8,123	-
Prior year under provision of tax	112	6,647	112	6,647
	19,534	16,496	19,534	16,496
Deferred taxation (note 21)				
- Charge for the year	5,238	11,358	6,902	10,032
- Prior year over/(under) provision	3,073	(1,087)	-	(1,087)
	8,311	10,271	6,902	8,945
	27,845	26,767	26,436	25,441

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(B) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX CHARGE/(CREDIT)	Group 2015 Shs'000	Group 2014 Shs'000	Company 2015 Shs'000	Company 2014 Shs'000
Accounting profit/(loss) before taxation	141,595	88,170	200,364	58,121
Tax at applicable rate (30%)	42,479	26,451	60,109	17,436
Tax effect of income not taxable	(27,515)	(10,978)	(40,617)	-
Tax effect of expenses not deductible for tax	9,920	5,734	7,056	2,445
Prior year current tax under provision	(112)	6,647	(112)	6,647
Prior year deferred tax over provision	3,073	(1,087)	-	(1,087)
	27,845	26,767	26,436	25,441
(C) TAXATION RECOVERABLE				
At 1 January	39,545	43,451	16,282	24,486
Paid during the year	13,280	13,401	3,941	8,292
Charge for the year	(19,422)	(9,849)	(19,422)	(9,849)
Prior year under provision	112	(6,647)	112	(6,647)
Translation difference	(1,281)	(811)	-	-
At 31 December	32,234	39,545	913	16,282

12 PROFIT FOR THE YEAR

A profit of Shs 173,928,000 (2014:Shs 32,680,000) has been dealt with in the separate financial statements of the Company, Deacons Kenya Limited.

13 EARNINGS PER SHARE

Earnings per share are calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue in each period as follows:

	2015	2014
Profit attributable to equity holders (Shs'000)	113,750	61,403
Weighted average number of shares	123,558	123,558
Basic earnings per share (Shs)	0.92	0.50

Diluted earnings per share is the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14(a) FURNITURE, FITTINGS AND EQUIPMENT - GROUP

COST	Motor vehicles Shs'000	Computer equipment Shs'000	Furniture, fittings & equipment Shs'000	Work in progress* Shs'000	Total Shs'000
At 1 January 2014	7,271	50,143	547,549	22,367	627,330
Additions	1,253	572	280	113,078	115,183
Disposals	(1,440)	-	(1,672)	-	(3,112)
Write off*	-	-	-	(429)	(429)
Transfers	3,435	515	45,226	(49,176)	-
WIP allocations to intangible assets	-	-	-	(8,779)	(8,779)
Exchange differences **	-	30	(128)	4	(94)
At 31 December 2014	10,519	51,260	591,255	77,065	730,099
At 1 January 2015	10,519	51,260	591,255	77,065	730,099
Additions	-	3,336	66,043	224,679	294,058
Disposals	-	(868)	-	-	(868)
Transfers	-	31,545	101,008	(132,553)	-
WIP allocations to intangible assets	-	-	-	(50,217)	(50,217)
Exchange differences **	-	(185)	(889)	-	(1,074)
At 31 December 2015	10,519	85,088	757,417	118,974	971,998
DEPRECIATION					
At 1 January 2014	5,002	38,516	166,816	-	210,334
Charge for the year	1,038	5,655	46,839	-	53,532
Eliminated on disposals	(1,209)	-	(209)	-	(1,418)
Exchange differences **	-	(8)	56	-	48
At 31 December 2014	4,831	44,163	213,502	-	262,496
At 1 January 2015	4,831	44,163	213,502	-	262,496
Charge for the year	1,434	13,171	56,207	-	70,812
Eliminated on disposals	-	(768)	-	-	(768)
Exchange differences **	-	(149)	(1,236)	-	(1,385)
At 31 December 2015	6,265	56,417	268,473	-	331,155
NET BOOK VALUE					
At 31 December 2015	4,254	28,671	488,944	118,974	640,843
At 31 December 2014	5,688	7,097	377,753	77,065	467,603

*Work in progress relates to fittings under installation in the Kenya and Rwanda stores and the (2014 also included new navision system that was under installation and capitalized in 2015).

**The exchange differences arise from translation of the net book values of furniture, fittings and equipment held by the Group's foreign subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14(b) FURNITURE, FITTINGS AND EQUIPMENT – COMPANY

COST	Motor vehicles Shs'000	Computer equipment Shs'000	Furniture, fittings & equipment Shs'000	Work in Progress Shs'000	Total Shs'000
At 1 January 2014	7,271	48,530	454,820	22,367	532,988
Additions	1,253	572	280	112,949	115,054
Disposals	(1,440)	-	-	-	(1,440)
Write offs	-	-	-	(429)	(429)
Transfers from WIP	3,435	515	45,226	(49,176)	-
WIP allocations to intangible assets	-	-	-	(8,779)	(8,779)
At 31 December 2014	10,519	49,617	500,326	76,932	637,394
At 1 January 2015	10,519	49,617	500,326	76,932	637,394
Additions	-	-	-	222,444	222,444
Disposals	-	(868)	-	-	(868)
Transfers from WIP	-	31,545	101,008	(132,553)	-
WIP allocations to intangible assets	-	-	-	(50,217)	(50,217)
At 31 December 2015	10,519	80,294	601,334	116,606	808,753
DEPRECIATION					
At 1 January 2014	5,002	33,311	139,350	-	177,663
Charge for the period	1,038	4,585	40,347	-	45,970
Eliminated on disposal	(1,209)	-	-	-	(1,209)
At 31 December 2014	4,831	37,896	179,697	-	222,424
At 1 January 2015	4,831	37,896	179,697	-	222,424
Charge for the period	1,434	11,812	45,979	-	59,225
Eliminated on disposal	-	(768)	-	-	(768)
At 31 December 2015	6,265	48,940	225,676	-	280,881
NET BOOK VALUE					
At 31 December 2015	4,254	31,354	375,658	116,606	527,872
At 31 December 2014	5,688	11,721	320,629	76,932	414,970

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	GROUP		COMPANY	
	2015	2014	2015	2014
15 INTANGIBLE ASSETS	Shs'000	Shs'000	Shs'000	Shs'000
– Computer software				
COST				
At 1 January	46,027	37,249	45,797	37,018
WIP allocations from PPE (note 14)	50,217	8,779	50,217	8,779
Exchange differences	(3)	(1)	-	-
At 31 December	96,241	46,027	96,014	45,797
AMORTIZATION				
At 1 January	37,529	33,542	37,379	33,430
Charge for the year	4,289	3,987	4,210	3,949
Exchange differences	(2)	-	-	-
At 31 December	41,816	37,529	41,589	37,379
NET BOOK VALUE				
At 31 December	54,425	8,498	54,425	8,418
16 LEASE PREPAYMENTS				
COST				
At 1 January	40,011	20,871	20,871	20,871
Additions	5,942	19,140	-	-
Exchange differences	(1,401)	-	-	-
At 31 December	44,552	40,011	20,871	20,871
AMORTIZATION				
At 1 January	17,986	14,780	17,986	14,780
Charge for the year	3,778	3,206	1,247	3,206
Exchange differences	(1)	-	-	-
At 31 December	21,673	17,986	19,233	17,986
NET BOOK VALUE				
At 31 December	22,789	22,025	1,638	2,885

Lease prepayments represent payments made towards acquisition of lease rentals for business premises. The expenditure is amortized over the term of the respective leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 INVESTMENT IN SUBSIDIARIES	2015 Shs'000	2014 Shs'000
Unquoted investment at cost in wholly owned subsidiaries:	20,018	20,018

Details of the Company's subsidiaries are as follows:

Company	*Share capital Shs '000*	*Country of Incorporation*	*Principal activity*	*Percentage holding*
Deacons 2002 Limited	20,000	Kenya	Not trading **	100%
Nyoya Limited	18	Kenya	Not trading **	100%
Deacons Mauritius Limited*	-	Mauritius	Operates as an investment company.	100%

* Amounts involved are less than Shs 1,000 and convert to zero on rounding.
** Deacons Kenya Limited owes Deacons 2002 Limited and Nyoya Limited a total of Shs 62 million (note 20(c)) and therefore the directors have determined that the investment in the subsidiaries is not impaired.

Deacons Mauritius Limited, a wholly owned subsidiary of Deacons Kenya Limited has the following subsidiaries:

Company	*Share capital Shs '000*	*Country of Incorporation*	*Principal activity*	*Percentage holding*
Deacons Uganda Limited	USh 12,300	Uganda	Retailing of franchise products	100%
Deacons Rwanda Limited	RWF 119,700	Rwanda	Retailing of franchise products	100%
Tanzania Fashion Stores Limited	TSh 10,000	Tanzania	Retailing of franchise products (discontinued in 2011and remains dormant)	100%

The relevant activities of the subsidiaries are determined by their board of directors based on simple majority votes where each share carries one vote. Therefore, the directors of the Group concluded that the Group has control over all these subsidiaries and consequently the financial statements of the subsidiaries are consolidated in the financial statements of Deacons Kenya Limited.

The company increased the share capital of Deacons Uganda Limited through its Mauritius subsidiary on 5 February 2015 from USh 10,000,000 to USh 12,300,000. The shares were issued at a premium resulting in share premium of USh 2,297,700.

The shares were issued via partial capitalization of amounts owing to the holding company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 INVESTMENT IN ASSOCIATE

(a) Movement

	GROUP		COMPANY	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Woolworths (Kenya) Proprietary Limited:				
At 1 January	162,751	134,072	119,050	119,050
Results for the year:				
Share of profit before taxation	77,124	38,702	-	-
Share of tax charge	(23,292)	(10,023)	-	-
	53,832	28,679	-	-
Capitalisation of loan	138,938	-	138,938	-
Disposal	(355,521)	-	(257,988)	-
At 31 December	-	162,751	-	119,050

The holding in Woolworths (Kenya) Proprietary Limited represented 49% of the issued ordinary share capital. The associate is a limited liability company incorporated and domiciled in Kenya. Its principal activity is the retailing of apparel products.

The Investment held in Woolworths (Kenya) Proprietary Limited was disposed off on 31 December 2015.

(b) Profit on disposal of associate:

	GROUP		COMPANY	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Proceeds of disposal	420,454	-	420,454	-
Disposal	(355,521)	-	(257,988)	-
Profit on disposal	64,933	-	162,466	-

(c) Loan to associate

In the year 2013, Deacons Kenya Limited advanced a loan of Shs 357,150,764 to Woolworths (Kenya) Proprietary Limited as a Shareholder's loan in accordance with the terms of a shareholder's agreement entered into during the sale of Woolworths business franchise to Woolworths (Kenya) Proprietary Limited. The loan was unsecured and had no fixed term of repayment. However, repayment of the loan, or any part thereof shall be in the event the directors of the borrower reasonably believe that any repayment of the loan or part thereof can reasonably be paid by the borrower having due regard to the future cash flows of the borrower. Accordingly, the loan has not been considered as part of the net investment in the associate as required by IAS 28 as the associate is actively repaying the loan. The interest rate applicable to the loan is based on the 90 day Government of Kenya Treasury Bill rate compounded bi-annually which is added to the capital outstanding. The effective interest rate on the loan at 31 December 2014 was 8.93%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 INVESTMENT IN ASSOCIATE (Continued)

(c) Loan to associate (Continued)

	2015 Shs'000	2014 Shs'000
The movement in loan balance during the year was as follows:		
At 1 January	297,735	308,151
Interest capitalized	33,973	-
Repayments received in the year	(192,770)	(10,416)
Loan converted to shares (note 19 a)	(138,938)	-
At 31 December	-	297,735

The company sold all its shares in Woolworths (Kenya) Proprietary Limited as of 31 December 2015. Part of the loan was capitalized before the sale was concluded.

	GROUP		COMPANY	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
19 TRADE AND OTHER RECEIVABLES				
Amounts falling due within one year:				
Trade receivables	50,884	43,262	50,884	43,075
Other receivables and prepayments	37,525	36,040	12,758	22,987
Due from staff on share scheme	22,917	5,159	22,917	5,159
Due from Woolworths Holding (Mauritius) Limited	420,454	-	420,454	-
	531,780	84,461	507,013	71,221
Amounts falling due after one year:				
Other receivables and prepayments				
- rental deposits	41,204	46,157	41,204	46,157
Due from staff on share scheme	-	18,105	-	18,105
	41,204	64,262	41,204	64,262

The amounts due from Woolworths Holding (Mauritius) Limited on sale of the 49% shareholding in Woolworths (Kenya) Proprietary Limited was received on 3 February 2016 and 4 February 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	GROUP		COMPANY	
	2015	2014	2015	2014
20 RELATED PARTIES	Shs'000	Shs'000	Shs'000	Shs'000
a) Due from related parties:				
Amounts falling due within one year:				
Deacons Rwanda Limited	-	-	49,521	25,266
Deacons Uganda Limited	-	-	174,828	84,063
Woolworths (Kenya) Proprietary Limited	-	10,477	-	10,477
	-	10,477	224,349	119,806
Amounts falling due after one year:				
Deacons Mauritius Limited	-	-	150,823	59,534

These balances arose from payments made by the Company on behalf of the related parties and investment in foreign subsidiaries through Deacons Mauritius Limited.

	COMPANY	
	2015	2014
	Shs'000	Shs'000
(b) Due to related parties:		
Amounts falling due within one year:		
Deacons 2002 Limited	43,709	43,709
Nyoya Limited	18,776	18,776
	62,485	62,485

These balances arose from the transfer of furniture, equipment and inventories from the subsidiaries to the holding company at close of business on 31 December 2009 as part of reorganisation of the Group.

(c) Remuneration of Directors and key management compensation

The remuneration of directors and other members of key management during the period were as follows:		
Salaries and other benefits	82,886	65,939
Directors' remuneration;		
Fees for services as directors-non executive directors	2,520	2,880
Other emoluments to executive directors (included in key management compensation above)	19,678	17,160
	22,198	20,040

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 DEFERRED TAXATION	GROUP 2015 Shs'000	GROUP 2014 Shs'000	COMPANY 2015 Shs'000	COMPANY 2014 Shs'000
The deferred taxation is attributable to the following items:				
Accelerated capital allowances	(25,217)	(11,915)	(21,528)	(15,947)
Unrealised exchange (gains)/losses	(5,748)	(301)	(5,274)	252
Leave pay provision	4,602	3,865	4,602	3,865
Bonus provision	857	3,965	857	3,965
General provisions	3,156	3,227	868	-
Tax losses	56,752	44,413	27,652	21,944
	34,402	43,254	7,177	14,079
The movement in the deferred tax account is as follows:				
At 1 January	43,254	54,043	14,079	23,024
Charged to profit for the year (Note 11)	(5,238)	(11,358)	(6,902)	(10,032)
Prior year over provision	(3,073)	1,087	-	1,087
Translation adjustment	(541)	(518)	-	-
At 31 December	34,402	43,254	7,177	14,079
Comprising:				
Deferred taxation asset	39,568	43,254	14,079	14,079

Tax losses relate to losses in three subsidiaries, Deacons Uganda Limited amounting to UGX 1,056,340,000 (2014 - UGX 535,940,000), Tanzania Fashion Stores Limited amounting to TShs 1,755,366,794 (2014 - TShs 1,757,130,000) and Deacons Rwanda Limited RWF 474,978,020 (2014: RWF 436,301,000) as well as the holding company Shs 92,174,248 (2014 - Shs 73,147,000). Under the Ugandan and Tanzanian tax legislations, tax losses can be carried forward to perpetuity. The tax losses in Kenya and Rwanda must be utilized within 4 to 10 years from the date the losses were incurred. The deferred tax asset relating to Tanzania Fashion Stores Limited was derecognized in the year 2013 due to the continued inactivity of the company.

22 INVENTORIES	GROUP 2015 Shs'000	GROUP 2014 Shs'000	COMPANY 2015 Shs'000	COMPANY 2014 Shs'000
Stock in trade	848,014	670,658	733,236	619,113
Goods in transit	83,965	42,240	83,965	44,767
	931,979	712,898	817,201	663,880

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 SHARE CAPITAL	31 December 2015 Number of shares '000	Share capital Shs'000	31 December 2014 Number of shares '000	Share capital Shs'000
Authorised ordinary shares of Sh 2.50 each				
At 1 January and at 31 December	123,600	309,000	123,600	309,000
Issued and fully paid up share capital:				
At 1 January and at 31 December	123,558	308,896	123,558	308,896

24 TRADE AND OTHER PAYABLES	GROUP 2015 Shs'000	2014 Shs'000	COMPANY 2015 Shs'000	2014 Shs'000
Trade payables	158,174	217,237	113,520	174,242
Other payables and accruals	145,484	86,337	128,966	77,903
Leave pay provision	15,341	12,883	15,341	12,883
	318,999	316,457	257,827	265,028

	GROUP		COMPANY	
2015	2014	2015	2014	
25 BORROWINGS	Shs'000	Shs'000	Shs'000	Shs'000
Bank overdraft - KCB Rwanda Limited	9,736	1,660	-	-
Bank overdraft - NIC Bank Limited	33,767	-	33,767	-
Bank overdraft - Barclays Bank of Kenya Limited	1,123	-	1,123	-
Bank overdraft - Bank of Africa Kenya Limited	15,066	32,192	15,066	32,192
Total overdrafts	59,692	33,852	49,956	32,192
Loan - Barclays Bank of Kenya Limited	-	83,333	-	83,333
Loan - NIC Bank Limited	441,226	-	441,226	-
Loan - Bank of Africa Kenya Limited	95,420	35,642	95,420	35,642
Loan - Bank of Africa Uganda Limited	31,501	46,747	-	-
Loan - KCB Rwanda Limited	26,940	34,125	-	-
Total loans	595,087	199,847	536,646	118,975
	654,779	233,699	586,602	151,167

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	GROUP		COMPANY	
	2015	2014	2015	2014
25 BORROWINGS (continued)	Shs'000	Shs'000	Shs'000	Shs'000
Maturity analysis:				
Repayable within one year – overdraft	59,692	33,852	49,956	32,192
Repayable within one year – bank loan	204,455	61,466	179,714	48,614
Total repayable within one year	264,147	95,318	229,670	80,806
Bank loan repayable – within 2 - 3 years	179,198	128,581	145,498	60,561
– within 4 - 5 years	211,434	9,800	211,434	9,800
Total repayable after 1 year	390,632	138,381	356,932	70,361
	654,779	233,699	586,602	151,167
Analysis by currency:				
Kenya shillings	586,602	151,167	586,602	151,167
Uganda shillings	31,501	46,747	-	-
Rwandan Francs	36,676	35,785	-	-
	654,779	233,699	586,602	151,167

The loan and overdraft facilities with Barclays Bank of Kenya Limited attracted interest at a rate one percentage point less than the bank's base rate of 18% (2014 – 18%) The loan and bank overdraft facilities were secured to the extent of Shs 493,000,000 by a debenture over all the present and future assets of Deacons Kenya Limited, Nyoya Limited and Deacons 2002 Limited. These loans were paid off during the year and the debentures released.

The loan and overdraft facilities with Bank of Africa Limited attracts interest at 15% (i.e. KBRR (8.54%) + 6.46%), (2014 - 14%). They are secured by deed of variation to expunge any reference to Barclays Bank of Kenya from an initial debenture over the assets of the Company for the sum of Shs 100, million, a further debenture of Shs 100 million to make an aggregate, 'all assets debenture' of Shs 200,000,000 ranking pari passu with NIC Bank Limited as well as an inter-lenders agreement between BOA Kenya and NIC Bank.

The loan and overdraft from NIC Bank Limited is secured by an all assets debenture over the company's assets registered and stamped to cover Shs 480 million, USD 570,000 and ZAR 16,100,000 to be shared on a parri passu basis with Bank of Africa Limited. Interest is charged at 21%.

The loan and overdraft from Bank of Africa Uganda Limited is secured against a corporate guarantee from Deacons Kenya Limited for Shs 50 million. Interest is charged at 1.5% above the bank's base rate of 26.5% (2014 – 21%).

The overdraft facility with KCB Rwanda Limited attracts interest at the rate of 18.5% (2014 – 18.5%). The Company has banking facilities comprising overdraft, letter of credit and a term loan secured against a corporate guarantee from Deacons Kenya Limited for RWF 511.9 million. The undrawn banking facility at the close of the year was RWF 2.4 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	COMPANY 2015 Shs'000	2014 Shs'000
(a) Reconciliation of profit before taxation to cash generated from operations;		
Profit before taxation from continuing operations	141,595	88,170
Adjustments for:		
Depreciation (note 14(a))	70,812	53,532
Amortisation of intangible assets (note 15)	3,778	3,987
Amortisation of lease prepayments (note 16)	4,289	3,206
(Gain)/loss on disposal of equipment	(62)	(590)
Interest on borrowings (note 8)	79,405	60,273
Share of profit from associate (note 18(a))	(53,832)	(28,679)
Profit from sale of associate (note 18(b))	(64,933)	-
Interest receivable from associate capitalized (note 18(c)	(33,973)	-
Write-off of work in progress (note 14(a))	-	429
Adjusted profit before working capital changes	147,079	180,328
(Increase)/decrease in inventories	(219,081)	30,998
(Increase)/decrease in trade and other receivables	(424,261)	18,362
(Decrease)/increase in trade and other payables	2,542	3,141
Decrease in due from related parties	10,477	47,928
Cash (used in)/generated from operations	(483,244)	280,757
(b) Movement in bank loans		
At 1 January	199,847	303,941
Received during the year	528,791	-
Paid during the year	(133,551)	(104,094)
At 31 December	595,087	199,847
(c) Analysis of the balances of cash and cash equivalents as shown in the statement of financial position		
Bank balances	193,996	45,886
Cash balances	2,420	2,487
Bank and cash balances	196,416	48,373
Bank overdraft (note 25)	(59,692)	(33,852)
	136,724	14,521

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing on the return to the Group.

(i) Price risk

The Group and Company do not hold investments that would be subject to price risk; hence this risk is not applicable.

(ii) Foreign currency exchange risk

The Group translates transactions that are denominated in foreign currencies at the rates in effect on the date of each transaction. It retranslates monetary assets and liabilities denominated in foreign currencies at the rates of exchange in effect at the end of each reporting period. All the gains or losses arising from the changes in the currency exchange rates are accounted for in profit or loss. The company has a facility with NIC Bank Limited for currency forward contracts of USD 50,000 which is utilized when required.

At the end of each reporting period, if the South African Rand, US dollar and Sterling Pound had strengthened/weakened by 10% respectively against the Kenya shilling, with all other variables held constant, the sensitized effect on profit or loss would have been an decrease/increase in profit before tax by Shs 21,027,100 (2014 – Shs 9,721,100), mainly as a result of the foreign currency denominated net liabilities.

Below is a summary of the foreign currency denominated financial assets and liabilities at their carrying amounts.

	ZAR Shs'000	USD Shs'000	GBP Shs'000	Total Shs'000
GROUP				
At 31 December 2015				
Bank overdraft	(96)	(951)	(13,212)	(14,259)
Trade payables	(72,703)	(81,060)	(2,512)	(156,275)
Net foreign currency exposure	(72,799)	(82,011)	(15,724)	(170,534)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(ii) Foreign currency exchange risk (continued)

Summary of the foreign currency denominated financial assets and liabilities at their carrying amounts (Continued).

GROUP	**ZAR Shs'000**	**USD Shs'000**	**GBP Shs'000**	**Total Shs'000**
At 31 December 2014				
FINANCIAL ASSETS				
Bank balances	3,336	57	262	3,655
FINANCIAL LIABILITIES				
Trade payables	(134,995)	(20,019)	(3,150)	(158,164)
Net foreign currency exposure	(131,659)	(19,962)	(2,888)	(154,509)

COMPANY	**ZAR Shs'000**	**USD Shs'000**	**GBP Shs'000**	**Total Shs'000**
At 31 December 2015				
FINANCIAL LIABILITIES				
Bank balances	(96)	(1,105)	(13,212)	(14,413)
Trade payables	(72,703)	(49,259)	(2,512)	(124,474)
Net foreign currency exposure	(72,799)	(50,364)	(15,724)	(138,887)
At 31 December 2014				
FINANCIAL ASSETS				
Bank balances	3,336	36	262	3,634
FINANCIAL LIABILITIES				
Trade payables	(109,118)	(20,109)	(3,150)	(132,377)
Net foreign currency exposure	(105,782)	(20,073)	(2888)	(128,743)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) 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 is exposed to various risks associated with the effects of fluctuations in the prevailing rates of market interest rates. Interest margin may increase as a result of changes in the prevailing levels of base rates applied by the Group's bankers, Barclays Bank of Kenya Limited (BBK) and Bank of Africa Kenya Limited, based on lending covenants entered into with the Group.

During the reporting period, if the interest rates increased/decreased by 2 percentage points, with all other variables held constant, the sensitized effect on the profit or loss would have been an increase/decrease in profit before tax by Shs 4,970,000 (2014 - Shs 1,240,000).

At 31 December 2015, the Group's outstanding loan due from an associate, Woolworths (Kenya) Proprietary Limited had been fully settled (2014: Shs 297 million). If the interest rates increased/decreased by 2 percentage points, with all other variables held constant, the sensitized effect on the profit or loss would have been an increase/decrease in profit before tax by Nil (2014 - Shs 594,000).

(b) Credit risk

The Group has exposure to credit risk, which is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the trading activities as well as placement and balances with other counterparties. The credit control function assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. In addition, receivable balances are monitored on an on-going basis which minimizes the Group's exposure to bad debts. The Board of Directors has the responsibility of managing the Group's credit risk.

Trade receivables consist of a large number of customers, thereby reducing concentration risk. The bulk of the Group sales are transacted in cash or by credit card, which significantly reduces the exposure to credit risk. For credit sales, management assesses the credit quality of each customer, taking into account their financial position, past experience and other factors.

The amount that best represents the maximum exposure to the credit risk as at the end of each period is made up as follows:

GROUP 31 December 2015	**Fully performing Shs'000**	**Past due Shs'000**	**Impaired Shs'000**	**Total Shs'000**
Trade receivables	49,908	976	-	50,884
Bank balances	193,996	-	-	193,996
	243,904	976	-	244,880

(b) Credit risk (continued)

The amount that best represents the maximum exposure to the credit risk as at the end of each period is made up as follows:

COMPANY	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total Shs'000
31 December 2014				
Trade receivables	43,262	-	-	43,262
Bank balances	45,886	-	-	45,886
Due from related parties	10,477	-	-	10,477
Loan to associate	297,735	-	-	297,735
	397,360	-	-	397,360

COMPANY				
31 December 2015				
Trade receivables	49,908	976	-	50,884
Bank balances	154,156	-	-	154,156
Due from related parties	375,172	-	98,704	473,876
	571,236	976	-	678,916
31 December 2014				
Trade receivables	43,075	-	-	43,075
Bank balances	32,553	-	-	32,553
Due from related parties	179,340	-	98,704	278,044
Loan to associate	297,735	-	-	297,735
	552,703	-	98,704	651,407

Bank balances are fully performing since they are not restricted.

The customers under the fully performing category are paying their debts as they continue trading. The debt that is past due is not impaired and continues to be paid. The finance department is actively following this debt. The impaired debt is fully provided for.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations related to its financial liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analyses the financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

(c) Liquidity risk (continued)

GROUP	Less than 1 month Shs'000	1 – 3 months Shs'000	3-12 months Shs'000	Over 12 months Shs'000	Total Shs'000
At 31 December 2015					
Financial assets					
Trade receivables	26,905	7,840	16,139	-	50,884
Related party receivables	-	-	-	-	-
Loan to associate	-	-	-	-	-
Bank balances	192,875	-	-	-	192,875
Total financial assets	219,780	7,840	16,139	-	243,759
Financial liabilities					
Trade payables	13,462	59,572	85,140	-	158,174
Borrowings	104,371	25,608	134,168	390,632	654,779
Total financial liabilities	117,833	85,180	219,308	390,632	812,953
Net liquidity gap	101,947	(77,340)	(203,169)	(390,632)	(569,194)
At 31 December 2014					
Financial assets					
Trade receivables	2,250	7,623	33,389	-	43,262
Related party receivables	-	-	10,477	-	10,477
Loan to associate	-	-	297,735	-	297,735
Bank balances	46,019	-	-	-	46,019
Total financial assets	48,269	7,623	341,601	-	397,493
Financial liabilities					
Trade payables	18,149	37,136	161,952	-	217,237
Borrowings	33,852	15,366	46,100	138,381	233,699
Total financial liabilities	52,001	52,502	208,052	138,381	450,936
Net liquidity gap	(3,732)	(44,879)	133,549	(138,381)	(53,443)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 Financial Instruments And Risk Management (Continued)

COMPANY (continued)	Less than 1 month Shs'000	1 – 3 months Shs'000	3-12 months Shs'000	Over 12 months Shs'000	Total Shs'000
(c) Liquidity risk (continued)					
At 31 December 2015					
Financial assets					
Trade receivables	26,095	7,840	16,139	-	50,884
Due from related parties	22,435	134,609	67,305	-	224,349
Loan to associate	-	-	-	-	-
Bank balances	154,156	-	-	-	154,156
Total financial assets	203,496	142,449	83,444	-	429,389
Trade payables	9,082	19,298	85,140	-	113,520
Borrowings	101,498	16,989	111,183	356,932	586,602
Total financial liabilities	110,580	36,287	193,323	356,932	700,122
Net liquidity gap	92,916	106,162	(112,879)	(356,932)	(270,733)
At 31 December 2015					
Financial assets					
Trade receivables	2,188	7,561	33,326	-	43,075
Due from related parties	11,623	72,440	35,743	-	119,806
Loan to associate	-	-	297,735	-	297,735
Bank balances	32,553	-	-	-	32,553
Total financial assets	46,364	80,001	366,804	-	493,169
Financial liabilities					
Trade payables	14,520	29,041	130,681	-	174,242
Borrowings	32,192	12,154	36,460	70,361	151,167
Total financial liabilities	46,712	41,195	167,141	70,361	325,409
Net liquidity gap	(348)	38,806	199,603	(70,361)	167,760

28 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the parameters determined by the directors.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group's and Company's capital and gearing are presented below:

	2015	2014
GROUP	**Shs'000**	**Shs'000**
Share capital	308,896	308,896
Share premium	548,803	548,803
Retained earnings	674,909	561,159
Translation reserve	(20,314)	(7,132)
Equity	1,512,294	1,411,726
Borrowings	654,779	233,699
Less: bank and cash balances	(196,416)	(48,373)
Net borrowings	458,363	185,326
Gearing	30%	13%
COMPANY		
Share capital	308,896	308,896
Share premium	548,803	548,803
Retained earnings	744,596	570,668
Equity	1,602,295	1,428,367
Borrowings	586,602	151,167
Less: bank and cash balances	(156,576)	(34,907)
Net borrowings	430,026	116,260
Gearing	27%	8%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OPERATING LEASE COMMITMENTS

The total future minimum lease payments due to third parties under non-cancellable operating leases relating to retail outlets and offices are as follows:

	2015 Shs'000	2014 Shs'000
Within 1 year	244,043	31,296
Within 2 to 3 years	404,115	140,157
Within 3 to 5 years	435,623	352,218
Over 5 years	124,393	611,978
	1,208,174	1,135,649

30 CAPITAL COMMITMENTS

Authorised but not contracted for	248,725	19,507

This related to commitments that the Company made towards the development of new stores during the year. The Group had no authorised and contracted for commitments at 31 December 2015 and 31 December 2014.

31 CONTINGENT LIABILITIES

The Group has exposure to banks who have issued stand-by letters of credit in favour of key suppliers aggregating in total to South African Rands 25 Million and United States Dollars 550,000 all totalling to an amount equivalent to Shs 225 Million (2014 stand-by letters of credit in favour of key suppliers aggregating in total to Rands 10 million and US$ 411,300 all totalling to an amount equivalent to Shs 118 million).

32 INCORPORATION

The Company is domiciled and incorporated in Kenya under the Kenyan Companies Act.

33 CURRENCY

The consolidated financial statements are presented in Kenya Shillings thousands (Shs'000).

APPENDIX I: COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 Shs'000	2014 Shs'000
SALES		2,062,358	1,709,423
COST OF SALES		(1,097,487)	(910,140)
GROSS PROFIT		964,871	799,283
OTHER INCOME		9,140	36,782
Gain on sale of associate		162,466	-
INTEREST INCOME		37,664	32,778
		1,174,141	868,843
ADMINISTRATION EXPENSES	Appendix II	(815,687)	(666,553)
SELLING EXPENSES	Appendix II	(122,930)	(118,691)
FINANCE COSTS		(61,729)	(39,619)
NET FOREIGN EXCHANGE GAINS		26,569	14,141
TOTAL EXPENSES		(973,777)	(810,722)
PROFIT BEFORE TAXATION		200,364	58,121
TAXATION CHARGE		(26,436)	(25,441)
PROFIT FOR THE YEAR		173,928	32,680
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		173,928	32,680

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APPENDIX II: COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	Shs'000	Shs'000
ADMINISTRATION EXPENSES		
Rent and rates	309,737	244,633
Staff costs	270,713	236,517
Depreciation	59,225	45,970
Electricity and water	27,933	32,086
Directors' emoluments	21,107	19,634
Entertainment and travel	14,071	16,458
Others	31,855	13,249
Repair and maintenance	11,644	12,070
Bank charges	4,655	2,914
Computer expenses	5,327	8,414
Amortisation of lease prepayments	1,247	3,206
Amortisation of intangible asset	4,210	3,949
Insurance	9,504	11,200
Telephone, postage and courier	5,615	6,062
Professional fees – consultancy	25,225	2,537
– legal	6,886	3,488
– audit	3,400	3,000
Provision for doubtful debts	3,333	1,166
	815,687	666,553
SELLING EXPENSES		
Advertising and promotions	36,048	50,150
Turnover commission	66,533	47,561
Promotional discounts	654	5,610
Credit cards commission	19,695	15,370
	122,930	118,691

NOTES

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PROXY FORM

I/WE ____

OF ____

Being a member/ members of the above-named Company, hereby appoint:

____

OF ____

or failing him ____

OF ____

as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 5th day of May 2016 and at any adjournment thereof.

As witness my/our hand this ____________________ day of ____________________ 2016

Signature ____

Signature ____

Note:

1. In the case of a member being a limited company, this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
2. Proxies must be deposited with the Share Registrars, CDSC Registrars Limited, Nation Centre, 10th Floor, Kimathi Street, Nairobi not later than 48 hours before the time of holding the meeting.

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CDSC Registrars Limited

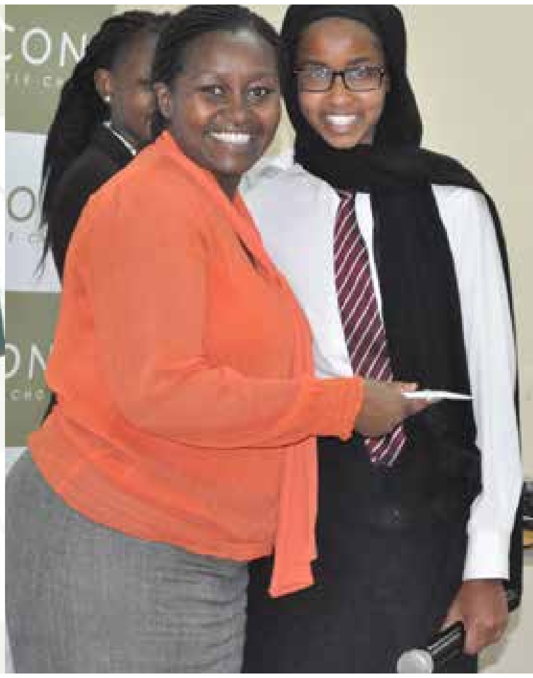
10th Floor, Nation Centre, Kimathi Street

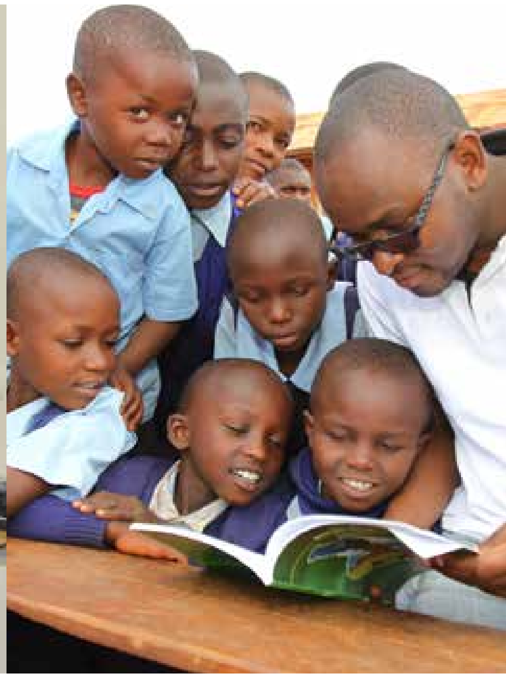
Telephone: 020 - 2912000

P.O. Box 3464-00100, Nairobi

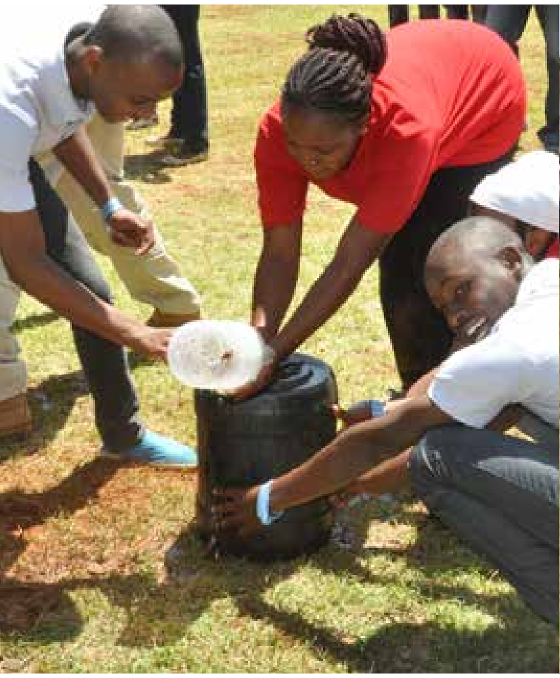
CUT HERE

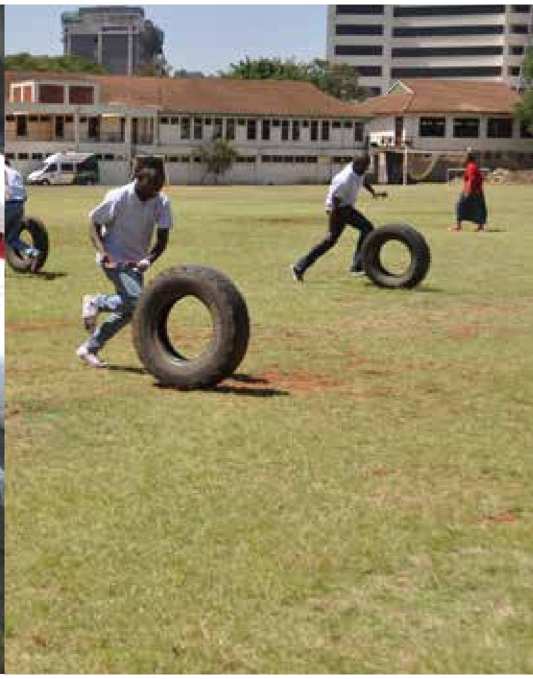
CORORATE SOCIAL RESPONSIBILITY

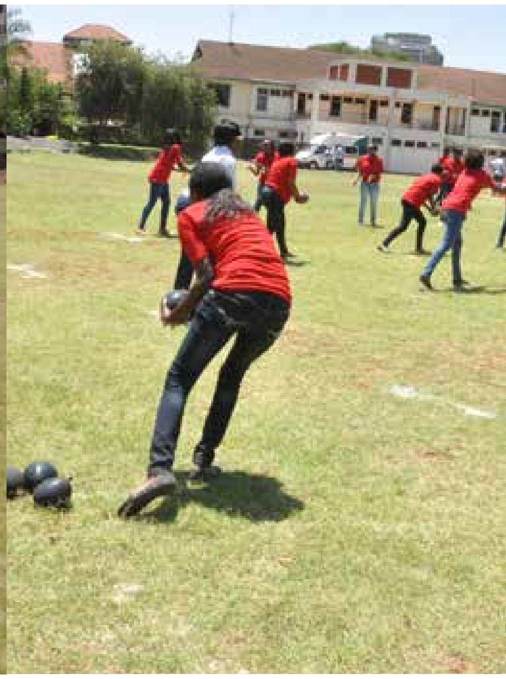




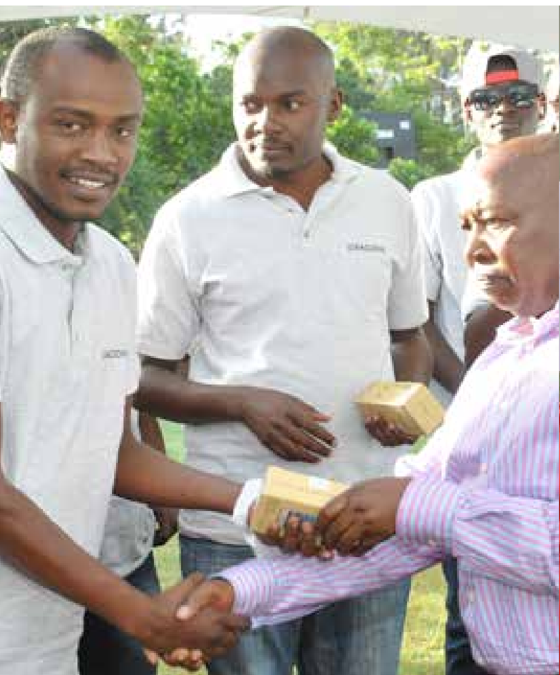
TEAM BUILDING

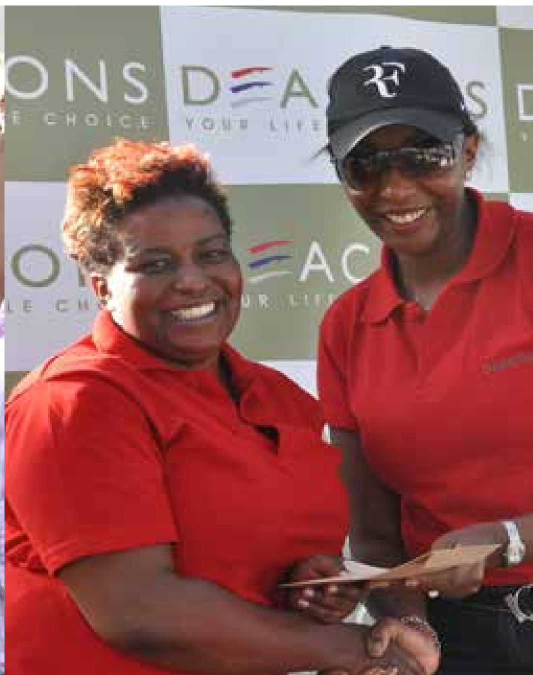


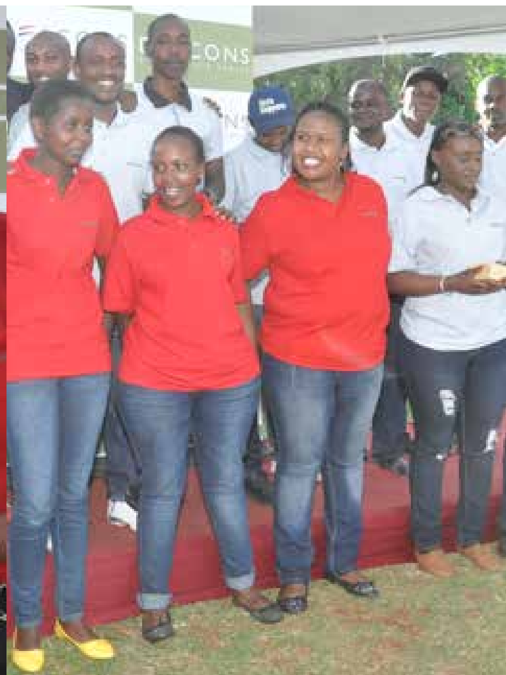




REWARD AND RECOGNITION







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